

Investment management planner of the year

BACKGROUND

Sean and Clare Maguire, both aged 32, live in Leeds with their two children, Sophia aged 5 and Imogen aged 4. They have written their Wills, leaving everything to each other and on second death to the girls. Clare's sister has been appointed guardian if they die before Imogen is 18.

Sean works as a key account manager, salary £40,000 pa plus a performance related bonus of 10% paid annually. He has managed to achieve this every year. In addition to his Audi company car, his employer pays 6% of his basic into a group stakeholder and provides four times salary death in service. They pay 50% of salary for six months if Sean were unable to work and then statutory sick pay. His job is secure due to the defence contracts that they have.

Clare returned to work in her old call centre but only from 10-2 every day whilst the girls are at school. The girls' grandparents step in to mind the children during school holidays or when they are ill. She earns £7,500 pa, has twice salary as DIS, access to a group income protection plan covering 75% of salary and access to the stakeholder pension scheme. As she has been there over 10 years, her employer will pay 5% of salary but only if Clare also pays in this amount. She can't see why anyone would want a pension plan so hasn't joined.

They bought their house three years ago on a 25 year interest only mortgage of £175,000 on a property valued at £220,000. Sean cashed in his self select equity ISAs to pay the deposit and legal fees. They arranged a tracker mortgage of base plus 0.1% so are currently paying only 0.6%.

They think their annual expenditure inclusive of the mortgage, girls' trust fund and Sean's pension is £32,000. They believe in living life to the full – or at least they did. They are relaxed about equity investments and are happy to invest up to 55% of their assets in equities. They would like their portfolio to be actively managed to make the most of stock market opportunities.

The family have the following assets:

- Joint bank account, balance £12,000 earning 0.5% gross interest.
- Sean owns 1,000 BP shares purchased in January 2003 at £3.97 per share and 700 RBS purchased at £5.58 per share in March 2004.
- Clare owns 500 BT shares purchased in March 2005 at 39p per share.
- Two cash based CTFs earning 1% gross– Sophia has £6,200 and Imogen has £4,900.
- Joint life first death life cover, premium £16.65 pm for £175,000 level term assurance with remaining term of 22 years.
- Sean's stakeholder pension fund started June 2006. The current value is £54,000 as he transferred in his previous personal pensions. It is invested 100% in a global growth fund for diversification.

PROBLEM

Sean and Clare thought that they would be able to sell their home for a big profit to repay their mortgage so didn't bother putting any investment plan in place. They still don't like repayment mortgages as they believe they will buy a bigger house in about three years' time when Sean is promoted. However, they are concerned that they are using the savings resulting from lower mortgage rates for luxury items.

Whilst Sophia and Imogen go to a very nice junior school, the local senior school has a bad reputation. She wants them to go to a private school, which currently costs £10,000 pa each. Sean's parents have agreed to meet half the cost of the fees if Sean and Clare have saved the other half.

Sean thinks that Clare should join her pension scheme as he is concerned about their lack of savings. They anticipate that they should be able to use Clare's salary to pay for all of the above but are willing to use the funds in the joint bank account if necessary. They would also like to invest the girls' CTFs to get better growth prospects. They believe that the stock market being low is a buying opportunity.

ADVICE

Your report should outline to Sean and Clare what they need to do to ensure their objectives are met, bearing in mind their attitude to risk. You should also, in bullet format if necessary, address any other areas you deem to be important.

£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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