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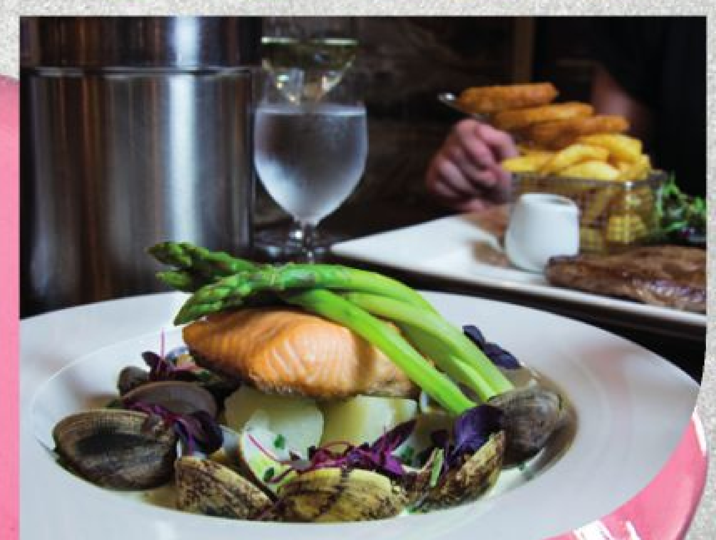

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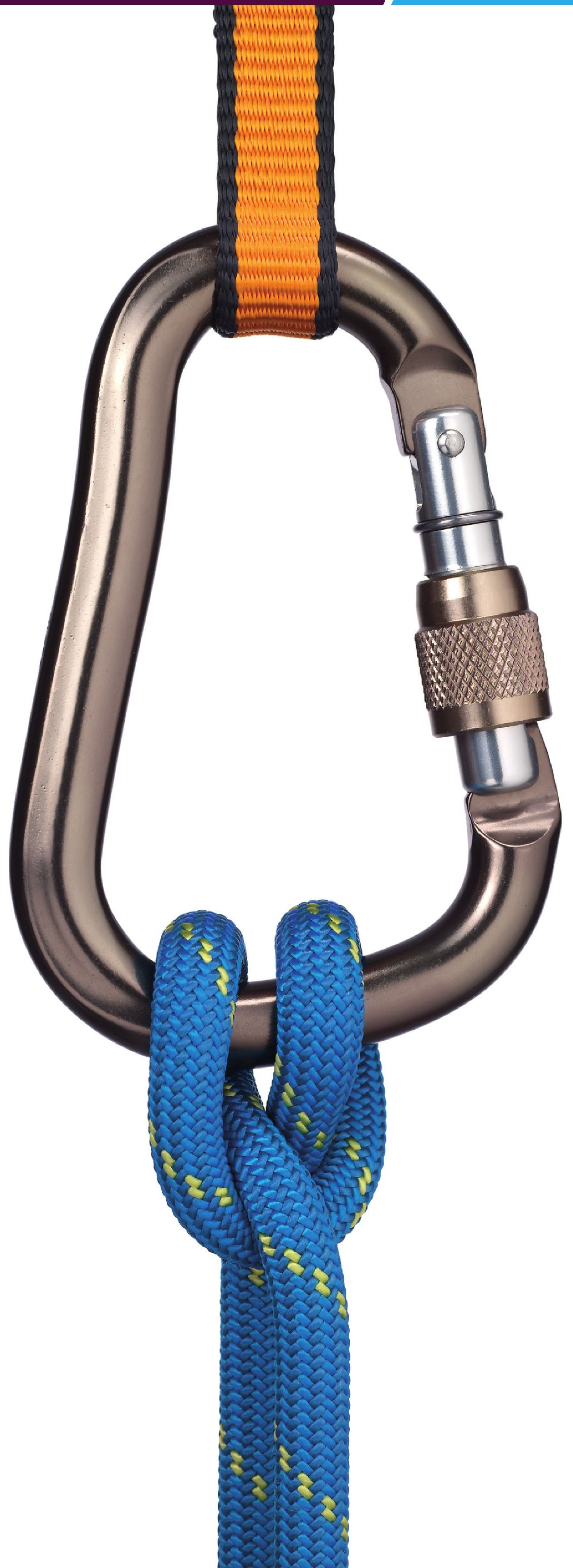

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COULD YOU MANAGE a 'no spend year'? You pay just enough to keep a roof over your head and food on the table, but other than that you spend zilch. Financial journalist Michelle McGagh did just this, and she says it not only resulted in her overpaying her mortgage, but it also changed her relationship with money for the better. Turn to page 50 for her 10 practical tips to help others cut back.

