LOWES

Where personal finances are cared for personally

January 2007

"The best part of beauty is that which no picture can express."

– Francis Bacon

INSIDE – How Business Property Relief can cut IHT

Pension loopholes closed

ON PENSIONS A-DAY, 6 April 2006, the Government attempted to simplify the extremely complex rules surrounding UK pensions.

However, this process created a number of unforeseen 'loopholes' which enabled people to save or potentially avoid tax. In the December Pre-Budget report, the Government closed these loopholes:

Pension Term Assurance (PTA):

- After 6 April it became possible for people to purchase a form of term life assurance known as PTA as a stand alone product, whereas previously it could only be purchased as part of a pension scheme.
- Buyers of PTA qualify for tax relief on the premiums at their marginal rate of income tax – 22 per cent for a basic rate taxpayer, and 40 per cent for those paying the higher rate. The government has now ended this, although there will be no impact on policies taken out prior to 6 December 2006.

Alternatively Secured Pensions (ASP):

- A new product introduced on A-Day, this would potentially have enabled people to defer taking a pension income entirely if they had no need to, and then to have allowed them to transfer the unused pension funds free of tax to other pension scheme members on their death.
- The rules have been changed so that people with ASPs must take a minimum level of income each year and, in addition, any ASP funds remaining on death will only escape tax if they are used to pay a dependant's pension benefits, are paid to charity or, in some cases, repaid to the employer.

Who won the 2006 FTSE competition?

CONGRATULATIONS TO MR ROBIN MCDERMOTT from York. After a nail biting 12 months, he is the winner of our 2006 'Predict the FTSE 100' competition and receives six bottles of Moët Champagne!

Last January we asked you to predict what you thought the level of the FTSE 100 would be at the close of business on 31 December, 2006. Mr McDermott predicted that it would reach 6219.7 – extremely close to the actual level of 6220.8.

This year we're also inviting our clients' friends to enter our 2007 competition – **Predict the Portfolio**. For full details, see page 6.

Bond turns 50

IT IS 50 YEARS SINCE PREMIUM Bonds were launched onto the British savings scene. Dismissed as a "squalid raffle" by the then Shadow Chancellor, Harold Wilson, they have gone from strength to strength. Currently, 23 million people hold bonds worth more than £32 billion.

But do they offer a good deal? The big appeal is the chance to win tax-free prizes up to £1 million without risk to capital.

The chance of an individual bond winning any prize is currently 24,000 to one, while the odds of winning the £1 million monthly jackpot with a £1,000 investment are 6.87 million to one.

NS&I says that with "average luck" a premium bond holder with the maximum £30,000 invested could expect to win 15 prizes a year, with a minimum single prize of £50. Currently, about 315,000 people hold the maximum £30,000 investment. But some bondholders are luckier than others. Also, in contrast to cash or equity investments, you receive no interest or dividends, while inflation reduces the real value of a holding. Average inflation of 2.5 per cent over 10 years would reduce £100 to £77 in real terms.

The money paid out each month – the 'monthly prize fund' – is a variable amount calculated by working out one month's interest on the total value of all eligible premium bonds, and this rate rises or falls in line with movements in the base rate. Interest on the fund rose from 3.15 per cent (tax-free) last November to 3.55 per cent for December's 50th anniversary draw, but then fell back to 3.4 per cent for January.

One thing to remember is that bonds are entered into the prize draw the month after purchase. As such, it pays to keep any money earmarked for Premium Bonds in a high interest account and only invest towards the end of a month.

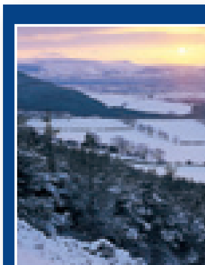
Make your money work

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

Amount	Provider	Account	Gross Rate	Contact
Branch Based				
£1+	Co-op Bank	Smart Saver	4.25%	Branch[1]
Postal or Telephone				
£1+	Birmingham Midshires	Direct Telephone Savings Account	5.25%	0845 603 8027 for application form and information pack[2]
Internet				
£1+	Birmingham Midshires	Internet Saver	5.25%	www.askbm.co.uk[2]
£1+	Sainsbury's Bank	Internet Saver	5.25%	www.sainsburysbank.co.uk
£1,000+	Bradford & Bingley	eSaver	5.35%	www.bradford-bingley.co.uk[3]

Note 1. Account can also be accessed at your local post office. Note 2. Guarantees to pay 0.25% over the ING Direct rate until 01/08/2008. Note 3. Rate guaranteed to at least match the Bank of England Base Rate plus 0.25% until 30/06/2007.

