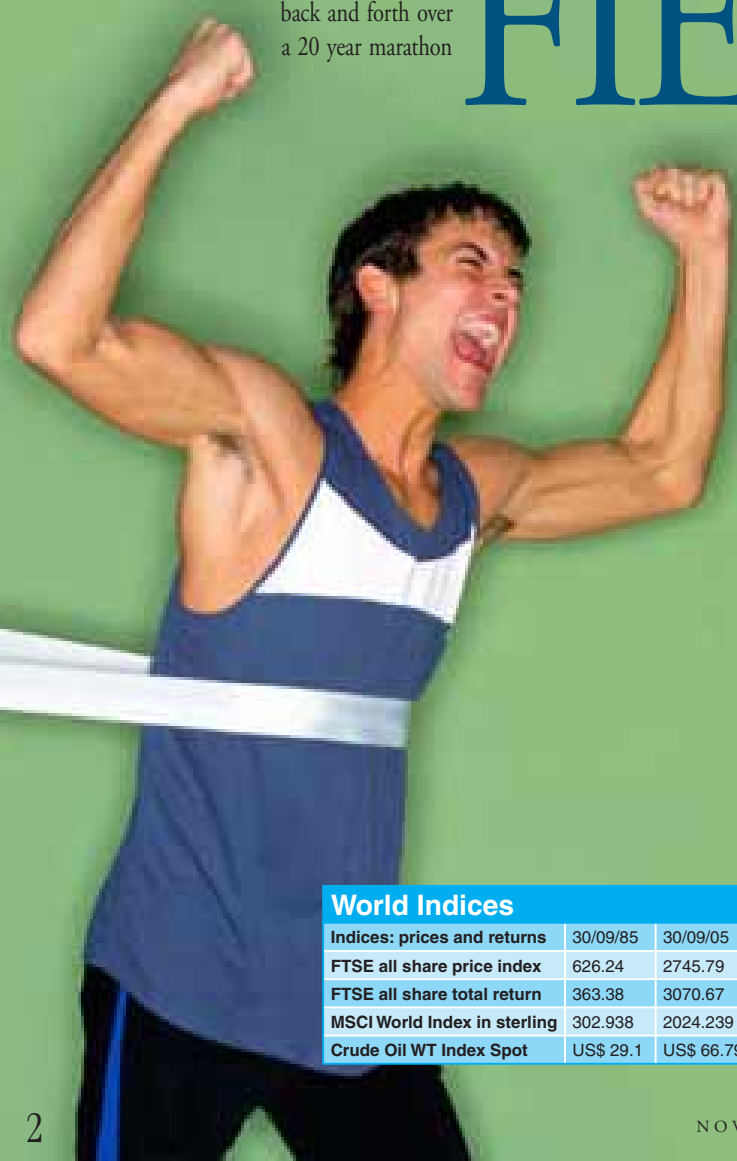


# AHEAD of the FIELD

Roger Smith looks back and forth over a 20 year marathon



**C**OUNSEL is now 20 years old. This is a real achievement in the publishing world where today's hot news is tomorrow's cold turkey. Congratulations must go to all those who have made this birthday anniversary possible.

I have been COUNSEL'S personal finance correspondent for almost half its life now. The world of financial services, for which I left the Bar to join in 1978, has changed beyond all recognition. So much has happened in the world of law and finance in that period, it is worthwhile to reflect on what has been achieved (or not as the case may be) in that time.

### On your marks

In those days, under a former Labour government, even barristers (!) could become financial advisers. At finance conferences I was a bit shocked, to put it mildly, to find myself amongst former double glazing salesmen. Double glazing was oversold and anyone who thought they might now be able to make a quick buck by selling life insurance, tax avoidance schemes and pensions was there.

In the early 1980s Professor Gower,

the pre-eminent company law expert at the time, was appointed by the then Mrs Thatcher, after the Barlow Clowes scandal, to report on reform of the UK financial services sector. He found that the Prevention of Fraud (Investments) Act 1959 required that the sale of unit trusts and other securities to the public was a licensed activity but the sale life assurance and pensions could be done by anyone, often after a months' training course by an insurance company. His findings emerged into the Financial Services Act 1986.

