Spring 2004

"The hardest thing in the world I've ever tried to understand is income tax"

Albert Einstein

INSIDE – The enduring power of attorney

Budget strikes homeowners

THIS YEAR'S BUDGET threw into sharp focus the importance of careful inheritance tax planning.

Property prices have soared in recent years and a large number of people now own homes which have pushed the value of their estate above the nil-rate band where inheritance tax may be payable at 40 per cent.

However, in last month's Budget Chancellor Gordon Brown only increased the nil-rate band in line with inflation from £255,000 to £263,000, so doing nothing to curb the growing impact of this tax on the broader population.

Other highlights

AVCs: Anyone retiring after April 2006 will be able take up to a quarter of any Additional Voluntary Contributions they have made into their company pension scheme as a tax free lump sum. This change applies retrospectively and covers all AVC contributions. Previously, the entire fund built up with AVCs had to be used to purchase a pension annuity (see page 7).

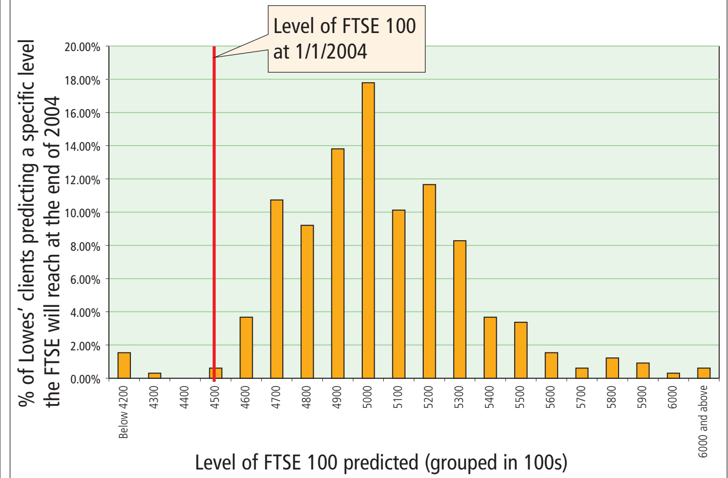
Pension contributions: With effect from April 2006 the current contribution limits for company pension schemes and personal pensions are to be scrapped which means you could in theory contribute your entire annual salary each year. The limit on how much your employer can contribute on your behalf is also being scrapped. However, there will be a cap on individual pension funds – £1.5 million in 2006 rising to £1.8 million by 2010.

State Pension: The Budget confirmed plans to introduce the option of taking a deferred State Pension as a taxable lump sum instead of higher weekly pension payments. People choosing to defer their State Pension by at least one year from April 2005 will be able to take the lump sum. Interest will be payable on the deferred pension for those choosing the lump sum at Bank of England base rate plus 2 per cent.

VCTs: Venture Capital Trusts offer a highly tax effective means of making a relatively high risk investment into smaller companies. All such investments will no longer attract CGT relief but instead will attract income tax relief up to 40 per cent, which means every £1 invested will only cost you 60p (see page 6).

Predict the FTSE

Has optimism returned?



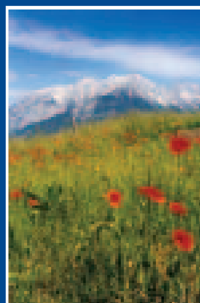
MANY THANKS TO ALL THOSE clients who have entered our second 'Predict the FTSE 100' competition.

As in our previous competition clients have gazed into the future to predict what they think will be the closing value of the FTSE 100 Index of leading UK companies at the close of business on the last trading day of 2004. The client who comes closest will win six bottles of Moët Champagne!

Figure 1 illustrates the predictions and on the basis of these we can give you the following information.

