



## News.....

- We're delighted to welcome our new Trainee Administrator, Jodie Powell to the team. Jodie will be working with Maurice and his clients going forward, helping us to hopefully achieve our aim of providing you with excellent Customer Service.
- Congratulations to Stephanie Price our Financial Services Administrator who got married in September and enjoyed a lovely honeymoon in Sri Lanka.
- We've all had our noses in study books for the last few months, with Nick passing his RO1 Financial Services Regulation and Ethics paper and Karlene passing the CF2 Certificate in savings and Investments. These additional qualifications are all part of our ongoing business and staff development to ensure that we're offering you the highest level of advice and service possible.

## Sovereign Debt and the Potential Banking Crisis

Concern over issues relating to sovereign debt, a potential banking crisis and general fear about many major economies moving back into recession has occupied investors' attention for the last few months. Horlock Holdcroft Limited have been discussing these events with the Discretionary Fund Managers we work with, in order to gauge their views. The general opinion is that while a phase of good or encouraging news could send equity markets rebounding, there is just far too much uncertainty about. Hence, while equity markets might enjoy periodic bouts of remission from selling, the more likely prospect in our opinion, is that of continued volatility.

The realities of the situation are often difficult for individuals to grasp. One calculation estimated that, if Greece were to leave the Euro, its economy would shrink by 50%. If Germany were to abandon the Euro to its fate and reinstitute the Deutschmark, some estimate that it would be at the expense of 20% of its Gross Domestic Product. These numbers simply do not bear thinking about and, perhaps, the sooner this is understood, the better. For the European leaders, they must do whatever it takes to rescue the Euro project at, almost, any cost. Notwithstanding the shocks reverberating through the financial system at present, we would do well to remember that there are a

### Welcome

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

If you have any questions about the contents of this issue, please do not hesitate to contact us.

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core of global companies based in the Eurozone region whose business interests are just that – global. These are real businesses, producing real profits and paying real dividends. Predicting share price movements on a daily basis is rarely an easy thing to do and this is especially true at present. Nevertheless, one would hope that patience may reward the prudent investor over time.

With traditional safe haven assets (i.e. Government bonds and gold) looking over-bought, a Discretionary Fund Managers approach for our clients has not changed – they continue to select companies or funds investing in companies that have the qualities listed above. Their preference remains picking up these quality companies on days when there market is most over-sold. The time taken to become fully invested is more likely to be months than weeks. Finally, they continue to advocate a broadly diversified asset allocation, which will help to

protect your portfolio from the full extent of the ongoing volatility in equity markets.

Most investment managers have had a nerve-wracking time in recent weeks but we and the Discretionary Managers that we work with do not forget how our clients are feeling. The huge swings in markets have certainly created a great deal of anxiety and this is the time when we must have even closer communication with you. Please feel free to pick up the phone to speak to any member of the team for a chat or to arrange a review meeting.

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## Changes to Pension Annuity Rates

New legislation set to come into force in December 2012 could see men hit with an 8% reduction in annuity rates. It has therefore never been more important to look at all options to get the best outcome at retirement.

We have recently come across a Newsletter circulated to Financial Services clients nearly 20 years ago talking about annuities and what pension income they were able to buy at that time.

An annuity is one method of converting your pension fund into an income when you retire. The shock is that you would now need a fund of £182,000,000 to buy the same income you could have bought for just £80,000 in 1992\*\*. Annuity rates have fallen to record low levels, due in part to falling interest rates and rising life expectancy through medical advancements. \*\*\*

We had no idea how fortunate we were, or what was to happen to annuity rates over the following 2 decades. However we believe that things could get worse for men with the introduction of new pension legislation set to come into force next year.

Annuity rates at present recognize that women in general live longer on average than men. Therefore we find that men usually get better income terms than women.

However new legislation is set to come into force in December 2012 after a ruling by the European Court of Human Rights. The decision means that pension providers will no longer be able to use differences between men and women as a risk factor when setting annuities. (It will also have an effect on car insurance and life assurance premiums).

The Association of British Insurers said that the ruling could see men hit with an 8% reduction in annuity rates, while women may see a 6% increase. The change will be particularly negative, as the majority of pension funds and four out of five annuities are believed to be held by men.

It has therefore never been more important to look at all options to get the most suitable outcome for our clients at retirement.

It is a common misconception that you can only purchase your annuity from your existing pension provider. You don't have to - you are free to take your pension pot to shop around the market to get the best annuity for your needs. The difference between the best and worst rates is considerable, and by shopping around on the open market, you could add up to 15%\* or more to your pension income each year for the rest of your life.

Furthermore, if you are a smoker or have a medical condition such as diabetes, high blood pressure, heart disease or cancer, then it is likely we are able to arrange an even higher retirement income by negotiating on your behalf with an Impaired life annuity Provider. This is a specialised form of annuity which takes medical and lifestyle issues into account.

Some people prefer future flexibility to the fixed income of an annuity, and for those people, we can look at alternatives such as Temporary annuities or Pension Drawdown.

For many people, 'buying' a pension is the second biggest financial commitment after buying your house, so taking sound financial advice has never been more important.

*\* Source FSA / MoneyMadeClear comparison tables 8/11/11 comparing providers at standard rates assuming good health*

*\*\*Source The Retirement Partnership Ltd, Jan 1992 13.68%, Nov 2011 6%. Based on a Male aged 65 purchasing a single life annuity with a 5 year guarantee on a level basis.*

*\*\*\* The Retirement Partnership Annuity Charts October 1990 – November 2011*

This Newsletter is for guidance only and is based on the views and opinions of Horlock Holdcroft Financial Consultants Limited and David Pegler of Brewin Dolphin Investment Management.

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