Sources: www.thisismoney.com, www.everyinvestor.co.uk, 04/01/2007 All accounts subject to terms and conditions



The photograph on this issue's cover shows the Cleveland Hills in North Yorkshire

Treasury changes ISA rules

NEW ISA RULES TO BE introduced later this year will remove the distinction between mini and maxi-ISAs. You will also have more flexibility on how you split your investments between cash and shares.

Previously, if you paid money into a cash mini-ISA you could only invest up to £4,000 in a share mini-ISA.

Under the new rules you will be able to invest any proportion of your £7,000 allowance as cash – up to a maximum £3,000 – and the rest in stocks and shares. So if you had £1,000 in cash, you could invest up to £6,000 into shares.

You will also be able to switch cash ISA funds into stocks and shares, and personal equity plans (PEPs) will become ISA accounts. The changes are expected to take effect from the beginning of the next tax year.

Sisters challenge civil partnerships

IT'S NOW JUST OVER A YEAR since the Civil Partnership Act 2004 came into force, making it possible for friends or cousins of the same sex to effectively 'marry' and therefore pass on assets free of inheritance tax after their death.

Civil partnerships were intended to give gay and lesbian couples legal recognition, but they do not preclude any two individuals of the same sex – except direct family members – from forming a civil partnership to take advantage of the tax breaks.

Over the past year Lowes has advised a number of clients on civil partnerships. In one case, two older ladies had pooled their resources to buy a property and live as companions. As a consequence of their civil partnership, on the first death of one of them, their share of the property can pass to the other without any IHT liability.

In a recent twist, two octogenarian sisters took the British government to the European Court of Human Rights arguing that any two people, including family members such as two sisters, should be able to contract partnerships to take advantage of the tax incentives.

However, the sisters, Joyce Burden, 88, and Sybil Burden, 81, lost their case by a majority of four judges to three when it was heard in December. They are now considering an appeal.

■ *For more information, contact your Lowes' consultant or call 0845 1 484848.*

COMMENT

What's the Logo?

A CLIENT ASKED ME RECENTLY WHAT THE origin of our logo was. I realised that anyone who had become a client in the last six or so years or so may never have been told and so I thought it was time to do so.

Back in the early 1980s it was decided that the company needed a fresh corporate identity and a symbol or logo that would encapsulate its principles. I can vividly remember spending a weekend sitting on the floor of my father's study helping him search piles of reference books for inspiration. After an extensive search, he discovered the Feng in a book on myths and legends.

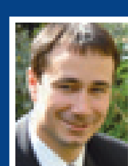
The Feng is the Chinese equivalent of the Phoenix and perfectly symbolised what we were seeking. The full description that appeared in our brochure read:

"Of the four spiritual creatures that guarded the heavens in the ancient Chinese pantheon: the Dragon, the Unicorn, the Tortoise and the Feng; the Feng (Feng Huang) was the most exalted. Said to appear only when the land was at peace and thus not seen in warlike times, it brought with it great health and prosperity and was wished for by young and old alike."

In the mid-1990s we wanted to update our logo and in keeping with the avian theme we adopted the Crane which we use today. We developed this as the basis of our logo because we believe it represents the values that we as a company hold dear. As a Crane shelters and safeguards its offspring within its all encompassing wings, we hold that same responsible attitude towards our clients. The Crane also evokes independence and calm.

2007 is the Company's 35th Anniversary and it is possible that at some point in the next 35 years we'll adapt our logo further. Whatever is developed, however, will be chosen because of its underlying meaning and not just because we think it looks good.

Wishing you a very prosperous 2007.



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. Or write to us at: Lowes Group PLC, FREEPOST NT197, Holmwood House, Clayton Road, Newcastle upon Tyne NE2 1BR. Lowes® Financial Management Limited. Registered in England No: 1115681. Authorised and Regulated by the Financial Services Authority

Forward planning is best way to b

Lowes' consultant, Rod Molyneux, shows how the use of Business Property Relief can help reduce an Inheritance Tax liability ...

THE IMPORTANCE OF PLANNING TO MEET A POTENTIAL Inheritance Tax (IHT) charge was thrown into sharp relief by research published by the Halifax ahead of the December Pre-Budget Report.

It shows that IHT revenue was a record £2.1bn in the first seven months of this financial year, up £175m (9 per cent) from the same period of 2005/06 and higher than the total collected in 1999/00 (£2bn), just seven years ago. Last financial year (2005/06) the government collected £3.3bn in inheritance tax revenue and projects £3.6bn in revenue for 2006/07.

