

Client Briefing



May 2009

Your 2009/2010 Tax Card

As in previous years, we now have pleasure enclosing our latest tax cards for your reference. We have changed the design slightly, for a more contemporary look but they still remain wallet sized for your convenience and they are free to you! If you would like further copies for your family or friends please let us know as soon as possible as we have a limited supply still available.

Budget Changes

The tax cards incorporate the key tax changes announced in the Chancellor's budget on 22nd April 2009 and include tables of the main rates and allowances. The overall content of this Budget has been widely publicised but the main points that we would focus on are as follows:

Individual Savings Accounts (ISAs)

We strongly recommend that people continue to take advantage of their ISA allowance, wherever possible, and the good news is that the limit for investment in tax-free ISAs increases from **£7,200** to **£10,200**. However, this new limit does not apply until 6th October 2009 and then only for people aged over 50 before 6th April 2010. Everybody else can take advantage of this increase after 6th April 2010. As before, all of this allowance can be invested in stocks & shares or it can be split with cash ISAs. The maximum permitted into the cash element remains at 50% of the total allowance.

Tax Rates

In November last year, the Government announced that the top rate of tax for very high earners would take effect in 2011/12. Not only has this been brought forward to 2010/11 but the top rate will be 50% rather than 45%. These top rates will apply to people with incomes over £150,000 a year. At the same time, for those individuals with incomes over £100,000 a year, the personal allowance previously enjoyed will be restricted.

Pension Contribution Tax Relief

Tax relief on pension contributions will now be restricted for the highest earners, those with income over £150,000, from April 2011. Instead of the current relief at the marginal rate of 40%, the relief will be tapered to 20%, the same level of relief that basic rate taxpayers receive.

Market Analysis – Not All Doom and Gloom!

Even allowing for the Chancellor's over optimistic predictions for the economy, the outlook remains gloomy for the next 12 months. The gap between Government spending and taxes is expected to continue to widen and at some stage the huge cost of the various bank bail-outs will have to be repaid.

Nevertheless, there is considerably more talk about 'green shoots' of recovery and we have seen encouraging signs within the markets even since our last **Client Briefing** on 5th March this year. The gains in the major Stock Markets around the world since this date are shown overleaf.

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| Index | Value at 5 th March 2009 | Value at 15 th May 2009 | Percentage Change |
|------------------------------|-------------------------------------|------------------------------------|-------------------|
| FTSE100 (UK) | 3,529 | 4,348 | +23% |
| S&P 500 (US) | 682 | 882 | +29% |
| Euro Stoxx (Europe) | 1,852 | 2,387 | +28% |
| Nikkei 225 (Japan) | 7,433 | 9,265 | +24% |
| Hang Seng (Hong Kong) | 12,211 | 16,790 | +37% |

Clearly Markets are still a long way from their heights and these recent gains over a short period of time simply represent the recovery of some previous losses. Even so, this does illustrate the importance of remaining invested in the markets to recoup any losses investors may have suffered previously. There is also the potential for gains that new investments could enjoy.

Although history is no guide to the future, it is interesting to note that large market falls in the past have typically been followed by dramatic recoveries. Historical comparisons undertaken by **Insynergy**, an investment management company, show that where world markets fell between 20% and 50% in the 1970s, 1980, 1990s and after 2000, the returns over the first 12 months of the recovery in particular can be significant.

Elite Investment Conference

All three directors at **Harrold Financial Planning Limited** were honoured to have recently been part of a select number of Independent Financial Advisers from the UK that were invited to the inaugural 'Elite' conference held at the Celtic Manor Hotel in Wales. This was an intense two day investment event supported by a large number of fund management houses such as **Fidelity**. While none of the speakers could predict precisely where markets would finish by the end of the year, we were encouraged that they were all unanimous in their belief that they would be higher at the end of the year and that 2010 could see continued gains.

Harrold Financial Planning Limited News

We have been lucky enough to have secured the services of a new Senior Administrator. **Patrick Dewing** joined us in February this year from **Norwich Union** (soon to be **AVIVA**). He brings with him 20 invaluable years service from within the industry with particular expertise in annuities. He works closely with all three advisers and the other support staff.

Just to remind you that if you would like to speak to us, our staff are:

| | |
|---|-----------------------------------|
| Paul Harrold, Neil Warne and Robyn Lovatt | Directors and Registered Advisers |
| Anna Needs | Mortgage Adviser |
| Peter Wilson | Senior Account Manager |
| Max Samuel | Paraplanner and Trainee Adviser |
| Patrick Dewing | Senior Administrator |
| Jo Foster | Administrator and Receptionist |

You may have noticed that our website (www.hfp.co.uk) has been under construction for some time and we are pleased to announce that this has finally been redesigned and it is shortly to be relaunched. We would welcome any feedback, either good or bad!!

Phone: 01953 851151
Fax: 01953 851377
E-mail: info@hfp.co.uk
Web: hfp.co.uk

8 The Fairland
Hingham
Norwich
NR9 4HN

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