

With taxes set to rise, F&C urges over-50s to take advantage of extra ISA allowance



F&C Investments is urging the over-50s with disposable income or savings outside of tax-efficient accounts to take advantage of the extra Individual Savings Account allowance that comes into effect on 5 October.

In April's Budget, the Government announced an increase in the annual ISA allowance from £7,200 to £10,200. The change will initially only be available to investors aged 50 or over but will be extended to all investors eligible to take out an ISA from 6 April 2010. The maximum that can be put into a cash ISA will rise from £3,600 to £5,100 (in each case half the annual subscription limit).

According to latest Government statistics (which cover ISA subscriptions in the tax year 2006/7), older investors are more likely to take advantage of their ISA allowance. The figures, released in June 2009, show that of the 12.76 million people who subscribed to an ISA that tax year, 7.45 million (58.4% of the total) were aged over 45. For those subscribing to the stocks and shares component of an ISA only, the age divide is even more marked: 1.5 million of the 2.4 million investors, or 63.3%, were aged 45 or over (source: National Statistics).

Jason Hollands, Director, F&C Investments, said: "Whoever wins the next General Election, the pressure is on to reduce Britain's deficit, and that means spending cuts and tax rises are firmly on the agenda. The current Government has already announced a 50% tax rate for the highest earners, which an incoming Conservative government would be unlikely to reverse as an immediate priority. Many of those affected will likely be in the last decade or so of their full-time working lives. This extension to the ISA allowance should be grabbed with both hands, as it allows investors to shelter more of their hard-earned cash from both income and capital gains tax. It's just a shame that the extra allowance has taken six months to kick in, as the stock market rally we have seen since March would have provided another welcome boost to investors' assets."

F&C has written to customers aged 50 or over in both its investment trust ISA and OEIC ISA to make them aware of the increased allowance, and has upgraded its back-office systems to ensure the administration of extra subscriptions goes smoothly.

Hollands added: "In an environment of both economic uncertainty and with the prospect of political change, it is impossible to say for how long investors will have the benefit of this extra ISA allowance or indeed other tax-efficient allowances such as the Child Trust Fund. Our message to investors is that, provided they have the cash to spare and are comfortable with the risks, they should consider utilising the various tax-efficient allowances that are currently available while they have the chance."

Is India now a greater investment opportunity than China?

China has dominated headlines this year, having overtaken Japan as the world's second largest economy but is India poised to outdo them?

India has been overshadowed by China since the emerging markets growth phenomenon began around a decade ago but is now snapping at China's heels as the fourth largest economy, with Indian exports rising at a similar rate to China's. Sam Mahtani, Emerging Equities manager at F&C, is confident that India can match China's prodigious expansion. "Over the next 10 years, UBS estimates economic activity in India will increase by around 8.5% a year, a rate comparable with China and beyond the global average. We think that this growth rate could be achievable if Indian policymakers start to undertake structural reforms in the economy".

Mahtani believes demographics are key - India's population of around 1.2 billion is growing rapidly and half are under 25 whereas China's government restrictions on family size means its population is ageing and therefore less dynamic in terms of purchasing power.

"The potential of India's massive consuming class is evident in the mobile telephone market, with ten million new subscribers every month - a pace that is outstripping China. Demand for electronic goods has also risen steeply as disposable incomes grow and dual income families become the norm," Mahtani explained. Social and economic changes in India have led to a brisk acceleration in the savings rate, which may eventually filter down into financial assets. Moreover, India's government has demonstrated a

deep understanding of economic and commercial expedients whilst company management teams are transforming Indian firms into truly global players. For example, Reliance, India's largest company, is now ranked the eleventh largest oil and gas company globally. Over the next ten years it plans to break into the top five alongside BP, Shell and Exxon. Other names bursting onto the world stage include digital technology provider Infosys and Tata Consultancy Services. As a fully fledged democracy, India is keen to sponsor the growth of wealth. Indeed, the recent large majority secured by the Congress Party has delivered the potential for accelerated reform, with the privatisation of India's huge public sector high on the agenda.

Whilst India historically lagged China in terms of infrastructure spend as a percentage of GDP, it is now catching up fast. Over the next five years, the government is committing an estimated US\$500 billion to road, rail, port and other vitally needed upgrades. If the right legislation is put in place and managed effectively, this could represent the springboard for long-term economic growth rates in excess of China's.

Mahtani concluded: "With a hugely diversified stock market boasting some 4,000 listed companies and a rapidly evolving Indian economy, there is indeed vast scope for investors to tap into this unique potential".

F&C's Question of the Month

Users of F&C Investments' investment trust website (www.fandc.co.uk) have revealed who they are investing for, with only just over half (57%) of respondents to September's question 'Who is your investment for?' saying it is for themselves. More than a third (36%) are investing for a child or children, while a further 7% are investing on behalf of grandchildren.

Monthly Lunchtime Press Briefings

F&C are hosting a lunchtime press briefing on 20th October, focusing on Investment Trusts. Simon Cordery, Head of Investor Relations for investment trusts at F&C will give a general overview of the sector and Peter Hewitt, manager of F&C Managed Portfolio Trust, will consider the outlook for the sector, focusing on short-term opportunities. To book your place, contact Sarah Godfrey on 020 7011 4215 or sarah.godfrey@fandc.com.

Further seminars in the series are planned on 11 November (Fixed Income); 25 November (Economic and market outlook) and 13 January (Multi-Manager).

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