February 2007

The MUNRO PARTNERSHIP Ltd.
PENSION SPECIALISTS AND INDEPENDENT FINANCIAL ADVISERS
• ESTABLISHED 1982 •

25th Anniversary 1982 - 2007

MOVING FORWARD

with The Munro Partnership Limited

Company Update -

Welcome to our first newsletter of 2007, a year which is a very special one for The Munro Partnership Ltd as we celebrate our 25th Anniversary. Established in 1982 as a general insurance broker, the company has evolved into a specialist financial services company.
The Munro Partnership Ltd is one of the largest IFA firms in Scotland and we believe we have probably the most qualified team of professional advisers. Recent years have seen huge changes within the organisation and we are constantly striving to continue the process of making our personal financial advice more relevant and valuable to our clients. Part of our short term strategy is to encourage more of our clients to access our full range of services and we have recently invested in developing our Service Team in order that we can improve the flow of information on a year to year basis to existing clients.

Since the last newsletter we are delighted to announce the appointment of two new Directors to the Board. Robin Dale is responsible for our Investment business and will have a key role in developing state of the art technology to help us administer and service clients investments.

Peter Leonard is responsible for the development of personal financial planning and the marketing of The Munro Partnership Ltd. This role specifically involves expanding the existing relationships we have with solicitors and accountants.

Finally, this company would like to congratulate Jim Hendry and Peter Halliday who have achieved the advanced qualification (Dip PFS).

With very best wishes for 2007.

Retirement Options

When you decide to take benefits from your pension you will invariably be able to take 25% of your accumulated pension fund(s) as a tax-free cash lump sum. This is yours to use as you wish whether to spend on a new car, holiday, repay your mortgage or simply to invest for the future.

The balance of your pension fund is used to provide a taxable income as you require, either through an annuity or Income Drawdown. An annuity offers you a secure income for the rest of your life in exchange for the balance of your pension fund. Alternatively Income Drawdown allows you the option of keeping your pension fund invested and drawing a taxable income if required.

Income Drawdown provides far greater control over your pension than an annuity but does come with greater risk as the investments can fall, or may not keep pace with the level of income withdrawn.

On the flip side of the coin however, there are major advantages of taking up the Income Drawdown option especially for larger funds in excess of £150,000 and these will be looked into in our next newsletter. The information below relates to some of the annuity options available and the variances that require to be considered in respect of each client.

Regardless of the number of pensions you have accumulated during your working lifetime, when you reach the point of taking your benefits you are able to consolidate them under one arrangement and utilise what is called the Open Market Option. This option allows us to research the annuity market to find the best rate appropriate to your circumstances.

There are various options to be considered when purchasing an annuity and The Munro Partnership Ltd. has access to specialist annuity providers. Some options to consider are;

- Level or increasing pension (affects the starting level of pension)
- Guranteed payments for 5/10 years
- Spouse's pension at different levels
- Impaired Life (improved) rates for those with certain medical conditions
- Improved rates for smokers
- Investment linked annuities for those willing to take some risk
- Value Protected Annuities

If you have reached the stage where you are ready to take your pension benefits and were just going to take accept what your existing provider(s) were going to offer, then you should reconsider. If you are in this position then please contact The Munro Partnership Ltd and we can improve on the income your existing provider is offering, at no extra cost to yourself, as well as explaining how the different options interact.

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Mortgage Health Check

Following the surprise decision by the Bank of England to increase interest rates by 0.25% to 5.25% mortgage borrowing has become more expensive. The increase, the third in the last six months means that if you have a variable or tracker rate mortgage of £100,000 you will have noticed your monthly costs increase by approximately £75 since August 2006.

"Am I paying too much for my mortgage"?

"Could I reduce my monthly costs or even my mortgage term"?

"Does my lender actively review my mortgage arrangement to ensure I'm on the best rate"?

These are some of the questions you may have asked yourself recently or in the past. At The Munro Partnership Ltd we have a number of experienced mortgage advisers who can provide the answers. We advise on all aspects of mortgage borrowing in the following areas:

- New home purchase
- Re-mortgage
- First Time Buyer
- Guarantor
- Buy to Let

Having the correct type or mortgage is just as important as the actual mortgage rate you are paying. What type should you have?

- Fixed
- Tracker
- Discounted
- Offset
- Capped
- Variable

As with Pension, Investment and Protection advice, The Munro Partnership Ltd provides independent advice on mortgages. If you feel you could benefit by discussing your current or future mortgage arrangements, please contact Peter Leonard at our Ayr office or Jim Hendry who is based at our Hamilton office for assistance.

Market Commentary

In our last market commentary, comment was made on the present level of UK interest rates and the likelihood that they would be raised further to keep inflation under control. As mentioned in our mortgage article interest rates have now increased twice and presently stand at 5.25%. Whilst many economists predicted these interest rate rises, some were surprised that the second increase came so soon. It has also been suggested that a further rise of 0.25% will take place over the course of the year before the current cycle of increases comes to an end.

The table shows our regular update on investment quarterly returns from the four major asset classes.

Asset Type	Average Annual Return 1yr	Average Annual Return 3yr	Average Annual Return 5yr
Cash	3.9%	3.9%	3.7%
UK Fixed Interest	3.6%	6.5%	5.4%
UK Commercial Property	18.1%	17.2%	14%
UK Equities	17.43%	17.1%	9.1%

Source Money Management January 2007 - Individual Pensions. Figures up to 1/12/2006; Past performance is no guarantee of future performance

Proposed reforms to Individual Savings Accounts (ISAs)

Following the conclusion of the government's ISA review in November 2006 it is intended to make ISAs permanent beyond 2010. In addition to this there are a number of proposed reforms to the ISA regime.

Bringing PEPs within the ISA wrapper

- Currently there are PEP and ISA reporting regimes and the intention is to bring PEPs within the ISA wrapper and align the rules for the two schemes.
- Qualifying investments currently allowed only under PEPs will be allowed under ISAs. For example, allowing investment trusts with rental income to be held under ISAs.
- Changes to the taxation of uninvested cash to be aligned to that currently applicable to ISAs.
- At a given future date all PEP accounts will become stocks and share ISAs and as such PEPs will cease to exist.

Remove the mini/maxi ISA distinction

- Savers will be able to contribute to a cash and stocks and shares component which can be with different providers.
- Overall limit remains at £7,000.
- Maximum £3,000 cash component and balance in stocks and shares (for example £1,000 cash with one provider and £6,000 stocks and shares in same or with another provider).

Child Trust Fund accounts to roll over into ISA accounts

- With the first Child Trust Fund accounts maturing in 2020 it is proposed to allow the funds held in these accounts to roll over into ISAs.

Transfers from cash to stocks and shares ISAs

- It is proposed to allow funds held in cash ISAs subscribed in previous years to be transferred to the stocks and shares component of an ISA.
- This transfer will not affect the current year's investment limit.

In respect of the measures proposed the government is asking for responses from interested parties to comment on any practical difficulties in applying the new approach and suggest how these can be overcome. Comments are required by 31 January 2007. The Government proposes to introduce these reforms as soon as practicable.

As in previous years, The Munro Partnership will shortly be sending out an ISA brochure to investment clients. This brochure will detail 4 different styles of funds which are available to invest in at reduced charges. You can invest in these funds by utilising your ISA allowance for the current tax year or by transferring existing PEPs and ISAs into them. If you wish to ensure you receive a copy please call 01292 269909 or 01698 429333.