INSIGHT

ISSUE 18

A WEALTH OF ADVICE

POTENTIAL CAPITAL GAINS TAX CHANGES

WOMEN'S STATE PENSION SHORTFALL

SCAMS ARE BECOMING MORE SOPHISTICATED

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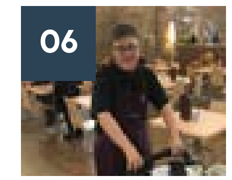
Accountants, Business & Financial Advisers



INSIDE THIS ISSUE

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WELCOME

Welcome to our latest issue of Insight. We hope you, your families and your loved ones continue to remain safe and well. As we continue to see the effects of the heath crisis and local lockdowns, The Government is trying to balance minimising loss of life with protecting the economy which is no mean feat. At Armstrong Watson we continue to work as normal as we can and all our offices are open with social distancing measures but also by remote video.

The unfortunate side of this pandemic has seen businesses hit hard which has resulted in job losses. It can be a very worrying time and in this edition we highlight some key considerations to help you process what is happening and make a smooth transition into your desired future path.

We continue to discuss health & wellbeing. Research carried out by the Office for National Statistics (ONS) found that, since the outbreak of COVID-19, almost half the population have experienced 'high' levels of anxiety. It's well known that emotional and financial wellbeing are connected to each other and we discuss how employers can engage with their employees.

More than £30m has been lost since 2017 to pension fraud, according to Action Fraud, as unauthorised "advisers" tout unrealistic investments. Men aged in their 50s are the most likely victims of fraudsters who target people's long-term pension savings. There are things to look out for and do if you think you may be a victim of a scam.

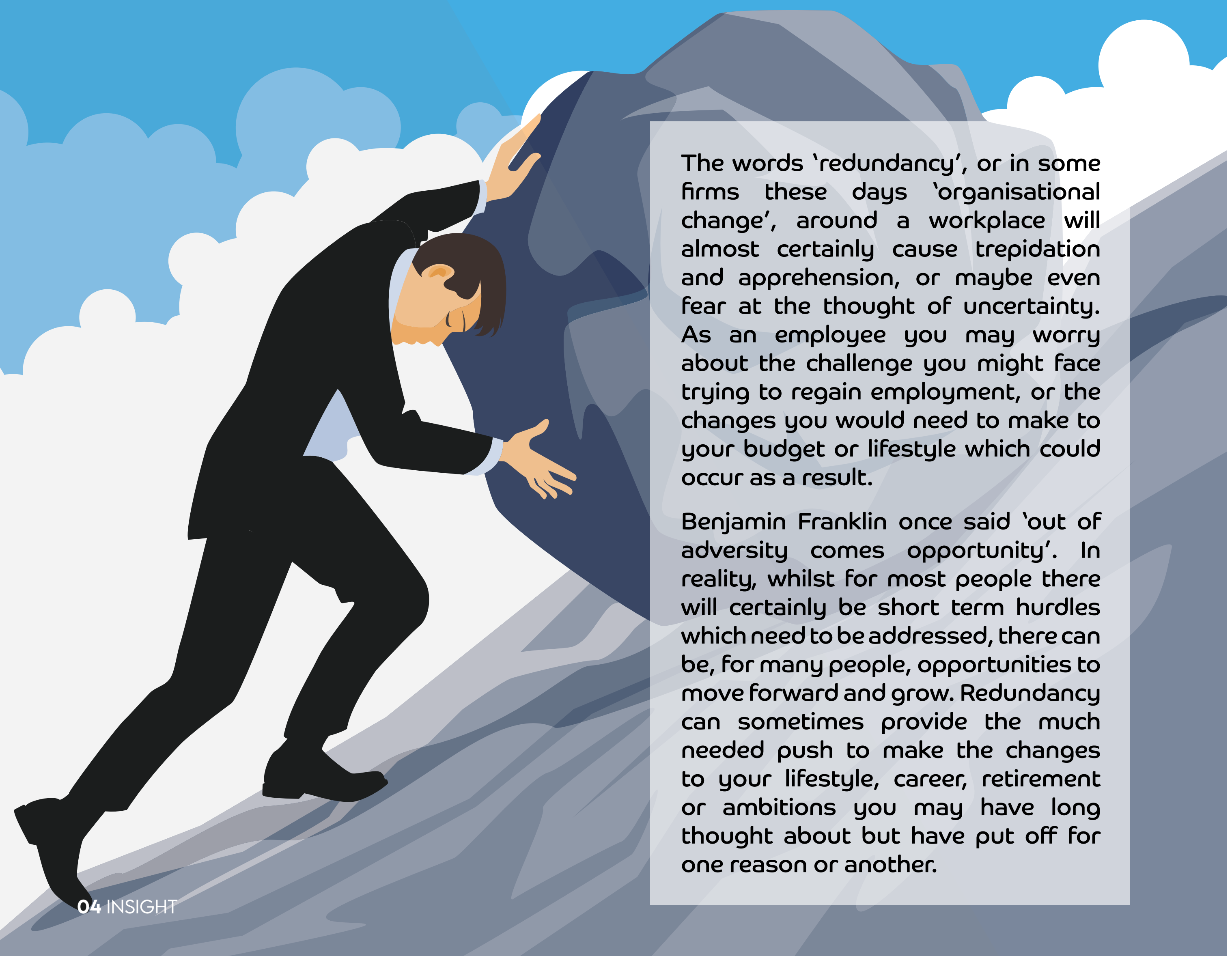
National Savings & Investments (NS&I) have just announced significant cuts across their range of savings from 24th November. Considering the current economic turmoil caused by the Coronavirus, some savers are perhaps understandably continuing to seek safe havens for their money. However, there are pitfalls that you need to be aware of and cash is not always king.

