

Gloom descends on property sector after boom years



Britain's once-booming housing market is slumping and faces the prospect of an even sharper downturn owing to the global credit crunch, according to economists. The housing market unravelled further in June, with house prices tumbling at their fastest annual rate for 15 years and homebuilders announcing that more than 4,000 jobs had been axed in the industry since the start of 2008.

Many cash-strapped Britons, already feeling the pinch from high fuel and food prices, find it increasingly difficult to get on the housing ladder as high-street banks ramp up home loan interest rates and demand larger deposits for first-time buyers. As a result, housing demand has plunged in recent months and home builders are slashing thousands of jobs as they struggle to find enough people to buy their new homes.

House prices slumped 6.1 percent in June compared with the same month last year, the largest decline since March 1993, according to home loans provider Halifax. Elevated affordability pressures on potential house buyers stem from high house prices and modest disposable income growth, while very tight credit conditions are leading to markedly fewer and more expensive mortgages being available. The average cost of a property stood at £180,344 in June, Halifax said. However, despite the current downturn, average house prices were still 150 percent higher than 10 years ago, when they stood at £72,096.

"The picture across the housebuilding sector is bleak," said Keith Bowman, equity analyst at Hargreaves Lansdown stockbrokers. Investors were concerned that "the fight has now become one of survival," he added.

The credit crunch has also infected the economy, with weak manufacturing and services sector data pointing towards a possible recession, according to economists. The country experienced 0.3-percent economic growth in the first three months of 2008, which was the lowest quarterly expansion for three years.

"The housing market is in the initial stages of an extremely sharp correction," said Capital Economics analyst Seema Shah. "Slowing economic activity, combined with continued problems in the mortgage markets, suggest that further sharp falls lie in the pipeline."

Confidence in the property market has also been sapped by the near-collapse and nationalisation of mortgage lender Northern Rock, which ran into severe funding difficulties last year and had to be bailed out.

Timeline: Quebec A chronology of key events:

1608 - Sponsored by Henry IV of France, Samuel de Champlain founds Quebec City on July 3.

1609 - Champlain joins a military expedition against the Iroquois. The Hurons and their French allies are victorious.

1610 - Étienne Brûlé is sent by Champlain to live among the Hurons to learn their language.

1612 - October 15, Champlain is made lieutenant of the vice-roi in New France.

1613 - Acadia is taken by the troops of Samuel Argall.

1615 - Arrival of the Récollets from Rouen on June 9.

1625 - Arrival of the Jesuits.

Source: <http://afp.google.com>

UK trails on quality of life

HIGH retirement age, too few public holidays, miserable weather and the soaring cost of living have combined to leave the UK trailing its European counterparts in a survey measuring quality of life. The poll of ten countries placed the UK ninth, behind Spain, France and Poland and ahead only of Ireland. Despite earning the highest net incomes with the average household paid £35,730 – roughly £10,000 a year more than their continental compatriots – the survey concluded the rising cost of living in the UK is having a serious impact on disposable income and quality of life.

The study, which also includes the Netherlands, Denmark, Sweden, Italy and Germany, reveals Britain is now the most expensive place to buy diesel at £1.32 per litre, 20p more on average than on the continent. Researchers said UK food prices have increased by 12.6 per cent over the past year and claimed we are the third-highest spenders on gas and electricity. The number of hours of sunshine enjoyed in the UK falls 17 per cent below the European average of 74 days a year.

Our spend on health also dips below the average, with only 2.5 doctors for every 1,000 residents compared to 3.4 in France and 3.5 in Germany. Life expectancy is the third-lowest at 78.9 compared to 80.9 in France or 80.7 in Sweden. The UK also has the third-highest average retirement age at 63, compared to 58 in Poland. Workers also suffer the shortest holiday entitlement – British workers get on average 28 days off a year, including bank holidays. By contrast, people living in Spain have the best lifestyle, with the most sunshine, lower taxation, cheaper essential goods, higher than average life expectancy and a generous holiday allowance. France came second, boasting the second-highest spend on healthcare and the top holiday allowance, 40 days.

