

Improvements to e-Suitability - paragraph library version 1.1.10 8.4.2010

We are pleased to announce further enhancements to e-Suitability which include significant improvements to the content. These changes have been made in response to user feedback.

The most significant changes are:

A new paragraph library release which incorporates the following changes:

- **Budget 2010 changes**
- Improved text for structured products
 - Where disclosure documents don't include a key facts document
 - Interest rate disclosure now accurate to 4 decimals
 - Repetitive text eliminated for taxation disclosure
 - ISA taxation details now sensitive to whether ISA includes a transfer payment
- Minor layout corrections

Budget 2010 changes

Changes have been made to take account of changes confirmed in the last budget:

- Stocks and Shares ISA allowance for all now £10,200
- Cash ISA allowance for all now £5,100
- Lifetime allowance now £1.8 million
- Trivial commutation allowance for pensions now £18,000

Unchanged allowances are:

- Age allowance still £22,900
- Capital gains tax allowance still £10,100
- IHT nil rate band still £325,000

All references to the tax year ending April 2009 have been amended to refer to the tax year ending April 2011.

An example of the changed text to accommodate the changes in the new tax year follows.

GENERAL DESCRIPTION OF THE STOCKS AND SHARES ISA INVESTMENT PLAN I HAVE RECOMMENDED

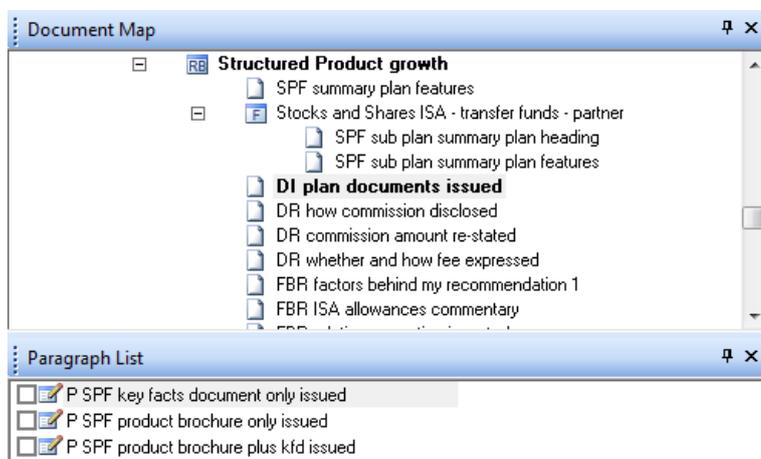
- The ISA investment I have recommended is a unitised collective investment which allows you to benefit from a diverse pool of investments, shared with other investors.
- The main advantage of an ISA investment is that any gains are exempt from capital gains tax and there is no liability to personal income tax.
- Special rules apply to “non-equity” investment funds, sometimes known as “bond” funds. A “bond” fund is one which comprises more than 60% in “qualifying investments”. When an ISA manager invests in such a manner, a full tax reclaim of 20% will be available on interest distributions.
- ISA fund managers are unable to reclaim an income tax credit of 10% for “equity” funds.
- Broadly, there are two types of ISA available, Stocks and Shares ISA’s and Cash ISA’s. You have the choice of saving in a Stocks and Shares ISA, a Cash ISA or both each tax year. Each ISA may be held with the same or different ISA managers.
- The most you may invest in a Cash ISA is £5,200 per tax year and the maximum for a Stocks and Shares ISA is £10,200 per tax year and there is an overall maximum limit of £10,200 per tax year. For example, if you decide to invest £5,200 in a Cash ISA, the most you may invest in a Stocks and Shares ISA is £5,200. These limits apply in the tax year ending April 2011.
- Unused ISA allowances may not be carried forward to future tax years.

Improved text for structured products

In response to user feedback, a number of improvements have been made to e-Suitability reports for structured products.

- **Where disclosure documents don’t include a key facts document**

In some situations, product disclosure documents for a structured product do not include a key facts document. Now, in addition to the previously available paragraph selections, an additional paragraph labelled, “product brochure only issued” has been added as shown below.