The full list of the articles featured in this issue appears opposite, and we hope you enjoy this issue of our magazine. If you would prefer to download a digital copy or subscribe to new issues electronically, please visit www.armstrongwatson.co.uk

PAUL DICKSON

CHIEF EXECUTIVE AND MANAGING DIRECTOR ARMSTRONG WATSON

OUT OF ADVERSITY COMES OPPORTUNITY



The words 'redundancy', or in some firms these days 'organisational change', around a workplace will almost certainly cause trepidation and apprehension, or maybe even fear at the thought of uncertainty. As an employee you may worry about the challenge you might face trying to regain employment, or the changes you would need to make to your budget or lifestyle which could occur as a result.

Benjamin Franklin once said 'out of adversity comes opportunity'. In reality, whilst for most people there will certainly be short term hurdles which need to be addressed, there can be, for many people, opportunities to move forward and grow. Redundancy can sometimes provide the much needed push to make the changes to your lifestyle, career, retirement or ambitions you may have long thought about but have put off for one reason or another.

Clearly everybody has different circumstances, and this impacts how people react to this situation. Whilst for most people this will be a stressful situation, it is important to reflect on how you address this significant change and life event and indeed, how you move forwards.

In our experience there are some key considerations to help process what is happening and make a smooth transition into your desired path.

What is the next step?

You will need to decide what your next step will be, whether that is a change of occupation, or even opportunities for self-employment, a career break, retirement or simply to find a new job that is similar to your current one. This helps to focus your mind as to what you need to do next to achieve this. For example, if you change occupation, what is your ambition? What additional training, qualifications, will you need and how much will it cost? Do you have enough money to budget for this? Who do you need to speak with to seek employment in this sector?

However, if you are around the age you may wish to retire (or semi-retire), the questions you may ask yourself will be different, for example, do you have enough to live on? How will this impact your plans? What help and support is available to help me with this?

The key here is to take time to reflect on your next course of action, and seek some support and counsel before making any rash decisions.

Budget – First thing is to check what payment you will actually receive

Usually the first £30,000 of a redundancy payment is paid free of income tax, however anything in excess of this may create an income tax liability. For example, should your pro-rata earnings for the year be £50,000 and you receive a redundancy payment of £40,000, the first £30,000 out of this would be tax free, however the remaining £10,000 would push your total earnings into the higher rate tax threshold and would be charged at 40%, thereby, in this example, creating an immediate tax liability of £4,000.

Once you know what the payment is, you will need to look at your outflows and budget for the short term i.e. money in versus money out = surplus or deficit. If there is a deficit you may wish to contact The Citizen's Advice Bureau to seek advice on debt management or payment arrangements, or you could seek guidance and information on The Money Advice Service website.

If there is a surplus, you may wish to consider some of the options and opportunities available to you.

What can I do with the surplus money that I won't need in the short term?

There are various options available and the route selected is dependent upon what stage of life you are at and what your overall objectives are. Typical questions asked by clients are;

- Should I keep it in cash or given low interest rates are there any other options?
- Should I repay my mortgage/debt?
- Can I contribute some of this in to my pension?

Out of the above questions we commonly also get asked the following question; 'is there any way I can save some money on tax?' Should it be appropriate for someone to opt for the pension route, the answer to this question is typically 'yes', as of course you receive tax relief on money which you put into pensions. Should an individual contribute £10,000 into a pension, they would receive tax relief on this contribution and it would be uplifted to £12,500 immediately. Furthermore if they were a higher rate tax payer an additional 20% tax relief on the £10,000 can be reclaimed upon completion of a tax return, taking the effective cost of this contribution to £8,000. This could be even more efficient if the contribution was made via salary sacrifice, which can often be considered by seeking financial advice to help support you through this situation.

Clearly dealing with such a significant change and life event as redundancy can be daunting and all sorts of thoughts and emotions will be going through your mind. It is therefore really important to take advice from all sources, including personalised financial advice from an adviser with empathy and experience of supporting people in this situation, and who will act as your trusted adviser. Everybody's circumstances are different and therefore a one size fits all approach will not work.

