

# HEADlines

October, 2008 2nd Edition

the route  
City wealth club



**Private clubs are based on the well known saying that who you know is sometimes as important as what you know! At The Route, we know lots of people like you.**

Over the past few months we have developed our Project Finance platform to enable you to make the most of the vast array of investment areas that your Membership network gives you access to. This has become all the more crucial in today's uncertain economic climate - investing in a wide range of asset classes is key for any portfolio.

The Route's Research & Development Department

is constantly sourcing and researching investment opportunities that require short term finance. Through combining forces with your fellow Members, you'll be able to provide the money they require in the form of Bridge or Mezzanine loans - we arrange the appropriate deal to generate swift high returns.

It is important to note that Project Finance is unsecured and the lender can potentially lose their stake. Working with Footprint Investments, The Route ensures a specialist team is in place to research every project. Risk can also be mitigated through investing in a wide range of projects.

## A COUPLE OF EXAMPLES:

### **The Laundry Warrior, Produced by Barrie Osborne - January 2008**

- \$5m bridging loan at an average of 4.5% per month interest for 8 weeks (annualised return of over 50%).
- Included were 1% of the net profits from the film - it is due for release later this year. This capital and interest was paid back by the end of the eighth week.

### **Under The Mountain, Produced by Richard Fletcher - August 2008**

- After refinancing to benefit a Route Member who provided \$925k at 3% for two weeks, this project evolved into a \$1.55m production loan providing a return of 18% after a 12-18 month term.

## In this issue

- a market update from Mark Worrall
- Membership manager, Vic Pastino takes us through the brand new life goals section of the Membership report
- an update from Simon Pimblett on changes in pension legislation that may affect you
- property specialist Richard Roberts give us his overview of the market



**Viewpoint**  
Mark Worrall,  
Managing  
Director

supplied from governments around the world hopefully means that stability is on the way, bringing with it a more steady and controllable period of growth.

During turbulent times, the need to be able to access high quality personal financial advice is at a premium. Adversity can have a habit of throwing up opportunity, and here at The Route, our Research & Development department are constantly on the look out for ways to provide our Membership with an edge. With the markets experiencing such highs and lows, it is also difficult to keep up to date with how these events might be affecting your own situation. If any Members would like to arrange a review meeting for a full update, please do get in touch.

The Club is here to take away the hassle of your finances, so don't forget to make use of us.

We have just witnessed one of the most turbulent and important quarters in the history of the City. The dramatic events that have unfolded have uprooted the financial landscape as we know it.

The investment banking industry that in 2007 created over \$84 billion worth of revenues has undergone such change that it is barely recognisable with the collapse of Lehmans and the tribulations of many more banking institutions.

The impact these unprecedented events will have, is only now beginning to come to light. However, the improved market regulation and the significant financial support

## Pensions: Some good news

**If you are the owner of a SIPP, there is an attractive change to pension legislation taking place on 1st October. From that date, it will finally be possible to transfer 'Protected Rights' into Self Invested Personal Pensions (SIPPs).**

Up to now, rule restrictions meant that whilst the individual is free to 'self-invest' any money they or their employer has paid into their pension arrangements, an element called Protected Rights had to go into a 'default option' insurance company fund.

From 1st October this is no longer the case, and any Protected Rights can be invested subject to exactly the same investment freedoms as the individual's main pension funds. For those already running SIPPs this will doubtless prove doubly attractive, as not only can they now exercise the same degree of control over the Protected Rights element as they are already enjoying over the main fund, but obviously the need to maintain separate pension arrangements (with a possible doubling up of costs) falls away.

Protected Rights pension payments accumulate steadily over time so it is not uncommon for the amount held to run into several tens of thousands of pounds or more. If you think this may apply to you, please get in touch with your Relationship Manager who will be able to take you through your options.