Typically, while many clients are anxious to do all they reasonably can to mitigate a potential IHT charge on their assets, they face two big issues – control and time. It is a fact that many clients do not want to relinquish control over their assets. No one can predict the future and, should their financial circumstances change, they want the security of knowing their money is available if required. In practice, this means they reject gifting money outright because they will have to relinquish total control over their assets.

The other big issue is time. The golden rule of IHT planning is that the sooner you act, the more options you have. Where outright gifts or trust-based IHT schemes are judged to be acceptable, there is a disadvantage. This is, that for such schemes to be entirely effective, one or other spouse must survive for at least another seven years. If both spouses were to die within seven years, then any assets transferred via a gift or a trust-based scheme may still potentially be subject to an IHT charge of 40 per cent.

For younger people who are prepared to plan well ahead, a particularly good option is to purchase one or more Whole of Life insurance policies. On the death of the policyholder(s), these release a tax-free lump sum which can be used by beneficiaries to pay some or all of any IHT liability. These can of course be used by older people, but the disadvantage is that the older you are, the higher the cost.

So, are there any options for people more senior in years who wish to retain as much control as possible over their assets? One option is Business Property Relief.

Case study: Retai

ONE OF MY CLIENTS, A 70 YEAR OLD widow in good health, wanted to shelter £300,000 from IHT. Because she lived in a substantial house and had other assets, all of this £300,000 was potentially liable to the full IHT charge, currently 40 per cent. Her major concern was to retain full control of the money, so gifting it or putting it into a trust were rejected.

On my advice, the £300,000 was invested into a Close Trading Company which would

beat inheritance bills

Business Property Relief and qualifying investments

One solution for older people looking to reduce a potential IHT liability is to make use of Business Property Relief. Business property is a class of investment which can qualify for 100 per cent relief from IHT after just two years of ownership.

The IHT planning objectives can be summarised as follows:

- To provide 100 per cent IHT protection on the capital invested after two years (on the basis of current legislation).
- To provide this protection without the client having to give away or lose control of any assets (e.g. as a gift or as a transfer to a trust)
- To enable the investment to be encashed should the investor's circumstances change and they need the money.
- To offer the investor a potential income stream.

Close Trading Companies

The investment manager Close offers a product range called Close Trading Companies which qualify for full Business Property Relief. Launched 10 years ago, there is now £100 million invested in over 1,200 Close Trading Companies.

In practice, each investor owns 100 per cent of the share capital of one or more Close Trading Companies and selects which qualifying trades and projects they wish to invest in. These include residential development, commercial development, managed public houses and forestry.

Aside from the potential IHT protection, other key points are that the investor retains control without needing the use of a trust, and has the flexibility to withdraw from the investments, either by selling out to another investor, or having the company wound up or dissolved – processes which are handled by Close.

Arguably, because these are trading companies, they are higher risk investments. But by adopting a management strategy of 'safety first', and by carefully structuring the investments, Close aims to minimise the risk and maintain the capital value of the original investment.

- *For more information on Business Property Relief, Close Trading Companies, and the suitability of such investments when it comes to your own IHT planning requirements, contact your Lowes' consultant or call 0845 1 484848.*

ning control and saving tax

provide full relief from IHT just 24 months after the investment was made.

Sadly, my client died unexpectedly just 27 months after making the investment. Fortunately for her beneficiaries, this was three months longer than that required for the Close scheme to benefit from full Business Property Relief for IHT purposes. As such, the investment qualified for 100 per cent IHT relief.

During the 27 month period of the investment, its value also increased to approximately £340,000, all of which was passed on to the beneficiaries. Had the investment been in a form of an IHT plan such as a Discounted Gift Scheme, then seven years would have had to elapse from the start of such a scheme before full IHT relief can be obtained. In this particular case, there would therefore have been a potential IHT liability equal to £136,000!

5 YEARS AGO

How did it perform?

In our ongoing series examining the progress of investment products we featured five years ago in Lowes Magazine, we report on the NDF Recovery Growth Plan …

THE NDF RECOVERY GROWTH PLAN which featured in the January 2002 issue of Lowes was a five-year stockmarket bond designed to offer 100 per cent of the growth in the FTSE 100 Index over five years. Full repayment of capital was also assured, provided the FTSE 100 Index did not fall by more than 50 per cent.

This product does not actually mature until 22 March 2007 and we will, of course, provide a detailed update on this product in the next issue of Lowes Magazine.

