

Section 5

The main areas of financial advice

Introduction

Clients often have a range of financial needs, even when they approach an adviser with one particular need in mind. In order to give the most appropriate advice, advisers must be aware of the nature of all of the needs that clients may have – and must be able to recognise those needs even where clients themselves are not aware of them. Some needs may be immediate, such as family protection, while others, particularly retirement needs, will seem a long way off.

This section looks at the different areas in which financial advice may be required. These are listed in Part 4 of the Unit 1 syllabus, and include budgeting, protection, borrowing, investment, retirement planning, estate planning and tax planning.

5.1 Budgeting

The need to budget underpins all other forms of financial planning. At its simplest, it reflects the need to have sufficient funds to purchase the necessities of daily living. It also encompasses the need to determine how much can be spent on other items: on capital purchases; on leisure pursuits and holidays; on provision for a secure retirement.

Many savings products can be used to budget for future capital and income needs, but advisers must be careful not to put pressure on the client's current and future income when selling products paid for out of that income. An

increase in mortgage interest rates, for example, could push a family's expenditure beyond its means.

It might be argued that the need to balance the budget on a weekly/monthly basis is not as great as it once was, as a result of the easy availability of credit, but all borrowing must be repaid at some point, and advisers should exercise caution when considering clients' likely future income and expenditure levels.

5.2 Protection

Life can be a risky business and it is not possible to avoid all the dangers and difficulties that it can bring. It is, on the other hand, possible to take sensible precautions against the impact of the risks that affect people, their lives, their health, their possessions, their finances, their businesses, and their inheritances.

Many people, however, make little or no provision for minimising the financial consequences of death or serious illness. This may be because they are not aware of the size of the risk or because they believe that they cannot afford to provide the cover, not realising how cheap it can be, especially if taken out when young.

The probability of dying before age 65 is about one in five for males in the UK. In a typical year, according to government statistics, about 150,000 males aged between 20 and 65 will die in the UK, while about four times that number (600,000) will be off work for more than six months due to ill health. In the same period, about 200,000 people in the UK are diagnosed as suffering from cancer and about 100,000 will suffer a stroke.

Many people take an 'it won't happen to me' attitude but, the simple fact is, it might!

5.2.1 Family protection

5.2.1.1 Losses due to death

For most families, it is income rather than savings that enables them to enjoy their standard of living. Loss of that income on the death of the breadwinner usually causes a reduction in a family's quality of life.

State benefits may be available but they generally do little more than sustain a very basic lifestyle, and increasing pressure on funding means that they are more likely to reduce than increase in real terms in the future. The surviving spouse/partner may, therefore, have to become the earner, leaving a problem of who will look after the children (or alternatively, the problem of funding the cost of childcare).

Another consequence of the death of the main earner is that dependants may not be able to make loan repayments, particularly mortgage repayments. If the loan cannot be serviced, the property may have to be sold and the family rehoused in less suitable circumstances. This problem can be addressed either by making provision for a monthly income equal to the loan repayments, to be payable for the remainder of the loan term, or by providing for a lump sum to pay off the outstanding loan capital.

It is equally important for the life of a *dependent spouse* or *homemaker* to be insured, even though they are not the family's earner. In the event of their death, the normal earner may have to give up work in order to look after the children, or may have to pay the cost of full-time childcare.

5.2.1.2 Losses due to sickness

Many of the arguments for protection against the adverse financial consequences of death apply equally to the need for protection against the impact of long-term illness. In fact, the arguments for protection against financial loss through sickness may be even stronger than those for protection against that from death, not just because the likelihood of suffering a long-term illness is greater than that of premature death, but also because the financial impact on a family of long-term sickness can be even more severe than that resulting from a death.

Protection against the impact of sickness may fall into a number of categories:

- ◆ an income to replace lost income (for instance when the main earner suffers a long-term illness);
- ◆ an income to pay for someone to carry out the tasks normally undertaken by a person who is ill;
- ◆ an income to pay for continuing medical attention or nursing care during an illness or after an accident;
- ◆ a lump sum to pay for private medical treatment;

- ◆ a lump sum to pay for changes to lifestyle or environment, such as alterations to a house or a move to a more convenient house.

As in the case of protection against death, there may be a requirement to cover not just a main breadwinner, but also a dependent spouse.