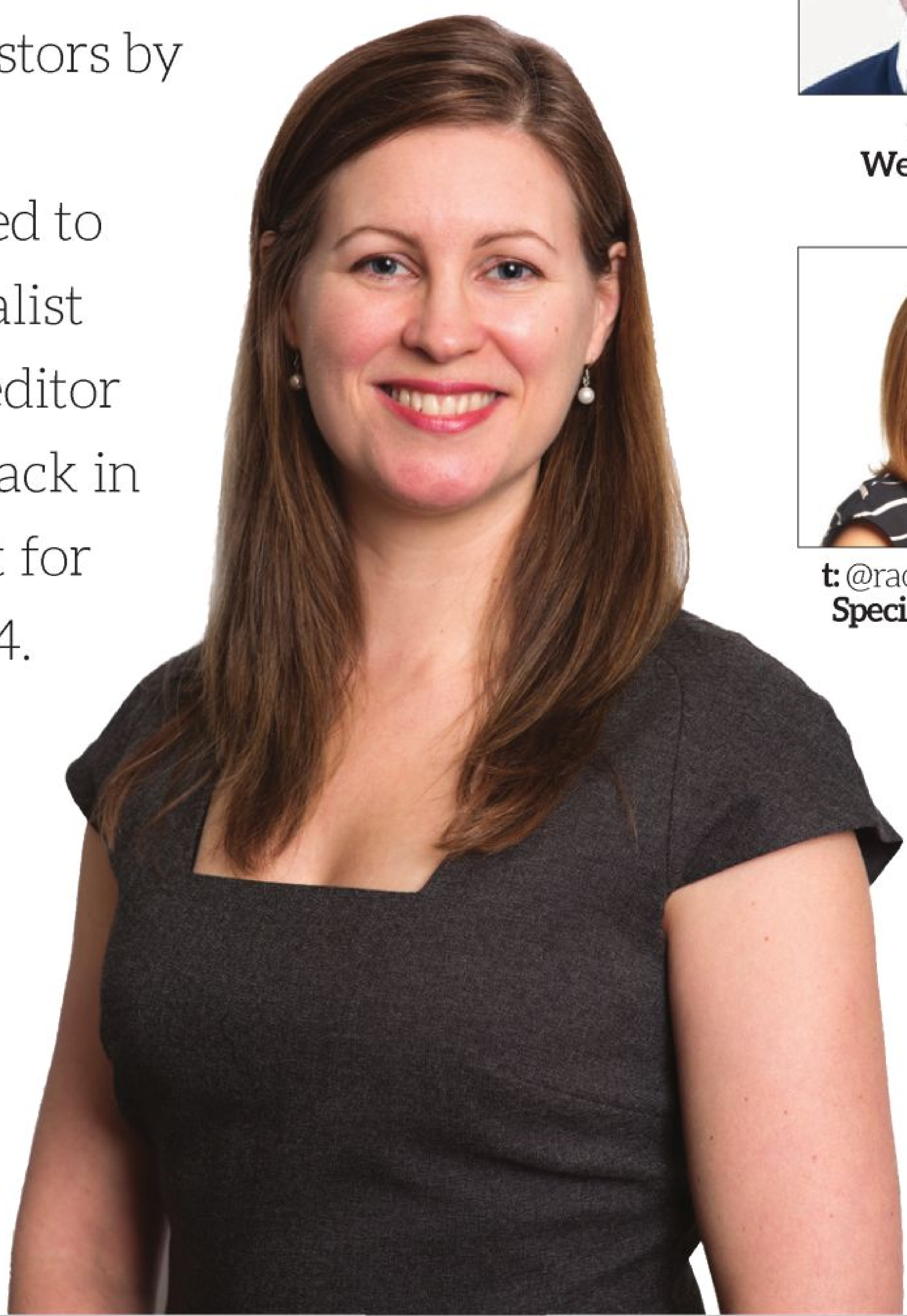
By saving even £50 a month, you could free up the money to start investing for your future with using a stocks and shares individual savings account (Isa). You have until 6 April to use some or all of your £15,240 Isa allowance for the 2016/17 tax year.

To help you choose investments, on page 60 we have fund tips for every budget. Plus in the *Easy Isa Guide* that comes with this issue, we find the seven funds most often recommended to investors by industry experts.

Last but not least, we're thrilled to have heavyweight money journalist Simon Read, who was assistant editor on the first issue of *Moneywise* back in 1990, joining us as our new Fight for your Rights columnist on page 24. Get in touch if you'd like him to punch on your behalf.

