

## grange now

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## Investment Matters

By Jason Crane Cert PFS MIFP

**Welcome to my question and answer section for September. As interest rates remain at record lows, the term 'search for income' is becoming a major concern for many people.**

Q. I have been retired for a number of years now and up until 2009 I had been supplementing my pension income with interest paid from my cash savings. I have always considered myself as someone who would never be prepared to take any risk with my money and therefore always remained invested in cash, but with the low interest rates looking set to continue I feel I need to consider other options, otherwise I will either start to erode my capital or I will have no choice but to change my lifestyle to match my reducing income.

A. Whenever I see clients I always discuss the importance of establishing and maintaining a good balance of holdings between different asset classes, and in your case it would be no different. In terms of cash holdings it is vital that you maintain a reasonable level in order to pay for one off and un-expected expenditure. A Financial Planner would work with you to ensure you calculated the most appropriate level of cash to hold. Once your ideal cash position has been calculated the amount remaining can be invested to supplement your income. Initially it is important to structure your portfolio in the most tax efficient manner, after which investment choice can be made in line with your attitude to investment risk and income requirement. Two of the most common types of investments for those seeking income are Corporate Bond Funds and Equity Income Funds.

Corporate Bonds are essentially loans to companies in return for a fixed rate of interest, the loan being repayable on a fixed date in the future (very much like an interest only mortgage when buying a home). Before being repaid by the company, Corporate Bonds can be bought

and sold on the stock market with the price very much determined by supply and demand, often effected by interest rates, inflation and the financial strength of the company. In terms of risk, this type of investment sits below shares as the company simply needs to have enough cash to service the debt, whereas shareholders require the company to make reasonable profits to pay a dividend. Although this type of investment is considered lower risk than shares, they do have an element of risk as some companies will default; also as Corporate Bond Funds buy and sell Bonds they will not necessarily hold each Bond for its full term, as such the income received will be variable and not guaranteed.

Equity Income; investing in shares means that you own a share of that company and therefore receive a share of the profits by way of dividend. Equity income is often seen as a hedge against inflation; in theory, if revenue and costs rise with inflation, so will the profits. Well run companies will always look to increase revenue and trim costs, thus increasing profits, allowing for a rising dividend. Consistent and rising dividends should mean a rise in the share price, ensuring investors benefit from both income and capital growth. Conversely, dividends are by no means guaranteed and the value of shares can fall as well as rise so investors may get back less than they invest.

A Financial Planner will work with you to select the best performing Corporate Bond and/or Equity Income Funds, rather than direct holdings, in order to spread risk. Any income that is not required can be re-invested to increase growth potential, allowing for income to be taken when required.

There are of course other types of assets that can provide an income, working with a Financial Planner you could start to make your money work harder for you, potentially avoiding the need to adjust your lifestyle and/or preventing erosion of capital during times of low interest.

*The comments in this Editorial are only general and should not be taken as specific advice. It is important that you seek independent advice before taking any action on the above, or any other subjects. It should be noted that the value of some investments can fall as well as rise; therefore, you may get back less than originally invested. Past performance is not necessarily a guide to the future. Independent Investment Associates Limited is authorised and regulated by the Financial Services Authority.*

## Your Health Service Needs You!

**On Thursday 9th Sept – the evening of the Westmorland Show – South Lakes Health Action will be holding an open meeting at Kendal Town hall starting at 7.00pm.**

Speakers will include the Group's President, MP Tim Farron, local GP Hugh Reeve and John Kaye speaking as Representative of the Shadow Governors of the local hospital trust.

Dr Colin Wilkinson, a Grange resident, will chair the meeting. The meeting will briefly review the ongoing struggle to persuade the Trust to re-instate some critical services at Westmorland General Hospital. A discussion on the prospects for the future health services in our locality will follow - in view of the likely effects of the Government White Paper. Half of the meeting will consist of a question and answer session.

## SLDC New Computer System

**South Lakeland District Council will be introducing a new computer system to deal with Council Tax, Business Rates and Benefits. The current system will close down on Wednesday 15 September with the new Open Revenues system scheduled to start on Monday 4 October.**

Whilst information is transferred to the new system, there will be a period of approximately two weeks when the council is unable to process or amend housing benefit claims and deal with any changes relating to Council Tax or Business Rates. SLDC will be writing to all benefit customers individually to explain there may be some changes to dates when rent allowance is paid into bank accounts whilst the new system is being installed.

However, anyone who has a change in circumstances that may effect their benefit entitlement or if they move house or start a new business should still contact the council immediately. Once the new system is up and running, these changes will be then be dealt with as soon as possible.

## Your next grange now

Oct issue out from 30th Sept  
DEADLINE Thursday 23rd Sept



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