- The average prediction for the FTSE at the end of 2004 is 4972.7 which is 11.1 per cent above the 2004 market opening figure of 4476.9. This compares to the average prediction for 2003 of 4220.78 which was 7.1 per cent up on the 2003 market opening of 3940.4.
- The highest prediction for the level of the FTSE at the end of 2004 is 6245 which is 8 per cent up on the 2003 highest prediction of 5781.3.
- The lowest prediction in 2004 is 2673.5 which is 2.45 per cent below the 2003 lowest prediction of 2740.6 (Let's hope they're wrong!).
- In 2003 23 per cent of predictions had the market ending the year lower whereas this year only 2 per cent expect it to fall.

While it may be too soon to say that the bulls are back, there seems little doubt that more people are feeling optimistic than a year ago!



The photograph used on this issue's cover was taken in Igls, Austria.

Make your money work

Best bank and building society instant access/no notice accounts

Branch Based

Amount	Provider	Account	Gross Rate	Contact
£1+	**Alliance & Leicester**	**Easy Saver**	**3.35%**	**Branch** (£1 charge on counter withdrawals)

Postal or Telephone

Amount	Provider	Account	Gross Rate	Contact
£1+	**ING Direct**	**Savings Account**	**4.5%**	**0800 376 8844** to request application form and information pack[1]

Internet

Amount	Provider	Account	Gross Rate	Contact
£1+	**ING Direct**	**Savings Account**	**4.5%**	**www.ingdirect.co.uk**[1]

Note 1. Account holders must be aged 18 or over, be a UK resident and hold a UK current account (with a cheque book and Direct Debit facility).
Sources: Branch Based: www.moneysupermarket.com (6/4/2004). Postal or Telephone: www.moneyextra.com (6/4/2004). Internet: www.moneysupermarket.com (6/4/2004).
All accounts subject to terms and conditions

OFT moves on marketing scams

DURING FEBRUARY OVER 60 regulators and enforcement agencies met the Office of Fair Trading (OFT) in an attempt to stamp out mass marketing scams.

The last 12 months has seen a huge increase in the number of victims of deceptive marketing delivered by post, Email, telephone and text messaging. In many cases thousands of pounds have been lost.

Typical scams investigated by the OFT

1. The phone scam

Mr X received a phone call from a representative of First National British Holdings in Canada and told he had won £225,000 on the Canadian National Lottery. He was told Canadian Law required him to pay 1 per cent of his winnings, £2,250. He then received a series of convincing calls from individuals claiming to be Canadian and UK customs officials, lawyers and file administrators. He sent six further payments for customs fees, insurance levies, and legal release fees; all of which were lost.

2. The text scam

People receive a text message on their mobile saying 'You have one new message phone this number to retrieve it 0871 XXX XXXX'. People who call the number hear an automated voice informing them they have won a prize of up to £10,000 and they should ring a number beginning with 0906. Calls to this number also receive an automated voice from an American which says they have won £5,000 and all people need to do is text their name, surname, address and postcode and the claim code they've been given to a number beginning with 07932. Winners are told after 45 days their prize will be delivered. An address in London is given for enquiries.

There are no prizes and callers will have unknowingly spent large sums of money on premium rate telephone lines.

The OFT advises consumers to:

- Take notes of conversations, dates, times, names and important points.
- Read letters carefully and seek professional help if significant money, time or responsibilities are involved.
- Don't be afraid to ask questions and take your time before making a decision.
- Don't provide financial or other personal information before you establish whether a company is legitimate.
- Don't judge the credibility of a company or sales person by how 'professional' they or their promotional material or website seems.
- Don't let embarrassment or fear stop you reporting fraud or abuse to the authorities.

COMMENT

Tax the rich...

I AM INDEBTED TO DANIEL GRAINGER OF CHARTERHOUSE Muller PLC who Emailed a tax evaluation which I haven't seen for some time and which I would like to share with you.

Let's put tax cuts in terms we can understand.

Suppose that every day 10 men go out for dinner and the total bill is £100. If they paid it the way we pay our taxes it would resemble this:

The first four men – the poorest – pay nothing, the fifth £1, the sixth £3, the seventh £7, the eighth £12, the ninth £18, and the tenth man – the richest – £59.

That's what they did. They ate dinner in the restaurant every day and seemed happy with the arrangement – until one day the owner said: "Since you're all good customers I'm going to cut your meal bill by £20 to £80.00."