The findings pile on the misery faced by consumers in the wake of recent warnings by the British Chambers of Commerce of a pending recession. Ann Robinson, the director of consumer policy at uSwitch.com, which conducted the survey, said: "We may earn substantially more than our European neighbours, but when it comes to quality of life we remain the sick man of Europe. "Soaring food prices and inflation, not to mention high property costs, are placing the biggest squeeze on disposable incomes in well over a decade. "No wonder 41,026 Brits fled UK in 2006, the highest number in Europe, with total emigration increasing by 30 per cent in the UK since 2001. There is now a real danger that as the economic downturn takes hold in the UK we will once again become the sick man of Europe."

Source: <http://news.scotsman.com>

Your UK Pension here in Canada

**You can now transfer your UK private pension into a Canadian RSP.
Let me show you how!**

As an investment advisor I am now able to offer this exciting new opportunity for ex-pats who hold a UK private pension and wish to manage them here in Canada. This can be done by investing in IA Clarington's diverse family of professionally managed mutual funds. IA Clarington offers a wide range of product solutions to help you get the most from your retirement savings.



Find out if this opportunity is right for you.

Please contact me today

Mick McCafferty

BEng(Hons)

514 432 4986

mick@britclub.ca

Finance

Are you getting the best advice?

I arrived in Quebec four years ago, as green and as excited as a new immigrant could be. My wife had been offered a job in Montreal and I, of course, was going to secure a job in structural engineering within a year of arrival. However, the harsh realities meant that I could not find a job and was drawn into one of those fields people do when they can't find a proper job - that of a mutual fund advisor.

I had been hit by the "Endowment Scandal" in the UK in the 80's and 90's and so had little regard for financial advisors. After two years working in the field nothing has changed. The mutual fund advisor is nothing more than a salesman working on a 100% commission basis. When working on 100% commission you need to sell to make money and so the need to make the product sound as enticing as possible is ever present; even more so in the current financial environment. Don't get me wrong, I am not saying that mutual fund advisors tell untruths. However, when illustrations are presented concerning your future financial prospects it is what is left out or glossed over that concerns me.

As a British immigrant to Canada thinking of investing in Mutual Funds you must educate yourself on the costs involved: *Transaction fees (Loads), Trailer Fees, Management Expense Ratio (MER) and tax consequences.*

Transaction fees (Loads)

Loads are just fees that a fund uses to compensate brokers or other salespeople for selling you the mutual fund.

- Front-end loads - These are the simplest type of load: you pay the fee when you purchase the fund. If you invest \$1,000 in a mutual fund with a 5% front-end load, \$50 will pay for the sales charge, and \$950 will be invested in the fund.
- Back-end loads (also known as deferred sales charges) - These are a bit more complicated. In such a fund you pay a back-end load if you sell a fund within a certain time frame. A typical example is a 6% back-end load that decreases to 0% in the seventh year. The load is 6% if you sell in the first year, 5% in the second year, etc. If you don't sell the mutual fund until the seventh year, you don't have to pay the back-end load at all.
- A no-load fund sells its shares without a commission or sales charge.

Trailer fee

Most mutual funds pay a trailer fee to the advisor, broker or dealer where you hold the funds. This annual fee can be as much as 1% of the value of the fund. You won't see this fee deducted from your account because it's buried in the fund's Management Expense Ratio (MER). Trailer fees are supposed to compensate advisors for the ongoing financial planning services they provide their clients. However, funds pay the same trailer fee whether you receive these services or not. In particular, discount brokers receive the same trailer fees as the most experienced financial planners even though they provide no advice.

Management Expense Ratio (MER)

Many Mutual fund investors do not know what a Management Expense Ratio (MER) is. This is no surprise because it is not at the top of the "Things to inform people about" list of the typical advisor. Nor will you find it being deducted on a Mutual Fund Annual Statement. Why not try asking for a receipt for the deduction from a fund company, but don't hold your breath. This recurring annual fee is deducted from your holdings for each Mutual Fund you own. The fee amounts to \$200+ per \$10,000 of Mutual Funds. But add the negative compounding effect this has on your portfolio and the figure becomes significant.