SIMON MAYOH

FINANCIAL PLANNING CONSULTANT - LEEDS

At Armstrong Watson our quest is to help our clients achieve prosperity, a secure future and peace of mind. We can provide a full review of your financial affairs and discuss the opportunities available to you with our compliments in the first instance. You can also now do this remotely by video, telephone as well as face to face.

CHARITY SECTOR

INSPIRED COMMUNITY ENTERPRISE TRUST LIMITED

- THE USUAL PLACE

The Usual Place became a client of Armstrong Watson over three years ago when their existing accountant retired. They were looking for a business partner who could support both the Board of Directors in fulfilling their responsibilities, and the business as a whole, by advising on the risks and financial challenges that lay ahead as the enterprise grew in stature and reputation.

The Usual Place opened its doors in 2013 as the brainchild of CEO Heather Hall. The social enterprise works as a community café providing training, education and employability skills for young people with additional support needs. Many of these youngsters were previously 'invisible,' excluded, at risk of isolation and loneliness, and importantly, unable to fulfil their potential as valuable, active citizens, contributing positively to their communities.

This award-winning organisation focuses on the promotion of the innate talents and capabilities of young people, enabling and empowering them to flourish, and challenging the established stereotype of young people with learning disabilities.

Strongly supported by the Scottish Government in its unique approach of supporting young people to reach their full potential within the hospitality sector, this community café is now recognised on a national level for its achievements, and is a footprint that could be replicated successfully throughout the UK.

The venue of the café is the former Townhead Church in Dumfries, the building initially being transferred from Dumfries and Galloway Council. Following an extensive refurbishment programme, a large contemporary community café, kitchen area and flexible training/meeting rooms were created.

The Usual Place

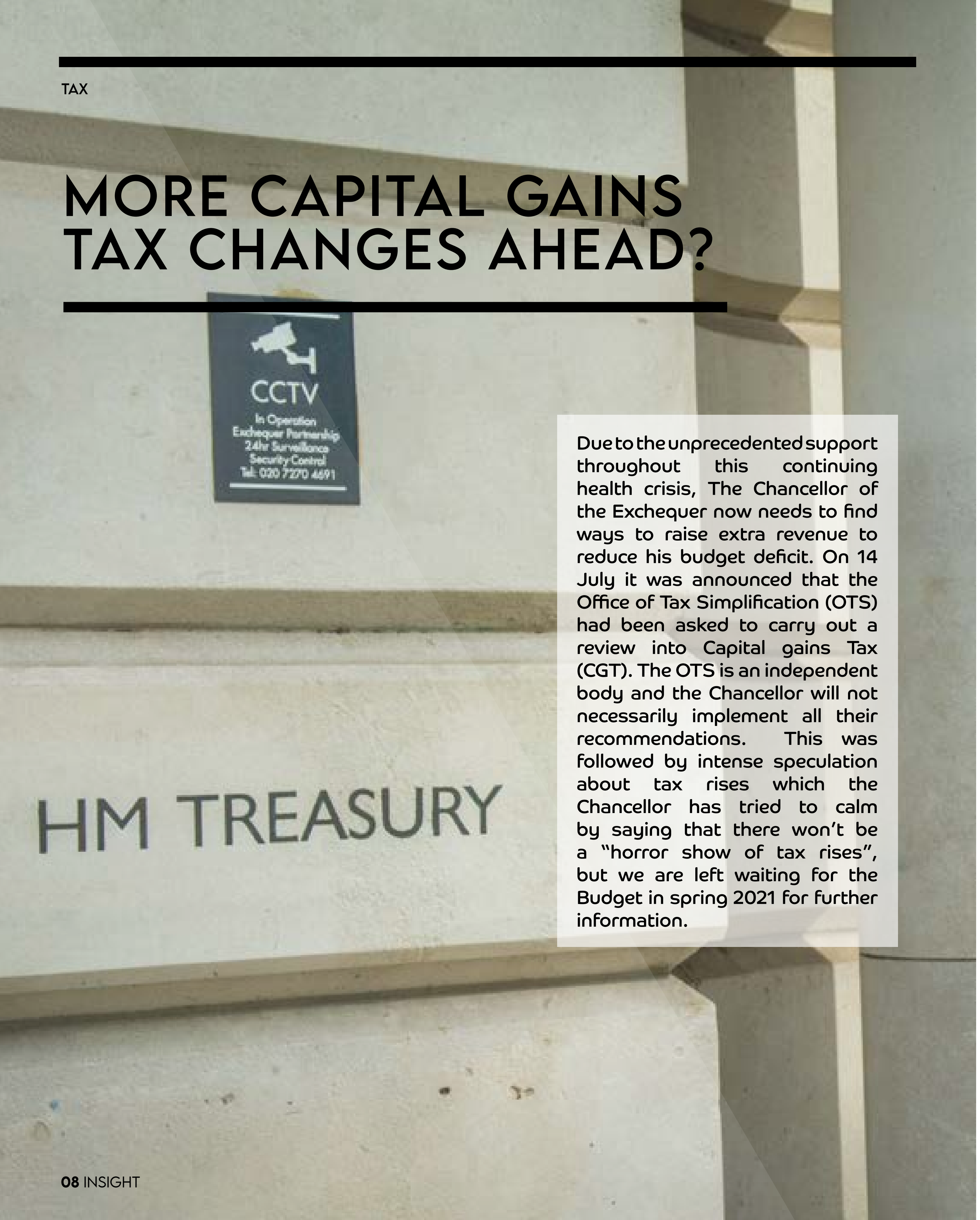
Armstrong Watson assists the Directors with their annual statutory financial statements but it was the implementation and support provided for a new Xero accounting package which had the most significant positive impact on the business. Our accounting team supported The Usual Place's team to establish a bespoke accounting package, providing hands-on training, and managed the transition to electronic reporting, giving the business accurate information to allow more informed decisions to be made in real-time.