The group still wanted to pay their bill the way we pay our taxes. The first four were unaffected and still ate for free. But how could the others divvy up the £20 windfall so that each got a 'fair share'?

The six realized that £20 divided by six is £3.33. But if they subtracted that from everybody's share then the fifth and sixth men would end up being PAID to eat their meal. So the restaurant owner suggested reducing each man's bill by roughly the same amount and he worked out the amounts each should pay.

The fifth man paid nothing, the sixth £2, the seventh £5, the eighth £9, the ninth £12, leaving the tenth man with £52 instead of £59. Each of the six was better off and the first four continued to eat for free.

Outside the restaurant the men compared their savings. "I only got £1 of the £20," declared the sixth pointing to the tenth. "But he got £7" "That's right," exclaimed the fifth, "I only saved £1 too. It's unfair that he got seven times more than me!".

"That's true!" shouted the seventh: "Why should he get £7 back when I got only £2? The wealthy get all the breaks!" "Wait a minute," yelled the first four, "We didn't get anything at all. The system exploits the poor!" The nine men were incensed and beat up the tenth.

The next night he didn't show up so the nine ate without him. But when the bill arrived they discovered something very important. They were £52 short! Imagine that!

And this is how the tax system works. Those who pay the highest taxes benefit most from tax cuts. Tax them too much and they may not show up anymore. Where would that leave the rest? Unfortunately, most tax authorities cannot seem to grasp this straightforward logic!

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

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Back from the precipice

The 3-year stockmarket bonds maturing over the past six months have not fared well. But rigorous research has minimised the losses …

IN THE SUMMER 2003 MAGAZINE WE looked at the maturity values of seven 3-year Stockmarket bonds and highlighted the disparity between the returns from those we endorsed compared with those we did not.

Six months on, the maturity results for many so called Precipice bonds still make grim reading. However, again there is a large gulf between the returns from those Precipice Bonds that met with our approval and those that did not. This is illustrated in Figure 1.

Figure 1:
"Precipice Bonds" maturing since August 2003

Average total loss for those **Not Endorsed** by Lowes	**38.6%**
Average total loss for those **Endorsed** or **Commended** by Lowes	**1.6%**

As stockmarket-linked investments, none of these bonds escaped the effects of the stockmarket collapse through to March last year. However, the stark contrast between those we endorsed and those we did not highlights the effectiveness of our rigorous evaluation.

Lowes' research helps raise consumer awareness

Lowes was one of the first financial advisers to alert clients and journalists to the potential downside risk of some stockmarket-linked investment bonds. Since first publishing our research into these products ("The Truth behind Those High Yield Stock Market Bonds", published in Autumn 2000) we have continued to analyse new products and over that time have only endorsed a small proportion of them. Our views have been sought by many journalists since the first published warnings in the Sunday Telegraph on the 8 October 2000.

The publicity these products have generated in the media eventually led to regulatory action to raise public awareness of the issues more broadly. In November 2002 the Financial Services Authority (FSA) issued a factsheet entitled "High-income products. Make sure you understand the Risks" and required anyone promoting such investments to issue a copy with their investment literature.

This factsheet has now been replaced with one entitled "Capital-at-risk products. Products where you could lose some or all of the money you invest (your capital)". This covers all investments which carry a capital risk but, for some reason, is only required to be issued with stockmarket-linked bonds.

A copy of the latest fact sheet is contained within the Keydata Literature which accompanies this magazine.

Cleaned up

Due to all of the adverse publicity Precipice Bonds have received – which unfortunately for many investors only arose after the event – most providers of such products have cleaned up their act by increasing the size of the small print, placing much greater emphasis on the downside risks of their products, and structuring them more fairly. Even so, Lowes chose not to endorse more than one in three of the offers launched during the first three months of 2004.

To view the analysis of current offers and all archives please visit our website www.lowes.co.uk and click on "Stockmarket Bonds – The Truth".