The BritClub Gazette

Issue No. 21

www.britclub.ca

Wednesday, July 16, 2008

Let's take a look (We'll use an MER of 2.2%):

Take \$100,000 investment at 8% growth rate per year.
At the end of year one the investment is worth \$108,000
At the end of year two the investment is worth \$116,640
At the end of year three

Ah, No ... I'll stop you there.

Let's start again.

At the end of year one the investment is worth \$108,000 - 2.2% = \$105,624
At the end of year two the investment is worth \$114,074 - 2.2% = \$111,564
Get the drift? So in only 2 years the cost of being a member of the mutual fund is:
\$116,640 - \$111,564 = \$5,076

Speaking in Toronto on December 4, 2000, John C. Bogle, founder of the Vanguard Group, presented, in great detail, data to prove that "mutual fund investing is an expensive home to long-term investors." One thousand dollars invested 50 years ago in the S&P 500 would have grown to \$514,000. However, with fees of 2.2%, financial intermediaries would have taken \$321,000 of the sum leaving only \$193,000 for the retiree. Bogle used the word "shocking" to describe this loss of 63% of the market's cumulative return to the intermediaries.

And then there is tax

After deducting expenses, mutual fund companies pass on all income to unitholders annually. This means unitholders must pay the taxes due on all income earned on mutual funds held outside of an RRSP. This includes all interest, dividends, and capital gains. Any investment income you receive is subject to tax at your marginal tax rate (the tax rate payable on the last dollar you earn), although dividends and capital gains receive preferential treatment.

- Interest income received from mutual funds is subject to tax at your marginal rate and receives no preferential tax treatment. This means that if your marginal tax bracket is 43%, you will pay taxes of \$43 for every \$100 of interest income you receive.
- Dividend income. Although Canadian corporations have already paid taxes on their earnings before paying dividends to your mutual fund, you must still declare these dividends for tax purposes. You then claim a dividend tax credit to avoid double taxation.
- Capital gains can be made either by selling units in a fund, and getting back more money than you originally paid, or by receiving a capital gains distribution from the fund itself. 50% of your capital gains are added to your base income and taxed accordingly. This means that out of every \$1,000 in capital gains earned, you get to keep \$500 tax free. The remaining \$500 will be taxed at your marginal tax rate. The actual amount of tax paid by an individual will vary, of course, depending on the type of income earned, his or her base income, and the province they live in.

Common Tax Errors

Many investors have the mistaken notion that by reinvesting distributions they avoid paying tax. Whether you reinvest all distributions or receive a cheque in the mail, you will still have to pay tax on them. Also, while switching from one fund to another within a group of funds has become quite commonplace, many investors don't realise the tax implications. When you move money between funds, you are selling units in one fund and buying units in another. Revenue Canada will expect you to pay taxes on any gains.

To summarise, it is very important to understand and take into account the information above when taking decisions about investing in mutual funds. Question your advisor and get illustrations that reflect the true potential returns using realistic growth estimates and after tax examples. Educate yourself and avoid disappointment.

-Ed.

For honest & straightforward financial advice contact Mick McCafferty 514 432 4986

Olympics: Golden hopes rest with Idowu and Ohuruogu



After an early season of injuries and rumours of injuries, the British athletics squad's medal potential has shrunk to the only two fit figureheads who seem likely to make a fist of things in Beijing: Phillips Idowu and Christine Ohuruogu. There are others who may pull something out of the fire, but as contenders go, Idowu and Ohuruogu stand alone as possible gold medallists in the team announced yesterday afternoon.

None of this exactly inspires confidence in a nation that will take over the Olympic flag from its Chinese counterparts next month. Put crudely, in athletics, Britain is heading for the worst showing at an Olympics since Brendan Foster won a solitary bronze in the 10,000m in 1976.

It speaks volumes that the media are urgently tracking the scans of Paula Radcliffe's fractured femur for signs of an unlikely third gold medal to boost the team's chances of equalling their Athens haul.

But it should not be forgotten just how fraught Athens was. Britain's only two individual golds were won by one athlete: Kelly Holmes. The only other squad member to win an individual medal of any colour was Kelly Sotherton in the heptathlon. Sweden (population eight million) with a team of 16 won as many golds as Britain (population 60 million) with 58 athletes.

