

News from Louis Letourneau.

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[Louis Letourneau](#) predicts the best ways to invest your cash in 2005

What will 2005 bring in terms of investment returns? Investors who believed that the stock market was due for a rebound exactly two years ago are now sitting on a healthy 40% growth over two years in the UK - even more in some emerging markets, such as Latin America and some countries in Eastern Europe. Hindsight is always a good thing to have, but it's the future that we'd love to know more about. Should you continue pouring money into the market or cash it in? This is always a question of long term planning, and most of us should leave this sort of speculation to the professional investors who can afford to lose a lot. The key is always to aim for a balanced approach. Is it income or growth that's the objective?

But where should you invest this year? Of course, it depends on your attitude to risk and the rest of your portfolio, but there are some areas in the market that are really worth looking at for 2005. There are three major issues to consider this year; the possibility of a crash in the residential property market, a further depreciation of the US dollar, and a continuing global economic recovery.

Firstly, the market is expecting interest rates to level or perhaps go up a little by the end of the year; some may even expect an interest rate fall in the UK. In the current economic environment, it's more likely to be stable on that front. This means that fixed interest and gilt funds are a neutral place to be and could generate a good income, with less risk to your capital if this is what you need. I would, however, shy away from the funds that invest in high-yield corporate bonds, because they're now perceived generally to be overvalued after a very good run over the last few years. Alternatives to add onto the portfolio, if they aren't already there, are commercial property funds, which should continue to do well over the next two years after a fabulous rebound since the turn of the century – but caution is required over the very long term.

Gay men, in particular, are notorious for spending their money rather than saving it. And when we do save, the majority of us would rather invest in property. This may now have run out of steam for a while. Perhaps now is the time to look at alternative assets for your retirement planning, even if you're doing your best to avoid it. After [pensions](#), investing in an ISA is the next best thing to protect your income at retirement. It's a shelter from [tax](#), especially if you are a higher-rate taxpayer, but it can also generate an excellent return, tax free. It's a good idea to use it as complementary to your pension plans – which you know should be in place by now.

The good news is that the Chancellor's now very likely to extend the £7000 ISA allowance currently enjoyed by investors. Savers have from now until the end of March to claim their ISA allowance, by investing in cash or in equities (stocks and shares). You should try not to follow the hordes and fall for the latest marketing ploy from the fund managers, and the best way to start the ball rolling is by paying monthly into an ISA from the start of the fiscal year – this makes good financial sense. You should seek [proper investment advice](#) for this from advisers who understand the market.

What about the spectacular depreciation of the US dollar? How does this affect your investment decision? Well, yes, you can go more often to Palm Springs or Florida, but this isn't my point. Last year, at this time, I said that the dollar was obviously going to be fuelled by the presidential election, which would keep the dollar high (artificially or not) for the greater part of the year – which did happen. As soon as Bush was re-elected, the dollar started to slip. My bet was, and still is, that this will reverse back in 2005, making an investment in funds which invest in dollars very attractive for the long term – but wait for the middle of the year, and if you're planning a trip to the USA, you may want to buy your dollars now.

Finally, economists expect 2005 to be a reasonably good year for the global economy, so expect decent returns from equities, especially in Asia, also in Europe, but less in the UK. Some say that this is also another year of stock-picking like 2004 was, which means that choosing the right fund manager is even more important than ever. Whatever you decide to do, always seek advice from an [independent adviser who specialises in investments](#).

Louis Letourneau, MA is an experienced independent financial adviser (IFA), specialist in financial planning and wealth management. He founded Rainbow Finance in 1995 and has consistently challenged financial companies and Government on their attitudes to gays, lesbians and same sex couples and was instrumental in the Inland Revenue to changing its guidance notes to recognise unmarried couples in pension benefits. His work has also resulted in life insurance companies starting to relax the discriminatory underwriting criteria toward gay men and people living with HIV. He was a founder of the Rainbow Research Project which surveys and educates private pension schemes in how they recognise unmarried couples on death benefits. He was also a founder member of the Stonewall Immigration Group (which campaigned for Immigration rights for same-sex couples, achieving a significant victory in April 1997) and helped set up the gaypartners.org initiative with gay.com in early 2001, campaigning for same-sex partnership rights. He speaks regularly on national and local radio.

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