



Lexington Times -Spring edition no. 2

Lexington Times welcome

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Thank you for all those who contacted me regarding our first newsletter, it was appreciated and the points raised will be covered in future issues.

Since writing our last edition of the newsletter, 2008 has provided more news and items to write about than I would have hoped. We predicted that 2008 would be a volatile year and it's certainly proving to be right.

We have seen significant volatility in world equity markets on the back of sub-prime mortgage fears. Inter-bank lending markets have dried up and with banks calling in their debts, a number of hedge funds have collapsed. In the last few weeks, the position of the US bank, Bear Stearns, has dominated the business pages.

In this edition we will be covering the Credit Crunch and the impact it's having on the global economy, Alistair Darling's first budget and what we can expect for the rest of 2008.

We'd like to send our sincere appreciation to all our clients and professional connections who have introduced us to their friends, family and colleagues.

We have seen a significant increase in the levels of investment business, constant levels of financial planning, remortgages, and not too surprisingly a noticeable reduction in house purchases.

We hope you enjoy this newsletter. Any Articles or updates you'd like to read about, please let our office know. We really appreciate your feedback

We genuinely appreciate any introductions and are never too busy to speak with your friends, family and colleagues.

*'Our sincere appreciation
to all our clients and
professional connections'*

Global Credit Crunch – Cash

There is currently considerable uncertainty in the banking world. We have already witnessed the demise of Northern Rock in the UK and Bear Stearns' in the US. It would be a brave onlooker who says that no more banks will follow suit.

This should be a further reminder that if you have over £35,000 of cash with any particular banking institution or Group, it is at risk. You should remember that the banks and building societies that feature at the top of the "best buy" tables are not always the most financially secure. Where larger amounts of money are involved, we would recommend that investors diversify and consider accepting a slightly lower interest rate for increased security. Please contact our office if you would like further details.

Many of you will be aware that the Financial Services Compensation Scheme covers the first £35,000 of deposits that each individual has with a particular bank or building society Group. When one Group is trading under many different names you are only covered for the overall group and not each individual bank. Check with your institutions if you are unsure if they are linked or please contact our office.

Global Credit Crunch – Mortgages

We have now seen the effect of the global credit crunch hit our high streets with some of the big names in lending increase there rates in a move to discourage lending.

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This comes despite the fact that the Bank of England has been cutting official interest rates as it attempts to head off a major economic downturn. The bank's rate-setting Monetary Policy Committee has delivered two quarter-point reductions in its key rate to 5.25% since December.



The problem, in part, is that the rate at which banks lend money to each other has spiked yet again. The sterling three-month London interbank offered rate, or Libor, this week rose to a new 2008 high of more than 6%, despite the Bank of England's recent rate cuts and expectations for a further reduction in April or May. Libor typically tracks official interest rates closely. The three-month rate is an important benchmark for medium-term loans between banks.

Global Credit Crunch – Mortgages cont.

Remember that rises in the cost of mortgages are not limited to the headline interest rate. We have seen arrangement fees increase on some of these products and some lenders have also withdrawn products that included free valuations and free legal work.

If you are coming to the end of a fixed or a discounted rate, we would advise you to start researching the market as soon as possible. The good deals are harder to come by and when you find one, it is likely that the lender will be inundated with new applications so the time between application and completion could easily exceed 4-6 weeks.

What we are doing to support you.

For those of you with mortgages, and we hold information on these, we have reviewed our database and put diary alters for 3 months before your redemption date. We have engaged the services of Damien O'Dwyer CeMAP, a fully qualified and experienced mortgage adviser as our in-house Mortgage & Finance Manager.

Some people may feel in a time of slowing property sales, one should reduce costs in this area, but I feel that since more and more of my time is now dedicated to Financial Planning and Investment advice, a full time dedicated pair of hands to proactively support our clients is required. More about Damien later on. He can be contacted at our office on 01793 771093, or directly on 07834 977399 email: Damien@Lexingtonuk.com.

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Equity Markets – What should I do?

With equity markets yo-yoing since Christmas, investors are rightly asking whether they should push the panic button or alternatively, whether the current climate represents a good buying opportunity. History tells us that markets do generally rebound and that over the longer term, investors are rewarded for the risk they take in the form of above inflation returns.

What happens in the short term is anyone's guess and for every bull there is a bear. Pick up any newspaper and the doom and gloom on one page will be balanced by the "buy now while stocks last at this knock down price" article on the next.

To put all of this into perspective, I suggest you revisit our previous newsletter which we hope sheds a positive light on current conditions.

Markets will always have their volatile periods and no one can predict which weeks or months will generate good or bad returns and how long those periods will last. However, being out of the market for even short periods can markedly affect long-term portfolio performance.

How bad is it?

I thought it would be good to compare the broadest market indicator, the FTSE All Share against some model portfolio's Lexington offers.

I think you'll appreciate the world is not ending and investing in a balanced portfolio of domestic and international equities and bonds, over the long term, is beneficial.

*'I think you'll appreciate
the world is not ending'*

Index/Portfolio	3 months	1 year	3 yr Standard Deviation
Cash & Bond	1.30	12.30	7.21
Cautious	-1.47	8.98	6.66
Balanced	-2.83	7.43	7.44
Bold	-4.97	3.47	9.13
Adventurous	-7.10	-0.22	11.15
Aggressive	-9.07	-3.97	13.04
FTSE All-Share	-10.73	-1.20	11.27

Source: Morning Star as at 29th February 2008
Portfolio details are available on request.

Deadline 4th April, it's Friday!

We are fast approaching the Tax Year end which with it brings last chance opportunities:

ISA's

It is the last opportunity to start or top-up your 2007/08 ISA. You are able to invest £7,000 per individual so if you have left this to the last minute please contact us immediately to arrange this.