Radcliffe in race against time after fitness test

Britain's Olympic selectors are happy to give Paula Radcliffe every chance of proving her fitness for the Beijing Games after she admitted she was in "a race against time".

The marathon world record holder yesterday flew back to her French base at Font Romeu in the Pyrenees after attending the British Olympic Medical Institute in London, where she had a check to monitor her recovery from a stress fracture of the femur. Radcliffe, said: "I'm going back to continue my training – but yes, it is going to be a race against time."

The 34-year-old world record holder has already been selected to run in the Olympics and UK Athletics performance director Dave Collins is pleased with her progress. "She's still training very hard and working in a very professional fashion towards aiming to compete. That's where we are," he said.

"She's making progress. We're very, very happy to support her. She's a tremendously experienced and knowledgeable athlete. We've been making regular progress check-ups, some here, some in France."

Source: <http://sport.scotsman.com>



Famous Brits in Montreal

Bell Centre: July 18 George Michael, July 29 COLDPLAY, August 12 JUDAS PRIEST, August 13 ROD STEWART, September 5 OASIS.

Britcom: Hal Cruttenden, Pete Firman, Matt Kirshen, Paul Tonkinson, Paul Foot, Richard Sandling, Omid Djalili

Other News & Events

Stephen Hawking may settle in Canada

The leading physicist Stephen Hawking is considering leaving Britain after almost 50 years at Cambridge University.

The 66-year-old scientist is looking at an offer to move to Canada after attacking the British government for carrying out "disastrous" cuts in science funding totalling \$160 million. Colleagues say he believes that government policy is making Britain the home of "dull science."

Last month, Hawking said the funding cuts would "cause enormous damage both to British science and to our international reputation." He is now said to be contemplating an offer to join a fellow academic who is leaving Cambridge this autumn to lead a well-funded Canadian science institute.

<http://www.canada.com>

Britain to Announce New Measures to Combat Knife Crime Epidemic

Knife attacks on the streets of Britain are a growing problem, raising fears in communities up and down the country.

Four unrelated fatal stabbings in one day in London brought to 50 the number of people slain by knife this year in the capital, and of those 20 were teenagers.

Britain's top law and order official is Home Secretary Jacqui Smith, speaking on Sky News, acknowledged the threat is real and growing. One idea is to require problem pubs and nightclubs to screen customers for weapons prior to entry.

Another measure Smith backs would force young offenders to meet knife-crime victims to see first hand the damage it brings to them and their loved ones.

<http://www.telegraph.co.uk>

Britain to send 120 more troops to Iraq

Britain will send 120 more troops to Iraq to help train the Iraqi army, a Ministry of Defence spokesman said Tuesday.

The spokesman could not immediately specify a timeframe for their arrival in the Middle Eastern country, where around 4,000 British soldiers are already based. "These personnel bring specialist skills to the Military Transition Teams already working with the Iraqi Army in Basra and are vital to further developing the Iraqi Army's leadership ability," he said. "British forces are doing an excellent job to train and develop them further so ultimately they can take full responsibility for their own security. Troop levels are kept under review, and decisions are made based on the advice of commanders and conditions on the ground."

He dismissed as "pure speculation" that planned troop withdrawals from Iraq are highly unlikely for at least a year.

<http://afp.google.com>

TB: UK cases rising

The number of Britons catching tuberculosis, or TB, is on the rise. Levels of the sickness, which spreads through prolonged contact with someone afflicted, have increased every year over the past two decades. Now, 8,000 people contract it every year in the UK. Recently, four people tested positive for TB after a former student at Manchester Metropolitan University became infected. In April, a British teacher died from it after being allowed to leave hospital in Hong Kong and return to Britain.

<http://www.independent.co.uk>

Riots feared in Britain

Immigration is the single biggest cause of public concern, an influential group of MPs have warned.

They are so worried that they told the Government it must act urgently to defuse tensions before the concern boils over into riots.

The MPs' devastating report concluded that migration has had a significant impact on communities and local services - greater even than crime and terrorism.

In a stark warning, the group condemned Labour's promise of a transitional fund to support under-pressure authorities as a "drop in the ocean". It also revealed that tensions were rising between some settled ethnic communities and new arrivals because of increased competition for "race equality" resources.