More recently, the closure of the café due to the COVID-19 pandemic and the drive by the Directors and management to seek new opportunities has led to more strategic planning taking place. The Directors have progressed with a change to the status of the company to becoming a Registered Charity. Our charities team has advised on the key differences from both an operational, financial and governance perspective alongside the constitutional and application processes. The guidance given will ensure that the transition to a new regulated entity goes smoothly and that all compliance obligations are met.

The Trusted Adviser role is one that we cherish and we have been part of a steering group looking at opportunities to be able to introduce more employers to the organisation and to break down the barriers of employability of young people living with autism. It is important to consider the valuable contribution that all young people living with autism can provide in a variety of workplaces. These youngsters are often more committed and dedicated to their work but may need a little more encouragement, support and time from their employers at the outset.

With the café closed since March, all staff and trainees safely at home, the small management group led operations during the COVID lockdown. A chance email sent to Armstrong Watson by a funder provided a wonderful and unexpected surprise for the organisation. Submission deadlines were tight and eligibility criteria narrow, however the operations of The Usual Place seemed to fit, and Karen Rae, our Director of Education and Not for Profit, passed on the email within 5 minutes of receipt, closing date being a couple of days later. We were thrilled to hear the wonderful news that they had been awarded a grant of £45,000 to support the business during lockdown - you just never know when good luck may strike!

KAREN RAE
AUDIT & ASSURANCE DIRECTOR - CARLISLE



MORE CAPITAL GAINS TAX CHANGES AHEAD?

Due to the unprecedented support throughout this continuing health crisis, The Chancellor of the Exchequer now needs to find ways to raise extra revenue to reduce his budget deficit. On 14 July it was announced that the Office of Tax Simplification (OTS) had been asked to carry out a review into Capital gains Tax (CGT). The OTS is an independent body and the Chancellor will not necessarily implement all their recommendations. This was followed by intense speculation about tax rises which the Chancellor has tried to calm by saying that there won't be a "horror show of tax rises", but we are left waiting for the Budget in spring 2021 for further information.

It has to be said that the existing CGT system is extremely complicated, so some simplification would be welcome. Here are a few options open to the Chancellor:

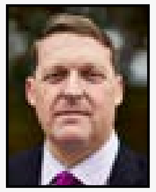
- Increase the rates of tax – it is certainly the case that rates are lower than in the past. The top rate for residential properties is 28% and other assets 20%, whereas in the past the top rate has been 40%, the same as Income Tax. However, until 2008 the cost of an asset could be increased by inflation so the gains on assets held long-term were much lower.
- Reduce the Annual Exemption – this is currently £12,300 and means small gains each year don't have to be declared to HMRC.
- Restrict Private Residence Relief – currently no tax is paid on the sale of a main residence. This is an expensive relief but removing it would be deeply unpopular.
- Further reform of Entrepreneurs' Relief – this allows sales of certain business assets to be taxed at 10% rather than 20%, and the lifetime limit was reduced from £10 million to £1 million in the March 2020 Budget. At the same time the relief has been renamed as Business Asset Disposal Relief.
- Removing rebasing of assets on death – this is one of the more likely changes as it was one of the recommendations of the OTS in their Inheritance Tax review published in 2019. At present assets can be sold shortly after inheritance without paying any CGT.
- Restriction on Holdover Relief – which allows agricultural and business assets to be gifted without triggering a tax bill. This allows the capital gain to be deferred until the asset is sold at a later date.

The deferral of the Budget until Spring 2021 gives individuals the opportunity to consider taking action before changes are introduced.

Financial planning, wealth management and tax advice all under one roof.

At Armstrong Watson our quest is to help our clients achieve prosperity, a secure future and peace of mind. Our Tax and Financial Planning Consultants can provide a full review of your circumstances and discuss the opportunities available to you with our compliments in the first instance. You can also now do this remotely by video, telephone as well as face to face.

