GLOBAL VIEWS

2nd Quarter 2012

Secure Asset Management

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A Blinkered View

Risk is a subjective thing! Skydiving is one that I personally am not prepared to take even for all the perceived joys of freefalling, whereas I know many people who enjoy the experience. I also know for a fact that they looked at all the potential risks and discussed the safety measures and procedures with experts before deciding to take their first jump.

With this in mind I was surprised that one of the major life companies has decided to rate the risk aspect of all their funds on the basis of volatility as prescribed by the Committee of European Securities Regulators (CESR) in their guidelines published in July 2010.

Now I accept that volatility is a very visual thing and the one that can make looking at your investment portfolio either an enjoyable or a stressful experience; however I cannot see how this can be the lone factor to consider when looking to invest you're hard earned cash!

What about the standing of the fund house, currency risk, sector risk, asset classes and liquidity?

What might look good on the fact sheet may not be in the bigger scheme of things. 5 million in a fund might sound a lot, but not when there are funds with billions. 10 years might sound like a good track record, but some might have 25. Past performance may have been good, but there could be economic factor that could change things.

All of these are manageable and quite possibly acceptable if the reward is sufficient and you have all the facts.

Only by talking to an adviser can you build a full picture covering the risk aspects as well as the overall shape and proportions of your personal portfolio.

So whether you are an adrenaline junkie or prefer a sedate Sunday afternoon walk along the beach, by talking to your adviser you will be able to make an informed choice as to what funds suit your financial needs and are aligned to your own personal risk profile.

The Biggest Pension Mistakes

As governments tighten what they pay out it makes it even more essential that we all make provision for income in retirement. Below we list the most common mistakes made by people in their retirement planning:

1) Delaying starting, perhaps the most common and damaging mistake to make, delaying just a few years will mean that you have to put away significantly more, and the total cost of providing that pension rises exponentially. Never underestimate the benefits of compounding
2) Not saving enough, actually goes hand in hand with the point one, and is pretty self-explanatory. Truth is there are always demands upon our incomes, and truth is, putting a little away to start, and increasing on a regular basis will always be easier, than having to dig deep and make large contributions from day one
3) Relying on property, statistics tell us that stocks have been the best performer for investments for many years. Obviously things may change, and certainly property can provide an excellent route for retirement income. However, property is a little less flexible, if you rely on rental income what do you do when the property is empty, you have running costs, no liquidity, but perhaps a useful adjunct to a cash pension
4) Relying in inheritance, let's be clear, it does not always work out does it? Thus relying on one source outside your control is not exactly a plan
5) Not keeping track, employ the services of a quality IFA, even if you are no longer in contact with the IFA you bought your plan from, find another one. The comment that I thought my pension would buy me a house and it will not even buy me a caravan simply means the plan was not reviewed. Regular reviews are essential to make sure you are on track

In conclusion, if you do not have one, get one, if you have one which has not been looked at for a while, get a review, don't rely on your house or an inheritance get a plan in place.

Less Gloom but certainly not a Boom

Time they say is a healer, perhaps all we need is time and all will be well again in the madness, which is our economic world.

Greece seems to have moved to a new stage, and for the moment default seems not to present any immediate problem.

The US, seemingly as always showing an incredible resilience, and for the moment the fact that its borrowing remain at record highs, with no signs of reducing, is showing the EU just how it should be done. As the EU and UK in particular staggers each quarter just avoiding the theoretical double dip recession, US firms are hiring more, and consumers spending more.

The signs of spring are everywhere, and the emergence of the spring flowers seem to be reflecting the hope for the world economy. Again in the US, the Spring fever seems to be helping the incumbent president in an election year, and the clearest signs that the recovery is happening are there to be seen. The US remains the power house of the world economy, so we all need to be pleased that there is some good news coming from our cousins across the pond, as stronger unemployment fuels the increased consumer spending, and it appears the drags from the housing bust starts to wane. More jobs were created in the US in the three months to November last year than at any time since 2006. Consumer credit is growing; clearly US lenders are doing what the UK lenders are not, allowing ordinary people and small businesses access to finance. Yes it seems the US is well on its way to recovery. The debt problem remains, but for the moment the good news outweighs the bad.

