



## **Example ISA and Unit Trust combined**

**This document is not to be released to the public**

Alan Parker  
Suitability Report  
2 July 2008

This report can be seen as a useful reminder, both now and in the future, of what was discussed and the thinking behind my recommendations. Please ensure that you read it and understand its contents. Please contact me if there is anything in this report about which you require further clarification.

#### **YOUR NEEDS AND REQUIREMENTS**

We met to discuss investing a sum of money over the medium term which has accumulated in your savings accounts over the last few years. Having discussed your situation in some depth, we agreed that your financial needs include investing over the medium to long term.

You want to invest in a way where it will be possible to achieve returns which exceed those which you might expect from a savings account and where it will be possible to readily encash the amount invested if required.

I have recommended that you invest £7,200 into a Stocks and Shares ISA with the remainder of £43,000 held as investment funds. The ISA investment will be sheltered from income and capital gains tax.

I considered your retirement income needs before deciding how best to advise you. As a member of the NHS pension scheme, you will receive the maximum pension available under the scheme when you reach retirement.

We discussed investing part of the capital now available in a pension plan and the advantage of this is that the initial investment would be boosted by the effect of income tax relief which, in your situation, would be equal to the top rate of 40%. However, you want to be able to have access to the amount invested before you retire and, because of this, I have recommended that you make use of encashable lump sum investments for the investment we discussed.

#### **YOUR BACKGROUND KNOWLEDGE AND EXPERIENCE**

My understanding of your current situation is:

- You are 50 years old, single and your children from an earlier marriage are grown up and are financially independent.
- You are currently employed as an NHS hospital doctor earning £85,000 per annum. Your discretionary disposable income is approximately £20,000 per annum.
- You are a member of the NHS final salary pension scheme.
- Your house is valued at £500,000 and is unencumbered.

We discussed your understanding of financial services products, with reference to your previous experience of advice received and products purchased, and established that you have some knowledge and prior experience of making financial arrangements similar to those which I have recommended in this report.

## **DOCUMENTATION YOU HAVE RECEIVED FROM ME**

- My business card which contains my contact information.
- “Client Agreement” – the content of which has been agreed with you.

This explains my status as an adviser, and other points, including details of how you may decide to pay for services.

Also enclosed is a copy of a document which summarises your personal details and the structure of your financial arrangements which are relevant to the financial decisions you have made following my advice.

## **SCOPE OF MY ADVICE**

It is important that you understand my advice. Therefore, you should read this report in conjunction with the above-mentioned documents and any plan specific documents which have been supplied to you. You should pay particular attention to the sections on charges and cancellation. If you believe that any information in these documents is materially incorrect, or if you have any questions, please let me know as soon as possible.

The financial needs dealt with in this report are based upon my analysis of the information you have provided to me. You should review your needs from time to time as they may change. The recommendations made in this report are valid now but may not be in future.

## **THE FINANCIAL PLANNING AREAS YOU WISHED TO REVIEW**

Before making my recommendations, we had a general discussion about your financial situation and priorities. You preferred that I restrict my review and advice to certain areas of focus which are of most concern to you at this point in time. The recommendations contained in this report relate only to these areas. My recommendations may have been different if I had undertaken a full review of your financial circumstances.

During our meeting I covered the subjects of income protection, life cover, critical illness cover and pensions. Although you recognise that needs may exist in these areas you do not wish to address them at this time.

## **PLANS TO BE CANCELLED**

We have agreed there is no need to cancel any of your existing plans in consequence of following my advice and recommendations.

## **EMERGENCY FUND**

- You should consider keeping some money available with immediate access to cover any unforeseen emergency expenditure that may arise.
- How much you should hold as an emergency fund will depend on a number of factors including the security of your income and the level of your regular monthly financial commitments. Traditional sources of funding this requirement include current accounts, savings accounts or any other available cash based investments that are readily accessible.

## **YOUR BUDGET**

- You told me that you can afford and are prepared to commit a single payment of £50,200.00 at

present for your financial planning needs.

- Our discussion on this point concluded that you are comfortable that you have sufficient surplus income and capital resources available such that the recommendations in this report will remain affordable.

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## SUMMARY FEATURES OF THE RECOMMENDED PLAN

Owner	Alan
Provider	Cofunds
Policy type	New - Stocks and Shares ISA
Term	open ended
Initial investment amount	£7,200.00
Source of investment	cash payment

For further details, please refer to the supplied product illustration and key facts document.

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

- A Key Facts document relating specifically to the recommended plan which includes a section which explains the associated risks.
- An illustration of benefits which provides details of the plan including the amount of commission payable which is Nil.

## HOW OUR FEE WILL BE APPLIED

Our agreed fee of £200.00 is payable in full as I will arrange for all commission to be applied for your benefit to reduce your product charges.

## FACTORS BEHIND THIS INVESTMENT RECOMMENDATION FOR ALAN

- You envisage being able to continue the investments you now make for at least 5 years.
- You wish to choose an investment now which is capable of being used later to supplement your income or capital needs from other sources.

