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the professional advice website

Independent Financial Advice

The huge choice of financial products on the market today, more than 30,000 at the last count, can be daunting and lead many people to leave their money just where it is – often in the wrong place.

Whether you're looking for the best way to save for retirement, advice on how to invest for the future, a mortgage for your home, or how to protect yourself and your family, the most suitable product for you is almost certainly out there. It's simply a case of how to find it.

Now, perhaps more than ever, it is important to get sound, unbiased advice on what financial products you should have, especially those of us who are too busy or who lack the confidence to search the market on our own. If you are wondering what sort of advice is out there, where and how to find it and how much it will all cost, read on.

Independent Financial Advisers (IFAs) are the only type of financial advisers who are able to select from all the products available in the marketplace - making sure you get the right product for your individual needs.

IFAs are bound to the Financial Services Authority rules, which obliges them to provide advice most suited to your personal requirements and your risk outlook. When financial products are recommended they must take into account the benefits provided, charges, flexibility, service and financial strength.

All IFAs must be authorised and regulated by the Financial Services Authority and are obliged to offer what is termed 'suitable advice'. This means that they have to gain a full understanding of your circumstances and requirements before helping to choose any financial products (they will record your information so you can double-check that they really have understood).

In addition, when recommending a product all financial advisers have to provide written reasons why they think that it is right for you - again to make sure that you are fully informed before committing yourself to anything.

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Investments

Choosing an investment is about assessing the potential risk versus reward of a particular investment and matching this to your willingness to take that risk. This will depend on your personal circumstances – for example if you are nearing retirement you may have a low appetite for risk because you are counting on retaining your savings for your retirement.

Advisers are well placed to understand your risk appetite and find the right investments to match this and often have tools to help them do this.

Planning, structuring (e.g. for tax efficiency) and timing of investments are also important in reaching your financial goals and an Adviser can help you optimise these.

• ISAs

An ISA is a tax-free savings account. Adults living in the UK can invest a maximum of £7,200 per each tax year; and can invest into three components; equities, cash and life assurance.

Advisers can provide advice on where to invest the equities component. Equity investments that can be held in an ISA include unit trusts, open-ended investment companies (OEICs), investment trusts, ordinary shares, preference shares and fixed interest corporate bonds.

Income from some ISA investments (corporate bonds) is tax-free and you do not have to report it on your tax return. Capital gains are also exempt from Capital Gains Tax.

• Collective Investments

Unit trusts, Investment Trusts, and Open Ended Investment Companies, are all collective investments, where the pooled money is managed in a fund by a fund manager. An investor can contribute by lump sum or regular payments or both. The investor will 'buy' a number of 'units' rather than shares. Each unit representing a fraction of the trusts total assets. These are a good way of getting exposure to a range of equities without having to physically own them. The investment return is dependent on the stock picking skills of the fund manager.

• Investment Bonds

An investment bond is a single premium investment policy. Part of the premium gives life cover whilst the balance is invested. Under certain circumstances, since the bond is a life policy, certain tax advantages may be enjoyed. However, because of the cost of life cover, charges tend to be higher than for other forms of collective investment.

Pensions & Pension Transfers

Choosing a private pension can be as simple as picking a straightforward stakeholder pension correctly. However, pensions can be very complex and the wrong decision can be very costly, especially for those who have a sizeable existing pension and want to transfer it. In this case, a correctly qualified Adviser will work through your situation and give provide you with the right advice.

- ## Personal Pension

A personal pension is one that you take out yourself, for example if you're self-employed or your employer doesn't offer a pension arrangement.

They are a type of money purchase pension, which means you build up a pension fund using your contributions, investment returns and tax relief. When you retire you can take a tax-free lump sum from your fund and use the rest to secure an income, in the form of an annuity.

- ## Stakeholder Pensions

Stakeholder pensions are essentially personal pensions. They were initially set up by the government to encourage people on lower incomes to start saving for their retirement and have special features designed to make them low cost, such as limited charges and low minimum contributions.

- ## Self Invested Personal Pension (SIPP)

The self-invested personal pension (SIPP) is a pension wrapper that holds investments until you retire and start to draw a pension income.

SIPPs are designed for people who want to manage their own pension fund by dealing with, and switching, their investments when they choose. They may have higher charges than other personal pensions or stakeholder pensions. For these reasons, they are more suitable for large funds and for people who are experienced with investing.