Europe however, is a long way from recovery, and the real impact of debt in countries such as Greece and Spain is yet to be seen. We appear to be not so far away from the time where regions in Spain simply cannot pay their way. What happens when teachers, the firemen, the police have not been paid for several months remains to be seen. There remain grave concerns as to the possibility of social unrest in many areas.

Finally Asia, and the powerhouse there, China. Whilst it seems that recent figures from China did not make pleasant reading, inflation seems to be being brought under control, and this will give the authorities the opportunity to ease monetary policy and ensure that the country does not suffer a sharp downturn. The property boom seems to be slowly coming under control as a result of the authorities actions.

So, US looking positive as regards emergence from recession, EU, the jury is out, Asia and in particular China, optimistic hope.

Happy investing!

Seventy is the new Sixty-Five

Millions of Britons currently in their 30s and 40s could have to work well into their 70s, as the UK Government takes steps to link state pensions and public service schemes to life expectancy was part of George Osborne's budget last month.

The Treasury will outline the move in greater detail in a paper to be published in July, but experts say that pension ages are set to be hiked-up in line with the country's increasingly old population, therefore many Brits will be forced to postpone their retirement plans.

Women will be hardest hit as their retirement age is expected to be brought in line with men's, jumping from 60 to 68.

With the Government confirming that it is to link these pensions to soaring life expectancy, we can reasonably assume that the pension age will only continue to go up and up in the future. Independent reports suggest that if the pension age tallies with average life expectancy predictions, those currently in their mid-30's will not be able to receive that pension until they are 70.

Quite clearly if you want to retire earlier than the future state pension or public sector age, and want to have the retirement you deserve, you personally have to take responsibility for it.

From now on, there will be too many older people and too few young people working to support them, so the state pension age will be constantly increased, and there will be less and less money in the pot to go round.

In these challenging economic times it is not easy, but everyone does need to think carefully about saving for the future. The vast majority of people have done nothing to prepare for their retirement, and if they continue on that path they may have to work into their 70s or even 80s.

The first step to a comfortable and secure financial future is to act now.

Don't delay talk to your adviser today.

Discretionary Management Service

Some clients will be aware of the above, and how traditionally the very wealthy are able to have a manager to manage their investments specifically with their own risk profile. As stated this has been traditionally for the very wealthy, or as professionals in finance refer to them HNW or VHNW, (High Net Worth, or Very High Net Worth).

We are delighted to advise that we are now able to provide a DMS for clients who save on a regular basis. It matters not whether you save £100.00 per month, or £10,000.00 per month, this service is available for a very nominal fee.

Our DMS is a UK authorized manager with an extensive history of superior results and service. The mechanics are simplicity itself. At this stage most insurance companies have agreed to offer the service, thus all that is required is to complete a simple form.

The Manager will provide an initial report to you, reconfirm certain information, and take over your investment. The mandate allows the manager to manage your money to achieve the stated targets, taking into account your risk profile. The manager cannot access your money and run away with it!

Each quarter you will receive a report and valuation to enable you to keep track in a timely manner as to where you are, and how your investments are performing.

One very important fact about regular savings is what is termed dollar (or pound) cost averaging. This phrase refers to the fact that when you are saving on a regular basis, that you will buy units in funds at varying prices. Thus if a fund rises in price significantly, and you are investing the same amount of money each month, you will buy fewer units, whereas if the price falls you will buy an increasing number of units.
This is all very well; whilst you are in the early stages of a plan, but as you get closer to maturity, then clearly we would like to see the funds you are invested in, provide some positive returns. Also remember there is always the chance that the price of a fund may not recover, so buying lots of cheap units may not benefit you.
Think of the Japan market, which hit almost 40,000 in 1990, and still trades now at about 10,000.

