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## Monthly Digest

December 2008

Hi,

Welcome to our last newsletter in 2008.

Although the media is full of doom and gloom we have good news for you, including some Financial Planning advice from Einstein, a property investment for the new year with 40% tax relief, why in the credit crunch your Pension might be more understanding than your Bank Manager and finally, as an incentive to get to the end, a recipe for probably the best mince pies in the world!

**But first a little housekeeping.**

If you would prefer not to receive future issues, feel free to click on the unsubscribe link at the bottom of this email.

Conversely, if you know anyone who you think would be interested in receiving this newsletter in future, please feel free to use the link below to forward on a copy.

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### Financial Planning News - The 8th Wonder of the World

Albert Einstein, a not unintelligent chap, was once asked what he thought was the greatest of mankind's discoveries. His answer was "compound interest". He even went so far as to call it the Eighth Wonder of the World.

Now whilst you might argue there have been greater discoveries, compound interest surely warrants an investigation to see why Einstein was so impressed.

Lets look at an example, albeit an extreme one!

Let's say Christopher Columbus made an investment in the new world's future in 1492. If he had placed a single penny in a 6% interest-bearing account and instructed someone to remove the interest every year, the value of the interest earned to date (2008) would be just over 31p. Not too impressive, is it.

But if he LEFT the earned interest to compound over the 516 years guess what the account would be worth now? How about £114,242,178,628.50 That's £114 BILLION!

Maybe you can now see why Einstein was so excited. Compounding is VERY powerful.

Although I can hear you saying "but I haven't got 513 years to make compound interest work for me", you can benefit from the principal nonetheless.

1. Get rid of debt as fast as possible. With debt you have compound interest working against you!
2. Have a disciplined regular savings strategy.

Now there is some good advice!

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## Investment News - Enterprise Zone Syndicate

This is an investment opportunity that suits 40% tax payers in particular.

Enterprise Zones were first introduced way back in 1981 by the then Environment Secretary Michael Heseltine.

The intention was to stimulate industrial and commercial activity in areas targeted for economic regeneration.

To attract private sector investment, 100% initial tax allowances are given on commercial property development in Enterprise Zones.

Since 1984 in excess of £1 billion has been invested in collective Enterprise Zone Investment Schemes. The Government has announced that these schemes will cease towards the end of 2011.

Due to the generous tax incentives and the very limited supply of available land very few attractive EZ's come to the market nowadays.

When they do, demand is often ten times more than availability!

A new ZT is being launched which invests in a new £300,000,000 77,000 sq ft Data Centre on the massive Cobalt Business Park in North Tyneside.

The minimum investment is £50,000 which requires the individual investor to write out a cheque for £21,650 as the balance is funded by a loan which is secured solely on the Data Center itself. A 40% tax payer would receive a tax rebate/saving of £19,790, thereby meaning a net investment of just £1,860 for a £50,000 share in the syndicate.

If you are interested in more details please click [here](#) to download a summary document.

**NB: EZ syndicates are a complex investment which are only suitable for higher rate tax payers who are experienced investors. Due to being invested in a single property they should be viewed as high risk.**

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## Pension News - SSAS Loan Backs

I used to refer to this as becoming your own banker!

Over the past few years Self Invested Personal Pensions or SIPP's have received a lot of attention. However their brother the Small Self Administered Scheme or SSAS has been left in the dark. Well SSAS's still have certain advantages over SIPP's and Loan Backs are one of

them.

This little used piece of legislation allows a SSAS to lend up to 50% of its value to the sponsoring employer (Limited Company, LLP or Partnership) as long as certain criteria are met. In general, the criteria is:

1. Interest rate has to be charged at a commercial rate (anything over base rate + 1% is acceptable).
2. A charge over an asset has to be given to cover the value of the loan. Examples of suitable items are property, vehicles or machinery. I've even heard of a Rolex watch being used!
3. The maximum term is 5 years. However if good reason is given the loan can be rolled over for another 5 year term.

Existing pension funds, including SIPPs can be transferred into a SSAS and loans taken immediately.

There are some other points to bear in mind. The cost to set up a new SSAS is typically in the region of £700 + VAT. There is also an annual administration fee which is again typically around £700 + VAT and scheme accounts needs to be drawn up annually which typically costs another £600 + VAT.

However a SSAS does offer the ultimate in terms of flexibility. The sponsoring employer even holds the cheque book for the SSAS and is be the sole signatory.

In the current climate the flexibility a SSAS provides could be the answer if your local Bank Manager has become a little less helpful over recent months!

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## What have I been up to?

Well given the time of the year, I've been extremely busy dealing with both existing and new clients over the last month as well as having a very restful week off. We didn't; go away but enjoyed lovely weather for the time of the year and had some nice walks and lazy days.

Leo & Madeleine performed in the school's Christmas play last night which was great to watch. I'll have to make sure that I get around to editing the video this year!

They are both very excited about Christmas as am I, which is a good moment to let you know that we will be closing for the Christmas period on Tuesday 23rd and re opening on the 5th January.

As a final festive treat here is a recipe for "probably" the nicest mince pies in the world. Well we think so anyway. Please let me know if you disagree. They are very child friendly as well.

### Ingredients:

225g cold butter, diced  
350g plain flour  
100g golden castor sugar  
280g mincemeat  
1 small egg, beaten  
Icing sugar to dust

**Method:**

1. To make the pastry, rub the butter into the flour, then mix in the sugar and a pinch of salt. Combine the pastry into a ball - don't add liquid - and knead it briefly. The dough will be fairly firm, like shortbread dough. You can use the dough immediately, or chill for later.
2. Preheat the oven to 200C/gas 6/fan 180C. Line 18 holes of two 12-hole patty tins, by pressing small walnut-sized balls of pastry into each hole. Spoon the mincemeat into the pies.
3. Take slightly smaller balls of pastry than before and pat them out between your hands to make round lids, big enough to cover the pies. Top the pies with their lids, pressing the edges gently together to seal - you don't need to seal them with milk or egg as they will stick on their own. (The pies may now be frozen for up to 1 month).
4. Brush the tops of the pies with the beaten egg. Bake for 20 minutes until golden. Leave to cool in the tin for 5 minutes, then remove to a wire rack. To serve, lightly dust with icing sugar. They will keep for 3 to 4 days in an airtight container.

And finally I would like to wish everyone a joyful Christmas and a blessed 2009!

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If you would like any further information or if I can be of any help please do not hesitate to contact me.

Assuring you of my best attention at all times.

Regards,



**Tony Barber CFP® AIFP**  
**Certified Financial Planner™**

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