A number of factors contribute to the amount and type of cover required, including the following:

- ◆ the ability of the insured person to adapt to other types of work;
- ◆ the extent to which an employer might continue to pay salary during an illness;
- ◆ the number and ages of children and other dependants;
- ◆ the availability of help from family and friends;
- ◆ the nature and amounts of state benefits available.

5.2.1.3 Losses due to unemployment

The problems resulting from unemployment/redundancy are, in many ways, similar to those caused by illness, but it is much more difficult for insurers to predict statistically the likelihood of loss of employment than it is to predict loss of health or loss of life. Unemployment cover is, consequently, much more difficult to obtain as a stand-alone insurance and, when it is available (normally only in conjunction with sickness cover and often only in relation to covering mortgage repayments), it is usually subject to a number of restrictions (see also Section 3.3.2.3).

5.2.2 Business protection

There are a number of business situations in which the loss of a colleague can have severe implications for the financial health of an organisation. Life or sickness insurance can be used to mitigate the financial loss that may result. One or two of the more common circumstances are described below.

5.2.2.1 Death of a key employee

The death of an important employee, particularly in a small company, can have a devastating effect on a company's profits. Key personnel, though more often found among the management of companies, can actually be found at all levels

of a company. People with different roles may, for very different reasons, be key personnel on whom the company's profits depend:

- ◆ a managing director with a strong or charismatic personality;
- ◆ a research scientist with specialised knowledge;
- ◆ a skilled engineer with detailed understanding of the company's machinery;
- ◆ a salesperson with a wide range of personal contacts.

Determining the level of cover that is required can be difficult. A simple method is to use a multiple of the key person's salary, say five or ten times. Another method is to relate the cover to an estimate of the key person's contribution to the company's profits. This contribution can be calculated by multiplying the amount of current annual profit by the ratio of the key person's salary to the company's overall wage bill. This estimate of the key person's contribution is then multiplied by the length of time that the company would take to recover from the loss, often assumed to be five years.

Example

Using this method, calculate the level of cover for Goran, who is the production director of a firm whose last published gross profits were £4 million. Goran is paid £50,000 pa; the firm's total wage bill is £2 million.

The sum assured for a policy on Goran's life could be calculated as:

$$\frac{50,000}{2,000,000} \times 4,000,000 \times 5 = \text{£}500,000$$

The company would then take out a term assurance on the life of the employee, for the period during which the employee is expected to be a key person. This may be until retirement, or until the end of a contract or a particular project. If a term assurance of five years or less is chosen, the premiums are likely to be allowed as a business expense, which the firm can set against corporation tax. In the event of a claim, however, the policy proceeds will then be taxed as a business receipt and subject to corporation tax.

5.2.2.2 Death of a business partner

A partnership is defined in the Partnership Act 1890 as ‘the relationship that exists between persons carrying on a business in common with a view to profit’. Groups of professionals such as solicitors and accountants normally work together as partners.

On the death of one of the partners, the beneficiaries of that partner (often his spouse and/or family) may wish to withdraw his share of the partnership’s value. This can cause problems for the remaining partners because it might mean that they will have to sell partnership assets to pay the deceased partner’s family. Since much of the value may be in the form of ‘goodwill’, it may not be possible to realise it except by selling the whole business. ‘Goodwill’ is that intangible and yet real portion of the value of a business that relates to the firm’s good name or reputation. In such circumstances, the need for partnerships to insure against the death of each partner – in order to buy out their share – is clear.

There are three main types of scheme used for this purpose.

5.2.2.2.1 The automatic accrual method

Within the automatic accrual method, all partners enter into an agreement under which, on the death of a partner, his share is divided among the remaining partners in agreed proportions. The deceased partner’s family is compensated by the proceeds of a life policy written in trust for their benefit.

5.2.2.2.2 The buy and sell method

Under the buy-and-sell method, all partners enter into an agreement under which, on the death of a partner, that partner’s legal representatives are obliged to sell his share to the other partners, who are obliged to buy it. To enable them to do so, each partner takes out a life policy on his own life in trust for the other partners. One problem is that the person who inherits the share is deemed to receive cash rather than business assets, so no business relief from inheritance tax is available.

