

Welcome to the 1st edition of the Parkgate Financial Solutions newsletter. Our aim is to keep you up to date with activity going on in the financial services arena and this newsletter will be a regular occurrence going forward. Due to a change in management structure and a revised service model to our clients, the firm was re-launched back in May 2009 and now consists of a revised management and sales support team.

We no longer have offices in Merseyside; but we are still able to offer our services across the North West including Merseyside and will continue to conduct home visits.

The new ISA limits

In the 2008 Budget, the Chancellor announced changes to ISAs that became effective at the start of the 2008 tax year. The highest profile was the change to investment limits as the Government eliminated the mini and maxi components.

Now, there are just two types of ISA - the cash ISA and the stocks and shares ISA - and your overall allowance for both in 2009/10 is £7,200 (or, from October, £10,200 if you are aged over 50). Within this, the limit for cash ISAs - or for the cash element within a stocks and shares ISA - is £3,600 (£5,100).

Within the limits, there is flexibility. You can, for example, now put the maximum £3,600 in a cash account and £3,600 in a stocks and shares account. Alternatively, if you place just £2,000 in cash, you can use the entire remaining balance - £5,200 - to invest in stocks and shares. If you don't need cash at all, you can put the full allowance into stocks and shares. You can also transfer existing cash ISA holdings to a stocks and shares ISA without impacting on your current tax year allowance. So, if you have £10,000 already sitting in existing ISA plans then this amount can be moved to a stocks and shares ISA, yet leave your allowance of £7,200 still available.

The only other change is we have finally seen the back of PEPs. Although no new money has been invested in PEPs since 1999, the distinction remained. PEPs are now part of the ISA regime and the plans can be consolidated under one product wrapper. Existing PEP holders should see little difference, but do check with your adviser if you are unsure.

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We will be bringing you details of our revised service agreement and investment philosophy over the coming months in a series of client reviews carried out by our team of consultants and explaining the benefits that this will bring to you. Some of you will have already received this information and we aim to have all of our clients reviewed by the end of 2009.

We look forward to being in touch.

Best regards

Jim Gibbons

Unconventional measures

UK interest rates have been held at an historic low since March, when the Bank of England (BoE) cut rates from 1% to 0.5%. The cut, which was widely expected, brings interest rates even closer to zero, reducing the BoE's scope to boost economic activity through monetary policy.

With interest rates at their lowest since records began, savers have been particularly badly hit as the dwindling rates were passed on to that being earned by their deposit accounts. The Building Societies Association has described the move as "a kick in the teeth for savers", while the Confederation of British Industry described the cuts as "becoming less and less effective as a means of stimulating the economy". Lower rates have also taken their toll on sterling, which was already showing weakness.

In a radical and, until March, unprecedented move, the BoE has pumped billions of pounds into the financial system by buying securities from banks in return for additional credit. Although this measure – known as "quantitative easing" – is sometimes described as "printing money", no new banknotes are actually produced; nevertheless, because the BoE's asset purchases are not funded by debt, they should increase the circulation of money in the financial system.

Many experts believe the ongoing problems of finding credit are a bigger problem than the cost of borrowing and all eyes are therefore on the BoE's programme to see if it helps.



Planning for growth

The make-up of your investment portfolio will depend on a number of factors, most importantly your age and attitude to risk. Age, for example, helps indicate your time horizon and therefore what volatility you can tolerate. Your attitude to risk then determines how you can handle short-term losses and thus to what extent any exposure to the more volatile asset classes needs to be balanced with lower-risk holdings.

If you do not require an income, you will be looking to invest in assets that will maximise the potential capital value of your portfolio. If you have a longer time horizon (for example, during the earlier years of pension planning) then it could actually pay you not to be too cautious. Equities have traditionally outperformed all other asset classes over the long-term.

However, if you do get nervous when equity markets slump or you have a shorter time horizon, then maybe equities are not the right option – or perhaps you just need to be careful about what sorts of equities you choose. For shorter periods – or for more cautious investors – a small core holding of larger UK equities might be more appropriate than international equities, emerging markets or smaller companies

The rest of your portfolio is then likely to be spread across fixed interest – a blend of corporate and government bonds – and cash. This provides the diversification you need for when markets fall and, through the use of deposit accounts, also sets up a safety net for any short-term emergencies.

Your investments can go down as well as up.

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All in the taxation

Is a pension the only way to ensure you have enough to live on when you are older? Rather than depend on it, using an Individual Savings Account (ISA) could offer an additional – or even alternative solution, depending on your situation. The one main difference between a pension and an ISA is tax. Your pension payments qualify for tax rebates on the way in, while the income paid out later is taxable. With an ISA, the money you contribute has paid tax before it goes in but then the withdrawals you make are tax free. It is also useful to know that if you're over 65, your pension income counts towards your tax-free allowance, while your ISA withdrawals do not.

