

News & Views



January 2010

Funding a decent income

When making plans to start any pension plan, the first thing to consider is how much income you think you will need. Few people need as much income in retirement as they do while working – the mortgage may be paid off, children will likely have left home and day-to-day expenses will probably fall. However, with more leisure time available, you may have some ambitious plans for travel. All this needs to be considered so you can set some realistic expectations.

Once this target figure has been determined, you can then begin to decide how much needs to come from a pension and how much can come from other means. For example, the state pension is £95.25 a week (for 2009/10), plus you may have money in ISAs or from rent on second properties. You may also decide to work part time or take some other type of temporary paid employment. Pension plan savings are then the first step in working out how to generate the difference - and this can be complicated. You may have some form of work pension from previous or current employment, but it is unlikely they are sufficient on their own so some form of continued saving will be required to meet your target.

At current annuity rates, with interest rates at very low levels, £10,000 worth of annual income for a male aged 65 will require a pension fund valued at over £140,000. For females - or for those wanting to retire earlier - the fund required will be even higher. Hence the need to start planning. The earlier you start, the easier reaching that target will be.



Santa's Helpers

Despite the inclement weather some of the team at CFM braved the wind, rain and snow to help out Kingston Round Table (No. 19) to help them with their annual charity collection. Donations made by the households visited are all used for local charities. The night was a success with over £340 raised.

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Welcome to the first edition of e-Update, our update on developments in the world of financial services and at Clear Financial Management.

We hope you find the contents of interest. If you have any questions, or would like to discuss any of the points raised, please give us a call.

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Did you know?

According to Sainsbury's Bank (as at March 07), the average adult is underinsured by £59,000. Do you need to worry? If you are single with no debts and no dependents then probably not. But, if you do have dependents and commitments which depend on your salary, or simply have debts which your next of kin could not pay off, then yes, it probably is. Life cover will ensure your family's financial security should the worst happen. Planning for this is not easy, particularly while we are young. However, this is the time when our commitments and our security are most at risk and our families most vulnerable – and as a result when life cover is most crucial.

Glimmers of hope

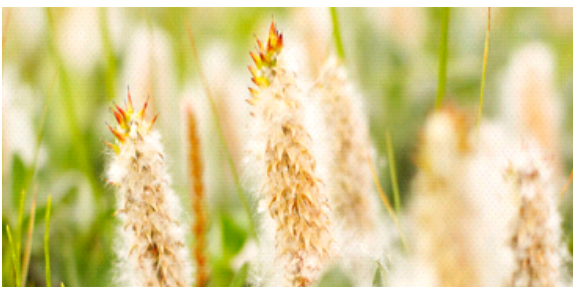
A New Year and a fresh start, but looking ahead to 2010, economic recovery is likely to be muted. The role of the consumer will be crucial after signs of optimism in December as consumer demand remains a primary driver in developed markets. However, many individuals are highly indebted and feeling the effects of lower house prices and job losses.

Towards the end of 2009, the International Monetary Fund raised its forecast for global economic growth during 2010 to 3.1% with the European Union and G7 countries now expected to expand by 0.4% and 1.3% respectively. Emerging markets, however, are likely to make better headway. The best-run companies will likely emerge from recession in relatively good shape, having pared back excess fat in response to the recession and focused on their most profitable operations. As growth returns to the UK, companies should be able to focus once again on long-term development rather than short-term survival strategies, and this could lead to renewed activity in research, development and innovation.

2009 saw many central banks, the Bank of England included, take radical measures to shore up their flagging economies but attention has now shifted to how and when to withdraw those stimuli. January has seen the Bank of England maintain their £200 billion programme but ultimately, a lasting economic revival will need to be driven by sustained public demand rather than by artificially created measures. Politics is likely to take centre stage in the UK, at least in the short term. A General Election has to take place by 3 June 2010 and the economy is likely to be a central campaigning theme for all the major parties.

Although the global credit crisis appears to have eased, the world is still suffering a hangover as tight credit conditions continue to make it difficult to borrow. Looking ahead, however, tangible evidence of sustained economic revival should provide corporate earnings with a more concrete foundation for future potential growth.

However, if the economic recovery shows signs of fading, investor sentiment is likely to transform from tentatively optimistic to uncompromisingly negative. If unemployment rises much further and consumer spending remains weak, this could inhibit recovery, and some analysts remain preoccupied by the fear any economic revival might run out of steam and slip back into recession. However, as the IMF has said, on balance, 2010 looks most likely to be a year of tentative yet subdued recovery.



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