

LYNDHURST FINANCIAL MANAGEMENT LTD



Clear
Financial
Planning

2010

This report outlines the way that we will be managing your wealth. We have not put any advice in here, as we want you to concentrate on understanding the concept first. Inevitably, you will have questions, which we warmly welcome, as it is essential you understand how this new strategy will benefit you.

An
introduction
to our Wealth
Management
Programme

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INTRODUCTION

You may well be aware that the regulations surrounding our industry have changed quite a few times in the past 20 or so years, which has certainly kept everyone on their toes.

However, the greatest development in that time was the introduction of the Independent Financial Adviser (IFA) in 1988.

We firmly believe in the concept of not being tied to any single provider and applaud the fact that the regulatory requirement needed to be classified as independent means we must meet strict qualification and competence requirements. This has enabled us to act with integrity in the recommendations we have made to you in the past.

However, the greatest frustration for us has been the fact that larger organisations in the industry have unfairly had the power to influence the distribution and access to innovations through their sheer scale.

We have decided to redress this by developing a programme that puts you firmly at the centre of this distribution again rather than the large insurance companies and investment houses and helps you focus on what really matters about your financial future.

Ultimately, we want your needs to replace those of the insurer as the centre of influence.

This report is an introduction to this concept, and focuses on the means by which you invest monies, rather than any form of insurance or the other important financial planning responsibilities we undertake for you.

Our service proposition clearly lays out the basis of our relationship, and defines our responsibilities to each other in order to help you achieve your objectives.

THE WAY PLANNING USED TO BE

Financial planning is about creating solutions to satisfy a financial planning need, which generally involves using the characteristics or tax structures of 'products'.

These products would generally be built by an insurance company or investment company based on certain tax legislation.

For example, people often think of a pension as the source of their income in retirement, when in fact the pension is merely a savings account that has been designed by an insurer to exploit the tax legislation laid down by the government. One of the reasons that we have so many different types of pension is that each successive government likes to make their mark by tinkering with this legislation.

So, having identified a structure that would be suitable, we would then research the market to find which providers had the most appropriate product in terms of cost, flexibility and options.

Once the provider had been selected, we would then select the investments from whatever funds that company offered.

Of course, their range may have been great at the time, but they were never going to stay at the top so the next time that you needed to put a new product in place, a different company would be selected.

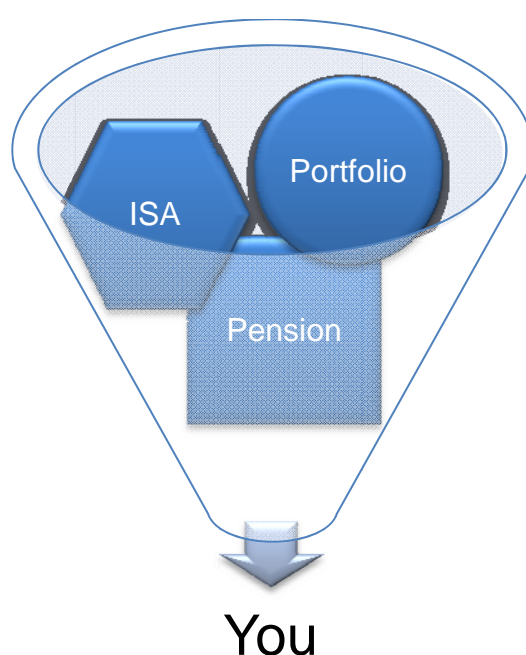
If we were looking at using several structures, invariably the most appropriate company for the pension would be different to the most appropriate for the ISA so what you ended up with was a collection of policies with different companies, selected at different times during your life, all with different investment options within them, as illustrated below.



OUR WEALTH MANAGEMENT PROGRAMME

The Wealth Management Programme is designed to unbundle all of your planning. In other words, we are moving away from talking about pensions, ISAs and investments as separate entities and instead we are focussing on your wider wealth.

