

Wealth management planner of the year

BACKGROUND

Ben Clark (61) and his wife Jane (58) are looking for some advice on how to invest Jane's recent inheritance as they need to increase their income. They live in their mortgage free home in Dorset with their son, James (30). They are both UK domiciled and have written their Wills leaving everything to each other. When both have died, they would like their estate to go to their only child.

Jane will receive a net amount of £247,000 from her father's estate next month – all taxes and legal bills have been paid.

Their home is valued at £315,000. Having been employed since he was 16, Ben retired early (56) with complications from high blood pressure. He took maximum tax free cash and then bought a single impaired life annuity with the remainder of his personal pension. He receives £18,000 gross pa increasing annually at 5%. Jane enjoys good health and has never worked outside the home.

They have been supplementing their income from their savings accounts but with interest rates falling, they are worried that they could run out of capital. Jane's inheritance has come at a good time for them, avoiding the need to make cutbacks in their lifestyle or run up any debt. They would like advice on how to plan their investment portfolio in order to provide a reliable income.

They hold the following investments:

- £55,000 in Abbey National 50+ saver account in joint names at 1.3% gross
- £7,000 in Cash ISAs with ING Direct in Ben's name at 2% gross.
- £20,000 in Premium Bonds held in Ben's name
- 15,000 units in Artemis Global Growth bought by Ben for 61p per unit in March 2004

Their annual expenditure is £20,000. In the past, Ben did very well with his pension fund by investing in equities. Given the poor returns on cash, their need for income and the unexpected inheritance, they are willing to invest up to 40% of their investments into equities as they are keen to retain the real value of their assets over the long term.

PROBLEM

The couple were earning 4% interest on their savings but with all the rate cuts, this will shortly be less than 1% pa. They have been reading about investing in income funds that generate an annual income of over 6% and are keen to find out more.

Ben's health is much better, now that he has retired, but he is still concerned about Jane's income should he predecease her. He is also worried about the inheritance tax bill that James will incur on their deaths – he was horrified by the amount of tax due on his late father in law's estate.

ADVICE

They need advice on how best to invest Jane's inheritance. Your report should outline how Ben and Jane can restructure their existing investments and use the capital sum due from Jane's father's estate to provide the current and future income that they need, bearing in mind their attitude to risk. You should also take into account their wish to mitigate the potential inheritance tax liability for James.

You should also, in bullet format if necessary, address any other areas you deem to be important to this couple.

£500
First prize

£200
Runner up

Your answers should be no more than 2,500 words. Please ensure that you state the number of words used for each case study entry.

Full rules see p3

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