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Finance and Politics

Have you noticed how Government and politicians want to take an ever increasing role in our lives? Chris Budd examines how this affects your finances.

Gordon Brown, our current Chancellor and the man who seems to be about to lead our country, despite having never been voted for, made a chilling statement recently. In effect, he said that it is the duty of Government to put in place law which ensures that every citizen acts in accordance with consensus of opinion.

In other words, if you are one of 49% of people that disagree with the other 51% on a certain subject, then the State will ensure that the belief of the 51% will apply to everyone.

Gordon Brown has been responsible for a number of controversial areas in the financial services industry. For example, he raided UK pension funds, which were previously wholly tax free, by scrapping the ability to reclaim tax on dividends. A correctly structured portfolio should not be too affected by this, however it did have the effect of lessening the attraction of pensions to many people. This, at a time when we desperately need more people to plan for their own pensions.

Then there was residential property. For a long time, the impression was given that private pensions funds would be allowed to invest in residential property. Millions of pounds was spent by the industry in readiness for this change, only to do a complete u-turn some six months before the legislation was due to come into force.

Independent Thinking

This article is not intended to be a commentary on politics, rather the nature of politics. Surely it is the duty of politicians to create an environment in which we as individuals can flourish. I am all for State intervention where it is to the common good. I am not, however, in favour of politicians telling me how to think.

Take the regulation of financial advice for example. It is a basic principle of regulation that consumers must be protected. No problem there. But protected from whom? From unscrupulous financial advisors? Again, no problem. But what about from themselves?

All financial advisers are authorised and regulated by the Financial Services Authority (FSA). A basic principle of their regulation is that an adviser must not help a person take action which is against ‘standard practice’. Even if they are fully informed of the issues

and possible consequences. If we do help, and it goes wrong, it is likely that the IFA will be held 100% responsible, no matter what paperwork was signed and completed.

I think it was Billy Connolly who first said that anybody who expresses an interest in being a politician should automatically be banned from being one. Next time you think of taking financial action which maybe slightly out of the ordinary, and your IFA either warns you or refuses to be involved, you will understand why. Likewise, next time you look at the commission or fee that is being paid to the IFA and wonder how it could be so high, you can thank the politicians and regulators.

Paperwork

If you hold some investments, you will be all too familiar with the effects of regulation. Six monthly valuations, interim reports, annual report and accounts – enormous amounts of paperwork which very few people actually want to read or to keep, which merely adds to quickening the pace of global warming. The net result for the consumer – far more information than they could ever possibly need, and increased charges from the fund management company.

If you have recently taken out an investment or product, you will know the amount of paperwork is out of control. Several years ago, the FSA decreed that the consumer must be given all information relevant to their proposed plan or investment. All very laudable, however such documents can now be fifty or more pages long, and contain more small print that an infinite number of monkeys would could produce, even if given an infinite period of time!

The punch line to this is that under current regulation, the FSA have decreed that advisors must only give their clients information that they could reasonably be expected to understand – thereby making their own documents non-compliant!

I shall now climb down off my soap box and future articles will revert to being informative!

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

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