Moira

Twitter @MoiraONeill,
Email editor@moneywise.co.uk



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MARCH 2017

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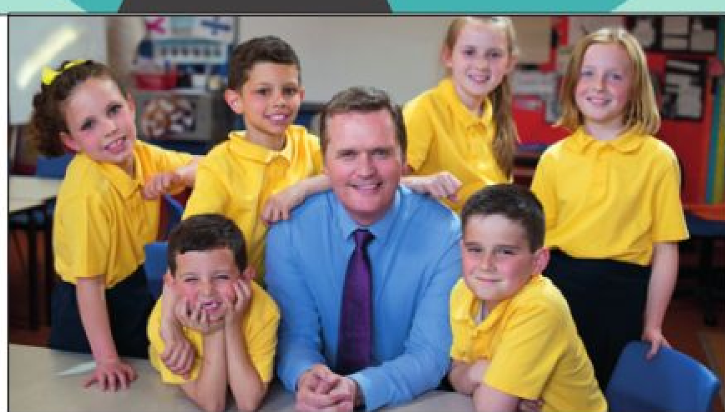

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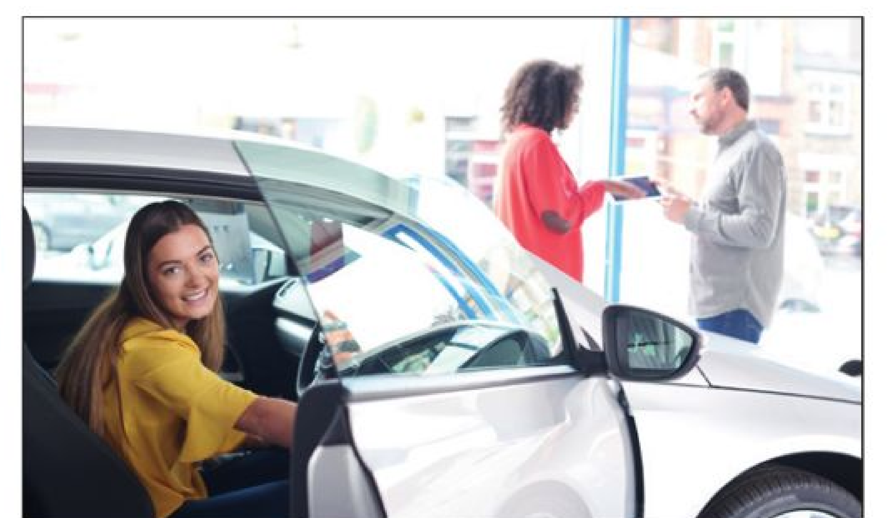

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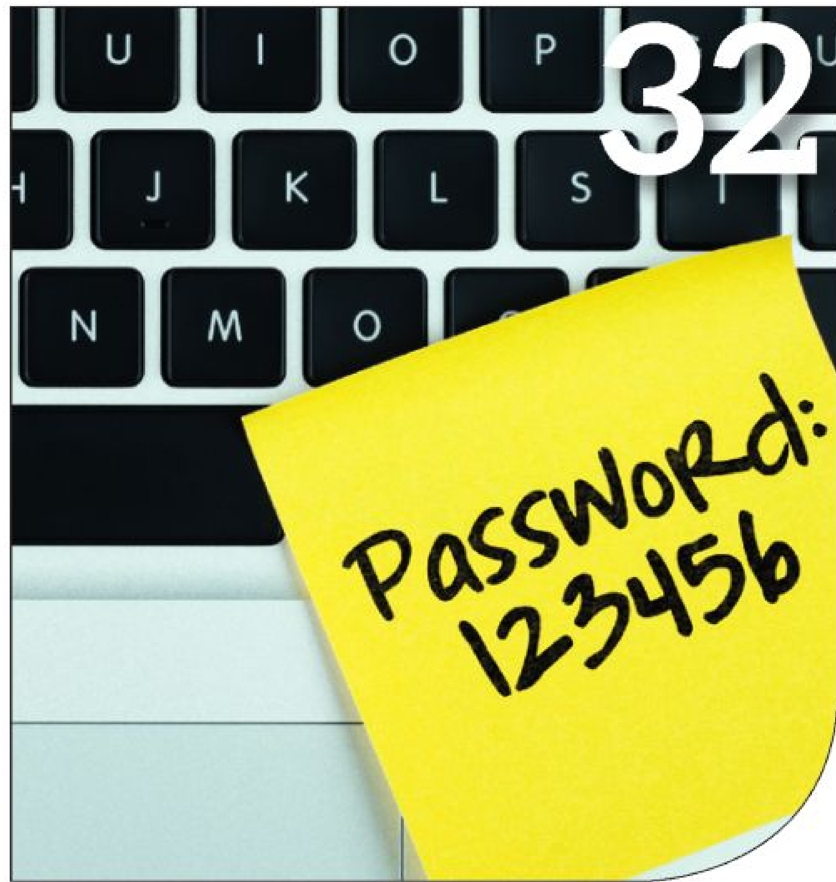