5.2.2.2.3 The cross-option method

The cross-option method is basically the same as the buy-and-sell method, except that the agreement specifies that the deceased partner's estate has the option to sell their business share to the remaining partners, who have the *option* of buying it. They always do but, because there is no legal obligation to do so, those who inherit are deemed to receive business assets and relief from inheritance tax may be available.

5.2.2.3 Death of a small business shareholder

Small businesses are often run as private limited companies with a small number of shareholders, who are often family members or close relatives or friends. In the same way that partners may wish to buy out the share of a deceased partner, surviving shareholders in a small business will probably want to buy the shares of a deceased shareholder to prevent the shares from going out of the close circle of existing shareholders. The same types of schemes as described on Section 5.2.2.2 can be used for shareholder protection.

5.2.2.4 Sickness of an employee

If sickness prevents a key employee from working, the effect on profits can be just as serious as in the case of that employee's death. The company may need funds with which to pay the salary of a replacement who can supply the skills and attributes lost through sickness.

5.2.2.5 Sickness of a business partner

If a partner falls ill, he may be able to continue to draw income from the partnership for some time, even if not contributing his skills to the partnership's earning capacity. There will be a need to provide a replacement income to avoid the partner becoming a drain on the partnership's resources. The remaining partners may even wish to buy his share of the business in the event of the partner being unable to return to work. Clearly there is a possible need for income protection and/or for critical illness cover in addition to life assurance.

5.2.2.6 Sickness of a self-employed sole trader

Although sole traders may employ others to work for them, they often do much of the key work themselves, including accounting and decision-making. If a sole trader ceases working, his income is likely to stop very quickly. Worse still, his customers may be lost to competitors, causing the business to collapse. The pressure and anxiety resulting from such a situation is likely to hinder recovery from the very illness by which it was caused.

5.3 Borrowing and debt

House purchase is, for the majority of people, the largest financial transaction of their lives and, since most people are not able to fund the price of a house out of their own capital, a loan from a bank, building society or other source is normally required.

Since a mortgage loan is such a large and long-term transaction, the consequences of making a mistake can be very serious. It is therefore particularly important for an adviser to choose wisely and to suit the products chosen to the client's needs. Choosing the wrong lender or the wrong interest scheme, for example, could lead to the client paying more than is necessary for the loan. For people who may wish to make their interest payments early, a daily interest scheme could help them to save money; a flexible mortgage might give yet more freedom, allowing overpayments, underpayments and even payment holidays. Lower interest rates can often be obtained by remortgaging.

Choosing the wrong investment product can lead, at worst, to the mortgage not being repaid in full at the end of the term. At best, it might mean that the client misses out on possible surplus funds. Recent industry experience of borrowers who were originally ill-advised to choose endowment assurances, without being warned about the possible disadvantages, has confirmed the importance of good advice in this area. The exact nature of what constitutes good advice in a particular case will depend on a variety of factors, including the term for which a loan is required and the tax situation of the borrower.

Failing to protect the outstanding capital or the repayments against sickness, death or redundancy, can leave a client's family destitute or lead to them having to leave their home. Many clients are unaware of the magnitude of the risk or of the ease with which it can normally be mitigated.

A low level of interest rates coupled with strong house price inflation has led to a large increase in individual and family indebtedness in the UK, with many people increasing the proportion of their net income that they spend on mortgage and other loan repayments. Any increase in interest rates can leave people unable to service the high levels of debt that they have taken on.

A number of products and services are available to assist people who can no longer afford their loan repayments. A common system is the 'consolidation' loan: this usually takes the form of a remortgage for an increased amount, the new loan incorporating the existing mortgage plus the individual's unsecured loans such as personal loans and credit card balances. The advantage of this is that the overall monthly repayments are reduced, because the unsecured loans are now subject to a lower rate of interest and a longer repayment term. There is also, however, a serious downside to the arrangement, which is that the formerly unsecured loans are now secured against the property, adding to the borrower's problems if the borrower defaults on the repayments of the consolidated loan.

For borrowers who can see no prospect of being able to pay off their debts, there is the possibility of using an individual voluntary arrangement (IVA) under which the lender may be prepared to write off part of the debt in exchange for a realistic rescheduling of repayments. IVAs are described in Section 6.10.1.

5.4 Investment and saving

Broadly speaking, there are two reasons why people invest: to provide income (either now or in the future) or to provide a capital sum. The particular purposes for which they may need income or capital include:

- ◆ short-term emergencies ('rainy-day funds');
- ◆ specific purchases;
- ◆ education fees;
- ◆ gifts to children;
- ◆ buying a business;
- ◆ loan repayment;
- ◆ retirement.