<http://www.express.co.uk>

Britain edging near recession, warns Major

Britain is very close to sinking into a recession and Prime Minister Gordon Brown has cut off all the solutions, former premier John Major warned Sunday.

Major, who served as the Conservatives' last prime minister between 1990 and 1997, said it was still not clear how bad the situation would become, with more bankruptcies and redundancies likely as fuel and food costs soar.

"We're going to be very close to recession, if not technically in recession -- two quarters of negative growth. I think that's entirely possible," Major told BBC television.

<http://afp.google.com>

And Finally

Mugabe banned from playing cricket in UK



The British Government has banned Zimbabwean President Robert Mugabe from playing cricket in the UK, in a move that is set to shock the despotic regime to its rotten core. It is a dramatic reversal of foreign policy, which had previously relied upon Ministers tutting loudly and shaking their heads to achieve their aim of encouraging Mugabe to p**s off.

"It's time for tough action," said Prime Minister Gordon Brown, announcing the ban from inside his bunker deep under Downing Street, twitching slightly. "Denying Mugabe an easy victory over England's cricket team will really hit

him where it hurts. As soon as this sinks in, we're expecting him to pack up and go home any day now."

"Democratic elections, where the candidate we like will win, are just around the corner," he added.

If, contrary to expectations, Mr Brown's dastardly plan does not succeed in making Mugabe realise the error of his ways, the Foreign Office has been authorised to step up the pressure with a series of other hard-hitting measures. A secret strategy paper, left locked in a briefcase on the back seat of Hazel Blears's car and passed to DeadBrain by a young hooded gentleman, reveals what will happen to Mugabe if he does not give in.

The measures, drafted by Mr Brown, include:

- Mugabe to be banned from entering track events at 2012 Olympics
- Supplies of English apple juice and strawberries to be cut off
- Broadcast of new episodes of Last of the Summer Wine on Zimbabwean TV to be banned
- Mugabe to be banned from drinking alcohol on the London Underground
- Mugabe to be stripped of knighthood and Blue Peter badge
- Zimbabwean ambassador to be banned from the good seats at Wimbledon
- British Ministers to extend campaign of tutting and head-shaking to include finger-pointing and fist-shaking (not simultaneously)
- Foreign Secretary to write letter of protest to Daily Telegraph
- Duke of Edinburgh to make insulting telephone call

DeadBrain is banned from Zimbabwe after making an offensive remark about one of Mugabe's shirts, but our undercover correspondent in Harare asked a Government spokesman to comment and was promptly beaten and arrested.

Source: <http://www.deadbrain.co.uk>

Notices

advertise@britclub.ca

*****New Financial Services Offered by the BritClub.ca*****

- Tax preparation, advice and planning - for British ex-pats and new immigrants
- Starting a business? – Business Registration, Incorporation, Business plans and cash flows forecasts for small companies and start ups, Bookkeeping
- **Future Prosperity - RRSPs, Mutual Funds and Investments**
- Need a second opinion - Financial "Health Checks"
- **Transfer of UK private pensions to Canada**

We are British immigrants just like you. We speak your language. Let us help! **514 432 4986**



Momesso's in St Lazare now has Setanta Sports channel as well as Rogers, TSN, FOX and the Score. It's a great place for Brits to meet and watch great live sport. They also have Bass and Guinness on tap as well as some great food. "See you there – Mick"

Complex Sportif in St. Lazare. 1850 rue des Loisirs, St. Lazare, Quebec, J7T 3B4. (450) 424-7797.

Structural Analysis and Design, AutoCad, Hydrographic Surveying, Mutual Funds and Financial Advice, Web Site Design, Business Incorporation Advice, Personnel Management, Problem Solving, Maths and Science Tutor, Experience in the Pharmaceutical industry, Soccer Coach, Generally a nice guy, Warship Navigation and good at tying knots.

Yes I can do all this and much more, so if you hear of any jobs going please let me know:

Mick McCafferty – mick@britclub.ca – 514 432 4986



Britclub.ca wishes all the British Athletes competing in Beijing the very best of luck.