Precipice Bond chronology

- August 2000: Lowes publishes research 'The Truth Behind Those High Yield Stock Market Bonds'. Updated on an ongoing basis.
- October 2000: Sunday Telegraph follows up Lowes' research
- November 2002: FSA publishes factsheet 'High-income products. Make sure you understand the risks'.
- February 2004: FSA publishes new factsheet 'Capital-at-risk products. Products where you could lose some or all of the money you invest (your capital)'.

Double score for Footsie

By Melvyn Bell, Lowes' Investment Manager

THE FTSE 100 INDEX OR FOOTSIE, the most popular of all the UK stockmarket indices, celebrated its 20th birthday at the beginning of this year.

The Footsie was first calculated on 3 January 1984 with a base level of 1,000 points and has since established itself as a transparent and accurate benchmark for the performance of the UK's leading listed 100 companies. The measure for inclusion is a company's market capitalisation – that is the value of its shares multiplied by the number of shares in issue .

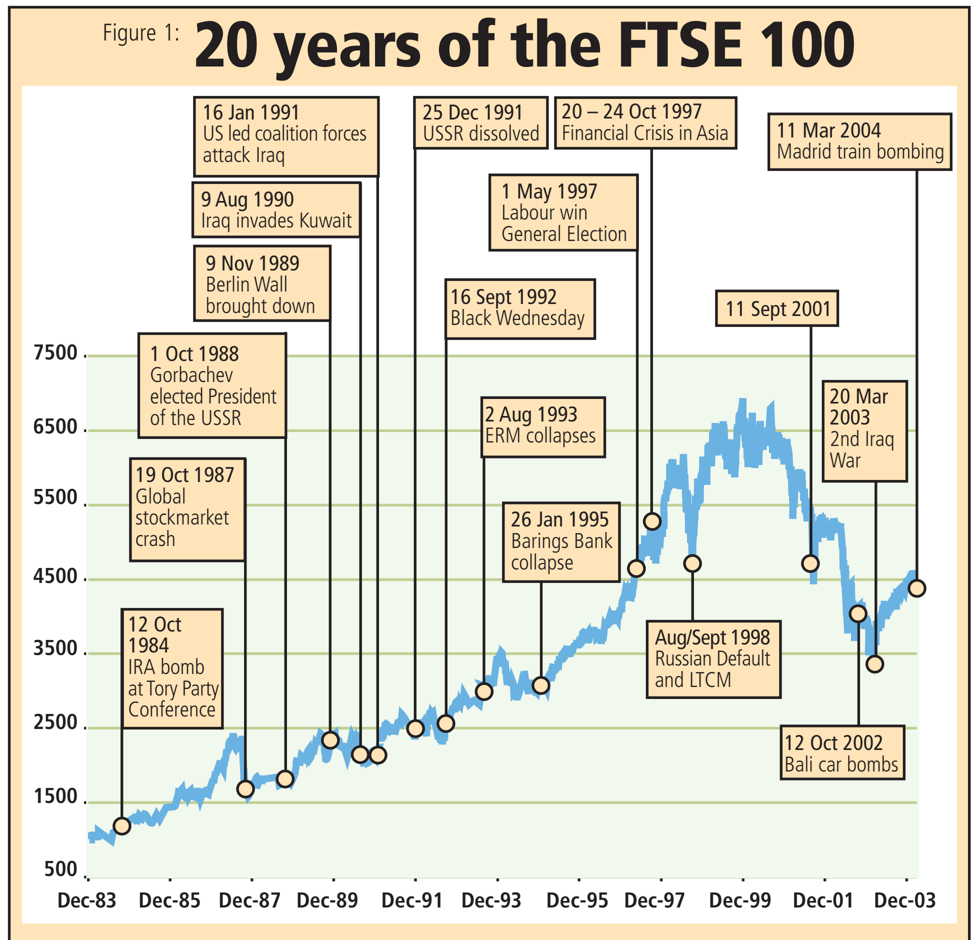
A roller coaster ride

Over the last 20 years the Index has averaged 3395.94. But this hides a roller coaster ride, which has seen it rise from an all time low of 978.7 on 12 July 1984 to an all time high of 6,930.2 on 30 December 1999 (the eve of the new millennium and the peak of the boom in Internet and technology companies).