For more information on this exciting innovative service contact us now.

The Best Investment Opportunities Over the Last 60 Years

On the occasion of the Queens Diamond Jubilee there has been some interesting numbers put together as to where the best returns have been made over the past 60 years.

Clearly some of these figures are possibly contrived, we have to bear in mind for example that UK citizens were unable to invest into gold until the mid-1970s. In addition the stock markets, as we know it today did not exist. Consider the fact that companies such as Vodaphone or Morrison were not on a listing. However, whatever way you view the statistics it is clear that the outright winner in the competition where was it best to put your money, houses, equity bonds or cash, was equity.

Figures show that for every £100.00 invested the returns were:

Shares	£108,410
Houses	£8579
Bonds	£6854
Deposits	£5853

There will also be arguments that if you did not buy a house, you would have had to have rented, but regardless to any small variance the overwhelming winner is the stock market.

We have been through some turbulent times, we remain in possibly a delicate position, however, 2012 thus far has seen many equity markets move strongly. If you are not in you cannot win, as the sayings go.

Transferring UK Pensions Overseas into a QROPS

If you have ever worked in the UK, it is likely that you will have built up pension funds there. If you are planning to retire outside the UK, there may be a case to consider transferring your pensions out of the UK. Following changes in UK law in 2006, it is now easier to transfer pensions abroad and there are more reasons for doing so in many instances.

Under UK law, you cannot gain access to your UK pension funds until you reach the normal retirement age, which increased from age 50 to age 55 in 2010. However, it is possible to move the funds that are building up in the pension to a scheme that is resident outside the UK. Funds can be moved as long as the overseas scheme is registered as a "Qualifying Recognised Overseas Pension Scheme", or "QROPS". To become a QROPS, the overseas scheme must fulfil certain criteria as to when and how the pension can be taken (not earlier than age 55, at least 70% of the UK tax relieved funds to provide an income in retirement etc.), and register with the tax authorities in the UK.

So why would moving your pension make sense?

One big advantage is that, should you retire outside the UK, your pension payments from a UK scheme are treated as UK taxable income. Not a problem if you retire to a country with an agreement with the UK that allows the UK pension to be paid without deduction of tax, but not all countries have such an agreement. So, if you retire in such a country without an agreement in place, you can face UK tax on your UK pension. However, with a QROPS the income will be payable without any tax deducted at source. With the UK now at a top rate of 50% for high-income earners, transfer to a QROPS to avoid such a tax is certainly worth considering (you should seek suitable local tax advice as you have to balance this with the tax that would be payable in your country of residence in retirement).

Other advantages include the ability to have pension income denominated in a currency other than sterling, which may not be appropriate for where you plan to retire. A sterling only approach may pose 'currency risk' that will reduce the value of your pension savings in the currency of the country in which you intend to retire. You also will have the ability to appoint your usual investment manager to manage your pension fund from the widest choice of investment types, so that you can maintain an appropriate investment portfolio to match your own attitude to risk.

However, there is one other major advantage to transferring to a QROPS if you have large funds accrued in a UK pension fund. To explain this, it is first necessary to examine what happens if you leave your money in a UK scheme. Upon reaching age 55, you have several retirement options:

(i) Leave the fund invested and defer taking your pension
(ii) Take a maximum lump sum equal to 25% of the fund value and defer taking the pension
(iii) Take a maximum lump sum equal to 25% of the fund value and draw an income from the remaining fund
(iv) Draw an income from the whole fund

If you decide to take an income, you can either buy an annuity or draw income directly from the fund. Many people do not buy an annuity at this age due to the unattractive rates available, and because there would be no fund available to heirs on death.

If you take your lump sum and do not buy an annuity, then your scheme is in what is termed "drawdown".

If you die between after the age of 55 and your UK pension is in drawdown, then the remaining fund can be left as a lump sum to your heirs. However, the fund will suffer a tax penalty equal to 55% of the fund value.