KEITH JOHNSTON
TAX DIRECTOR - CARLISLE



"THERE WON'T BE A "HORROR SHOW OF TAX RISES", BUT WE ARE LEFT WAITING FOR THE BUDGET IN SPRING 2021 FOR FURTHER INFORMATION."

SCAMMERS ARE BECOMING MORE SOPHISTICATED...

PLEASE BE ALERT

Scams can come in many forms, but all are designed to get hold of your hard earned money. They can do this by getting you to reveal your personal details, stealing your information, or even convincing you to willingly hand over the cash.

Knowing how to recognise a scam can be extremely difficult. Chances are, you've come across the most common type of scams – the spam emails, often from other countries, or attempting seemingly to be from HMRC or your bank. However, while email scams can be easier to spot and avoid, others are much more sophisticated. The following situation happened to a long standing client of ours recently. Thankfully our client made contact with us to look in to further and we were able to prevent him from making a potentially very costly mistake.

Our client had been looking for a better interest rate for his Cash ISA than his current provider was paying. He carried out a search on the web and found what he thought was a much better return from a very well-known investment provider. He felt reassured it was a highly reputable firm as they were so well known and so he made an enquiry. The person on the end of the line was very helpful and discussed how five products were available paying different interest rates, all higher than he was currently receiving. This ranged from a 1 year fixed rate of 1.75% through to a five year fixed rate of 3.5%

To provide further reassurance he was then sent an email along with a 20-page prospectus complete with the well-known company branding. At this point the client was mentally committed to transferring his £80,000 Cash ISA.

However, as he had a good relationship with his Armstrong Watson Financial Planning Consultant before he acted he wanted to double check the interest rate was correct. Our adviser commented that the interest rate looked quite high, taking in to account that deposit rates are at historically low levels due to the Covid crisis, and wanted to look at the email and brochure in more detail. He advised him to put his plans to transfer on hold while he looked in to it for him.

Upon further investigation immediate alarm bells started to ring as some of the words in the email from the company didn't look quite right. The prospectus, however, was incredibly convincing. Due our advisers suspicions he made contact with the well-known company who confirmed the prospectus had not been issued by them. They confirmed this was indeed a scam as they didn't have any products of this nature. The company also then acted and the matter was immediately then passed on to their fraud department.

Scammers are becoming more sophisticated. In this case, whilst the returns offered didn't look quite right, they were not promising ridiculously high returns. They offered a rate of interest that looked attractive enough without raising suspicion initially from the client. They then produced a detailed prospectus brochure that looked very convincing and also had people on the end of a phone who also sounded knowledgeable.

> **“UPON FURTHER INVESTIGATION IMMEDIATE ALARM BELLS STARTED TO RING AS SOME OF THE WORDS IN THE EMAIL FROM THE COMPANY DIDN'T LOOK QUITE RIGHT.”**

In this instance what saved the client from this scam was having an active relationship with a trusted, regulated adviser. This meant he felt it best to get another opinion first before making a decision. The experience of the adviser meant he could see through what was a very convincing scam to the public, and saved the client from parting with his £80,000 and all the stresses, strains and angst that would have gone with having acted and transferring the monies over. Having the support of a "Trusted Adviser" you can reply upon is more important than ever.

At Armstrong Watson our quest is to help our clients achieve prosperity, a secure future and peace of mind. Our Financial Planning Consultants work with our clients to provide them with support, guidance and advice to help support them throughout their financial planning journeys. Visit www.armstrongwatson.co.uk for more information about our Financial Planning and Wealth Management service.

DAVID PORTER
- CHARTERED ALIBF

**FINANCIAL PLANNING CONSULTANT
- LEEDS & SKIPTON**

THE WINTER OF (DIS)CONTENT?

> THE CHANCELLOR HAS PROMISED TO THINK CREATIVELY, YET SO LONG AS THE VIRUS SURGES, THE ECONOMY WILL BE CHALLENGED.

The 1978/79 Winter of Discontent saw a nation unsettled as political battles and fierce storms combined to test the resolve of a suffering public. Parallels with today's challenges are not difficult to draw. With the struggles of that time heralding the arrival of Thatcherism and its new social contract, today's arguments of individual freedoms against public health, and the dawning of a post-Brexit era have the potential to be remembered as a similarly significant moment in time. Add in the US election and the coming winter months may see the setting of a new world order: for better or for worse.

Taxes, Trade Wars & Twitter

With Americans heading to the polls on 3rd November, the direction of the world's largest economy will become clearer in the following days. Traditionally, stock markets would favour a Republican candidate and Trump's low tax regime is popular, yet this time around there are contrasting elements in play. A strong Democratic victory would likely result in higher corporate taxes eventually, yet with the current economic crisis, further fiscal stimulus is more likely in the short term, enabling a rapid economic recovery. On China, continued hostility is likely to persist regardless of who occupies the White House, but on other international affairs, a calming return to multilateralism can be expected should Biden prevail. The ending of Trump's twitter diplomacy would also be welcomed by global markets.