However, as an indication of its performance to date the value of the FTSE 100 at 31 December 2006 was 18.28 per cent higher than the starting value for the NDF contract.

Summary of products featured last year in '5 years ago'

AIG Extra Income Bond. Rise (Fall) from 14/11/2001 to 14/11/2005	+31.25% (FTSE 100: +4.4%)
HSBC UK Growth & Income Fund. Rise (Fall) from 14/3/2001 to 14/06/2006	+26.8% (FTSE 100: -0.27%)
Norwich Union With Profit Bond. Rise (Fall) from 3/8/2001 to 7/7/2006	+17.61 (FTSE 100: +6.5%)

COMPETITION

Predict the Portfolio Competition

THIS YEAR, OUR COMPETITION IS ABOUT PORTFOLIOS and concerns the relative performance of the different asset classes within most portfolios. We believe the key to successful investing is a balanced portfolio comprising four main asset classes – equities, bonds, property and cash. So this year, we want you to take a look at the attached competition card and rank from 1 to 4 how these asset classes will perform in 2007. To help you, Figure 1 illustrates their relative performance over the past five years.

We'd also like you to complete a tie breaker. Simply enter on the card (between pages 2 and 3) the percentage figure that you think your preferred asset class will rise by in 2007.

What's more, this year, we'd like you to offer a friend the opportunity to enter. Just tear off the back of the competition card (between pages 6 and 7) and give it them to complete and return.

The winner will receive six bubbling bottles of Moët Champagne! So waste no time! Make sure your entries – and those of your friends – are at our offices by 5pm on Friday 16 February.

Figure 1 – How different UK assets squared up

Rank	2002	2003	2004	2005	2006
1	Commercial Property	Equities	Commercial Property	Equities	Equities
2	Government Bonds	Commercial Property	Equities	Commercial Property	Commercial Property
3	Cash Deposits	Cash Deposits	Government Bonds	Government Bonds	Cash Deposits
4	Equities	Government Bonds	Cash Deposits	Cash Deposits	Government Bonds

Notes: **1.** UK Equities: THE FTSE All Share Index is the aggregation of the FTSE 100, FTSE 250 and the FTSE Small Cap Indices and represents nearly 99 per cent of UK stockmarket capitalisation. The returns include reinvested income net of basic rate tax. **2.** UK Government Bonds: The JP Morgan UK Government Bond Index tracks the total returns of liquid, fixed rate UK Government Bond issues. **3.** UK Commercial Property: The IPD (Investment Property Databank) UK Monthly Index is based on balanced and specialist property unit trusts, pooled pension schemes and unit-linked insurance funds – a total sample of 3,821 properties held in 67 portfolios, worth £49.1 billion that accounts for 15 per cent of the total UK market. This index is published monthly on the 15th of the month, and the Index levels for the competition are 15 December 2006 and 15 December 2007. **4.** UK Cash Deposits: LIBOR (London Interbank Offered Rate) 6 month is the rate at which Banks lend cash to each other, in this case for a six month term.

DIVERSIFICATION

In search of the Holy Grail (of investments that is!)

What's the best way to reduce investment risk, asks Melvyn Bell, Lowes' Investment Manager ...

IN AN IDEAL WORLD, THE 'HOLY GRAIL' of investments – high returns and little risk –would be achievable. Unfortunately, the reality is that the higher the rewards you want, the greater the risks you must take.

As a general rule, if you invest longer term then taking a higher level of risk can be more acceptable because over that time there is a greater probability that investment growth will compensate for the occasional downturn. Unfortunately, not everyone can take such a long-term view, and many investors try and squeeze the maximum returns from the minimum risk.

One way some investors seek to do this is by timing the market – i.e. by selling when markets look uncertain and prices are falling, and then buying back when they think confidence is set to return but before prices rise again. This strategy, known as 'Timing the market', is extremely difficult to achieve. Precisely how difficult was illustrated by Fidelity International in its paper: "When Doing Nothing is Best". This pointed out that had an investor in either the UK or US equity markets missed the best 10 days over the 10 years to 31/12/2005, their annualised return would have been reduced by a third.

A common variation on this theme is to switch between markets as they move in and out of favour. With hindsight it's easy to see when you should switch between assets but without the benefit of hindsight it can be extremely difficult!

This doesn't mean we believe it's impossible to maximise performance while reducing risk. In our view, the best solution is to use what's called 'Modern Portfolio Theory', developed over 50 years ago by Nobel Prize winner Harry Markowitz.