Simon Pimblett, Head of Research & Development

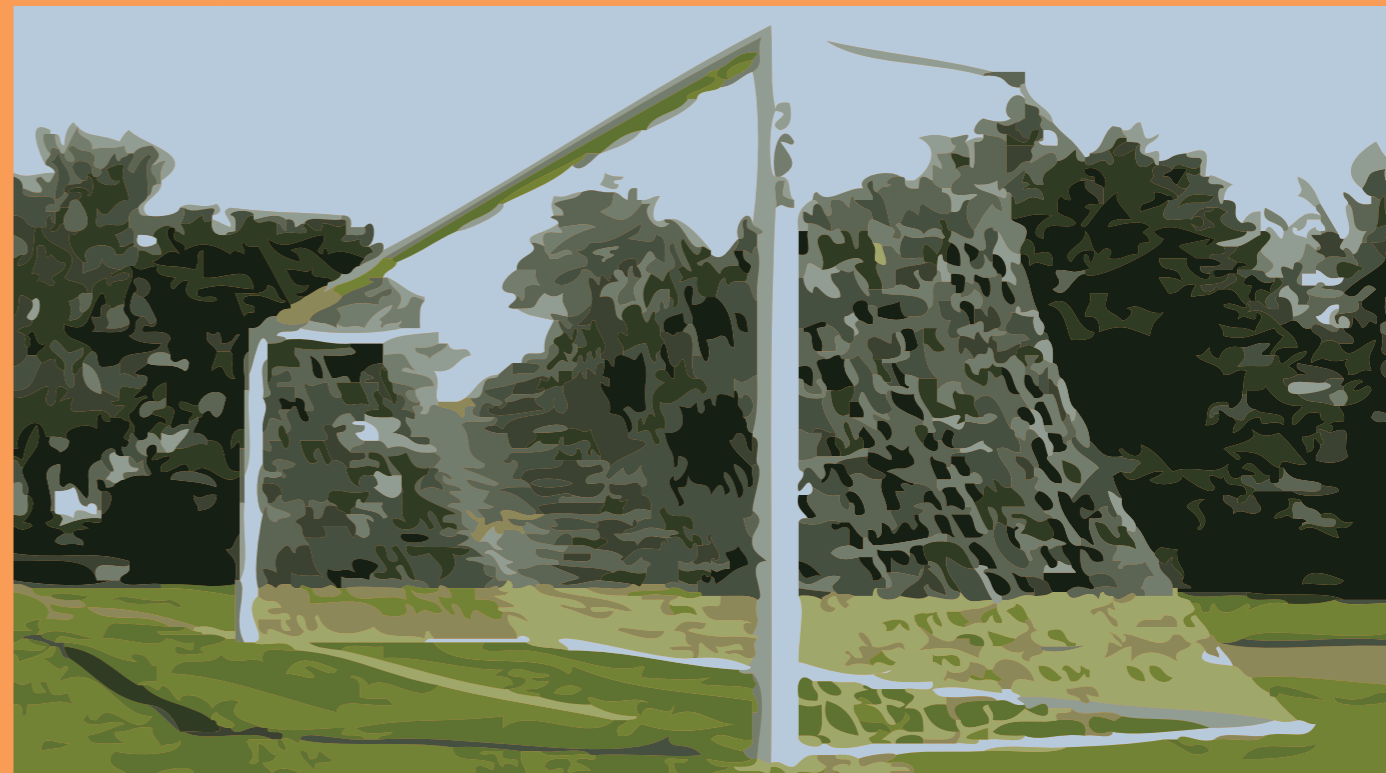
# What are your life goals?

**Vineyard in the Loire? Sailing to Sydney? We all have goals we would like to achieve in our lives. More often than not, they're likely to have a significant financial impact that you'll have to prepare for.**

Most of us have more than one goal we'd like to achieve, which is when things become a little more complicated. How long have I got to prepare? Which goal should be the priority? What happens if I move job? How much money will I need and when will I need it? How much should I put aside today and in what assets? The Route's new Membership report has been designed to help our Members address these all important issues.

The life goals modelling we have developed aims to help our Members plan for their future by placing the advice provided by our Technical Advisers in the context of their unique circumstances. We do this by working out how much a Member will need to meet their life goals, taking into account any existing arrangements and allowing for a set of parameters which may influence the outcome (investment return, tax rates, asset growth rates, etc).