- The highest closing value of the FTSE 100 to date is 6930.2 points on the 30 December 1999.
- The lowest closing value of the FTSE 100 to date is 986.9 points on the 12 July 1984.
- The largest one-day fall was –12.22% on 20 October 1987.
- The largest one-day rise was +7.89% on 21 October 1987.

The performance of the Footsie has not only been shaped by the financial fortunes of the top UK companies, but also by the changes in investor sentiment brought about by the key events in contemporary world history. Figure 1 illustrates some of these key events in relation to the FTSE 100.

Figure 1: **20 years of the FTSE 100**



Footsie launched to meet changing needs

A key reason for the Footsie's creation was the need for a 'real time' index where prices continuously reflected the effect of supply and demand on leading share prices and which more closely represented the broader stockmarket.

The need for a real time index was particularly important with the emergence of the Futures and Options market. At that time the FT All Share Index was only valued once a day and that was after the close of business. This was primarily because of the huge number of calculations required and the fact that computers were expensive and not commonly available.

The other key index of the day, the FT30, was constructed from only 30 stocks which were selected to represent the overall economy on the basis of their market capitalisation. Consequently, unlike the FTSE 100, you wouldn't get two or three banks – only one would be selected to represent all of them. The FT30 was calculated hourly when the market was open.

New boys on the block

The FTSE 100 Index is reviewed every quarter (on the Wednesday after the first Friday of March, June, September and December) to ensure it remains an accurate and up to date reflection of market activity. As a result the Index is dynamic and constantly changing and, of the 100 companies that first qualified for inclusion in the Index, only 23 have maintained their status for 20 years and are still in the Index today.

The total market capitalisation of the FTSE 100 on 3rd January 1984 was £100,145 million.

The total market capitalisation of the FTSE 100 at close of business on 29 February 2004 was £1,093,635 million.

The largest five companies at the launch of the FTSE 100 on 3rd January 1984

Rank	Company	Market Value (£m)
1	British Petroleum Co.	7,401
2	Shell Trans. & Trad. Co.	6,365
3	General Electric Co.	4,915
4	Imperial Chemical Industries	3,917
5	Marks & Spencer	2,829

The largest five companies on the 31 March 2004.

Rank	Company	Market Value (£m)
1	BP	99,854
2	HSBC Hldgs	94,854
3	Vodafone Group	92,337
4	GlaxoSmithKline	75,673
5	Royal Bank Of Scotland Group	47,656

BUDGET

Budget signals new VCT strategy

By Lowes' Senior Technician, Katy Bennett

VENTURE CAPITAL TRUSTS (VCTs) offer investors seeking a speculative, relatively high risk investment in smaller and potentially fast growing companies a far more tax efficient means of investing than an Individual Savings Account, ISA.

VCTs were introduced in 1995 to encourage investment in start up and young companies. They offered investors a combination of up front income tax relief and the ability to defer capital gains tax arising as a result of disposals in the 12 months before or after investing for as long as the investment continued.

For these benefits to apply, investors had to keep their investment for a minimum five year 'qualifying period' – reduced to three years in the 2000 Budget.

However, changes in this year's Budget have boosted income tax relief but have removed the ability to defer any capital gains.

> **The key changes are:**
> - **Income tax relief increased from 20 to 40 per cent. For every £1 you invest you'll receive a tax rebate of up to 40p.**
> - **The amount you can now invest into VCTs has been increased from £100,000 to £200,000 a year.**
> - **The ability to defer capital gains has been removed.**

If you already have an investment in a VCT then it is still possible to defer any capital gains tax arising as a result of a disposal earned in the 12 months before or after the date the investment was made for as long as you keep the VCT.

However, for new investors the removal of this capital gains benefit will place the emphasis on maximising the improved income tax benefits. To do this many investors may want to sell their VCT shares as soon as possible after the end of the three year qualifying period.