Markowitz believed that by diversifying between a mix of different assets such as cash, stocks, bonds and real estate, it was possible to create a portfolio which had less overall risk than its individual components. He also showed that by adjusting the asset mix it was possible to create portfolios to meet individual requirements for risk and reward. In effect, Markowitz was repeating the old axiom: "Don't put all your eggs in one basket".

Collective funds such as unit trusts and OEICs go some way to providing a degree of diversification because they provide a share in a broad portfolio of the assets. However, most of these funds focus on a specific aspect of investment, e.g. funds in the Investment Managers' Association UK All Companies sector focus specifically on UK company shares.

While these reduce the risk of problems with individual companies, they don't reduce the risk of the UK equity market as a whole experiencing a correction. Similarly, by investing in one unit trust, you rely on the fund manager getting it right. Unfortunately, even the best managers can get it wrong, perhaps because of their particular investment style, or because they misjudge the market.

Consequently, diversification should go further than just investing in a mix of assets. In our view, by spreading investments across a broad rage of quality managers, investment risk can be further reduced.

■ *For more information on how portfolio diversification can meet your investment requirements, contact your Lowes' consultant, or call 0845 1 484848.*

Inflation to end housing boom?

DURING 2006 HOUSE PRICES CONTINUED to rise at a significant pace and the big question is – for how much longer can it continue before there's a correction?

According to the Halifax, house prices rose 1.7 per cent in November bringing the annualised change to 9.6 per cent and the price of the average house to £187,995.

A key factor in sustaining house prices is demand at the bottom end of the market – the traditional preserve of first time buyers. According to the Royal Institution of Chartered Surveyors (RICS): "Mortgage payments for new first time buyers were the highest since 1991 Q4, and we estimate that in Q4 2006 affordability will be the worst since 1991 Q3."

RICS defines 'affordability' as the percentage of take home pay taken up by mortgage payments for the first time buyer in prevailing market conditions. RICS uses the convention of assuming the costs of a mortgage at the beginning of a 25 year term calculated on a repayment basis, but it takes a very realistic approach to earnings, using the average take home pay of one person (currently £20,000 a year), not gross pay (currently £27,000 a year). On this basis, RICS says mortgage repayments for first time buyers consumed 44.9% of take home pay in Q3 2006 compared to a high of 65.5 per cent in Q1 1990 and a low of 27.1 per cent in Q2/Q3 1996. RICS expects it to be 48.6 per cent by the end of 2007.

However, while RICS says that getting on ***and*** staying on the housing ladder will be increasingly difficult for an increasing number of people in 2007, it doubts their difficulties will have a significant market impact. RICS feels housing demand will remain strong as long as disposable income grows rapidly, ***and*** that buy to let investors continue to substitute for first time buyers at the bottom end of the market.

However, much will depend on the prospects for interest rates which will in turn depend largely on inflation.

In the year to November, the Consumer Price Index (CPI) climbed by 2.7 per cent, up from a 2.4 per cent the previous month, the biggest increase since January 1997.

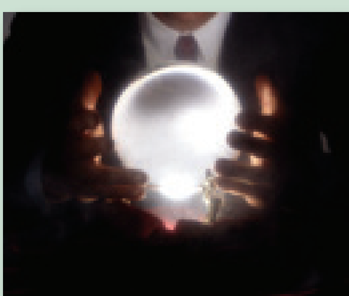
The Retail Price Index (RPI) – which includes interest payments on mortgages, and is the benchmark for pay settlements – climbed 3.9 per cent in the year to November, up from 3.7 per cent in October, the highest since May 1998.

On the basis of these figures, at least one further base rate rise is predicted in early 2007. In anticipation of this, RICS says: "This leads us to expect a continued worsening in affordability conditions and further rises in the level of repossessions."

Even fortune tellers can get it wrong

Lowes' Investment Manager, Melvyn Bell, weighs up the prospects for 2007…

WHAT DOES MY CRYSTAL ball tell me about the best investment markets for 2007?



I think most fund managers (when they are being candid!) would agree that predicting short-term stockmarket movements relies more on luck than judgement. The fact is that some get it right, some get it wrong, and most get it right some of the time.

Foreign & Colonial's Jeremy Tigue is quoted a year ago as saying he thought the FTSE 100 Index would end 2006 at around 5,850, while Legal & General predicted between 5,600 and 5,800. However, as we now know, it ended the year rather better at 6220.8.