The way we do this is to create a single point from which all of your money is managed with a defined, appropriate investment strategy. The illustration below shows how different this is to the old way:



We are able to do this due to the emergence of 'wraps' or 'platforms' in recent years. These are essentially technology driven arrangements that unifies your money so we can build a portfolio of funds with many specialist investment companies.

We don't have to just accept whichever funds that company decides to make available, but instead we can work on a 'best of breed' basis, picking the most appropriate managers to do different jobs. Furthermore, if we need to change the profile this can be done easily right across your wealth.

In addition, and in reality most exciting of all, we can also apply the monies to different structures, such as Pensions and ISAs all from one portal.

This arrangement enables us to tactically exploit the tax planning benefits of the different structures to best serve your interests and objectives. Furthermore, this will greatly ease the administrative burden of managing your monies.

IMPLICATIONS

It is essential that you understand that when we give you advice, it is individualised to your needs, your current circumstances, your tolerance to risk and your objectives.

As such, we will not be recommending a blanket move to the new Wealth Management Programme, and so you should start to think about your planning needs. Highlighted below are some of the important considerations we will be making:

Charges

Old fashioned products combine all the underlying charges into one “annual management charge” This meant it was very difficult to see how the actual charges were broken down into various elements such as the tax wrapper charge, the product charge and the fund charge. Platforms simply provide the administration of assets within a range of tax wrappers and funds. As such it is totally transparent and the underlying charges are explicit.

We will ensure that if the charges increase from your current arrangements that the increase is acceptable and proportionate to the added benefits.

Penalties

Old fashioned ‘Legacy’ products used to carry penalties if you transferred away. The reason for this was again the insurer placing themselves at the centre of distribution and trying to ensure they retained their regular income.

The platform business model also needs your loyalty, but they aim to achieve this through good service and flexibility.

If we decide it is appropriate for you to change to the wealth management programme, we will take into account any penalties and decide whether it is worth accepting any costs to make the change.

Ancillary Benefits

Some old pension schemes carry added benefits that we will need to consider before recommending any change.

Planning Needs

As you know, the Wealth Management Programme is not a planning solution in itself, it is simply a vehicle for you to use to achieve your financial planning goals. I would suggest that whilst we are looking at whether this is appropriate for you, you may want to start to look more closely at what you may want from your wealth. Blindly accruing assets really is not an objective in itself unless we have a target or goal to work towards.

I have outlined some basic questions that you may want to ask yourself below, and in reality if you would like us to undertake a full financial review we will be looking to dig a little deeper than this:

Considerations	Your answers
If you are not yet retired, when would you ideally like to stop working?	
What income will you need to support your lifestyle in retirement?	
What hobbies or lifelong ambitions do you have that you have not yet fulfilled?	
What plans do you have for your legacy?	
If you are still working, have you considered your income and your expenditure closely recently?	

Investment Risk Tolerance

Tolerance to investment risk is something that we find is heavily influenced by prevailing market conditions.

When markets are rising, people tend to be more optimistic about the level of risk they are willing to take. However, as markets turn we find that people tend to lower the tolerance to risk and volatility. Central to the wealth management programme will be your investment strategy, so it is essential that we revisit this in order to have exactly the right solution for you.

If you feel your tolerance to risk has changed since our last review it is essential that you advise us of this.

NEXT STEPS

1. After reading this report, if you have any questions do please contact us directly. The central ethos of our new Wealth management Programme is to put you firmly back in control of your planning, so it is essential that you understand every aspect before anything happens.
2. You will need to instruct us to undertake a full review of your existing pensions and investments to consider whether the monies should move under the Wealth Management Programme.
3. This exercise will not include any advice about changing anything other than the means by which you are investing monies.
4. If you would like to use the opportunity to refocus your planning, to review your circumstances or to reconsider your tolerance to risk, do please advise us as we will be delighted to meet you to discuss this.
5. Once you have completed the review of your existing arrangements, you will receive our next report, entitled 'Your Lyndhurst Wealth Report' which will advise you of the opportunities that may be available under the Lyndhurst Wealth Programme.