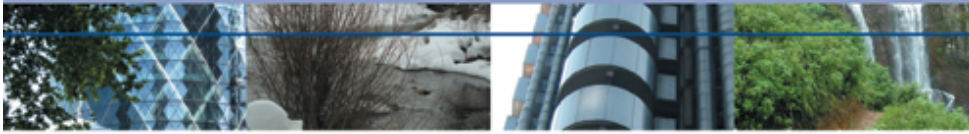


News & Views



EBS - Summer 2008

Seek independent advice

Securing your financial future is now more important than ever. We are continually being told about the pressures on state benefits, particularly pensions, as the welfare state has to adapt to an expanding and ageing population. As a result, more responsibility is being placed on individuals to make the most of their own income and investments.

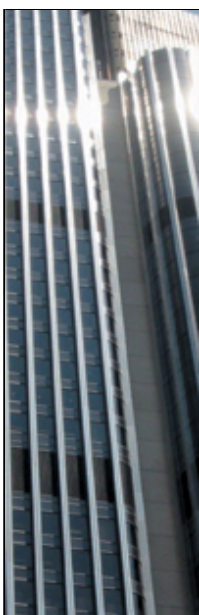
However, making these decisions is becoming ever more complicated. There are hundreds of providers offering thousands of products, all with different benefits for different needs at different prices.

Independent financial advisers are regulated by the Financial Services Authority and can offer you solutions from across the market place, not just a single or small handful of providers. We can take a close look at your particular circumstances and match the most suitable products for your position, to help you meet your goals.

If you need help with any financial decisions – or simply wish to get an assessment of what is possible so you can consider your options in more detail – give us a call. Whether you would like just an initial chat or full consultation, we would be more than happy to show you what we can do.

Welcome to the first edition of News & Views, our update on the latest developments in Personal Finance.

If you, or someone you know, would like to discuss any of the issues raised in this newsletter, please do not hesitate to give us a call.



The benefit of advice

The mortgage market is highly competitive and lenders constantly bring out new deals. They are required to provide Key Facts and illustrations, but many can only provide information – they cannot give advice on whether their loan or another provider's is best for you. In the UK, residential mortgage advice is regulated by the Financial Services Authority. Advisers use their research skills and sourcing systems to keep up to date with details of all the latest mortgage products so they can find the best rates and deals - and explain which one will best suit your requirements. So, if you want someone to do the hard work, then see an expert.

Contact us:

EBS LTD
ST JOHNS HOUSE
18 ST JOHNS ROAD
PENN
BUCKS HP10 8HW

(Parking available)

(01494) 817151

info@ebsfs.co.uk

Will rates move?

A hike in interest rates by the end of last year had been widely expected - until the credit crunch hit. House prices are now falling, the mortgage market is shrinking and high street retailers have reported much tougher conditions. The Bank of England has since cut rates to 5.00% in an attempt to stave off some of the impact of this squeeze. However, inflation reports indicate that, thanks to rising food and energy prices, the CPI figure is now 3.3% - well above the Bank of England's target 2%. On balance, this indicates that a further cut in the short term is unlikely as the Bank of England will want to see how much further these prices will run.

Equity release schemes

As house prices have risen and many people have seen the values of their pensions decline, equity release schemes have become more popular. These schemes work by loaning you a cash lump sum against the value of your house. This will usually be paid monthly, but can also be taken in one go. If you receive the cash in one payment you can then invest it to generate an income stream. Lifetime mortgages work in a similar way.

The loan will be paid back when the house is sold, either on death or when you move house. You pay no interest during your lifetime. This is added to the loan at the end of the term. To be eligible for most equity release schemes, you will need to be between 55 and 70, have a property that is worth over £40,000 and own the freehold on the property.

Equity release schemes will reduce the overall value of your estate for inheritance tax purposes. As a result, some people use equity release schemes as part of inheritance tax planning. The capital released is given away. This becomes a potentially-exempt transfer and, providing you survive seven years, it will be free from inheritance tax saving 40% tax.

If you receive an income from an equity release scheme, it can also have an impact on your means-tested benefits and income tax bill. While the cash received from the scheme is tax free, if you invest the money, any income will be subject to tax.

Of course, you can achieve the same effect by simply moving to a smaller house. However, this is likely to generate greater costs than an equity release scheme and many people prefer not to have the upheaval. It can also be a useful way of paying for care home fees. The move into a care home is often sudden and waiting to sell a house may not be feasible.

Equity release schemes have been controversial. Some are extremely expensive, charging high interest rates and fees. Three years ago, they were brought under the FSA's remit so can now only be sold by qualified advisers. This has helped to rid the industry of bad practice. In a sliding housing market, equity release investors also run the risk that their property is worth less than their loan, so these should be seen as a long-term investment only.



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