

Heritage Financial Services

...how we conduct our business with you.



Introduction

This brochure is designed to be read in conjunction with our 'Your Choice of Services' menu. We hope to provide every Heritage client with a service package designed to meet their individual needs.

The different options we discuss in this brochure are not meant to be an exhaustive list of all the services we provide and are based on those most frequently requested by individual clients. We are able to discuss other individual needs or any specific advice that might be required.

A. Administrative Support

A high proportion of our administration is file management and **every policy** we service involves receiving and making telephone calls to investment houses, life and pension offices. Letters are received and read, scanned onto the client files, our back-office system is up-dated and the letter is actioned accordingly. In

relation to cost, the more policies we service, the higher the cost to us.

The advantage of providing administrative support is being able to keep up to date with all of your policies and therefore it enables us to identify areas requiring change or assisting with plans to achieve your goals. A valuation of your policies will be provided annually (subject to terms and conditions).



B. Portfolio Management

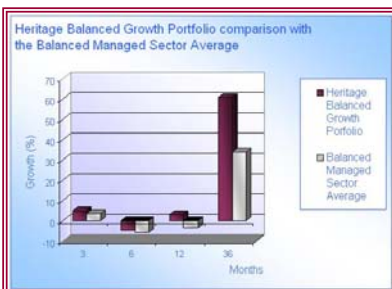


In the first instance, we will recommend one of six portfolios' for your pension and investments that will reflect your attitude towards investment risk. Once set-up, the consultants at HFS hold a quarterly meeting to discuss the findings of our ongoing fund

research. We have developed a set of parameters by which we assess the suitability of all investment funds and those funds that meet the criteria are held on a “preferred list” which has been generated with use of market leading analysis software and independent fund research websites TrustNet and Citywire. Shortly after this quarterly fund review, we communicate with those clients (preferably by e-mail) whose portfolios contain funds we no longer recommend. We also recommend our preferred fund within the particular sector. This will allow us and our clients to be reactive to changes in the market and, theoretically therefore, because everyone who takes part in the Portfolio Management program will be better positioned to minimise losses and maximise gains.

C. Reporting to You

If you have opted for the portfolio and fund management service (B.) then you have a choice of how you receive your report(s). You can opt to receive the report by e-mail so you can save it on your computer hard-drive or in conventional paper format. Both can be issued either 6 monthly or annually. If you are not interested in option (B.) then you may want to consider those options in (E.)



D. Meeting with your Adviser



In our experience, we believe the best way for you to make informed decisions about the ongoing suitability of your investment and pension portfolio is through regular face-to-face meetings.

Meetings give you the opportunity to get an overall appraisal of your portfolio, to raise any questions you may have or inform us of any changes to your personal circumstances that might affect your investment or life objectives. It is through ongoing meetings that the adviser client relationship develops and allows us to better tailor your portfolio to your individual needs.

We suggest meeting with clients at least annually but we are able to meet with you twice a year if you would prefer us appraise your investments on a more regular basis. We would also like to know where you would like any meeting held, which can be at your home, place of work or at our office. You do not have to meet with your consultant if you only require portfolio valuations and performance reviews to be sent to you.

There is also the option for any review to be conducted via a teleconference.

With our office being located on the Isle of Wight, it makes it impractical for Mainland clients to visit us. In this instance, tick 'Your Home or Place of Work' and we shall charge the same rate as for Office/Teleconference.

E. Other Services

Our back office administration system allows us to provide many detailed reports. These reports would be **in addition** to any investment and pension valuation & performance review. Most of these would be usually provided every three years (triennially), although this timing may be adjusted in line with individual circumstances or specific events. These are listed below.

Holistic Financial Health Check



This is the most comprehensive of all our financial reviews, it is a head to toe analysis of your current circumstances that include life assurance, critical illness, income protection, private medical insurance, pension provision, long term care, savings, investment, and estate planning. It's a bit like attending the 'well persons' clinic at your doctors surgery. The review will identify any shortfalls in any of these areas and will assist us to recommend plans to improve the position.

Protection Policy Appraisal

This report will keep you informed of any life assurance, critical illness, income protection and private medical shortfalls. It takes into consideration the income needed to sustain a reasonable standard of living in the event of the death of the main wage earner, the contraction of a critical illness, or accident and the inability to work.

Salaries and circumstances are always changing so keeping you informed of the correct levels of assurance to protect your family or business.



Individual Savings Goals

Everyone should have a goal in life and, whether it be a new car, home or holiday it is likely that you will need money to finance it. For those who are adverse to bank loans, other than receiving the money as a gift, the only other option is to save. Tell us what you want and we shall develop a plan and



provide an ongoing appraisal to ensure you meet that goal

Pension Contribution Shortfall Analysis

This valuable report includes all of your pensions (both personal and company) whether they are still being paid into or are preserved (some call it 'frozen'). We take into consideration your current age, the age when you plan to retire and the likely retirement income you will require in today's terms. We can also include the State pension and the type of annuity you require. Given an assumed growth rate, we can calculate the likely value of your pension 'pot' and the annuity income that money will buy. If that figure is less than your expected income needs during retirement, we can calculate the amount you need to increase your pension contributions by in order to recoup the shortfall.