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REPLY NUMBER 2150

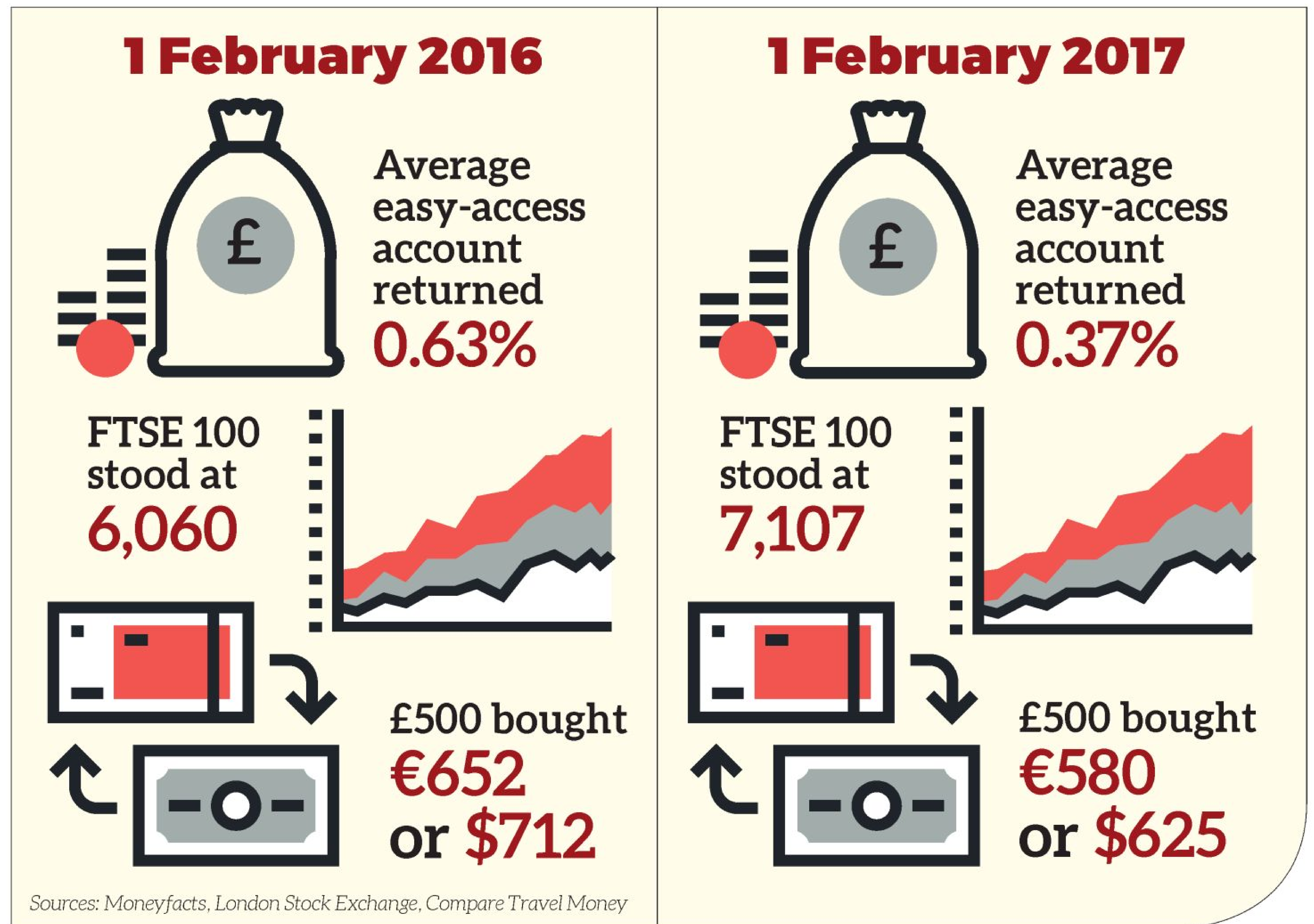
Will Brexit hit your finances?

BY ADAM WILLIAMS

March signals the formal start of the UK's withdrawal from the European Union. Article 50 will be triggered and the long process of leaving begins.

Since last June's 'out' vote the value of the pound has fallen, affecting everything from our holiday cash to business imports. Meanwhile, interest rates have slumped to new lows while inflation has risen.

A February poll of *Moneywise* readers found 18% of people were worried about savings rates falling further. After this, pensions and annuities (17%), and travel money (14%) were the next biggest areas of concern. Let's look at the outlook for each area.



