

METCALF MOAT UPDATE

YOUR FIRST CALL FOR INDEPENDENT FINANCIAL ADVICE

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Pension Life Assurance*

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METCALF MOAT

IFA LIMITED

*'Growing by
recommendation'*

The changing landscape for Retirement

Thanks to the Credit Crunch, the landscape for retirement products has changed. Market volatility, low interest rates and changing investor demand have combined to bring new products onto market, while others have fallen by the wayside.

Annuity rates are dependant on interest rates, so recent Base Rate cuts have hit prospective payouts quite hard. As a result, as investors have looked to tease out additional income, impaired life annuities and so called 'postcode annuities' have become more popular. Other potential retirees have simply decided to defer buying an annuity for as long as possible.

Market volatility has also affected the so-called 'third way' annuity products, originally designed to fill the gap between annuities and unsecured pensions, allowing exposure to the stockmarket, but with capital and income guarantees. They have had a difficult time, as the cost of maintaining the guarantees has soared with the increased market volatility.

However, the market is also opening up to new ideas – for example, one new (fixed term) product is offering a secure rate of income for a pre-agreed term and then returning a guaranteed amount to the investor on maturity, which can then be rolled over into another annuity or income producing product.

This ensures investors are not locked into what are currently considered very low rates for the long term and instead allows them a 'second chance' to get what might be better rates in a more favourable future environment.

There have recently been many changes regarding retirement options, including the ability to access all or some of the Tax Free Cash without the necessity to take income. These changes, along with the introduction of 'third way' annuity products and fixed term products, make the need for people to take advice regarding their retirement options greater than ever.

In 2009, we have seen a noticeable increase in the number of people approaching us looking to consider their retirement options. We find this encouraging, as taking the annuity offered by the existing pension provider rarely provides the greatest financial rewards.

Therefore, if you or a member of your family are approaching retirement age and are looking to consider the vast range of options available, taking independent financial advice is both crucial and beneficial in selecting the right path to receiving meaningful income in retirement.

Lee Taylor, Senior Consultant.

www.metcalfmoat.co.uk

Feel free to visit our website where you can find further information, including all of our previous Newsletters along with Case Studies showing how we have helped some of our clients.

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Metcalfe Moat IFA Limited Registration No: 4825993

Equity Release – A Year of Change

As we reach the end of 2009, a year which commenced with most people bracing themselves for what lay ahead, I felt it would be worth focussing upon Equity Release and how it has fared these past twelve months. A lot has been written about the fall and rise of share prices and even the fall and now, (all be it) fragile, rise in house prices, but what about Equity Release?

Due to the well documented difficulties in obtaining funding, following the “Credit Crunch”, some providers have either left the market or temporarily withdrawn from it. Coventry Building Society, Saffron Building Society, Northern Rock and most recently Prudential, have all ceased to offer schemes.

Many providers have lowered the levels of equity available for certain age groups. This coupled with reductions in valuations of properties has resulted in less cash being available through Equity Release, than was available 18 to 24 months ago.

However, Nationwide Building Society’s November house price survey reported a rise for the seventh consecutive month, with the typical home being 2.70% more expensive than a year ago, or in other words, at similar level to prices as in early 2006.

Entering 2010 we will have fewer companies to choose between and less cash available for clients. However, despite this, the providers who remain offer a product now considered a vital tool in pre and post retirement planning.

According to a recent survey conducted by the insurer LV, many people are still relying on cashing in on the rising value of their property to fund their retirement.

Of the poll of 4000 people aged over 50, 12% consciously saved less into pension schemes because they expected property values to increase. About a third believed that house prices would recover to their previous high levels, within three to five years.

One example of how Equity Release is being of benefit to clients, is the ability to release capital from buy to lets, holiday cottages and second homes. The scheme enables clients to release equity from their additional properties, thus avoiding the necessity to sell the property in the process. This enables them to avoid Capital Gains Tax and also allows them to retain their asset for the future benefit of their beneficiaries.

If you would like to read more about equity release, Metcalf Moat IFA are offering a **free** copy of “Equity Release Made Easy” by Tish Hanifan, a Barrister and Solicitor specialising in older client law and who is also a member of Solicitors for the Elderly.

If you would like to receive a copy for yourself or for someone you know, please call our office on 01689 891919 or email me at john@metcalfmoat.co.uk.

John Riley, Director.



WISHING YOU ALL A HEALTHY AND HAPPY CHRISTMAS AND
PROSPEROUS NEW YEAR FROM ALL AT METCALF MOAT