

choice and suitability



April 2008

Following the 2008 Budget Nick Bladen describes why there will continue to be a strong market for both investment bonds and collective investments.

As expected, the Chancellor introduced an 18% flat rate of capital gains tax in the March 2008 Budget. The taxation of investment bonds remained unchanged. This clarity and confirmation is good news for everyone, allowing confident investment and enabling you to match clients' needs with suitable product recommendations.

In recent months the appropriateness of investment bonds has been hotly debated, in many cases based on incomplete information or deliberate bias. As a leading provider of both onshore/offshore bonds and unit trusts/OEICs, Skandia has no vested interest in promoting one product type over another – and is therefore positioned to offer an unbiased opinion.

beyond the headlines

Following the introduction of the new 18% flat rate of CGT, it is impossible to say whether a bond or a collective will incur the higher tax. Even if only considering the tax liability of a product in isolation, the headline tax rate is still only part of the equation. The actual tax

paid depends on a number of factors including rates, timing of charges, reliefs, allowances, and the status of the individual during the investment and on encashment.

To give some examples purely from a tax perspective, higher rate taxpayers who become basic rate taxpayers on encashment may often find themselves better off using a bond. This may also be true for higher rate taxpayers investing primarily in fixed interest, property and certain equity funds. In contrast, clients not using their annual CGT exemption and higher rate taxpayers investing primarily for growth may be better off investing in a collective.

advice opportunity

For financial advisers, the CGT change presents a business opportunity to work with providers that offer not only the full range of product and investment solutions but also the technical support that allows the tailoring of financial solutions to your clients' needs. Whatever the client's situation, it is important to evaluate all factors and benefits when

weighing up the choice between different products – and Skandia continues to provide a wide range of flexible solutions.

We believe there are three main areas to consider when providing advice to your clients, and it is only after comprehensively covering these areas that you can make an informed and appropriate recommendation. This also provides an ideal framework for ongoing client reviews.

1. Determine client needs and goals

- Income provision
- Wealth management – creation and retention
- Estate planning

2. Establish client circumstances

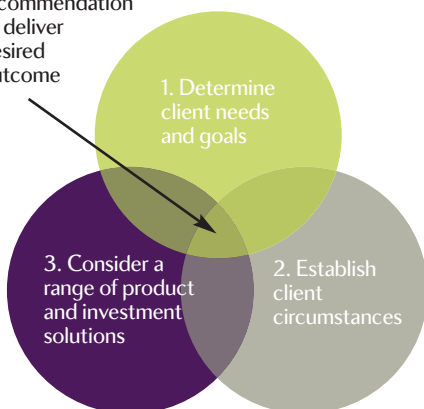
- Current tax position – personal and CGT
- Future tax position
- Intended longevity of investment
- Appetite for risk

3. Consider a range of product and investment solutions

- Appropriate tax wrapper
- Portfolio tailored to client's appetite for risk
- Trust provision if required

a '5 Star' provider

Optimum client recommendation to deliver desired outcome



summary

We believe there continues to be a significant market for both insurance bonds and unit trusts/OEICs following this year's Budget, and despite the CGT changes there are many reasons why investment bonds still have an important role to play.

As ever, in today's increasingly regulated advice market, suitability remains key; it is vital that you are able to recommend the most appropriate product for your clients' needs – highlighting the value of quality advice. ●

The issue of bonds and collectives post-Budget 2008 will be discussed in more detail at next month's Trailblazer roadshows. Visit www.skandiatrailblazer.co.uk for more details or to register for an event.

As well as identifying the right investment products for your clients' needs, you need to ensure that they are with the right provider. Skandia is dedicated to both service and product quality – and we have the awards to prove it.

In recent months Skandia has received 5 Star ratings from independent product research company Defaqto for product quality and from Financial Adviser for service quality – giving financial advisers two good reasons to recommend Skandia.

Three products from Skandia's onshore bond range were awarded a 5 Star rating for product quality in February 2008 by Defaqto. This means they are considered to be among the best products in the market.

Skandia's 5 Star onshore bonds are:

- the Skandia Investment Bond and Capital & Income Bond (both available through SkandiaWrap)
- the Collective Investment Bond (available through Selestia Investment Solutions)

Defaqto's rating of onshore bonds involved the analysis of a number of

different elements including online switching and valuations, fund choice, the number of free switches and online portfolio planning tools. Of the 47 onshore bonds that Defaqto rated, only six products achieved a 5 Star rating, three of which being the Skandia products listed above.

Fraser Donaldson from Defaqto comments:

'We not only evaluate product structure and features, but also look at the range of ancillary services that make the purchasing experience that much easier for the adviser, and ultimately the client. Skandia rate highly in all these areas which means the adviser and client can be assured of a quality proposition.'

In addition to these product quality measures, Skandia was awarded Financial Adviser 5 Star ratings for 'Life and Pensions Provider' and 'Investment Provider and Packager' in November 2007. Over the 15-year history of these prestigious awards, Skandia has won twenty-seven 5 Star Service Awards – more than any other provider.





www.skandia.co.uk

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Skandia Life Assurance Company Limited is registered in England & Wales under number 1363932. Registered Office at Skandia House, Portland Terrace, Southampton SO14 7EJ, United Kingdom. Authorised and regulated by the Financial Services Authority with FSA register number 110462. VAT number 386 1301 59.