Selecting, “product brochure only issued” will cause the following text to appear:

DOCUMENTS YOU HAVE RECEIVED FROM ME WHICH RELATE SPECIFICALLY TO THIS RECOMMENDATION

- A product brochure document relating specifically to the recommended plan which includes a section which explains the associated risks, costs and charges.
- An illustration of benefits which provides details of the plan including the amount of commission payable which is £450.00.

- **Interest rate disclosure now accurate to 4 decimals**

In response to a user request, we have adjusted the automated formatting of the field into which the interest rate is inserted to account for up to 4 decimal points. An example of the new text follows:

HOW ARE THE RETURNS CALCULATED

This investment is designed to produce a guaranteed growth at a rate of 0.4875% per month gross plus return all of the initial capital invested at the end of the agreed term.

- **Repetitive text eliminated for ISA taxation disclosure**

In response to a user request, we have eliminated repetitive text to explain the taxation consequences of selected plan clusters for a structured product recommendation. A common situation where the problem of repetitive text would occur is mirror ISA recommendations for a client and his partner. Now, suppression of repetitive taxation text is active which means the text to explain the taxation aspects will appear once only irrespective of the number of times an individual plan cluster is selected.

- **ISA taxation details now sensitive to whether ISA includes a transfer payment**

In response to a user request, we have improved the way automated text is inserted to explain the taxation consequences of Stocks and Shares ISA investments. Previously, the taxation text was not sensitive to whether the ISA was made as a new investment or via a transfer from another provider in which instance an explanation of the ISA investment limits would be redundant.

Now, the text is sensitive to whether one or both of the contribution sources are included in the structured product recommendation.

Selecting, “Stocks and Shares ISA – new funds – client” or “Stocks and Shares ISA – new funds – partner” as a plan cluster will cause the following text to be inserted.

IMPORTANT POINTS TO REMEMBER CONCERNING INVESTMENT TAXATION

The tax rules applicable to this structured investment may be summarised as follows:

STOCKS AND SHARES ISA

- The Stocks and Shares ISA component I have recommended is exempt from capital gains tax and there is no liability to personal income tax.
- Stocks and Shares ISA managers are unable to reclaim an income tax credit of 10% for “equity” funds.
- The most you may invest in a Stocks and Shares ISA is £10,200 in the tax year ending April 2011. If you decide to invest in a Cash ISA, the amount you may invest in a Stocks and Shares ISA will be reduced by the amount you invested in a Cash ISA.

This text explains both the taxation implications and contribution limits.

Selecting, “Stocks and Shares ISA – transfer funds – client” or “Stocks and Shares ISA – transfer funds – partner” as a plan cluster will cause the following text to be inserted.

IMPORTANT POINTS TO REMEMBER CONCERNING INVESTMENT TAXATION

The tax rules applicable to this structured investment may be summarised as follows:

STOCKS AND SHARES ISA

- The Stocks and Shares ISA component I have recommended is exempt from capital gains tax and there is no liability to personal income tax.
- Stocks and Shares ISA managers are unable to reclaim an income tax credit of 10% for “equity” funds.

This text explains only the taxation implications – only the relevant information is stated.

Selecting a combination of:

“Stocks and Shares ISA – new funds – client” or “Stocks and Shares ISA – new funds – partner”

and:

“Stocks and Shares ISA – transfer funds – client” or “Stocks and Shares ISA – transfer funds – partner”

will cause the following text to be inserted.