For example, we all have an idea of when we would like to retire or leave our current job. However, most people will not actually know whether this is achievable: could you cope with a large drop in income? Will you have enough savings to live on before you can start



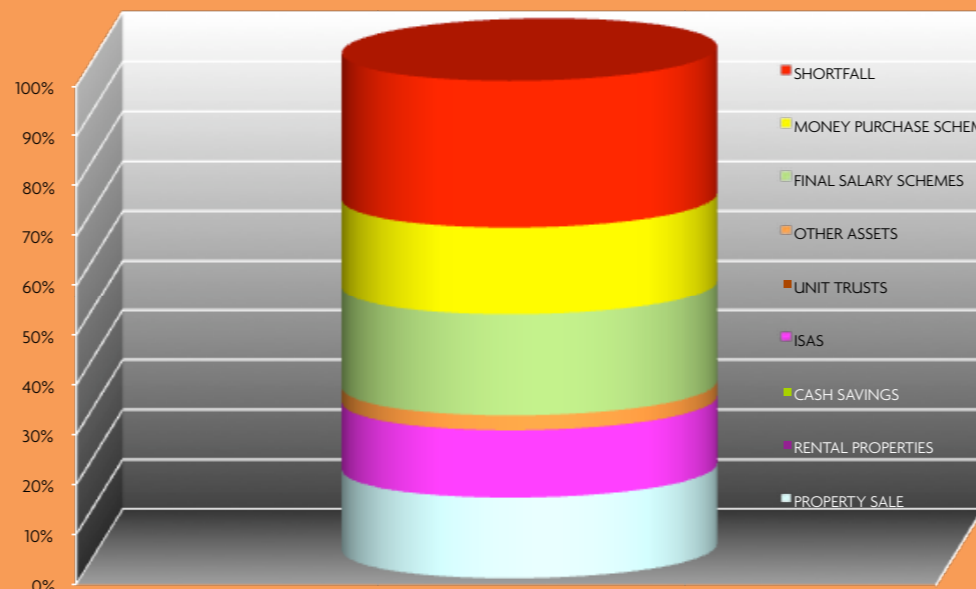
drawing your pension? Will the pension fund you have accumulated and the contributions you'll be making until retirement provide you with a retirement income sufficient to support the lifestyle you've been accustomed to?

Below is an example of one the life goals scenarios our Members can expect to find in their Membership reports. It shows the projected shortfall of someone who would like to retire at age 60 on a net annual income of £100,000. In this example, the Member has assets that help them fund their

retirement income requirements.

This is where The Route steps in. Your adviser can now give you the most appropriate recommendations tailored specifically to your unique goals. What's more, in your next Membership report, you'll see how much closer you are to achieving them and your advice will be updated accordingly. Just another reason why as a Member, you can rest assured that The Route really is looking after every aspect of your finances.

Vic Pastino, Membership Manager



SUMMARY		PROJECTED INCOME AT RETIREMENT	
£	98,524.13	REQUIRED ANNUAL INCOME	
£	15,941.84	INCOME FROM REINVESTMENT OF PROPERTY SALES PROCEEDS	
£	-	INCOME FROM RENTAL PROPERTIES	
£	-	INCOME FROM CASH SAVINGS	
£	13,300.53	INCOME FROM ISAS	
£	-	INCOME FROM UNIT TRUSTS OR OTHER STOCK MARKET BASED INVESTMENTS	
£	2,952.00	INCOME FROM REINVESTMENT OF 'OTHER ASSETS' SALES PROCEEDS	
£	20,000.00	INCOME FROM FINAL SALARY SCHEMES	
£	17,327.93	INCOME FROM PENSION ANNUITIES (MONEY PURCHASE SCHEMES)	
£	29,001.82	SHORTFALL	

