

Investment Bonds - UK - February 2010

Report Price: £1500 / \$3000 / €2250



What is this report about?

This report looks in detail at the investment bonds market, both from a market and consumer perspective. The report looks at the factors that influence the market – such as the market's history, current tax structures, and the RDR – as well as competing alternative products like collective investments. The size of the overall market is analysed using trend data, together with a segmentation of the market by individual product categories. The report looks at the key players in the market, including their market shares, as well as how products are distributed. The report concludes with a detailed analysis of consumer behaviour and attitudes towards investment.

What have we found out?

- The investment bond market was badly hit by the bursting of the dot com bubble in the early noughties and has been in perpetual decline ever since - in 2002, over a million new policies were sold, three times more than the number sold in 2009.
- In addition, the changes to CGT introduced in April 2008 made investment bonds far less attractive to investors from a tax perspective - accordingly, in 2008, total new premiums fell by 39%, from £38.6 billion in 2007 to £23.6 billion.
- As a result of the changes to CGT, many advisers now believe that collective investments represent a better overall proposition to investors, although investment bonds will always serve a purpose due to their unique structure and their use in tax deferral and IHT planning.
- Mintel forecasts that, in value terms, the investment bond market won't return to growth until 2011, while in 2010 (due to the slow recovery expected in the UK this year, the recent bear market, and a squeeze on consumer's real earnings), total new premiums are expected to fall by 20%.
- According to Mintel's consumer research, investment bonds are owned by just 7% of UK adults compared with 14% who own company shares or collective investments and two-thirds that have a cash-based savings account.
- Investment bonds are a niche product aimed predominantly at mass affluent consumers. Indeed, Mintel's consumer research shows that people with at least £50,000 of investible assets are almost five times more likely to own investment bonds compared with the national average (31% ownership, versus 7%).

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