Sources: Moneyfacts, London Stock Exchange, Compare Travel Money

Savings

Just when it seemed as if things couldn't get worse for savers following the EU referendum vote, they did. The base-rate reduction in August 2016 caused rates to tumble even further and today you'll need one of the top easy-access accounts just to get a 1% return.

However, Anna Bowes, director of comparison website Savings Champion, believes Article 50 being triggered will have little impact on rates and says increased competition is what is needed to help out struggling savers.

She says: "We don't know how it will play out for savers. But when there are a number of high street accounts paying just 0.01%, where do they go from there?

"The good news is that there are still providers out there paying far more, so it's important not to leave funds languishing in these appalling accounts."

Pensions and investments

The FTSE 100 index of the biggest companies listed on the London Stock Exchange has hit record highs in 2017, yet people remain concerned about the value of their investments.

Mel Kenny, a chartered financial planner at Radcliffe & Newlands, says: "This step into the unknown has come across in conversations with clients, paralysing progressive decisions of some."

He tells clients concerned about Brexit that any risk has already been priced in by the markets and to make sure they have emergency funds set aside, but argues that this is no different to his advice at any other time.

"To stop investing altogether would mean venturing into a potentially even more uncertain world of trying to time the markets, which most get wrong and, what is more, miss out on the dividends that could otherwise been earned – no matter what the markets do," he adds.

Travel money

This may seem like a more trivial concern, but the falling value of the pound has caused big issues for people travelling abroad.

At the beginning of February 2016, £500 would have bought a holidaymaker €652 or $712. One year on, and you would get just €580 or $625 for the same amount of money, data from Compare Travel Money shows.

> "To stop investing means trying to time the markets, which most get wrong"

However, Peter Rudin-Burgess from the price comparison site believes the outlook for the pound in 2017 is encouraging. He says major elections in France and Germany, plus the presidency of Donald Trump, could harm the euro and dollar respectively.

"These events are going to weaken the euro and dollar in the short term, which should be good for the value of the pound," he says.

"My opinion is that, as 2017 progresses, the pound will get stronger. The Brexit destination is known and nothing is going to actually change immediately." mw

Moneywise verdict: Don't panic

These are the main issues that *Moneywise* readers are worrying about with regards to Brexit impacting on their finances. Yet despite these concerns, 34% of readers say Brexit gives them no financial fears at all.

Perhaps this confidence is shared by the wider economy. The UK grew by 0.6% in the final quarter of 2016, above the expectations of city analysts. For now, little seems certain – apart from there being a few more bumps in the road before the UK finally leaves.

Sky to hike broadband, TV and call prices

BY HELEN KNAPMAN

Sky customers will be hit with a range of inflation-busting price hikes from 1 March.

Line rental is rising from £17.40 a month to £18.99 a month – a £1.59 (or 9%) monthly increase.

Other key changes include hikes to certain call costs, as well as to package prices for some TV and broadband customers who are either on older legacy products or who had previously been benefiting from a lower price.

For more information on exactly what is changing and whether you can leave penalty free (it depends on the type of deal you have), see www.moneywise.co.uk/news/2017-01-27/sky-to-hike-broadband-tv-and-call-prices-details-revealed.

If you want to stay with Sky, haggle for a better deal saying you can't afford the new fees – many people have reported success doing this.

Sky to launch dish-less TV service

BY HELEN KNAPMAN

Sky has announced plans to launch its TV service without the need for a satellite dish for the first time.

The dish-less service, which is expected to launch in 2018, will be delivered through a box inside the home using broadband.

The telecoms provider says "millions of homes" are unable to install dishes on the side of their houses, so this will be a welcome move for some.

Prices are yet to be released, but the proposed service will only be available with Sky's newer 'Sky Q' service – which is the standard service available now.

Sky Q TV subscriptions currently start at £22 a month, but set-up fees may also be applicable.

Households will face a hike in their water bills

BY HELEN KNAPMAN

Households in England and Wales will see their water bills rise by an average of 2% from April, while homes in Scotland will see their bills rise by 1.6%.

The move will take the average household water and sewerage bill in England and Wales to £395 – an increase of £6 compared with the previous year.

In Scotland, where unlike England and Wales, bills are dependent on your council tax band, the average household water bill will rise to £357 – also a £6 annual increase.

See our online news story for the full increases depending on where you live at www.moneywise.co.uk/news/2017-02-03/households-to-be-hit-water-bills-hike-0.

The government foots the water bill for homes in Northern Ireland.

Millions of BT customers to be hit with price rises of 5% or more

BY HELEN KNAPMAN

BT's 10 million customers will be hit with price hikes from 2 April.

The provider has announced it is upping a range of broadband, home phone and BT Sport prices, as well as certain call costs.