Saving and investment needs change over the course of a lifetime, as explained at the beginning of Section 4. The financial services industry provides a very extensive range of savings and investment products to meet the needs of a wide spectrum of customers. The products can be categorised in a number of different ways. Some of those categories are mentioned here, together with a few illustrative examples.

5.4.1 Regular savings or lump sum

Most people build up their savings by small regular amounts from their disposable income. They may use regular savings schemes such as deposit accounts or unit trusts, or pay regular premiums to endowment policies, or they may make contributions to pension plans.

The need to invest a lump sum may arise from the receipt of a legacy or other windfall, or it may reflect the desire to move money from one form of investment to another.

5.4.2 Level of risk

The level of risk ranges from products where there is virtually no risk to the capital, such as bank deposit accounts, to those where the customer accepts the risk of loss of some or all of the capital in order to speculate for higher returns. Most stock market-related investments fall into the latter category to some degree. The relationship between risk and reward is very important. As a general rule, products that carry a greater risk also have a greater potential for higher returns.

5.4.3 Accessibility

Many deposit accounts offer instant access or require only short notice of withdrawal. At the other end of the scale, some investments are not directly accessible until a fixed maturity date: most gilt-edged securities fall into this category, although they can be sold prior to their redemption date (but without any guarantee of the price that may be obtained). Shares and some gilt-edged stocks (and other investments) are irredeemable, ie they have no maturity or redemption date. Here again, investors requiring access to their money must sell the securities to an investor who wishes to buy.

5.4.4 Taxation

The main UK taxes affecting investors are income tax and capital gains tax. With many investments, tax is payable by investors both on the income received and on any capital gain made on eventual sale. Shares and unit trusts fall into this category. Some investments, eg gilt-edged securities, are taxed on income but are exempt from capital gains tax.

It is important to consider the tax regime of the product in conjunction with the tax position of the investor: for instance, an investor who does not pay income tax will not benefit from taking out a cash ISA.

5.4.5 The effect of inflation

One of the factors that is least understood by clients is the impact of inflation on investment returns. As long as there is inflation, the purchasing power of a given amount of money will fall. For example, the purchasing power of £1,000 after ten years of 3% inflation will have fallen to under £750. Before an investment can grow in real terms it must first increase in line with inflation: the aim of any investment should be to provide a real return. Over the long term, equity-linked investments have proven most likely to offer growth rates over and above the rate of inflation.

Inflation in the UK is currently running at a very low rate and this is expected to continue for the foreseeable future. It is important that advisers educate customers about the impact of low inflation on potential returns from investments. The significant measure for an investment is the *real rate of return*, which reflects the true purchasing power of invested funds. The real rate of return can be estimated by subtracting the rate of inflation from the interest/growth rate obtained on the investment: an investment paying 4% interest at a time when inflation is 3% is providing a real rate of return of only about 1%. If the rate of interest is less than the rate of inflation, the real rate of return will be negative and the purchasing power of the invested funds will fall in real terms.

Low inflation and low interest rates tend to go together, and one effect of this is that people tend to suffer from the so-called *money illusion*, ie they tend to think of interest rates in their nominal sense and not to adjust their thinking to allow for inflation. Both savers and borrowers can be affected.

- ◆ Savers feel that the low interest rates currently being paid on savings are a poor return for their money. They may, therefore, react to lower inflation by putting their money into riskier assets in order to seek higher returns – demand for high-yield bonds has certainly increased in recent years. But if a high number of people on average incomes lose their money because of opting for riskier investments, they may not be able to afford to retire and social problems will result.
- ◆ Borrowers (particularly those repaying mortgage loans) feel that they are gaining from the lower monthly repayments that have resulted from interest rate falls. This may persuade them to take out a larger mortgage since they feel they can more easily afford the monthly repayments. This is a misconception as, although less cash flows out in interest payments at the start of the mortgage term, a higher proportion of cash flow will be necessary to repay the capital. Again, problems may be stored up for the future as people take on debt they cannot afford, especially if interest rates rise again. In the meantime, an increased demand for houses can push up house prices and threaten price stability.