Tigue also predicted that European and Japanese markets offered better prospects than the UK. But while he was right about Europe, he was wrong about Japan. While I'm not suggesting that he isn't a good manager (he is) my point is that it's dangerous to base market judgements on rapidly shifting short-term sentiment.

Having said that though, I do believe there are strong reasons to be bullish about British equities for 2007, chiefly because of the relatively benign economic backdrop. For instance, Stephen Whitaker of New Star Asset Management claims the current appetite for foreign takeovers and share buy-backs among UK stocks will provide "structural support" for UK equities in 2007. This, combined with a continuing strong housing market and employment figures, could mean that 2007 will achieve similar returns for equities as 2006. But on the other hand, fund manager Ed Burke of Invesco Perpetual says there's a possibility of a slowdown in the UK economy during 2007 – albeit not a major one – which would have an "inevitable impact" on UK markets.

At the end of the day, notwithstanding what my crystal ball or those of other fund managers say about the best markets to back in the short-term, at Lowes when we construct portfolios we don't try and second guess short-term market conditions. We believe the best way to ensure successful investment in the long-term is to have a diversified portfolio managed by a mix of quality fund managers who get it right most of the time. We feel this approach leaves little to chance and is compatible with the level of risk investors are comfortable with.

PORTFOLIO

Protected plan for bull and bear investors

THE FTSE 100 INDEX FINISHED 2006 AT 6220.8. Investors who are optimistic about the future may feel that, as the stockmarket tends to rise over the long-term and is still more than 10 per cent below the high reached at the end of 1999, there is significant potential for further increases.

Pessimistic investors, on the other hand, may feel that as it has risen almost 90 per cent since the low of March 2003, there is significant potential for a correction.

Whilst we understand that markets do not rise in straight lines and that corrections – both large and small – are always going to occur, we believe that the next five years will be a reasonable period for the FTSE 100 Index and, as such, we expect it to reach new highs. But we could, of course, be wrong!

To satisfy the optimists and those pessimists who don't want to suffer if they are wrong, we're promoting the Barclays Five-Year Protected FTSE Plan. This is designed to repay all of your capital in full when it matures in five years, plus 115 per cent of any rise in the FTSE 100 Index (subject to final year averaging).

So, if the market doesn't rise or even falls over the next five years, all you will have lost is the interest you would have earned on your capital. But if the market rises you will receive your capital plus 115 per cent of that rise. Compare this contract to a FTSE tracker fund and in our opinion it becomes a 'no brainer'. There will be no management fee to potentially impede performance and there will be no 'tracking error'. What's more, unlike a tracker fund, the contract will not show a loss at the end of five years if the market falls, while if the market rises the investment will out perform the Index by 15 per cent!

Whilst the FTSE 100 Index does not take into account the annual dividends paid by the constituent companies, any tracker fund that receives these dividends normally uses them to cover management fees and compensate for a 'tracking error'. As such, they rarely enhance performance beyond the objective of tracking the Index.

What are the downsides?

Firstly, it is a five year investment and as such you should aim to hold it until March 2012. If you, or anyone who inherits the contract on your death, did want access to the capital before its maturity then the return may be less than you invested, even if the Index has risen.

Secondly, there is the averaging. This could lessen the effects of a fall in the final year, but it could also reduce the potential investment gain should the Index rise in the final year.

Thirdly, there is the admitedly unlikely risk that Barclays Bank plc will fail to honour its obligations under the contract.

What about Tax?

The investment can be held within an ISA or PEP, and as such completely sheltered from Income Tax and Capital Gains Tax (CGT). For many people, holding the investment outside an ISA will be just as tax efficient – the gains will be subject to CGT, but after taking into account annual CGT allowances and 'CGT Taper Relief', someone who invested £15,000 with no other chargeable gains in the 2011/2012 tax year would not face tax on their gains unless the FTSE 100 Index rose an average 10 per cent a year. This assumes there will be no increase in the annual CGT allowance when, in fact, it has increased in most years. Of course, tax levels and reliefs are subject to change.

Please take the time to read through the product literature accompanying this magazine to establish whether the investment is right for you. If you have any questions or any doubts about its suitability, then please contact your usual Lowes' consultant or our office on 0845 1 484848.

Once you are satisfied that the investment is right for you please complete the application form and send it to us in the postage paid envelope provided together with your cheque.

If you have a debit or switch card, you can apply online at: www.Lowes.co.uk/Barclays .

The closing date is 28 February, but why wait? Barclays will add interest at an attractive equivalent annual rate of 4.5 per annum from the date you invest up to 7 March 2007.