

Money Matters



by financial expert Peter Sharratt

A Financial Promotion by Kirk Rice Financial Services



MONEY MATTERS

With Peter Sharratt

BP and my Pension

Q.

I read a recent news headline about BP's problems and the impact it will have on our Pensions. I have an Executive Pension with Aviva which invests in their Managed Fund. Will it have been affected, should I be concerned and what if anything should I do?

Mr D.G.

A.

According to Aviva's May 2010 Fund Fact Sheet their Balanced Managed Fund has 1.90% of its value invested in BP Shares. Should you be concerned? Obviously BP has some well publicised problems and this has affected their share price and at time of writing there was some debate as to whether BP would be paying a dividend. A falling share price and loss of dividend would impact the value of your Pension, but even if BP disappeared tomorrow the direct cost/loss to your Pension would be 1.90%, you would still have the other 98.10%. If BP did fail, which I suspect is very unlikely; it would have an impact on world stock markets which in turn would see the remaining 98.10% fall in value. However, markets would eventually recover and with them your Pension. What should you do? You cannot instruct Aviva to sell BP; buying and selling shares in the Fund is down to the Fund Manager not the Policyholders. If you were particularly concerned though you could switch out of the Aviva Managed Fund in to another Aviva Fund (there may be a charge to switch funds and as always get advice first), one that is unlikely to hold BP shares. Examples could be their US Equity, Far East or Property Funds. Funds NOT to switch to in this scenario would be the Aviva UK Equity Fund which has 4.20% in BP and the Aviva UK Index Tracking Fund which has 6.40% in BP. However, Switching Funds just to avoid holding one particular share seems a bit drastic and ultimately unnecessary. Especially when you consider that there will always be Companies that your Pension invests in which do badly, some may even fail. However, there will be companies that do well and hopefully these will make up for the bad ones. This is not a new problem; it has always been there it is just that BP has been getting a lot of coverage. If you switch Funds you also need to be sure that the new Fund is compatible with your Risk Profile. Finally, BP's problems do demonstrate the benefit of using Investment Funds to invest as you have a diverse portfolio of shares and other assets rather than buying Direct Shares where you could easily become too concentrated on one particular share.

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Please note: answers are given for general guidance only and specific advice should be taken before acting on any of the suggestions made.

New Business



U-turn: Former trucker Salvatore Trani with his partner Helen Rapacioli.

Ex-trucker lands plumb new role!



TRUCK driver Salvatore Trani has had enough of life behind the wheel and is now tapping into his DIY skills.

The 45-year-old took the bold move to set up on his own after the stress of Britain's roads started to drive him round the (U) bend.

Mr Trani, from Windsor, who became an HGV driver 10 years ago, said: "I used to really enjoy it, especially when I got my artic licence but the roads are absolutely atrocious, there's no courtesy any more and you are always on edge. My heart has just gone out of it."

He continued: "I was looking for a way out and I knew I was pretty good at plumbing and I'm just so glad I did it."

Mr Trani, of Pierson Road, Dedworth, searched the Internet and embarked on a \$5,000 plumbing course with training provider New Career Skills.

He has been able to continue his driving job while studying and has just achieved his water regulation and domestic plumbing certificates which means he is qualified to start his business, called Fontana.

Mr Trani, who lives with his Italian partner Helen Rapacioli and her two eight-year-old twins Amelia and Antonia, is hoping the investment will now start to pay off.

He said: "I've just purchased a van and I'm looking forward to finally getting some work in. I already do some at weekends and after work."

"I know this is a brave move but fortunately my partner works full-time and is very supportive."

"I've got a couple of friends in the trade and they are not overly busy but are ticking over. My plans are to specialise in bathrooms and kitchens as well as general plumbing. I've just got to get my name out there."

In brief

Accountants get Hitched

THAMES Valley accountants and business advisers James Cowper has walked down the aisle and tied the knot with the UK's leading wedding planning website - Hitched.co.uk (www.hitched.co.uk)

The firm has been appointed by Hitched.co.uk to prepare its annual report and accounts and to provide tax and strategic advice.

The appointment is made at a time when Hitched.co.uk is rapidly expanding opening similar wedding websites in Australia and Ireland.

Dean Yardley, managing director of Hitched.co.uk said: "We were looking for an accountancy firm who could not only provide first class advice here in the UK, but one that can support our overseas growth plans. James Cowper and its membership of Kreston achieve this perfectly."

IT firm has expansion plan

AN IT firm based in a Berkshire village is expanding into the heart of London.

Linear Blue, based at Beech Court in Hurst, provides databases and programmes to help boost business sales and productivity and is opening its new office inside Paddington Station.

Spokeswoman Rita O'Neill said: "During the incredibly tough recession Linear Blue has, through careful management and an exceptional team, faced the downturn head on and have gone from strength to strength."

The firm will be creating jobs as part of its expansion.

Get the books balanced in next five years

THE CBI message to the new Government is clear: there must be a credible plan to return the budget to balance by 2015-16. More of the same is not an option.

The Treasury expects public borrowing to exceed 11% of GDP for a second year in 2010-11 and debt remains on course to peek just shy of 80% of GDP. So action is needed in the first 100 days and public sector reform is at the heart of the CBI's call to action.

Spending control is the most effective way of bringing down the deficit, protecting those areas of spending which have a positive impact on economic growth, such as capital investment in areas such as transport and energy infrastructure, innovation and R&D.

However, spending cuts do not mean cutting public services. Waste and inefficiency can be taken out and outcomes can be maintained or improved while using fewer human and other resources.

Firstly, the public sector needs to apply the brake by immediately freezing its labour costs, learning the lessons from the way the private sector responded during the recession, when employers and employees worked together to provide the breathing space to cope in the face of challenging conditions.

In 2008-09 the public sector pay bill was £160bn and a two-year freeze on labour costs (starting in 2010-11) would save £18bn. This



By **STEVE RANKIN**

CBI regional director for the Thames Valley would be achieved by a combination of a selective application of pay and recruitment freezes.

Secondly, every pound must be well spent. Private firms are regularly expected to deliver 5-10% efficiency gains every year and Government should aim to match this.

Duplication and waste can be tackled quickly to cut costs and improve services by sharing or outsourcing support services and improving procurement. Competition between providers should be used across government (central and local) to flush out wasteful or inefficient practice. Sharing support services could save £18bn by 2015-16. Similarly, at least £13.5bn

could be saved by 2015-16 on the procurement of goods and services through reducing delays and bureaucracy.

Thirdly, some fundamental re-engineering is required. The Government must make clear that the biggest prize will be achieved by doing things differently so that good outcomes can be maintained or improved. This will include utilising new technology to improve services, introducing innovative ways of delivering services and cutting unnecessary levels of management.

In healthcare, for example, installing telehealthcare monitors in the homes of those with long-term conditions, and backing them with new teams of community nurses and carers, has helped join the gaps between health and social care and in some areas reduced the number of admissions to hospital by 50%.

Politicians, permanent secretaries, chief executives and management teams at all levels must be prepared to challenge the view that there is no scope to use resources better, and that services cannot be transformed because 'that's how they have always been done'.

The CBI believes that the Government should harness the expertise of successful private and third sector organisation which have demonstrated their ability to innovate in delivering value for money services and operate effectively in challenging services.