This means that the most attractive VCTs will be those where the managers have clear exit strategies that allow investors to sell shares as close as possible to their Net Asset Value.

In the race to attract new investments there may well be a flood of new VCT schemes onto the market. This means that fund managers will be scrambling to invest in a finite supply of suitable companies, some probably of questionable quality. This makes it extremely important for investors to get good advice, as attractive tax benefits will be worthless if the underlying investments are of poor quality!

What's more, the scramble for good quality eligible companies is likely to drive up their prices, so interested investors need to act early to get good value.

BANKING CODE

OFT set to sink banks' 'free float'

HAVE YOU EVER WONDERED what happens to your money when you transfer it electronically or by cheque to another person's account?

Typically it takes a cheque three working days to clear before the recipient can draw on the funds. During this period the bank or building society the cheque is drawn on is earning money at your expense!

Now the Office of Fair Trading (OFT) aims to curb such practices and wants customers to receive interest for the period between funds being withdrawn from their account and paid into another account.

The OFT says: "The banking system should no longer have an interest-free float while certain electronic payments are cleared. Customers should receive relevant interest."

The OFT says that because the paying bank and receiving bank accounts at the Bank of England are debited and credited at the same time, float occurs as a result of individual financial institutions' decisions about when to debit the payer's and credit the beneficiary's accounts at their own banks.

With standing orders, internet and telephone banking payments the OFT estimates that the annual cost to consumers of float is £30 million.

Given the large number of different accounts on offer to UK consumers, the OFT was unable to estimate the cost to consumers of the float on cheque clearing.

How the banks work

1. Standing order, telephone banking and internet payments

These types of payment are made to other banks using the Banks Automated Clearing System or BACS which handles most of the UK's electronic payments and operates on a three day processing cycle.

What happens?
- Money is normally removed from a payer's account on day 1 and held by the bank for two days prior to arriving in the payee's account.
- The money can then be invested by the bank to earn additional revenue over this two day period.

What does the OFT want?
- For customers to continue receiving interest on interest bearing accounts until the money is credited to the payee's account.
- If the customer making the payment is overdrawn or will become overdrawn because of the transfer, they should not be charged overdraft interest on the amount of the payment for the appropriate period.

2. Cheques

Cheques are cleared through what's called the CCCL system which, like BACS, also operates on a three day processing cycle.

What happens?
- Virtually all banks receive the value of funds paid into their customers' accounts from the second day following the day of deposit.
- Those banks not paying interest from this point can earn additional revenue at the expense of consumers.

What the OFT wants
- Interest to be paid, where applicable, from day 2 at the latest.
- It also wants banks and building societies to tell customers about their clearing practices.

An enduring power

MOST READERS APPRECIATE the importance of a will. An equally important yet rarely utilised aspect of financial planning is the enduring power of attorney or EPoA, says Lowes' Consultant, Peter Collins.

Whereas a Will specifies where our possessions go when we die, an EPoA covers a situation where we may be incapable of making a rational decision (e.g. in the event of Alzheimer's Disease or dementia) and will ensure that our finances can be looked after by someone we know and trust and not the courts.

What is an enduring power of attorney?

A legal process where you give someone known as an 'attorney' the power to deal with your financial affairs and property. EPoAs are very powerful documents and your attorney may have complete power over your financial affairs.

Who can be an attorney and what can they do?

Almost anyone who is willing to act for you, is at least 18 and not a bankrupt. Some trust companies, (often banks) can act as attorneys.

You can give the attorney general authority and they will be able to do everything you could do – for example, signing cheques, dealing in shares or buying and selling houses, or you can restrict the attorney's powers however you wish.

Who can make an EPoA and how?

Anyone who understands that:

- The attorney can take complete power over your affairs if you become mentally unable to manage them yourself.
- The attorney will, in general, be able to do whatever you could have done with your property.
- Once registered the power of attorney can only be ended by the Court of Protection.

Can I make more than one EPoA?

