

## PRESS ARTICLE

### PENSION OR PROPERTY | AUGUST 2011

A report issued this month revealed that one third of British adults do not have a pension and 13% of those surveyed said that property was their pension. Mike Fiddes (40), a buyer in the oil and gas sector, wants to know which is the best option for him. He said: "Obviously, it's hard not to get worried when we see constant news coverage about the state of our pensions and it's made me wonder about the best way of investing money.

"Are there any better performing pensions on the market at the moment or should I be looking at directing money into property. If so, then is Aberdeen the best market or would it be best to buy further afield. I would like to be clear about the pros and cons of each option."

Mike Carter, Financial Planner, Johnston Carmichael Financial Services, said: "Most of the current bad news relating to pensions is due to volatility in the markets. However, if you invest by regular monthly contributions, then volatility is potentially good news as lower share prices reduce the unit price of share based funds, meaning you can buy more of these cheaper priced units for the same contribution.

"Taking the long term view, the units you buy at a cheaper price could give you a better return by retirement should the unit prices rise over that period. Volatility in unit prices enables you to exploit gains arising from buying a greater number of lower priced units.

"Pension performance will depend on the fund/s you invest in combined with any charges deducted by the provider for administration. An independent financial adviser will be able to examine your current provider's charges and fund selection to ensure these are competitive. Your risk profile and retirement date are also major contributory factors in the choice of funds.

"Pension contributions receive tax relief on personal contributions, so for a basic rate or non tax payer this means that for an £80 contribution, you end up with £100 in your pension pot (up to certain limits). If you are a 40% or 50% tax payer then the relief is even better with you paying only £60 and £50 in real terms (additional rate taxpayers have to claim the difference through their tax return).

"At retirement tax free cash of 25% of your fund value is available with the remainder used to produce income which is taxable. However, along with fund performance and costs, investing in a pension fund usually means that your money is tied up with access only available after your 55<sup>th</sup> birthday.

"Investing in a buy to let property means that you can access your capital sooner, providing a purchaser can be found! However there are also legal, insurance, factoring and maintenance costs along with Capital Gains Tax on any gain you make when you sell. Your rental income is also taxable. "Buy to let properties in major cities such as Edinburgh, Aberdeen & Glasgow continue to produce reasonable yields, however expert advice from a reputable leasing agent should be sought. Buy to let properties do not attract tax relief and may prove difficult to sell in times of poor market conditions.

"If your finances allow, why not invest in both? This offers diversification and flexibility rather than having "all your eggs in one basket". Another option is investment in a Self Invested Personal Pension (SIPP) which can invest in commercial property and land, as well as funds and deposit accounts. Within the SIPP, property rental is paid back into your pension.

"With all of these investments, speaking to an Independent Financial Adviser is very advisable as they can guide you through the options in more detail."