

Welcome to the latest edition of our newsletter, our update on developments in the world of financial services.

If you have any questions about the issues raised in this issue, please do not hesitate to contact us.

## Global update

Amid growing concerns about the strength and sustainability of the economic recovery, most major markets ended the month – and the second quarter – in negative territory, as investors pondered the possibility of a “double-dip” recession. Their concerns were exacerbated by Europe’s debt crisis, worries over the prospects for China’s economy and disappointing industrial production data from Japan.

At their meeting in Canada, the leaders of the G20 group of nations agreed banks require higher levels of capital if they are to avoid a future financial crisis; however, they did not advocate a global bank tax. Meanwhile, in the US, Congress put the finishing touches to the most sweeping reform of US financial regulation since the Great Depression of the 1930s and, in the UK, Chancellor of the Exchequer George Osborne announced changes to the regulation of the British financial sector that will hand overall control to the Bank of England.

Events in Europe continued to influence investors around the world, amid continued worries the region’s debt crisis could hold back the economic revival. In the US, the S&P 500 index registered a decline of 11.4% over the second quarter of 2010 and fell by 6.7% over the first half of the year. Disappointing employment data, combined with the prospect of cuts to US state government budgets and ongoing problems in Europe, continued to erode optimism about the strength of the economic recovery.

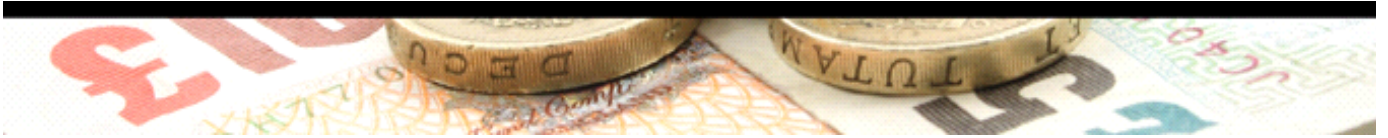
In the UK, the FTSE 100 index declined by 13.4% over the second quarter of 2010. Events in the Gulf of Mexico continued to overshadow equity markets as oil giant BP struggled to address the twin challenges of containing a massive oil spillage while attempting to appease US authorities.

### Contact Us:

Mr Steve Jones, Jones  
Financial Planning Ltd,  
The Lodge, 93  
Normanston Drive,  
Oulton Broad, Lowestoft,  
Suffolk, NR32 2PX. Tel:  
01502 538539

Renewed concerns about prospects for economic recovery in the US weighed on share prices in Asia as investors digested news of lower-than-expected consumer confidence and disappointing news on jobs. Elsewhere, China announced plans to increase the flexibility of its exchange rate, although China’s central bank does not intend to instigate an immediate revaluation of the yuan.

According to figures from the Investment Management Association, May saw net retail fund sales fall below £1bn for the first time since November 2008. Nevertheless, funds under management for the month were the third-highest on record. Absolute Return was the best-selling sector during May, followed by Global Growth, suggesting that investors favour sectors with relatively flexible investment mandates in the current climate of uncertainty.

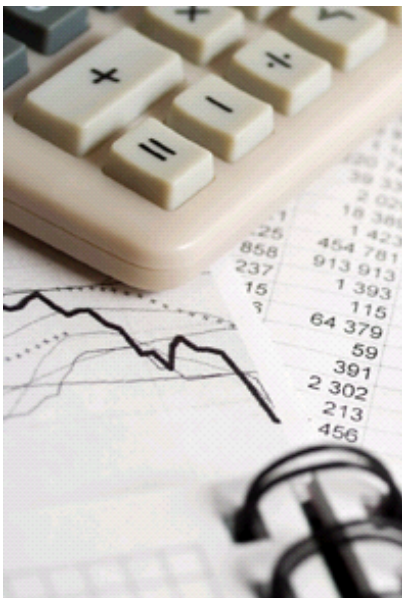


## Maximising the benefits

While ISAs are well known for being tax-efficient, choosing the right underlying investment to make sure you make the most of this is actually quite important. Using your ISA allocation wisely does not just mean picking the right ISA provider, but also carefully considering the assets themselves.

Within an ISA wrapper, not all asset classes are treated equally. For example, the interest paid on cash ISAs is free of income tax - as are ISAs invested into corporate bonds (the latter can reclaim the 20% tax which paid on their income at source). Shares, on the other hand, cannot reclaim any tax credits, and are therefore a little less effective for saving income tax. Where investors in ISAs used to be able to reclaim the 10% tax paid by companies on dividends, this benefit is no longer available. Therefore, the only remaining income tax benefit on equities is for higher rate taxpayers, who will pay no more income tax on the dividends paid by their ISA holdings in stocks and shares. Having said this, while shares are considered higher-risk investments, they have traditionally provided higher total returns over the long-term than bonds and cash. Therefore, the lack of any capital gains tax liability within an ISA remains important for everyone.

However, it is important to remember that, while making the most of your tax benefits is important, it does not outweigh the need to pick the right assets to suit your needs. Only once you get this right can you start thinking about which tax breaks might be of further help.



## Mitigating CGT

Capital Gains Tax (CGT) has often been seen as a tax for the rich, as generous personal allowances have meant it is paid by relatively few. But after some good years in the equity market and the boom in owning second homes, more people may need to account for its effects. To mitigate its effect as far as possible, you can stagger sales across tax years to take advantage of annual allowances. You can also split your investments with your spouse make sure you use both allowances. Individual Savings Accounts are CGT-free on encashment and some individual assets are also exempt, even if they are sold at a profit. Typically, these include your home, your car, certain personal jewellery, and UK Government bonds (gilts).

## What does it mean?

What does our new coalition Government mean for your financial plans? The UK economy is running an unprecedented deficit so we always knew that somewhere, one or two taxes will rise. In the spirit of compromise, there has been no imminent rise in the Inheritance Tax threshold and the priority instead appears to be an increase in personal income tax allowances instead. Alongside, however, the Chancellor has increased the rate of Capital Gains Tax for higher rate tax payers and given notice of a rise in Value Added Tax from next year. This comes alongside some significant cuts in public spending, the full details of which are only just emerging. Now may be a good time to start a review of your own plans to make sure they can adapt.

Issued by [company] which is authorised and regulated by the Financial Services Authority.

The contents of this newsletter do not constitute advice and should not be taken as a recommendation to purchase or invest in any of the products mentioned. Before taking any decisions, we suggest you seek advice from a professional financial adviser.