Yes. For example, you may want your husband or wife to be the main attorney and your children to become your attorneys if your husband or wife can no longer deal with your affairs. Here you could set up two EPoAs – one appointing your husband or wife and one appointing your children if your husband or wife can no longer manage.

Can I change my mind or cancel an EPoA?

You can cancel or end the power at any time as long as you are mentally able to do this. However, once the EPoA has been registered with the Court of Protection the Court will need a doctor's evidence that you have recovered or are mentally able to end the EPoA yourself.

When do the powers of the attorney begin?

Whenever you wish. You can, for example, say that the attorney cannot act until the power is registered with the Court of Protection, or until they believe you are becoming mentally incapable. If you set no restrictions the attorney can act immediately using an unregistered power.

Should you have an EPoA?

The answer is probably yes; regardless of your age you never know what tomorrow may bring. In the same way that everyone should prepare a Will, it is Lowes' belief that most people, young and old, should consider preparing an Enduring Power of Attorney.

How can I make an EPoA?

Contact your Lowes Consultant or call us on 0845 1 484848.

Wrong annuity can cost you thousands

Lowes' Consultant, Rod Molyneux, guides you through the pension annuity maze ...

A PENSION ANNUITY CONVERTS AN ACCUMULATED pension fund into a lifetime income. There are several different types of annuity to choose from and professional advice is crucial. The wrong choice can cost thousands of pounds in lost income.

When you reach retirement or semi-retirement there are a number of annuity types and options available which are summarised in Figure 1. Under current legislation you must convert your pension fund into a conventional annuity by age 75.

As you approach retirement your pension provider is obliged to tell you that you are free to shop around for your annuity in the open market. This is called the 'Open Market Option' and its use can result in considerably better value than buying an annuity from your pension provider.

Whether you need to purchase an annuity or not usually depends on your pension scheme. Generally speaking the situation is:

- If you're a member of a company final salary scheme your employer pays your pension so you don't need an annuity.
- If you have an individual pension plan, or are a member of a company defined contribution pension scheme, then you will need an annuity to convert your fund to income.

Figure 1: **Annuity types and options**

Type of annuity	Description
Conventional Annuities These pay predetermined annual sums until death, which are determined by market rates and life expectancy at time of purchase. Life expectancy will be calculated with reference to age and sex. In the case of an Impaired Life Annuity health is also taken into consideration.	**Fixed Rate** – Income remains at the same level from retirement until death. **Index Linked** – Income rises over time in line with inflation or by a set amount. This helps protect against the effects of inflation. **Joint Life** – Income continues to be paid to the spouse after the death of the 'annuitant'. **Guaranteed Income** – Income is paid for a guaranteed period even if the annuitant dies. **Impaired Life** – Income paid is higher to those people with lower life expectancies, e.g. sufferers of serious illnesses or smokers. Such annuities can provide 10 per cent or more income.
Investment Annuities These invest in the stockmarkets and carry higher risks than conventional annuities but offer the prospect of higher returns. Whether or not they are suitable for you will usually depend on the size of your pension fund.	**With Profit annuities** pay an annual bonus and a proportion of an expected terminal bonus every year. **Unit linked annuities** offer returns based on the performance of various stockmarket-linked funds. **Phased Annuities.** Your pension fund is divided into smaller policies which remain invested and are converted into annuities as and when required. **Pension drawdown schemes.** These allow you to draw income directly from your pension fund subject to strict Inland Revenue rules.

A Return to Income

- *6% Annual Income, or*
- *1.46% Quarterly Income, or*
- *33% Growth.*
- *Available free of tax via a Maxi ISA*

IT HAS BEEN SOME TIME SINCE WE have been in a position to offer clients a simple income solution; this has been because there have been very few offerings brought to the market and, with only a few exceptions, those that have been launched have not been attractive.

However, enclosed with this issue of the Magazine you will find details of the Keydata Extra Income Plan which aims to provide an attractive fixed level of income, with the capital return linked to the performance of the Dow Jones Eurostoxx 50. The Plan provides an income of 6 per cent per annum or 1.46 per cent per quarter for 5 years. For those who would rather invest for growth it offers an end of term bonus of 33 per cent.

