

# The Catt's Eye View

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- Buy-to-let mortgages
- Equity Release Loans
- Personal Pensions
- Company Pensions
- Investment
- Savings
- Life Protection
- Critical Illness Cover
- Income Protection
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- Tax Planning

## Pensions - a necessary evil



**Make sure that your pension provides an extended and well-earned holiday in retirement.**



Why does nobody like pension plans? What is wrong with them? What should we do about our income in retirement?

All too often, I hear people saying "we do not like pensions, we're putting our mon-

ey into property".

People are getting very excited about the changes to pensions that will allow residential properties to be placed into Self-Invested Pension Plans (SIPPs).

Great idea. But not for everybody.

If you own a property that you are letting out, you will not be able to put it into your SIPP, under current rules, because you already own it.

It is already possible to put commercial property into a SIPP. However, the new rules are less generous than the existing rules and therefore, if you are looking at buying commercial property, you should be looking to do that before April 2006. Under current rules, you can borrow up to 70% of the value of the property, after April 2006, this will drop to 50%.

If you are thinking that you

will build up equity in your own home to provide an income, under current rules, your property would need to be worth around £800,000 for you to generate an income of £10,000 per year at age 65.

Perhaps regular savings into a pension plan make sense after all. You could always invest in a property fund within the plan, if you are so keen on property.



**OR WILL YOUR RETIREMENT BE A PRISON SENTENCE?**

## Interest rates and the housing market

Those of you hardy enough to have listened to my rant about interest rates will not find anything new in this article.

I have always maintained that house prices would find their level naturally. The limiting factor being the ability of people to afford the loan payments on their borrowing.

The lenders are keen to lend money, but the FSA is now getting tougher on affordability and this is making the lenders more careful than they have been recently.

Whilst Gordon Brown insists that the Monetary Policy Committee is independent, it

runs very close to the guidelines set by the Government.

Its main aim has been to maintain inflation within certain guidelines and the only tool that it has been given in the fight is the setting of interest rates.

Although interest rates are now only 1% above this time last year, this represents a rise of over 20%.

This has had a considerable effect on many people who were basing their ability to borrow on the lower rates.

With the increased debt, such as credit card borrowing, this has already led to many people struggling to

service debts.

So long as the interest rates do not go up any further, and I think that the Government would be mad to allow this prior to the election next year, there should not be a significant fall in house prices.

I think that house prices will stagnate for the next couple of years, while salaries catch up with the level of borrowing needed to take the market onwards

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### IMPORTANT NOTE

The views expressed in this newsletter represent my understanding of law and Inland Revenue practice as at December 2004.

Levels and bases of, and relief from, taxation are those currently applying. These are subject to change and their value depends on the individual circumstances of the investor.

The value of investments and the income derived from them can go down as well as up and you may not get back the full amount invested. The past is not necessarily a guide to future performance.

If you withdraw from an investment in the early years, you may not get back the full value of your investment because of the charging structure.

Changes in the rates of exchange may have an adverse effect on the value or price of an investment in Sterling terms, if it is denominated in foreign currency.

The Financial Services Authority does not regulate taxation advice.

**YOUR HOME MAY BE RE-POSSESSED IF YOU DO NOT KEEP UP PAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT.**

## The IFA Centre, 337 KINGSWAY

I started in August 2000 working from a small room in my home. In August 2001, I took the leap and converted my garage into an office.

When the TCIFA Team



joined me in May 2002, we needed an administrative hub and took a small room in the Gemini Business Centre on Old Shoreham Road in Hove.

This was too small and we looked at alternative properties. I identified the prop-

erty on Kingsway in February 2004 and we eventually moved into the office in June 2004.

The office is shared with the TCIFA Team, now called Example Associates LLP and also Neil Thomas trading as Simpsons of Brighton.

This set up has worked quite well so far with shared facilities and equipment. Also cross-pollination of ideas and guidance in various matters has made this venture beneficial to everybody.

We are all now looking forward to a busy New Year.



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## The Stockmarket—where to now?

Any of you who have watched the movements in the Stockmarket will have noticed that it has not moved much this year.

It has kept within a narrow band with wild 20 point fluctuations upwards or downwards each day. Since this represents about 0.5%, it is not particularly worrying.

Insurance companies are

still putting shares into the market on a regular basis. This is on the basis of company solvency rather than good investment decisions.

It would also seem that many transactions are computer generated to take place when the index hits a certain figure. This is very short-term investment strategy.

I guess that it could be ar-

gued that there is significant upside potential in the market. The market is currently hovering around 4700 compared to a high level of over 6900 achieved at the end of 1999. I believe that we can look forward to modest growth over the next year.

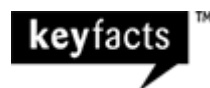
As ever, there will be winners and losers in the market and it will be down to

## Mortgage Regulation

Following on from the voluntary regulation of mortgages under the Mortgage Code Compliance Board, the Financial Services Authority has taken over the supervision of mortgages since 1st November 2004.

This has caused some consternation within the industry, particularly from those who were previously unregulated.

For those of us who have treated mortgages in the same manner as investment business, this has only caused a slight change to the paperwork involved.



The Keyfacts logos now appear on all mortgage related documentation

**The major upshot of the new regulation is that many facts about mortgages are much more fully explained and much clearer for consumers.**

Read the **keyfacts** before getting a mortgage or insurance



Merry Christmas and a Happy and Prosperous New Year