5.5 Retirement planning

One of the great difficulties faced by UK governments in recent years has been to convince the population, brought up for the most part in the era of the welfare state, that changes in its demographic structure and social environment make it increasingly difficult for the state to provide the social security benefits – and particularly pensions – that will be needed to maintain people's lifestyles but which will represent a realistic and acceptable cost to the taxpayer.

The basic state pension – set at about one quarter of the national average earnings level – is clearly inadequate for anything more than subsistence living, yet many people are continuing to reach retirement age with little or no pension provision to look forward to apart from the basic state pension. This is particularly – although by no means exclusively – true of people at the lower end of the earnings scale. They are often financially unsophisticated and unaware of products such as stakeholder pensions that could have been used to boost their pension. Even when aware, these people may have more pressing demands on their income; and if they do know of the products, they may have been put off by talk of high charges or of product mis-selling.

It is not unrealistic to refer to the situation as a crisis. The extent of the problem is illustrated by the fact that recent estimates of the total shortfall in

pension provision – popularly known as the *savings gap* – have varied between £27 billion and £33 billion. Statistics show that 90% of people now live to the age at which they receive their state pension, compared with 66% of people only 50 years ago – and those who do collect their pension receive it on average for eight years longer than did pensioners in the early 1950s.

The problem has been accentuated by the accelerating trend in occupational pensions away from *final salary schemes* (also known as *defined benefit schemes*) and towards *money purchase* (or *defined contribution*) schemes.

Successive governments have been increasingly aware of the potential problem, and have introduced certain measures to attempt to counteract it (such as stakeholder pensions), but these initiatives have not, on the whole, been a great success. Stakeholder pensions were supposedly targeted at people in the income range £9,000 to £20,000 – believed to include the greatest proportion of people who are failing to make adequate provision for their retirement. The product was designed with a number of features intended to attract the savings of this particular group, including low charges and low minimum contributions.

Despite this, initial evidence suggests that there has been very little take-up of stakeholder pensions among this main target group, with most of the sales being to people who would have been making pension provision anyway through other schemes and have chosen stakeholder pensions because of the lower costs. Some people feel that one of the reasons for the low demand for these pensions is that the maximum charge providers can incorporate is 1.5% of the fund. Not only does this low figure discourage providers from marketing the product but – perhaps more significantly – it effectively prevents them from paying realistic commission to independent financial advisers who might sell stakeholder pensions.

It remains a fact, however, that individuals will increasingly have to take responsibility for their own retirement provision, and they will need advice to help them through this complex area of financial services.

5.6 Estate planning

The nature of inheritance tax (IHT) is described in Section 1.3.3.5. It is, broadly speaking, a tax that is levied at 40% on the estates of deceased persons but there is a nil-rate band (set at £312,000 in 2008/09) that effectively exempts any estates – or portions of larger estates – that fall under that threshold.

There are basically two approaches that people can take to minimise the impact of IHT: one is to try to avoid having to pay it and the other is to make provision for paying it when it is due.

To avoid paying IHT, it is necessary to reduce the value of the estate to below the nil-rate threshold. This can be done by making use of the various exemptions described in Section 1.3.3.5 to make tax-free, or potentially exempt, gifts during one's lifetime. Another method is to place assets in trust, since trust property no longer forms part of the settlor's estate.

The largest component of most people's wealth is the property in which they live. It is not possible to avoid IHT by giving the property away while continuing to live in it, as this would be caught by HM Revenue & Customs' 'gift with reservation' rule, which specifies that if the donor retains any benefit from a gifted asset, the asset is treated for IHT purposes as remaining in the donor's estate. In the past, many people avoided this restriction by the device of placing their property (known technically as a *pre-owned asset*) in a trust. The tax authorities have for some time been seeking a way of closing this loophole and this was finally achieved by means of Schedule 15 of the Finance Act 2004, which introduced new rules for the taxation of pre-owned assets. The rules came into force from 6 April 2005 but are partly retrospective, in that people will be liable to an income tax charge each year on the benefit of occupying or using any asset previously owned but disposed of after 17 March 1986. The tax charge will be based on a realistic annual rental for the property they occupy. If the deemed rental amount is less than £5,000, no tax charge is levied. Some people may decide that cancelling their schemes (with the loss of the benefits and some, or all, of the set-up costs) is better than paying the future tax bills.