# END OF THE *line*

## Property: Market update

**The continuing slide in property values has dominated property market headlines throughout the summer.** Uncovering a meaningful understanding of property prices in general, and property prices in your own local area in particular, has always been tricky. It doesn't help that there are several different market indices which gather data in different ways: the Department of Communities & Local Government (DCLG) and the Land Registry both base their statistics on actual transactions and are only just starting to reveal falls in value across the last twelve month period; while the Nationwide and Halifax indices, which are based on valuations provided in support of mortgage applications, are both reporting double-digit falls over the last year. A case of surveyors driving down market sentiment, perhaps? Whatever; what no one would argue is that the number of properties being bought and sold has slowed dramatically, and that 2008 marks the end of an unbroken property boom that stretches back to 1995/1996.

In the London market, it is likely that the collapse of Lehman and the difficulties faced by the likes of AIG and HBOS will further stifle the housing market. Historically, the influx of healthy doses of cash arising from bonuses paid by investment banks such as Lehman has provided the market with a very efficient growth accelerant. Notwithstanding Lehman's failure, the likely restriction in bonuses paid by still-standing City institutions this year will hit this end of the market hard. Furthermore, this problem is not limited to just people in banking – the cascade effect of austerity filtering down through other industries and job sectors will also mean reduced earnings, and subsequently a lack of

purchasing power and appetite.

At the other end of the housing market, it seems unlikely that the recent concession granted in respect of Stamp Duty (a twelve month temporary hike in the Stamp Duty threshold, from £125,000 to £175,000) will have any real impact: anyone buying a house is (or ought to be) prepared for it to be a painfully expensive process anyway, and the greater issue facing all house-buyers (and first-time buyers in particular) is fear that the property will further lose value, and difficulty in raising the necessary finance. At The Route, we foresee a period of consolidation as people begin to focus on preservation and economising. This will only further encourage the slowdown in the housing market.

Of course the property market divides into two distinct categories of buyer: those for whom a change of property, more often than not an upgrade, is a 'freedom of choice' matter; and those for whom a change of property, and with it the need for a mortgage, is a necessity brought about through job relocation, divorce, bereavement, or retirement for example. Furthermore, even those who elect to, or find themselves obliged to, 'stay put' will find themselves needing to reassess mortgage options as existing fixed-rate deals reach the end of their term and the prospect of a possible large hike in interest rate and



significant increase in monthly commitment looms. In these circumstances, given the current stresses in the lending market, it is imperative to review options as soon as possible, as its becoming increasingly difficult to source competitive financing and complete transactions quickly. The Route - Property are stressing the importance of this fundamental piece of financial planning and are on hand to help guide Members through the current mortgage maze.

On a brighter note, in a falling market, consumer pressure to cut Stamp Duty is likely to grow: a minimum £20,000 charge on a typical family home in London is unlikely to wash for very long against a background of dwindling equity margins in property. And maybe, just maybe, once the present turmoil has passed, we will enter the sort of period of moderate sustainable growth that people have been saying for a long time would be preferable to the runaway rises and falls associated with the UK residential property market.

Richard Roberts, Property Consultant

## And Finally...

**As the sun goes down on President Bush's term in office and the debate about his place in history begins (or should that be 'intensifies?'), it is perhaps worth reflecting on a couple of extraordinarily prescient theories expounded by his former Secretary of Defense, Donald Rumsfeld.**

The quotes have of course already become very well-known, but in light of recent market turmoil, they repay revisiting.

The first, of course, is that "Stuff happens" – and I would challenge anyone to come up with a more succinct analysis of recent events.

The second is Mr Rumsfeld's now-famous assertion that everything there is to be known can be slotted into one of three categories: the Known Knowns; the Known Unknowns; and the Unknown Unknowns.

Clearly what has been giving the market the

jitters of late is the sheer possible scale of Unknown Unknowns out there. For anything like normal conditions to return, it will first be necessary to convert the Unknown Unknowns into Known Unknowns, and only once the market believes that it is mainly dealing in Known Knowns, will confidence again prevail.

Clever chap, that Mr Rumsfeld.

Simon Pimblett  
Head of Research & Development

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