Notable increases include infinity broadband packages rising by £2.50 per month – a 6% increase, copper broadband rising by £2 a month – a 5% to 6% increase depending on your package, and the anytime call plan rising by 49p a month – a 6% increase.

See our online story for the full round-up: www.moneywise.co.uk/news/2017-01-20/millions-bt-customers-to-be-hit-price-hikes-you-can-cancel-penalty-free.

BT Sport will no longer be free when the new football season starts

BT TV customers who have benefited from free BT Sport will also be dismayed to learn that this will no longer be free from 1 August when the new football season starts. Prices will rise to £3.50 a month.

Customers who are unhappy with the new deal can cancel their contract penalty free within 30 days of receiving notification about the price hikes. You'll need to contact BT's customer services team to do this. mw

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REPLY NUMBER 1645

Best financial lessons

Teaching children how to manage their money is so important, as adults who have regrets about their financial choices can testify. See our feature on page 36 for tips

people felt that managing finances should be a mandatory part of the school curriculum

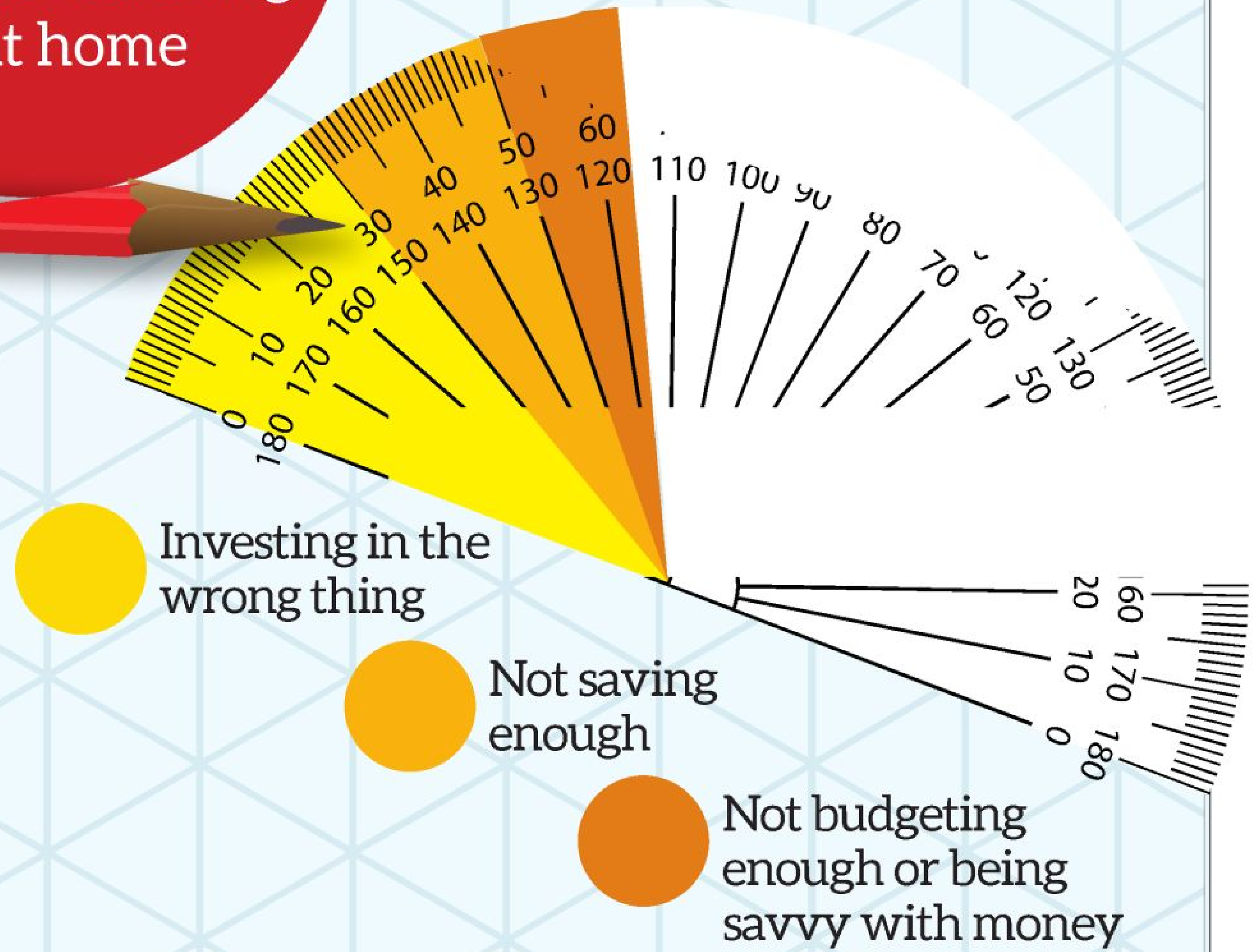
38% of people said they had no financial regrets

