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## A Luxurious Future

**News from Louis Letourneau.**

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*"The greater the potential reward, the greater the risk of losing your capital."*

Luxury used to be something that was exclusively for the rich. That's not the case any more. With increasing affluence, more of us can afford the kind of things that used to be strictly for the Rockefellers. We don't just go abroad, we go on adventure holidays to New Zealand or Africa. We don't buy clothes, we buy designer labels. We don't eat out, we eat at the new Gordon Ramsay or Jamie Oliver.

But too many of us have a "live today, pay tomorrow" attitude. Keeping up with the Joneses can be costly and it's all too easy to max out the credit card - especially on holiday or at Christmas. If you're in serious debt or think you might be a "shopaholic", you should seek help from a debt counsellor.

But even people who don't have a problem with debt may be spending all their income without thinking about the future. Yes, you can afford the things you like now, but wouldn't you like to be able to afford them when you're 60 as well? All too often I meet guys in their late 30s who earn good money and enjoy an affluent lifestyle but who have no savings or investments at all. What do they think they'll live on when they're older?

Putting a little money aside each month needn't affect your lifestyle too much. If the money goes out of your account by direct debit at the beginning of each month, you won't even notice. But if it's in your account at the end of the month, you'll spend it!

You should start by growing a cash fund for emergencies - three to six months' net salary is the usual target. When you've achieved that, you can look at investing for the medium to long-term. In this area, there are two tax-efficient types of saving - the ISA and pension. Ideally, you should save in both but if it's a choice, I'd choose pension, especially if you're a higher-rate taxpayer, as you'll get the benefit of 40% tax relief on your pension contributions.

Whichever type of investment you choose, you should pick a plan with a wide choice of funds. Pensions and ISAs offer a similar range - equity funds, of course, but also commercial property, fixed interest and cash. These are what we call "asset classes", and it's best to spread your risk across the various asset classes.

For example, if you put all your money in the stock market and it crashes, you won't be very happy - although it will recover in time. But if you put only some of your money into equities and the rest into property and fixed interest, then a crash won't affect you as much.

The more risk you're prepared to take with your investments, the higher the potential rewards. So equities (shares) have performed better historically than fixed interest. Fixed interest is debt issued mainly by Governments (gilts) and companies (corporate bonds). Gilts and bonds pay interest at a fixed rate (which may be higher or lower than the rate available on cash deposits), and the value of the bonds may fluctuate to a certain extent. Shares pay dividends, but they also have the potential for greater capital growth (or losses) than bonds.

There are other alternative investments that carry their own degree of risk. You can invest in art, antiques and wine as well as in private equity and hedge funds. But remember - the greater the potential reward, the greater the risk of losing your capital.

Save as much as you can afford. Someone starting to save in their 20s doesn't need to put as much away to have a decent lifestyle in retirement as someone who only starts saving in their 40s and has a lot of catching up to do. Talk to a qualified independent financial adviser, who'll take ALL your circumstances into account and produce a plan that's designed to help you continue to enjoy life's luxuries well into retirement.

**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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