## PERFORMANCE OBJECTIVE

- You have not set a specific financial target for this investment.

## ATTITUDE TO INVESTMENT RISK FOR THIS INVESTMENT

Your attitude towards risk for this investment may best be described by the following statement:

- You are a balanced investor and accept a degree of risk whilst including some security of capital within your portfolio. You accept that the overall investment could show losses but you are accepting the risk in return for a potentially higher return over the longer term.

## REASONS FOR RECOMMENDING COFUNDS FUND SUPERMARKET

- Fund supermarkets aim to provide an administratively simple, flexible and cost effective way of investing in a diverse range of fund management institutions.
- Switching from one fund to another is subject to a relatively low charge.
- Through a Cofunds ISA it is possible to invest in ISA funds of more than one fund management house.

- Administering your investments is simplified via Cofunds.

### **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 £3,600 per tax year and the maximum for a Stocks and Shares ISA is £7,200 per tax year and there is an overall maximum limit of £7,200 per tax year. For example, if you decide to invest £3,600 in a Cash ISA, the most you may invest in a Stocks and Shares ISA is £3,600.

### **REASONS FOR RECOMMENDING THE FUNDS INCLUDED IN THIS INVESTMENT**

Details of the investment funds I have recommended are provided in the attached Key Facts documents. These provide details about the funds objectives, recent performance and other information.

I have recommended these funds because their characteristics for risk and performance combine to form a good match for your objectives.

More specifically, I have recommended that 50% of the amount be invested in Fidelity Special Situations which invests in UK equities to provide for the opportunity of strong returns over the long term. I have recommended that the balance is invested in Artemis Strategic Bond which invests in fixed interest securities to provide for more stable returns.

### **WHAT HAPPENS NEXT**

Your application has been sent to the product provider, a representative of which will write to you to confirm receipt within the next few days. I will monitor progress of your application.

### **COMMENCEMENT DATE**

Normally, once the application has been accepted by the provider, the investment will commence immediately upon receipt of the first contribution.

## SUMMARY FEATURES OF THE RECOMMENDED PLAN

Owner	Alan
Provider	Cofunds
Policy type	New - Unit Trust or OEIC
Term	open ended
Initial investment amount	£43,000.00
Source of investment	cash payment

For further details, please refer to the supplied product illustration and key facts document.

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

- A Key Facts document relating specifically to the recommended plan which includes a section which explains the associated risks.
- An illustration of benefits which provides details of the plan including the amount of commission payable which is Nil.

## HOW OUR FEE WILL BE APPLIED

Our agreed fee of £1,100.00 is payable in full as I will arrange for all commission to be applied for your benefit to reduce your product charges.

## FACTORS BEHIND THIS INVESTMENT RECOMMENDATION FOR ALAN

- You envisage being able to continue the investments you now make for at least 5 years.
- You wish to choose an investment now which is capable of being used later to supplement your income or capital needs from other sources.

## PERFORMANCE OBJECTIVE

- You have not set a specific financial target for this investment.

## ATTITUDE TO INVESTMENT RISK FOR THIS INVESTMENT

Your attitude towards risk for this investment may best be described by the following statement:

- You are a balanced investor and accept a degree of risk whilst including some security of capital within your portfolio. You accept that the overall investment could show losses but you are accepting the risk in return for a potentially higher return over the longer term.

## REASONS FOR RECOMMENDING COFUNDS FUND SUPERMARKET

- Fund supermarkets aim to provide an administratively simple, flexible and cost effective way of investing in a diverse range of fund management institutions.
- Switching from one fund to another is subject to a relatively low charge.
- Administering your investments is simplified via Cofunds.

## **GENERAL DESCRIPTION OF THE PLAN I HAVE RECOMMENDED**

- The investment fund I have recommended is a unitised collective investment which allows you to benefit from a diverse pool of investments, shared with other investors.
- The unit or share price reflects the value of investments held by the fund.
- Any gains realised upon the sale of investment funds are subject to capital gains tax which is explained further below.
- Through reasonably careful management, it should be possible to make relatively substantial annual investment withdrawals without triggering any liability to capital gains tax.
- Income tax is payable based upon the value of any dividends received within the investment.

## **REASONS FOR RECOMMENDING THE FUNDS INCLUDED IN THIS INVESTMENT**

Details of the investment funds I have recommended are provided in the attached Key Facts documents. These provide details about the funds objectives, recent performance and other information.

I have recommended these funds because their characteristics for risk and performance combine to form a good match for your objectives.

More specifically, I have recommended that 50% of the amount be invested in Fidelity Special Situations which invests in UK equities to provide for the opportunity of strong returns over the long term. I have recommended that the balance is invested in Artemis Strategic Bond which invests in fixed interest securities to provide for more stable returns.

## **OTHER PLAN TYPES WHICH PROVIDE SIMILAR BENEFITS WHICH WERE CONSIDERED BUT DISCOUNTED FROM MY RECOMMENDATION**

### **INVESTMENT BOND**

I have considered the use of an investment bond to meet your needs.

- It is possible to hold funds with a similar asset composition to the funds I have recommended in this form of investment.