98% of people felt it was important for parents and grandparents to teach children how to manage money

... but only **40%** of people felt that there was enough support for teaching this at home

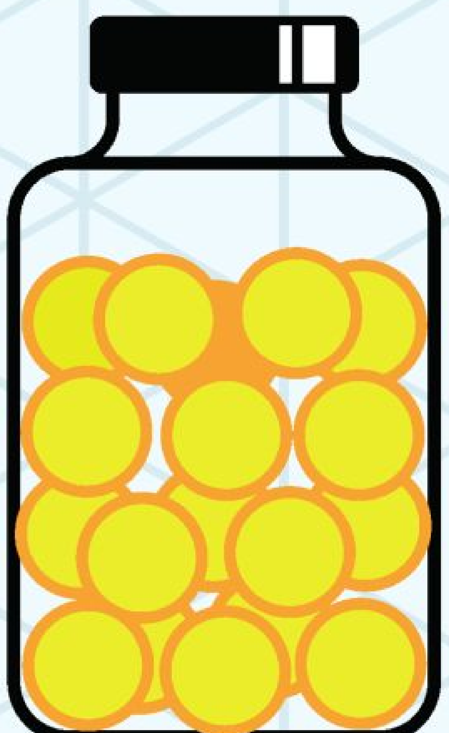
50% recommended getting on the property ladder as soon as possible

Top 3 financial choices people regret...



- Investing in the wrong thing
- Not saving enough
- Not budgeting enough or being savvy with money

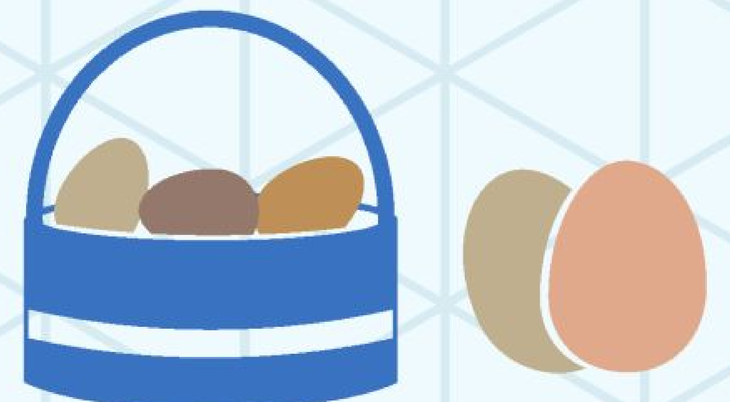
Other simple tips



Put your loose change into a savings jar

Keep on top of bills and pay off credit cards every month

Join a share scheme if your workplace offers one



Spread the risk – don't keep all your money in the same savings product

Source: Leeds Building Society, based on customer panel research in September 2016

Less chance to win big on Premium Bonds

STILL TEMPTED by a top jackpot of £1 million? You may be wondering what to do about your Premium Bond holdings now NS&I has announced that it will slash the number of high-value prizes in each month's draw again.

But even the experts are divided on whether to stick with Premium Bonds or drop them. In response to the Bank of England reducing the base rate to 0.25% in August 2016, NS&I is reducing the Premium Bond prize pot by almost £6 million on 1 May 2017.

The prize fund is currently worth £69,516,050, but this will fall to £63,810,400. In addition, the number of £100,000 prizes in each draw will reduce from three to two while the number of £25,000, £10,000, £1,000, £100 and £50 prizes will also fall – although there will be a slight increase in the number of £25 prizes.

The change means the effective prize rate is reduced from 1.25% to 1.15%. So while the chance of winning a prize remains at one in 30,000, the number of high-value prizes in each month's draw will fall.

We've previously written that if you don't have piles of money sitting around, there really is little reason to bother saving with Premium Bonds. Your money could be safe and earning you a definite rate of return in a normal savings account. But now savings accounts are delivering so little, could that advice be wrong?

"RCI bank emailed me with the 'good news' that my savings rate has increased from 1.01% to 1.02%," comments a Moneywise.co.uk reader. "How pathetic is that, with inflation running at 1.6%?". Yes, there must be a real human who actually thought people would be cheered by that news. That's an extra 10p on £1,000 of savings. And that's from a top deal account – others are giving really rough deals to savers.

Danny Cox, chartered financial planner at Hargreaves Lansdown, says: "Ironically, with so little interest on cash for savers, Premium Bonds look more attractive – if your savings are returning basically nothing, you might as well opt for the chance of the jackpot prize."

