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Flexibility and Control

In our daily lives we want flexibility and control. Why do we not seem to extend this concept to our financial planning? Chris Budd considers how to apply these principles to your investments.

IT IS TRUE to say that we make a number of different demands on our assets with regards to the time we have to invest, the “risk” we are willing to take and the tax efficiency of the investment.

Flexibility and control is very important but these are often lost to us by the type of structure we utilise to “house” our investment. These structures are generally provided by insurance companies, banks or investments managers, who impose conditions which reduce flexibility and control.

Flexibility allows us to invest in a wider range of investments, and gives the ability to appoint and remove professionals working for us without effecting the investments. Control allows us to determine where our asset is invested and ultimately what that asset does for us. One term for the increased focused flexibility and control is “self investment”.

Pensions have opened up over the last few years with the arrival of pension structures which offer “self investment” such as the Self Invested Personal Pensions (SIPP). But the pension environment is not the only area where clients have the ability to self invest. You now have the ability to use other structures which include:

Individual Savings Accounts (ISA)

Personal Equity Plans (PEP)

Investment Bonds

We all have a number of issues to consider before taking up the opportunities that self investment offer. These include:

Is this approach right for me?

and if it is

What structure should I use?

How do I get the assets together?

How do I establish the arrangement?

Who will help me now and in the future with investment strategies etc?

How much does it cost?

How will I benefit?

Evidently advice needs to be taken before using the “Self invested” concept to determine the best solution for our needs, what structure or structures are appropriate and then put the solution in place and gather the assets. In general the principles of the concept are simple, and there are four parts to it:

Setting up the structure

Administration of the structure

Managing the investments

Planning and structure

In reality each of these parts can be provided by people – and, in the case of managing the investment, by you (although many people will prefer to seek advice on the structuring and choice of their particular investments).

Self investment is most certainly not for everyone, and will tend to suit only those with larger sums involved, and/or who are reasonably financially aware. However, it can give significant benefits to those who want to make their own decisions and who want to take control.

This article is for general information only and you should seek professional advice in respect of your own personal circumstances.

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