Parting Ways

Four years on from the referendum and we are now in the final throes of Brexit. 2021 will see the end of the transition period and the beginning of a new UK-EU trading relationship. Whether that will be based on a hard-fought free trade agreement, or on basic WTO rules is yet to be seen, but when clarity is achieved, expect a spike in market movements. Pound sterling will likely be the clearest measure of sentiment, with strength expected in the case of a deal, while within equities those focused on the domestic economy are likely to be the most sensitive. An opportunity or a threat, everyone has their own views on the merits of Brexit, but either way, the coming weeks look set to be remembered as the time we moved on.

In Search of the Holy Grail

In any other time the US election and Brexit would be the defining factors in the mood of markets, yet in this period of Corona, just one story dominates. With cases rising on the way to winter, Boris Johnson must judge the public mood on further restrictions, while Rishi Sunak must judge the public finances. The Chancellor has promised to think creatively, yet so long as the virus surges, the economy will be challenged. A turning point, of course, would be a vaccine. With high hopes surrounding a number of contenders, there is the potential for important results in the months ahead. If a successful vaccine is not found, then continued economic suppression can be expected. Yet, if one is, the depths of winter may not feel all that bad.

RICHARD COLE CFA

FUND MANAGER - FUTURE MONEY ASSET MANAGERS

Keeping you informed

To hear more of our thoughts tune in to Armstrong Watson's regular investment podcast where we discuss the latest market, financial and economic developments from around the world

WHY DOES THE HEALTH & WELLBEING OF EMPLOYEES MATTER?

Research carried out by the Office for National Statistics (ONS) found that, since the outbreak of COVID-19, almost half the population have experienced 'high' levels of anxiety.

> YOU MAY NEED TO BRING IN SPECIALISTS WHO CAN GIVE REGULATED ADVICE IN AREAS.

It's well known that emotional and financial wellbeing are connected to each other. By being in a poor financial situation, people are much more likely to experience feelings of stress and worry, causing sleepless nights, which can lead to poorer performance at work and with relationships with colleagues. Ultimately, this can also lead to greater levels of absenteeism in the workplace which then places extra stress on other staff and so the cycle goes on.

It is a common misconception that financial wellbeing is purely about pay. Whilst money worries tend to become less as income rises, those earning £100,000pa are just as likely to have as many financial worries as someone on much lower income if they have little savings and a lot of debt. Financial worry is not necessarily directly linked to pay.

There are many causes of financial stress. Debt is an obvious one but in recent surveys and webinars we have carried out, one of the most popular questions that employees wanted to have more information on was around "how to budget?"

On the Financial Capability website - www.fincap.org.uk - it states that 23 million working age adults do not feel confident planning for their financial future. Research by the Neyber (The DNA of Financial Wellbeing) estimates that money worries cost the UK economy £120bn and 17.5 million lost hours of work. In the research it discusses the evidence for why employers should be developing and supporting their employees financial wellbeing.

Why should employers provide financial wellbeing support? There is clear evidence from these and other sources of research that many employees believe there is a role to play for employers to support their personal financial wellbeing. The Money Advice Service (MAS) website also comments that 46% of employees say they would appreciate their employer providing access to financial awareness programmes. MAS also provide impartial guidance across all areas financial matters.

Employers are uniquely positioned to deliver money guidance around life changing events such as for examples changing roles, locations, starting a family and retirement.

Understanding employee needs and feedback through a colleague survey can provide valuable insight for an employer and helps them to understand the information and support their employees value the most. A survey of this nature will help an employer to decide the type of financial wellbeing programme to run and if you need specialist support and guidance, for example if the feedback is around pension or retirement planning. You may need to bring in specialists who can give regulated advice in areas such as this.

For employees financial wellbeing is becoming more important, especially in this current crisis, but this has been building for a while. For employers having a workforce that is engaged, informed, supported and efficient will improve productivity, it can also help to improve staff retention, and thereby also reduce costs and provide benefits in other ways. If employees can see their employers supporting them outside of their pay and immediate other benefits structure they clearly feel more valued, it's no wonder they go hand in hand. By understanding these issues employers will go a long way towards building trust with their employees.