### Get set

In the mid 1980s, financial advice phone-in programmes were a rarity. There was the odd one on BBC Radio 4 in the Money Box programme but little or nothing in the regions. That gave me the idea to design and launch a series of programmes firstly at BBC Radio Oxford explaining the financial world and its products on local radio around the country.

### Start off

I got a response and found myself on as many as 12 radio stations in any one month, much more than I'd bargained for. The demand for advice was clearly there. These were the early days of wider share ownership and privatisation. People phoned in saying it was criminal to sell off the national gas and telephone company to the private sector. It was 'wicked' one listener claimed. Doesn't that response now seem outdated?

On one memorable programme for BBC Radio Wales with Ray Gravell, famous rugby player then recently retired, I offered a fact sheet on the content of the programme for listeners to send in for, with an SAE. I got 885 letters and requests for information of all sorts. It took me a month and two newly-hired secretaries to deal with the response.

### A sprint or a marathon?

From this unexpected rapid start to my early broadcasting career (now in its 24th year) I was invited in 1985 onto the sofa with Anne Diamond and Nick Owen, on their popular breakfast show TVAM (the two egg cups logo for those who remember). It was a particularly soggy sofa and

was not very supportive. My early days of broadcasting were not without incident.

One morning I had been on the rather unbalanced sofa with Robert Maxwell. He attacked the programme's 'so called expert' (me) for saying that the Freddie Laker's claim of dirty tricks against his airline by BA had some merit and could delay the privatisation of BA. (It did and BA subsequently settled out of court in his favour.) I received after that programme my only anonymous menacing phone call at home for promoting, on TVAM, the wisdom of selling-off British Airways.

### Now a relay

Investing in equity unit trusts was still in its infancy in those days. Tax free PEPs were not invented until introduced by Nigel Lawson in the late 1987. They gave the unit trust industry a huge boost which continued with the launch of Gordon Brown's ISA regime in 1999.

Most barristers opened up one or two retirement annuity contracts (RACs) usually investing in the then popular concept of with profits often with Equitable Life, NPI, Standard Life, General Accident or Commercial Union (both now Norwich Union).

Unlike the situation today, investing in corporate bonds was also a minority sport. Judging by my analysis of many older barrister's portfolios that I have seen in recent years, a unit linked, managed or international fund for a pension, was considered rather risky, by a big, largely risk averse group. By contrast very few of today's investors would touch with profits funds. They prefer to follow as I do, the approach of using market leader funds and re-

viewing them from time to time. There are a few exceptions who continue to use with profits funds in the unlikely belief that they will return to their former glory.

### Finishing point

The market place now looks very different. Investments are widely held, both as shares and unit trusts, (now known as OEICS Open Ended Investment Companies) by millions of British subjects. Pensions are to open up next year. The purchase of residential property, wine cellars, yachts, stamp collections and the like will become permitted investments from A Day - 6 April 2006. Children can have pensions set up for them now by generous relatives.

The pension investment allowance will rise to £215,000 from next April. However, pension funds over £1.5m will become taxable unless action is taken soon to preserve some benefits (see my last article Sept 2005 COUNSEL p30). Long gone are the double glazing salesmen! All IFAs have now to be qualified by examination, insured and pass annual Continuous Professional Development (CPD) testing.

### Just a thought

With the benefit of hindsight we would have bought Mr Bolton's funds and sat back and got rich! ❖

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Smith: challenging times

World Indices				
Indices: prices and returns	30/09/85	30/09/05	High point	Growth over 20 years
FTSE all share price index	626.24	2745.79	3265.95	338.46%
FTSE all share total return	363.38	3070.67	3125.89	745.03%
MSCI World Index in sterling	302.938	2024.239	2607.372	568.2%
Crude Oil WT Index Spot	US\$ 29.1	US\$ 66.79		

Source: Datastream 30/09/05

Funds/Trusts			
Name	30/09/85	30/09/05	Growth over 20 years
Fidelity Special Situations trust (Manager, Anthony Bolton – arguably Britain's favourite unit trust?)	379.9p	9776.5p	2473%
Invesco Perpetual Income fund A leading UK equity income fund	453.2p	7030.5p	1451.16%
Fidelity European trust A popular European growth trust NB: Anthony Bolton, the manager, is to retire soon!	06/11/ 85 100p	3070.67p	3863.08%

Source: Datastream 30/09/05