Married couples and civil partners are now able to use the whole of both their nil-rate bands to pass property tax-free to their relatives or others. The percentage of nil-rate band unused on the first death can be carried forward and used to increase the nil-rate band on second death.

If avoiding the tax is not a realistic option, a life assurance policy for the anticipated amount of the IHT should be taken out. Whole-of-life assurance is appropriate and, in the case of a married couple, the policy should normally be

payable on the second death (since no tax will be due if the estate of the first to die is left to the surviving spouse). To avoid the policy proceeds becoming part of the deceased's estate – and therefore themselves subject to IHT – the policy should be written in trust for the benefit of the beneficiaries of the will.

Finally, it should be mentioned that a vital element of estate planning is for the client(s) to have an appropriate (and valid) will. Financial advisers should not generally become involved in writing a will, but should strongly advise that the client consult a legal adviser to ensure that a will is in place. If necessary, the financial adviser can provide a document explaining any financial objectives that the will should help to achieve.

5.7 Tax planning

The recommendation of a financial product should always take account of the product's impact on the client's tax situation, but not in isolation: it should be considered in context, in conjunction with other features of the product. For instance, contributions to a pension arrangement are often the most tax-efficient way for an individual to invest, but this should never be the *main* reason for recommending a pension product.

Just as it is wise to leave the writing of wills to solicitors, financial advisers should normally avoid becoming involved in complex tax-planning schemes, which should be left to taxation experts. On the other hand, it is important to be able to choose appropriate products that can complement and improve a client's current tax situation:

- ◆ clients should normally consider the use of ISAs and friendly society policies to maximise the advantage of tax-free income or growth;
- ◆ clients who expect to exceed their annual capital gains tax allowance might consider investments that are CGT-free, such as gilt-edged stocks.

Advisers should be aware of circumstances where tax that has been paid (in effect on behalf of the investor) cannot be reclaimed even though the investor is not a taxpayer. An example of this would be an endowment policy or a life office investment bond, where gains made within the life company's funds are taxed at 20%: this deduction cannot be reclaimed by a policyholder who does not pay capital gains tax. By contrast, unit trust managers are not taxed on gains within their funds; holders of units are liable for CGT if they sell their units at a profit but they may be able to avoid this by use of their annual CGT exemption.

5.8 Regular reviews

At any given time, one or more of the advice areas described above might be the most significant for a particular client. Circumstances can, however, change very quickly and the financial needs of a client and his family may change dramatically. Births, marriages (and divorces), deaths, moving home, changing jobs, losing a job and many other events can change people's attitudes and desires, as well as their assets and liabilities. Advisers should take account of this by allowing (as far as possible) flexibility in the products recommended and also by making plans to review the client's situation at regular intervals. This topic is also covered in Section 4.6.5.

Test your knowledge and understanding with these questions

Take a break before using these questions to assess your learning across Section 5. Review the text if necessary.

Answers can be found at the end of this unit.

1. Why should the life of a dependent spouse be covered with life assurance?
2. What main factors affect the calculation of the level of sickness cover needed by a family man with children?
3. What is the purpose of key person insurance?
4. How does the cross-option method differ from the buy-and-sell method of partnership protection?
5. What is the most common reason for remortgaging?
6. What is the relationship between risk and reward?
7. If the rate of inflation is 2.5%, what yield must an investor obtain on his deposit account in order to achieve a real return of 3%?
 - (a) 0.5%.
 - (b) 2.5%.
 - (c) 5.5%.

Unit 1

Answers

1. Although not working in the conventional sense, the death of the dependent spouse can lead to severe problems in a family with young children. Either the working widow(er) must give up work to look after the children or funds must be found to pay for childcare.
2. The extent of any sickness benefit from an employer; the nature and amount of available state benefits; the number and ages of the children; availability of any family help with domestic tasks.
3. To mitigate the loss of a company's profits caused by the death or long-term illness of an important member of staff.
4. Because it comprises an option to purchase the deceased partner's share rather than a binding contract, the deceased's family or heirs are deemed to receive business assets rather than cash, so business relief from inheritance tax can be claimed.
5. To get a loan with a lower rate of interest.
6. As a broad rule, investments that carry a greater degree of risk offer the prospect (but not the guarantee) of a greater reward in the form of interest income or capital growth.
7. (c) 5.5%.

Unit 1