The Extra Income Plan is designed to return your capital in full provided the closing level of the Dow Jones Eurostoxx 50 Index on the 21 May 2009 is no lower than it was on 21 May 2004. If the Index closes lower at the end of the term your capital will be reduced by 1 per cent for each 1 per cent the index is lower **but only if** the Index fell by more than 30 per cent from the starting level at any point during the investment term.

About the Dow Jones Eurostoxx 50

The Dow Jones Eurostoxx 50 Index is a blue chip index consisting of 50 of the leading companies in the Eurozone area, for example Total, Royal Dutch Petroleum, Nokia, Aventis, BNP and Deutsch Telecom. These stocks are all companies with a significant part of their business spread around the globe.

In our opinion, the Dow Jones Eurostoxx 50 completed its correction in March 2003 when the market reached significantly over-sold levels as a result of the imminence of the Iraq War and the fear of the global economy descending into a deflationary spiral. Given the stature and global nature of its constituents we therefore feel that the risks attached to this Index are not significantly greater than those of the FTSE 100 Index which is, if anything, more dominated by a small number of high profile companies. In addition, even if the Index does break the 30 per cent protection barrier, the overall return will equal the original investment if the final Index level has fallen no more than 29 per cent from the closing level on 21 May 2004.

A+ rated assets

As with all contracts of this type the income and return of capital are dependent on the ability of the behind the scenes issuer to meet their obligations.

Assets in this particular contract will be issued by one or more financial institutions which have been rated as having "strong financial security characteristics" (A+) by the leading research and credit rating agency Standards & Poor's. We therefore feel that there is little chance of the issuer(s) defaulting.

Investing for Income or Growth

We believe this contract is suitable for those seeking the opportunity of attractive income or growth whilst maintaining a degree of protection to the original capital invested in case the Index performs poorly and falls over the term.

All returns are distributed gross of tax; basic rate and higher rate taxpayers will be liable to income tax on income at 20 and 40 per cent respectively and those investing for growth may be liable to Capital Gains Tax, but only if their gains in the year of maturity after the application of taper relief exceed the personal gains exemption, currently £8,200.

Obviously, for investments sheltered within an ISA or PEP, the returns will be free of all tax. As the new tax year has commenced the plan may offer an excellent home for this years ISA investment.

How to invest

The closing date for applications in the Keydata Extra Income Plan is 14 May 2004 but we must receive your application by 12 May to allow plenty of time for processing. You can invest anything from £5,000 upwards into the Keydata Extra Income Plan, (£7,000 for Maxi ISAs). Please take the time to thoroughly read the Keydata literature and Key Features which accompanies this magazine to establish whether you agree that this is a worthwhile investment and that you understand the risks. Please also read the Factsheet issued by the Financial Services Authority (FSA) entitled "Capital-at-risk products" which is reprinted at the back of the investment literature. If you have any doubts about the suitability of this investment for you then please contact your usual Lowes Consultant or this office on 0845 1 484848.

To proceed please complete the relevant application form and return it to us in the reply paid envelope provided together with your cheque made payable to "Keydata Extra Income Plan Client A/C", If your cheque is not a personal cheque but is drawn from a Bank or Building Society it should be made payable to Keydata Extra Income Plan A/C "reference "Your Name"" and should be endorsed on the reverse by the issuing branch to identify you as the account holder.

Please note that the application form contains a tick box for investment into a Maxi ISA for the 2003/4 tax year. Obviously, as we are now in the 2004/5 tax year this box should be ignored.

Important Notice: This investment is intended to be held for the full five years. If you need to surrender your investment early you may get back less than you invested even if the level of the Index has risen. This is a limited offer and in the event of oversubscription your application may not be accepted. We are obliged to undertake certain money laundering checks before processing your investment; these may delay your application or result in it being rejected. Before investing, you should ensure that you have read the product key features paying particular attention to the risk factors printed on page 8. Levels and basis of reliefs from taxation are based on our understanding of current tax legislation and are subject to change.