Retirement Income Analysis

If you are already retired and relying on your investment and pension funds to provide you with an income, you will find that changes in the economy or your own circumstances, as well as investment performance, can affect your cash flow. As we live longer and spend longer in retirement, the assurances we once had diminish. Our services in this area can provide you with the necessary advice to optimise your income after tax within the means you have available. We can also review this model on a regular basis to cope with the many changes that governments, markets and the needs of you and your family entail.

Lifetime Cash Flow Plan



During your working lifetime, there is every possibility that a strain will be put upon the income, due to death, retirement or ill health. Through extensive data capture relating to your expenditure, we can agree a strategy on what minimum levels of income you would need when either of these changes to that life style occurs. A comparison is effectively made between your current expenditure and the changes to that expenditure due to death, post-retirement or through the impact of not being able to work due to a serious illness or injury. The report informs you whether you would be able being able to cope financially with these changes in lifestyle and if not, plans are made so you can. The plans are then monitored throughout your working lifetime.

Inheritance Tax Analysis

One former chancellor is noted for saying that Inheritance Tax is paid by those who dislike their heir more than they dislike the government. His comment was tongue in cheek, as many families *do* face a bill that their dearly departed would not have wished for, but the meaning of his words was that, in many cases, the right planning could make this tax avoidable.

An IHT analysis is generated from data that you give us, including details of your property, investments, pensions, cash, life assurance, personal effects & chattels. The annual IHT allowance changes frequently as will the value of your estate. This analysis allows you to always keep abreast of your IHT position ensuring you mitigate as much tax as possible. If it is forecasts that there is a future tax liability, then plans can be set-up to minimise or eradicate any potential charge by maximising any 'gift' allowances.



Planning for Long Term Care

Most people do not like to think of themselves residing in a care home. Often it seems too far in the future to even contemplate. However, many older people do eventually need care which can vary greatly in standards and choice. If there is a history of longevity in your family you will more than likely end up

requiring support of some kind, perhaps even to give you the option of staying in your own home. As with most aspects of financial planning the available mechanisms to deal with this are best started earlier rather than later.



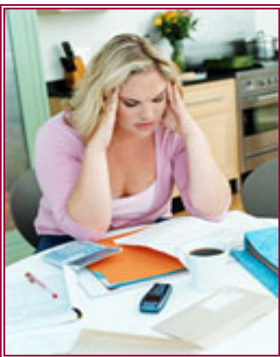
School Fees/University Cost Planning

Sending a child through private education or to university is very costly. It is best to start financial planning for schools and university even before your child enters the first years of school. Inform us of potential school/university options - We will investigate the current costs and devise a plan to help ensure you have enough money saved to give your child the education you desire for them.



Preparation of Self Assessment & Tax Returns

Although we are not income tax specialists, we are competent to assist with most individual tax returns. Our charge may be a lot lower than what your accountant is charging for what can, effectively, be a simple process. In any event, we have strong links with Garbetts Chartered Certified Accountants to provide guidance or offer their services for more complex cases.



Smartmoney Magazine

Our financial magazine provides lots of topical, seasonal information and we can deliver it to you six times a year. Tax saving ideas and financial products are debated and summarised in a well presented and easily understood format.



What Next?

Once you have read through this brochure please decide on which services are important to you. Fill in the 'Your Choice of Services' form and post it back to us. If you have any questions, or there are services you feel you would like to add to you portfolio that are not listed here, please contact the office and we will be more than happy to help devise a bespoke service just for you.

How We Work Out Our Prices

Our fees are laid out clearly in our client agreement. For example, we charge the same for investments irrespective of the companies or products we recommend to you. The tariff is designed to cover our costs in terms of time spent, overheads, professional expertise, liability and a margin of profit. The proportion of charge to the investment made reduces with the amount invested. When commission is available this belongs to our client and can be used to reduce our fee or enhance the terms of their investment. We believe this is the only way fair and impartial advice can be offered

The planning services we offer in this brochure are provided on a regular or ah-hoc basis and, similar to our investment fees above, we take several factors into account to price this.

Many product provider contracts that we recommend pay introducers such as ourselves, a 'servicing' or 'trail' commission. This is the same for all financial advisers. A typical example would be an ISA fund whose annual charge is 1.5%, we would receive 0.5% per annum of the funds value. This income stream does not impact on the ISA fund because the 0.5% is paid out of the annual charge and not in addition to. You would still be charged 1.5% whether you bought the fund through us or bought it direct.

This income stream is not refundable because it is not detrimental to your investment, but in order to improve our services and be fair to our clients, we have elected to offer significant discounts to our servicing charges based on the level of trail income that we receive. These discounts will increase to as much as 100% depending on the level of "trail" received. After taking into account any available discount, the services you have chosen can be paid for by specific payments we receive from investments or if these costs are not covered by the trail income, then the balance will be paid by monthly Standing Order.

If the prospect of a separate charge is unappealing, you are not obligated to take-up any of the services, and we avoid "bundling" services into packages that may include additional options people do not use. Subject to the terms and conditions of any agreement you make with us, you can also change your arrangement at any time.



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Have you visited our website www.heritage-financial.co.uk
for discounted investments, life assurance & critical illness?

Heritage Financial Services are authorised and regulated by the Financial Services Authority.