



25 May 2011

High demand expected for National Savings 5 year Index-linked Certificates

National Savings and Investments (NS&I), the Government backed savings organisation, has recently re-introduced its five year fixed and index linked savings certificates.

The latest index-linked issue is less generous than previous issues but is currently the only way of guaranteeing returns in excess of inflation on cash deposits, whilst fully protecting the capital invested.

Individuals will be able to invest up to £15,000 into this issue, which will provide a return of 0.5%pa above RPI over the 5 year term. Savers can cash in the certificates at any time but will receive no index linking or interest in the first year.

It was pleasing to note that the return is still linked to RPI rather than the consumer price index which would have given lower returns.

Higher rate taxpayers (40%) would need to find returns of above 9.67% from an ordinary taxable savings account to match the indexed certificates based on current RPI of 5.3%. If RPI were to fall back to the 20 year average of 3% pa then the return required would be 5.83% pa from a taxable account which is still attractive in comparison with current 5 year fixed rate bonds on the market.

It is anticipated that there will be strong demand for the index-linked certificates and for those clients who wish to inflation-proof part of their long-term cash deposits, we would recommend that you invest sooner rather than later. The certificates are available on line from www.ns&i.com by post or by telephone on 0500 500 000.

On a separate issue, you may be aware that as part of our on-going due diligence, Fiscal Engineers' Investment and Research Committee (IRC) meets on a formal basis twice a year. The minutes from the meeting held earlier this year are now available and if you would like to view this, please do contact us and we will be pleased to send you a copy, either by email or by post.

And finally, for those of you with Transact portfolios, their End of Tax Year Reports were issued on Monday so will be with you shortly. The reports are also available on Transact's website via the Pick-up Page facility. We aim to have our End of Tax Year letter including your Capital Gain/Loss Summary Report(s) out to you by the end of July.

Best regards

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Managing Director