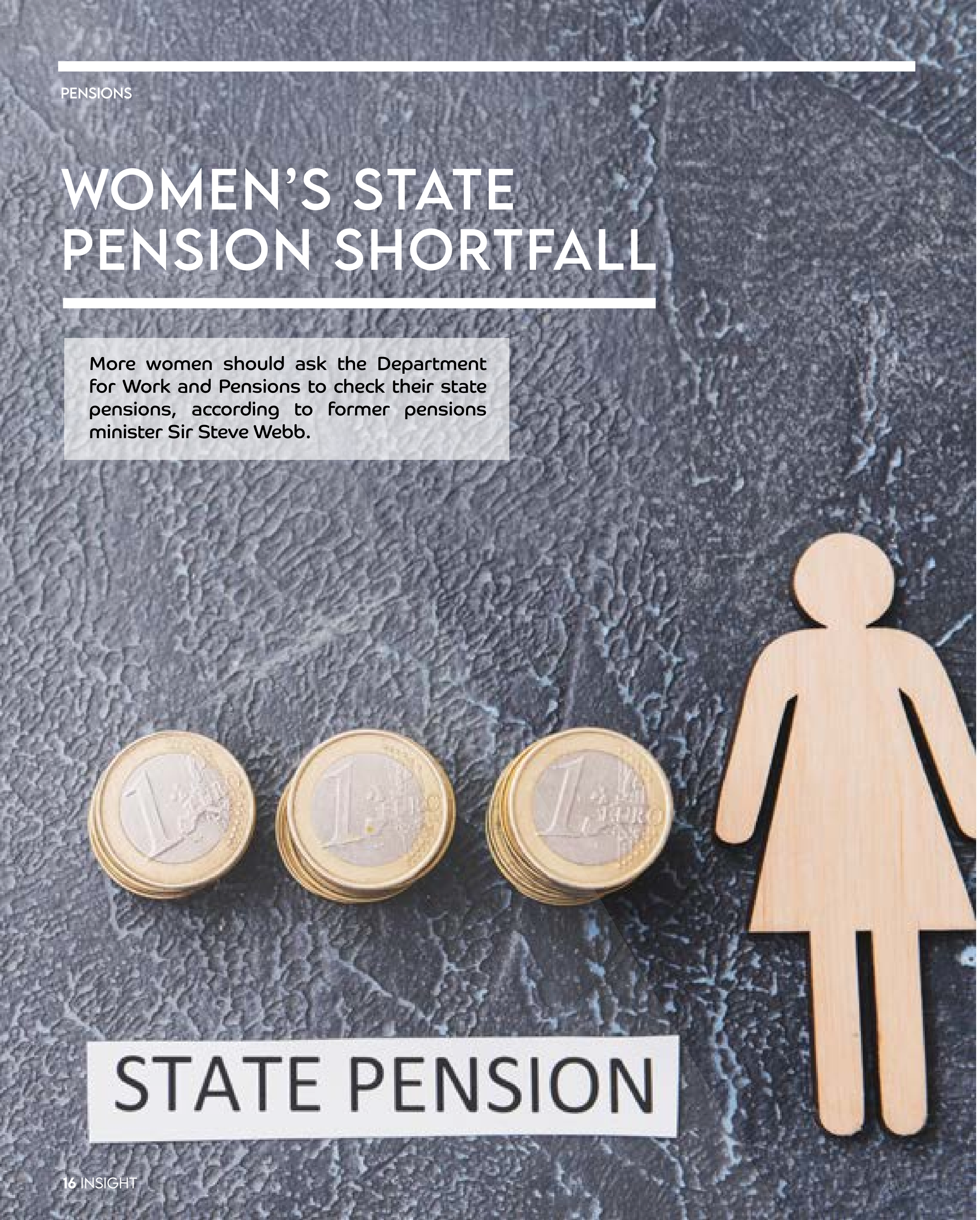
DOMINIC GAUNT

BUSINESS DEVELOPMENT & RELATIONSHIP MANAGER

At Armstrong Watson our quest is to help our clients achieve prosperity, a secure future and peace of mind. We can help support a business and employees run financial education and wellbeing programmes tailored to your needs. Visit www.armstrongwatson.co.uk or email dominic.gaunt@armstrongwatson.co.uk

WOMEN'S STATE PENSION SHORTFALL

More women should ask the Department for Work and Pensions to check their state pensions, according to former pensions minister Sir Steve Webb.



Rumours abound ahead of the expected Autumn Budget that the government may need to loosen the pension triple lock to help recover stretched public finances following the Covid-19 pandemic. Meanwhile, research from a leading law firm has highlighted how relying on the intricacies of the state pension system could mean many are losing out.

Under the previous system, married women who reached state pension age before 6 April 2016 were able to claim a basic state pension of 60% of the full rate based on their husbands' contribution record, if this was larger than the pension they could get based on their own contributions.

This uplift in the state pension should have been given automatically since 17 March 2008, but before then a married woman had to make a 'second claim' when her husband reached age 65 – and many women did not make this claim.

The Department for Work and Pensions (DWP) is checking its records, but the chances are that many women will miss out and should call the department to see if they have been underpaid.

The main groups of people affected, according to the research, are:

- Married women whose husbands turned 65 before 17 March 2008 and have never claimed the 60% uplift.
- Widows with pensions that weren't increased after their husbands' deaths.
- Widows who think they may have been underpaid when their deceased husband was still alive, even if their pension is now correct.
- Women in their 80s receiving a basic pension of less than £80.45 per week, if they satisfied the basic residence test at age 80.
- Widowers and heirs of women who have now died but were underpaid state pension while alive.
- Divorced women who might not be benefiting from their ex-husbands' contributions.

