

# MOVING FORWARD WITH ACTIVE FINANCES

MARCH 2009

## THE FINANCIAL CRISIS & PERSONAL FINANCE



### Job Security



‘The Big Issue’ is mainly about unemployment and how many people are going to lose their jobs. At this point, the private sector is the main area of concern.

In the months and years to come, something will have to be done about unsustainable costs relating to the public sector and the huge debts relating to promised pensions.

How much of a saving would there be if we could sack 50% or 60% of all the Politicians?

Would anyone really know if we did sack them?

### Cash

For those people with cash, the main consideration is again security rather than higher interest rates. There are people still receiving higher rates of interest on accounts that will start maturing in the next 12 month period.

For money in the UK, the £50,000 compensation limit offered by our Government is of some comfort.

It is important to ensure security and access through ‘spread’ of large sums.

For those involved, there is a need to reconsider the value of assurances and guarantees offered by The Irish Government as it appears that the economy and the banks in Ireland are in a very fragile state.



### Asset Security

The Munro Partnership Ltd is continuing to monitor core funds with providers. The widely reported position with Standard Life Sterling Fund has turned fairly positive. David Hughes was very pro-active prior to December 2008 in a negotiation about the concerns of our clients with Standard Life which achieved a satisfactory settlement. This is an example of how the company puts in effort on clients behalf.

The general need is to have confidence in the organisations that we invest in or through. Standard Life are a benchmark in the investment and pensions world within the UK, and have rightly reversed their previous decision to pass the specific loss in their cash based fund to investors.



## Active Options and Effective Actions

There are many hundreds of millions of pounds that are not active and not being managed effectively within the UK.

- Many share portfolios are not managed at all and are simply left from one generation to another. Dividends may not be significant and the tax issues maybe of little consequence in terms of the real needs of the owners or investors.
- Personal Pensions, Directors Pensions and Self Invested Pensions are all in need of being regularly reviewed if they are to be meaningful. The investments, charges and some possible guarantees must be understood. There are a large number of positive options that are not known to the individuals with these funds.
- Interest earned on deposits is taxable and at a historic low level. In certain cases, the option of using an 'offset deposit' account against a mortgage could create a secure and positive return. This is simply about efficiency and security.
- Investment funds and investment bonds have a range of options that can be managed into being part of an effective financial plan. Unfortunately, many are simply sold and then left in the hands of the investor. It can be very advantageous to take control of the assets and make considered decisions.

For the individual there is now a greater need than ever to have knowledge and control of ones assets. Tax and management is part of any plan but all now recognise that transparency and real flexibility is a hugely important factor going forward.

Our immediate concerns and needs have more influence than hoping to be in good shape over the medium to longer term.



## Banks and Personal Finance

One of the saddest parts of the current financial crisis is the demise of HBOS and RBS. The fallout of this will affect us all but one has to feel some pity for all the good and loyal staff at branch level who may become of part of a cost cutting plan. They may also have lost a mini fortune in shares purchased over many years.

Many of us have lost out in the collapse of these once 'Blue Chip' organisations. It appears that the Bank Directors may have opted out of personal banking and focused on selling anything to make a short term profit.

Many investment products have been sold by the Banks in recent years which are burdened with limited guarantees and tie-in penalties. The advice appears in many cases to be driven towards products with commissions and a large number of cases based on the clients simply having a healthy amount of money on deposit.

None of us can claim to be perfect, but personal finance cannot be delivered without a lot more time and effort being given to the individual. Financial security, efficiency and flexibility are critical. Fee based advice is now the best means of creating the solutions for our clients in this new era.

'The times are a changin', forever.

### THE MUNRO PARTNERSHIP LTD

The Munro Partnership Ltd is a leading independent financial services company with a highly qualified team of consultants and staff. Ongoing development of services and systems are geared towards creating quality advice and services for individual clients.

We have been established since 1982 and have offices at 6 Citadel Place in Ayr and 50 Orchard Street Hamilton. We are regulated by the Financial Services Authority.