IMPORTANT POINTS TO REMEMBER CONCERNING INVESTMENT TAXATION

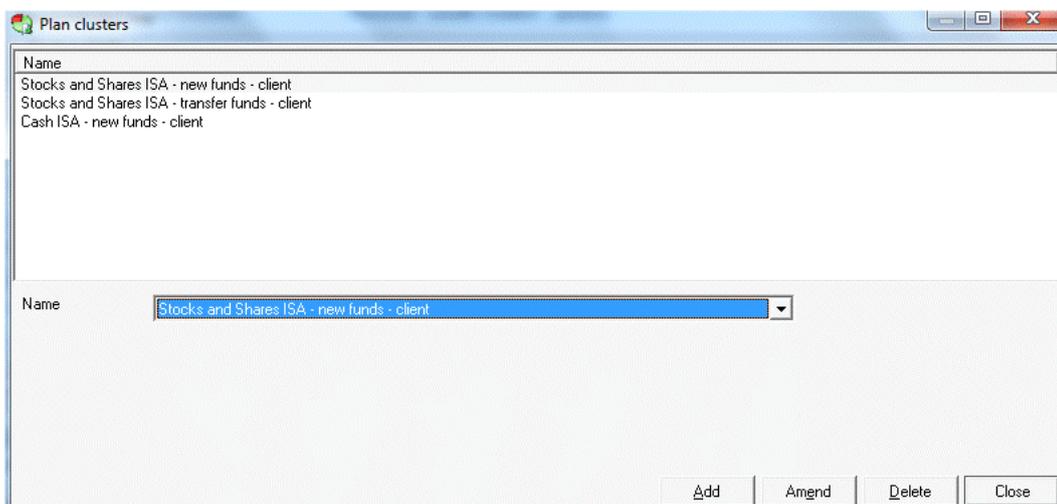
The tax rules applicable to this structured investment may be summarised as follows:

STOCKS AND SHARES ISA

- The Stocks and Shares ISA component I have recommended is exempt from capital gains tax and there is no liability to personal income tax.
- Stocks and Shares ISA managers are unable to reclaim an income tax credit of 10% for “equity” funds.
- The most you may invest in a Stocks and Shares ISA is £10,200 in the tax year ending April 2011. If you decide to invest in a Cash ISA, the amount you may invest in a Stocks and Shares ISA will be reduced by the amount you invested in a Cash ISA.

This text explains both the taxation implications and contribution limits.

N.B. Correct layout of this part of the report will be achieved only if the plan clusters are prioritised correctly when building the recommendation. If the Stocks and Shares ISA recommendation includes new and transfer funds, make sure that “new funds” cluster appears before the “transfer funds” cluster. An example of the correct order is shown below.

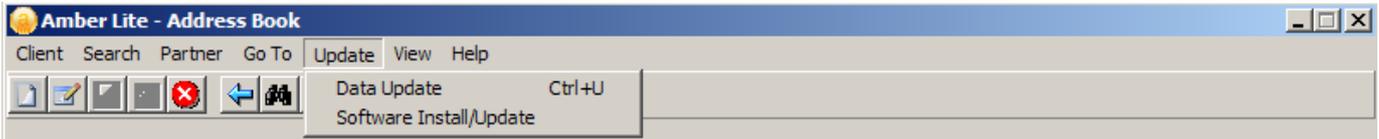


Minor layout corrections

The paragraph library has been reviewed and a number of small layout corrections have been made. In this connection, we are grateful for continued user feedback on any flaws found in the content, the correction of which will take precedent over all other development work.

New paragraph library

If you have already updated the software, select the “Data Update” option from the drop down menu which is assessable immediately after launching Report Writer.



Then follow the onscreen instructions.

What's next on the development list

- Final Salary pension transfers.
- Discretionary Fund Manager recommendations.
- Support for offshore and non-regulated collective investment funds.
- Improved support for automated inclusion of text to document client “needs and demands”.
- Unsecured pension review reports.
- Fund switches within same product reports.
- Support for “non product” recommendations.
- Child trust recommendations.
- With Profits annuities.
- More support for network fact find risk descriptions and risk profiling tools – e.g. Watson Wyatt.
- Support for National Savings products – a respectable inclusion whenever you make a lump sum encashable investment recommendation. This will be included as a new need area for ease of access.
- Support for “mainstream” investment fund management houses as product providers for Stocks and Shares ISAs, Unit Trusts and OEICs and Investment Trusts.