Some married women who did not realise they needed to make a claim for the uplift pre- March 2008 are planning to make a complaint of maladministration to the Parliamentary Ombudsman. They will say that the DWP failed to make sure that they knew about the need to make the second state pension claim when their husband turned 65. Currently the payments for women in that category can only be backdated 12 months rather than the 12 years or more of pension uplift that has been missed.

At Armstrong Watson our quest is to help our clients achieve prosperity, a secure future and peace of mind, we work with you to ensure your retirement plans remain on track with regular reviews. We can do this remotely via video as well as face to face with the necessary social distancing precautions in place.

KERRY CHALONER

FINANCIAL PLANNING CONSULTANT - NORTHALLERTON

"RESEARCH FROM A LEADING LAW FIRM HAS HIGHLIGHTED HOW RELYING ON THE INTRICACIES OF THE STATE PENSION SYSTEM COULD MEAN MANY ARE LOSING OUT."

WHEN CASH IS NOT ALWAYS KING

National Savings & Investments (NS&I) have just announced significant cuts across their range of savings. From the 24 November Income Bonds, will to go from paying 1.15% monthly interest to just 0.01%. There are further dramatic reductions to the rates payable on the NS&I Investment Account, Direct Saver and Direct ISA's. In addition there is also a reduction in the odds of winning in the Premium Bonds draw from December, the odds of winning anything in the draw will go from 24,500 to one to 34,500 to one, and the estimated number of total prizes won reduced by 1m. NS&I said that it had no choice but to act because savers had put away billions of pounds more than usual during the COVID-19 lockdown, whilst they were paying market leading rates, which left it in danger of breaching its government-mandated funding limit for the year.

"THE KEY FACTOR IS NOT ABOUT WHEN TO INVEST BUT RATHER THE AMOUNT OF TIME YOU INVEST FOR."

Considering the current economic turmoil caused by the Coronavirus, some savers are perhaps understandably continuing to seek safe havens for their money. In times of trouble cash is traditionally seen as offering capital security over other assets namely, shares, fixed interest and property. However, savers still need to apply caution. Even in `normal` times some people hold high cash balances, perhaps to meet capital expenditure in the short term or just to provide extra piece of mind, but there are unseen risks to holding high levels of cash - inflation.

The Consumer Prices Index 12 month rate is currently standing at 0.2% (source - Office for National Statistics as at August 2020) and the base rate at an all-time low of 0.1% (source - Bank of England). However, whilst the inflation rate is at its lowest level for long time this is impacted with the health crisis and the measures to restart the economy such as the Eat Out to Help Out Scheme where the cost of eating out was significantly discounted. As we move further through this crisis inflation is predicted to rise again, with central banks continuing to stick to a conventional inflation target of 2%. Cash savings, as has been the case for a number of years now, are therefore likely to be eroded daily as typically rates of interest on cash savings, as demonstrated by the NS&I reductions, cannot keep pace with the cost of living. As a result this gap can have a serious long term impact on wealth.

There are also limits to the amount of protection holding cash for all other deposit providers bar the Treasury backed NS&I. The Financial Services Compensation Scheme (FSCS) offers individual account holders protection up to £85,000 (£170,000 joint account) if that banking/building society institution is unable to meet its obligations to investors.

For most savers this generally provides sufficient protection, but what are the options for clients holding in excess of these limits? They could simply spread their cash across a number of different institutions. Whilst this makes sense in theory, in practice it can be quite difficult, not least because many banks have different trading names but only the main deposit taking licence holder can provide the FSCS protection. For example if you hold accounts with Lloyds Bank, Bank of Scotland or Halifax, you would only be afforded one level of protection as Lloyds Bank is the principal holder. Likewise, between The Royal Bank of Scotland and Natwest.

So how can cash savers hope to bridge the gap? The answer may be to invest into `real assets` such as shares, fixed interest and property.

But is this a good time to invest? It`s all too easy to get caught up with the bad news we currently hear every day about financial markets. The key factor however is not about when to invest but rather the amount of time you invest for.

Many people believe that knowing when to buy and when to sell is the secret of successful investing. The truth is that no one knows with certainty when investment markets will rise or fall. Trying to time the investment markets is not only stressful, it is very seldom successful. Leaving funds invested usually produces the best returns.

When markets are volatile it`s a big temptation to put all your investments in the relative security of cash. It may seem like a safe haven, however as they say, a ship is safe in harbour, but that is not what ships are made for.

Armstrong Watson Financial Planning & Wealth Management, as well as providing Independent Financial Advice and personalised investment planning also offer a bespoke `cash management` service aimed at maximising interest rates by identifying the most competitive cash accounts, whilst ensuring clients` savings are afforded full FSCS protection.

STEVE SHOVLIN

FINANCIAL PLANNING CONSULTANT - CARLISLE