- A flexible investment bond offers a simple and highly flexible means of investing.

It may be used to good effect in the following situations - where:

- simplicity of investment is more important than tax efficiency.
- it is desirable to establish an investment trust – e.g. for estate planning purposes.
- tax allowances which other forms of investment may take advantage of are already utilised to the full.

I have not recommended an investment bond for the purpose of this investment because:

- the above-mentioned circumstances do not apply with sufficient weight to your investment needs.

### **ISA – INDIVIDUAL SAVINGS ACCOUNT**

I considered the use of ISA investments to meet your needs.

- It is possible to hold funds with a similar asset composition to the funds I have recommended in this form of investment. The main advantage of an ISA investment is that any gains are exempt from capital gains 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, then a full tax reclaim of 20% will be available on interest distributions.

- In addition, fund managers are able to reclaim an income tax credit of 10% for “equity” funds.

However, this income tax concession was discontinued in April 2004.

- An ISA investment offers a simple, flexible, and tax efficient means of investing.

It may be used to good effect in the following situations - where:

- you have not already utilised your annual ISA investment allowance.
- it is not desirable to establish an investment held subject to a trust – e.g. for estate planning purposes.

I have not recommended an ISA for the purpose of this investment because:

- the above-mentioned circumstances do not apply with sufficient weight to your investment needs.

### **IMPORTANT POINTS TO REMEMBER CONCERNING INVESTMENT TAXATION**

- Whenever you make a withdrawal from this investment, a question arises as to whether any capital gains tax is payable.
- However, a generous annual personal capital gains tax allowance is available.
- The current allowance means there is no possibility of becoming liable for capital gains tax providing your contemplated withdrawal, plus any other chargeable capital gains in the current tax year, do not exceed the applicable Capital Gains Tax allowance, a figure of £9,600 for the tax year ending April 2009. In most situations, withdrawals for amounts considerably greater than this will be possible with no tax charge.
- Under the above-mentioned circumstances, please seek further advice before making a withdrawal from your investment funds.

### **WHAT HAPPENS NEXT**

Your application has been sent to the product provider, a representative of which will write to you to confirm receipt within the next few days. I will monitor progress of your application.

### **COMMENCEMENT DATE**

Normally, once the application has been accepted by the provider, the investment will commence immediately upon receipt of the first contribution.

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### **IMPORTANT GENERAL POINTS**

- I rely on product providers, Life Offices, and you to provide me with accurate information.
- Past performance is not a guide to the future. The value of investments may fall and rise and you may get back less than you invest. If an investment includes assets which are held in a foreign currency, movements in exchange rates will cause the value of the investment to fall or rise.
- All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and Inland Revenue practice. Levels and bases of tax relief are subject to change.

### **LEGAL WILLS**

Whether you are single, married or in a civil partnership, you should arrange a legal Will. Unless you do so, intestacy rules will be applied to your belongings when you die. A brief summary of the rules applicable in England and Wales follows:

#### MARRIED PERSON WITH CHILDREN

- Spouse gets everything up to £125,000 and personal possessions.
- Anything remaining is divided into two: half to the children at 18 or earlier marriage and half in trust during spouse's lifetime - he or she gets the income. On spouse's death this half goes to the children.
- If a child predeceases, leaving issue, his issue will take his share between them.

#### MARRIED PERSON WITH NO CHILDREN

- If there are parents, brothers or sisters of the whole blood, nephew or nieces: Spouse gets everything up to £200,000 & personal possessions.
- Anything remaining is divided into two: half of this goes to spouse and half to parents. If no parent is living then it goes to brothers or sisters or their children.

#### MARRIED PERSON, NO PARENTS, BROTHERS OR SISTERS OF THE WHOLE BLOOD, NEPHEWS OR NIECES

- Spouse takes whole estate.

#### UNMARRIED PERSON WITH CHILDREN

- Estate goes to children at 18 or earlier marriage. If a child predeceases, leaving issue, his issue receive the benefit in equal shares.

#### UNMARRIED PERSON WITH NO CHILDREN

- Estate goes to parents. If none, then to siblings of the whole blood or their issue. If none, then to siblings of the half blood or their issue. If none, then to grandparents. If none, then to uncles and aunts of the whole blood or their issue. If none, then to uncles and aunts of the half blood or their issue. If there are no parents, siblings of whole or half blood, issue of siblings, grandparents, uncles and aunts of whole or half blood, or issue of uncles or aunts, estate goes to the Crown or to the Duchy of Lancaster or the Duke of Cornwall.

#### **FUTURE REVIEWS**

With regard to your financial arrangements as a whole, there are likely to be other areas that will require future action. Please remain in touch and arrange regular meetings to review your situation.

I recommend that you arrange a review meeting annually if possible. Please feel free to contact me to arrange your next review meeting if a firm arrangement has not been agreed.

Finally, many thanks for your business and I look forward to helping you with your finances for the future.

David Brown BA (Hons)  
Independent Financial Adviser

In signing this document, I confirm receipt of a copy of this report.

Signed by: Alan Parker

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Date .....