- ## Annuities

An annuity is the product you trade your pension in for when you retire, in order to get an annual payment for life. It's a big one-off financial transaction, about which you can't change your mind once done. An Adviser can check out the whole market and help you get the best deal.

Mortgages

Another huge financial transaction, so advice is a boon. Yet remember you'll get an advisor not an instructor, so the most important thing is always to make sure you at least know the basics before hand.
Yet unless you get an Adviser who specialises in mortgages, you're often better off going to a specific mortgage broker, who can search the whole market for you without charging a fee.

- ## Interest only mortgage

A mortgage where you only pay the interest charges of the loan each month. This means you are not reducing the loan amount itself, and this will need to be repaid in some other way, for example, through an investment or savings plan.

- ## Standard Variable Rate

This is a loan at the lender's normal mortgage rate without any discounts or deals. Mortgages with a discount or fixed term often revert to this rate, once the deal comes to an end.

- ## Discounted/ Tracker Rate

To entice new customers, many lenders offer discounted rates off their standard variable rate (for example 2% discount on the standard variable rate for 3 years). The reduced mortgage payments are not deferred for later payment; it is an incentive to attract new customers.

- ## Fixed Rate

A fixed rate mortgage will offer an interest rate that remains the same for a set period of time, typically 2-5 years.

Fixed rate mortgages are popular amongst the first time buyers, as they give you certainty of your monthly outgoings for the period of the fixed rate. At the end of the fixed rate period, the interest rate will usually revert back to the lenders standard variable rate.

- ## Self-Certified Mortgage

If you have difficulty proving your income, perhaps you are self employed, have multiple jobs or rely heavily on bonuses, then a self certification mortgage can help.
This kind of mortgage allows applicants to declare their own income without the need for providing evidence. The mortgage once taken out is exactly the same as any other; however there is an increased risk to the lender and because of this, lenders may charge a higher rate of interest or higher repayment charges.

- ## 100% Mortgages

Most lenders demand that borrowers put down a deposit as part of the property purchase. Often first time buyers simply do not have enough funds to raise a deposit. To overcome this, some lenders will offer 100% mortgages.

This is where the potential homeowner borrows 100% or more of the value of the property. As the mortgage lender is taking all the risk if there is a fall in house prices, interest rates may be slightly higher.

- ## Right to Buy Mortgages

This is a scheme that allows council tenants to buy their homes at a discounted price. To qualify for the right to buy option, you will usually need to have been a public sector tenant for a minimum of 2 years. Your council can provide more detailed information.

A council right to buy is an excellent way of getting on the property ladder without the hassle of saving for a deposit, as lenders will often lend up to 100% of the discounted price

Protection Policies

Protection products are designed to provide you with financial support should unexpected things happen to you or your family. Life assurance, critical illness and income protection can all be complex products, with many exclusions and therefore are best talked through with your adviser.
You may already have some form of cover through your employer without realising it, so a review with an Adviser can help clarify your situation and ensure you get the cover you need.

- ### Life Insurance

An insurance policy which pays out a lump sum if you die.

In the case of mortgage protection life cover; it's a policy which will pay off your mortgage loan if you die. If you have a repayment mortgage (so the amount you owe gets smaller over the years), you can buy cover that reduces as the debt reduces, this is called decreasing term assurance.

- ### Critical Illness Insurance

This is an insurance policy which pays out a lump sum if you're diagnosed with a critical illness, such as cancer, a stroke, MS, a major organ transplant, coronary artery bypass, heart attack and kidney failure. You can use the payout to pay for medical treatment, pay off your mortgage or anything else.

- ### Income Protection

This is an insurance policy which replaces part of your income if you are unable to work for a long period of time because of illness or disability.

- ### Healthcare Insurance

Healthcare cover or private medical insurance is to provide cover for the cost of private medical treatment.

Estate Planning

On the basis that you probably won't live forever, it makes sense to plan in advance…

You should consider making a will and minimising any likely inheritance tax liability.

- ### Making a Will

A will is a written declaration of an individual's wishes as to what they want to happen after they die. To die without leaving a valid will is to die intestate. This can cause more heartache for the family of the deceased as there are complex rules laid out to determine the distribution of a person's assets known as rules of intestacy. An Adviser will be able to guide you this.

A simple Will helps to avoid complex or undesirable post-humous issues, and helps to ensure that the right money goes into the right hands at the right time.

- ### Inheritance Trusts

In a similar manner to a Will, an Inheritance Trust Deed can serve to ensure that the right money goes into the right hands at the right time.