



News from Louis Letourneau.

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Will you be dealing with a bull or a bear in 2006? [Louis Letourneau](#) reports on the financial trends for the coming year.

New Year is out of the way and we're all back at work or whatever we normally do if not on holiday. This is a good time to take stock and have a thorough review of your investment portfolio. Last year was a good year for the stock market in general, as we witnessed the third year of a bull market, but what will 2006 bring in terms of investment returns? Well, the general consensus is that global economic growth is now slowing down and we should be prepared to see much a lower level of return from the market in general- single- rather than double-digit returns. The big danger is the American deficit which is now getting totally out of control. This is so important because of its impact on the world economy in general, from the setting of interest rates and the bond market, and also because of the value of the American dollar.

Another factor is the difference between very short-term and very long-term investors. The latter are represented by pension schemes which need to match their long-term liabilities and tend to increase demand for long-term gilts and other bonds. These should continue to do well into 2007. The short-term investors seem to be led by hedge funds and can make the market very volatile in the initial months of take-up. This means that finding good fund managers who can pick the right stocks and shares is more important than ever.

So what should you do to protect yourself? Well, if you are risk-averse, you should not be in the stock market anyway, but should opt for buying property funds or fixed-interest gilts and bonds. If, however, you are prepared to take a long-term view, in particular with your pension funds, then I would recommend that you look at overseas markets more seriously than before, as the world economy is getting increasingly global nowadays. European stock markets should continue to do well, from the UK point of view, mainly because the Euro is likely to strengthen the medium term. The UK FTSE 100 should attract more value than the FTSE 250 in the coming year, even though the latter is at its all-time high and had an extraordinary run over the last three years. Interest rates in the Euro zone are bound to increase, and to decrease slightly in the UK. This is still a good time to be in bonds and gilts, as well as (cautiously) in commercial property funds – in the short term, anyway.

For the aggressive investor, I would definitely tip more Eastern European funds but also some other emerging markets, such as India and China. Keep an eye on Japan next year, too -there is a lot of value in Japanese companies, who are coming out of hibernation after along 15-year sleep.

The residential property market could suffer a set-back in the UK in 2006 despite what banks and building societies are saying, as the economy slows down and the buy-to-let market is getting overheated: One building society has recently stopped lending to buy-to-

let investors altogether, and this may be a sign of what's coming our way generally. The latest set-back from the Chancellor of not allowing residential property to be held within individual pension schemes (SIPPs) from April is also going to disturb the property lending market and will have a knock-on effect on the price of flats, in particular.

All in all, I think that caution will be the rule this year, unless you are prepared to take a very long-term view (more than ten years) through your pension plans, for instance.

Always seek proper independent investment information from advisers who understand the market and are not just jumping on the bandwagon each time something new comes along. You can't go wrong with a properly balanced and diversified portfolio, as long as you review it with a cool head regularly.

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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