If you transfer your UK fund to a QROPS, however, it is possible to avoid this potential liability altogether. That is because, once you have been non-UK resident for 5 complete tax years, the tax penalties outlined above no longer apply to a QROPS.

That's the advantages of QROPS, but there are pitfalls to be wary of before considering a transfer.

Firstly, there are schemes around that claim to allow you to take your entire pension fund in one lump sum. A very attractive proposal, but be aware that these schemes are considered very abusive by the UK tax authorities, and in fact new rules implemented on 6/4/2012 have been specifically drafted to attack such schemes. If you get tempted by these then the sting in the tail is that you could end up losing up to 55% of the value of your pension fund to HMRC recovery charges and penalties – the saying *'if it seems too good to be true then it usually is'* should be noted here!

You also need to consider whether the costs involved will be worth the tax savings, particularly in relation to smaller funds, and funds that may have guaranteed income promises attached to them. However, there are calculations available known as 'transfer analysis' that can compare your current scheme funds to that of a proposed QROPS and quantify the growth required in the QROPS to at least match these benefits.

So, whilst there are compelling reasons to transfer a UK pension, the decision should never be taken lightly. Getting the decision wrong can be very expensive, and it is therefore essential to take professional advice before taking action.

Important Note:

This article contains general information only and is not intended to be taken as specific investment or tax advice.

Investing Mistakes

Even the most astute investors can and do make errors, and sometimes the most basic and simple rules are broken in an attempt to capture upside. Below we list some fundamental rules that you would be wise to consider when making any investment decision.

Putting all your eggs in one basket

A very old saying and certainly a great deal of relevance to investing. Do not put all your money into one fund/one share, or even one stock market, or one asset class. If you believe that it is the right time to buy gold, do not just buy one gold fund, and even more consider other precious metals, gold is not the only one. Finally allocate a percentage of your portfolio to the asset, not 100%, unless of course you recognize the risk that if that certain basket falls, you may lose a substantial amount of your net worth.

Follow the herd

One old investment sage once made a comment, that when your taxi driver tells you it's time to buy gold, or property, or some individual stock, or fund, then it is time to get out. It is fact that when markets are moving higher the majority of private investors start buying, and when the markets are falling the reverse occurs. Yet we all know if you want to make money, we should buy when the markets are down and sell when they are up.

I guess the truth is we all have a fear of missing the opportunity, and an equal fear of buying high. There are numerous statistics showing that getting the market timing right is very difficult, and frequently it is time in the market, which is what is important. Buy in fundamentals not because all your friends are buying.

Focusing on the past

You will frequently read the comment "past returns are not a guide to the future". Certainly past returns can help in the decision process, but should not be used in isolation. Buying last year's winner is almost certainly a recipe for failure, as very rarely does the top performing fund for one year remain the top fund for the second year. However, seeking a fund, which has delivered consistent returns over a number of years, can help in the decision process.

Taking unnecessary risks

This has become an increasing problem with interest rates at current levels. Thus most investors and most advisors would always seek the panacea of investment, a low risk fund that offers attractive returns, sadly they do not exist. In order to make attractive returns you have to take risks. The decision the investor has to make, is just how much risk am I willing to take?

If you are considering investing in a proposition, which appears to good to be true, then almost certainly it is. We see funds being marketed, which are offering 10, 11, and 12% per annum returns, with apparently little or no risk. Ask yourself this, if these funds really were doing what they purport, why are they not offered by the big name fund groups, HSBC, Barings, Fidelity etc. why are they always offered by a new never heard of before fund group? Do these people have the monopoly on good ideas? Also if the funds are indeed as good as they make out, why on earth would the Sovereign Funds of Saudi Arabia, Singapore, China not be buying them, instead buying American T Bills or UK Gilts which are paying significantly less.

The standard terminology in investment of any sort is, "caveat emptor", Let the buyer beware, and you have been warned.