Cautious investment planner of the year

BACKGROUND

Gary and Barbara King are 48 and 45 respectively, and live with their daughter Hannah aged 15. Gary, a graphic designer, has been self employed since 2004 consistently generating an income of around £70k pa. He works from home. Barbara has been an NHS nurse from age 21, She's worked three days a week since 1995, currently earning £16,500 pa. Their house is worth £420,000 with an interest only tracker mortgage of £122,000 costing £120 pm, which runs until 2017.

Barbara's mother Jean is 74 and a widow. Jean has suffered from dementia since 2006. Her condition has deteriorated recently and Barbara doesn't want her living alone, so has planning permission to build an extension to accommodate Jean costing £26,000, which Jean has agreed to pay for. Jean has just received sale proceeds for her house of £160,000, has a private pension of £4,200 pa in addition to her State pension, and has £12,000 in a deposit account. Barbara, Jean's only child, is giving up work to look after her.

Gary has a Scottish Widows personal pension valued at £452,000, which is 40% invested in an international tracker fund and 60% in a UK All Share tracker. He was an aggressive investor but he's made no pension contributions since 2008 as he's been spooked by the severe market falls. His attitude, like Barbara's, has now changed to cautious.

Barbara has always contributed to the NHS pension scheme. He and Barbara have £72k each invested in ISAs using equity income funds, which Gary thought were medium risk. They also have £110k in a joint deposit account earning 1.5% gross. They are very concerned about the falls in the value of their investments in recent years and have had many sleepless nights worrying about it. They don't want to go through this again although are worried about the effects of inflation.

PROBLEM

Gary and Barbara expect that within 3-5 years Jean will need to go into a home, meaning expensive payments. Also, Hannah is a bright girl and wishes to become a Doctor. Gary and Barbara want to support her financially for five years at university and estimate this will cost £45,000. They'd planned to retire in 2017, sell the house and move to a smaller flat, but worry whether they can still achieve this. The Kings calculate that they currently need £3,000 pm to live comfortably, excluding pension contributions. This would reduce to £2,500 in today's terms in retirement.

ADVICE

Gary and Barbara want advice on how to invest the net £134,000 released from the house sale, which Jean has offered to give to them. They also want you to review their investment and pension portfolio, and advise whether their objectives of funding Hannah's higher education, their early retirement and looking after Jean can be met given their cautious attitude to risk. Also highlight, using bullet points if necessary, any other areas that you think relevant to their situation.

£500
First prize

£200
Runner up

Your answers should be no more than 2,500 words. Please ensure that you state the number of words used for each case study entry.

Full rules see page 3

Completion of this case study will qualify for CPD points

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