Pension's

For individuals we can no longer carry a pension contribution back to the previous year. Once 5th of April has past, that's it.

Pension are a very attractive means of funding for the future and even more attractive for higher rate tax payers.

Pension contributions to reduce the income and therefore tax in the 2007/08 tax year need to be paid by the 4th April.

Here's an example of a higher rate tax payer investing £10,000.

Personal contribution	£10,000
Tax relief claimed	£ 2,820
Total payment to pension	£12,820

Higher rate income tax liability reduced by £2,307.

Therefore, a net outflow of money from the investor of £7,692, and a pension fund increased by £12,820. An immediate return of 67%

It gets better for those aged between 50-75.

Tax Free cash of 25% can be taken immediately after the contribution and tax relief has been invested (into cash if you feel appropriate). So a Total payment (£12,820) would provide a Tax Free Cash payment £3,205.

So, a contribution of £10,000, less the higher rate tax relief of £2,307, less the tax free cash payment of £3,205 leaves a net payment of £4,488 and a pension fund increased by £9,616, a return of 114%

The above is subject to your personal situation and for some people the above will not be appropriate. If you are considering this, please get in touch immediately.

Lastly, with the 22% income tax band reducing to 20%, the amount invested into personal pensions by means of personal (nor company payments) will reduce by 2.5%. With 'real' inflation sitting around 4-6%, this is a real reduction most people cannot ignore. Please consider increasing your pensions by at least the 3% but possibly more. Please call our office for details.

The concept of Mini and Maxi ISAs will no longer exist.

Budget update - a short summary

Personal Tax

Tax Bands

2007/08 Taxable income	Rate of Tax	2008/09 Taxable income	Rate of Tax
Up to £2,230	10%	-	-
£2,231-£34,600	22%	0-£36,000	20%
Over £34,601	40%	Over £36,000	40%

Personal Allowances	2007/08 (£)	2008/09 (£)	Increase (£)
Personal Allowance	5,225	5,435	210
Personal Allowance (65-74)	7,550	9,030	1,480
Personal Allowance (75+)	7,690	9,180	1,490
Married Couples Allw (65-74)	6,285	6,535	250
Married Couples Allw (75+)	6,365	6,625	260
Income limit for age-related allowances	20,900	21,800	900

Capital Gains Tax

Currently we have a complex system which tax's personal and business assets differently. Both personal and business assets allow for indexation, to help off-set the effects of inflation, and the level of tax is reduced the longer the assets are held using taper relief.

The new rules will remove indexation and taper relief and the different levels of tax. Capital Gains Tax is being replaced with a flat 18% on all gains over the personal capital gains tax allowance.

There is one exception to this and that is on the sale of a privately owned company shares, whereby the first £1million of gain is taxed at 10%.

Some people may be caught out holding of AIM listed shares and employee sponsored share option schemes. Current legislation defines these holdings as Business Assets, and thus the maximum tax is 10%, if the assets are held for 2 years. The new legislation will increase this tax by 80%, taxing the gains at 18%.

Corporation Tax

The corporation tax for small businesses is again increasing from 20% to 21%

Child Benefit

The increase in child benefit is small. Therefore, have you considered saving your Child Benefit for your child's future costs, such as house deposit, Weddings or University?

The new £18.80 pw benefit, if saved from birth would provide, assuming a net return of 8% pa, a Tax Free Payment of;

At age 18 - £39,111 At age 21 - £51,982 At age 30 - £121,414

Please contact us for details

Please note

Notes: Levels, bases of, and reliefs from taxation are subject to change. Past performance is not a guide to future performance and the value of investments can go down as well as up. Tax Planning is not regulated by the FSA. We have taken great care to ensure the accuracy of this newsletter. However, it is written in general terms and you are strongly recommended to seek specific advice before taking any action on the information it contains. No responsibility can be taken for any loss arising from action taken or refrained from on the basis of this publication.

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Office News

Service

Personal & Business coaching

We are now offering one on one personal and business coaching sessions. The sessions which will be held at our offices and held on a monthly basis will focus on you and how you want to spend the rest of your life.

Working on the premise that you can achieve anything you want in life, if you know what you're willing to give up in order to achieve it, these sessions will benefit those who want to make a significant change in their lives and grow to the next level, either personally, professionally or both.

From time to time, economic and political events make people anxious and fearful about their futures. We will increase your sense of direction and confidence.

The first sessions will be focused on gaining clarity of what you want out of life, defining your desired lifestyle and short, medium and long term goals.

Subsequent sessions will answer questions such as, What would need to happen in order to achieve this?

For further information on these sessions please email me for a copy of the Personal & Business Planning Success Manual or call for details.

Team members

We have the following Team Members to announce.

Damien O'Dwyer CeMAP, CeRGI

Damien and I worked together 12/13 years ago when we trained together. I moved into the corporate and investment market and Damien specialized in mortgages, finance and general insurance.

Prior to joining Lexington Damien operated as a regulated mortgage adviser with Lock Mortgages Ltd and work from his office in Wallingford.

We have retained the office for mortgage purposes in Wallingford and Damien has been brought into Lexington to improve the service we offer to our clients when advising on mortgages, corporate finance and general insurance products.

If you have any questions for Damien, please contact him at our office on 01793 771093, his mobile 07834 977399 or email: Damien@Lexingtonuk.com

Theresa Regueira

Most of you will have met or spoken to Theresa in the past. Theresa worked for Lexington up until February 2007 when she left to have a baby. Now after an extended period enjoying her daughter Sophia, Theresa has agreed to come back on a part-time basis and will share the administration role with my wife, Nicky.

We are delighted to welcome her back.