But Adrian Lowcock, investment director at Architas, says: "Premium Bonds just do not add up for savers looking for ways to boost their returns. The average yield is a misleading figure as the returns are skewed to those few savers who win a prize."

"The returns are skewed to those few prize winners"

If you've used up your Isa allowance of £15,420, maxed out your personal savings allowance of £1,000 (or £500 for higher-rate taxpayers), and already contribute to or have a pension, then Premium Bonds are a third destination for tax-free returns. This means wealthy savers should consider Premium Bonds as part of their savings strategy.

They're also a safe home for your money and offer the chance to win something worth having. But ever more £25 prizes makes them more like a savings account paying a low rate of interest and less like what they claim to be – a chance to win a decent prize.

So for people who are more in need of income, are you content to win small prizes of £25 a month, with the VERY slim chance of winning a big prize? And have you also considered Premium Bonds in the context of what your money could do instead?

One *Moneywise* reader says: "I have £50,000 in Premium Bonds and last year I won £550. In 2017, I've won £275 so far. I'm definitely not ditching them!"

That's a 1.1% return in 2016. If the reader had invested it in a fund that tracks the FTSE All Share Index, he'd have a 16.8% annual return and an extra £8,400 in his pocket.

Yes, 2016 was a good year for the stock market and there are plenty of risks attached to investing, not least the risk of choosing the wrong investment fund. But if you hold the maximum amount in Premium Bonds, or close to it, think carefully about whether this is still right for you.

The table below highlights the changes to the Premium Bond prize pot from May. mw

Follow me on Twitter @MoiraONeill, and email me: editor@moneywise.co.uk

Have your say
Let me know what you think of Premium Bonds by sending an email to editor@moneywise.co.uk.

Value of prizes	Number of prizes in February 2017	Number of prizes in May 2017 (estimate)
£1,000,000	2	2
£100,000	3	2
£50,000	6	6
£25,000	11	9
£10,000	31	23
£5,000	58	47
£1,000	1,390	1,276
£500	4,170	3,828
£100	70,950	20,729
£50	70,950	20,729
£25	2,076,942	2,172,842
Total number of prizes	**2,224,513**	**2,219,493**

Source: NS&I

WIN £5,000 for your school with our 2017 Personal Finance Teacher of the Year Competition

BY MOIRA O'NEILL

At *Moneywise*, we believe it's never too soon for young people to learn about their finances, and that by mastering the basics early on in life they will grow up to be the most financially savvy generation yet.

In fact, it's so important to us that children are taught well about money that we have teamed up with Old Mutual Wealth to offer the UK school with the best personal finance teacher(s) £5,000 to spend on equipment. Two runners-up will receive £1,500 each for their schools. Teachers at both primary and secondary level are eligible for the competition.

Are you a parent, pupil, school governor or teacher? Do you know someone who is teaching personal finance at school? Would you like to nominate someone for this award? We want to know how they make the teaching of personal finance fun, interactive and relevant.

To nominate someone, please email editor@moneywise.co.uk including the name of the teacher and the name and address of the school, plus your reasons for nominating them.

The competition is open for nominations until the end of April.

Moneywise will invite nominated teachers to submit their three favourite personal finance lessons.

Every teacher who submits an entry will receive a bMoneywize money board game

Every teacher who submits an entry will receive a copy of money board game bMoneywize, worth £24.99, to use in lessons at their school, funded by our sponsor Old Mutual Wealth. Aimed at children aged 10 to 17, bMoneywize offers a fun, interactive and innovative way to address low financial literacy, poor numeracy, low educational attainment and engagement with maths. The game requires players to make financial decisions, while exposing them to the financial impact of real-life situations.

Moneywise will shortlist the best five entries to be put to our judging panel, which include:

- **Moira O'Neill** *Moneywise* editor

- **Jeff Prestridge**, personal finance editor of the *Mail on Sunday* and columnist for *Moneywise*

- **Jane Goodland**, responsible business director, Old Mutual Wealth

- **Kirsty Bowman-Vaughan**, Financial education lead, Money Advice Service

- **Suella Fernandes**, Member of Parliament for Fareham and member of the Education Select Committee

The winner and two runners-up will be announced at *Moneywise*'s flagship Customer Service Awards on 22 June. The prizes will be delivered to the teachers' schools by the end of the summer term. mw

ALWAYS WANTED TO BE AHEAD OF THE CURVE?

LET'S TALK HOW.

FIDELITY SPECIAL VALUES PLC

When Alex Wright, manager of Fidelity Special Values was a boy, he liked looking to the future. Luckily, this is now what he and the team of analysts who support him do on a daily basis.

They invest in companies having spotted their potential for a positive change – often through a company or industry-related trigger. Alex calls these investments 'individual change stories'. The thinking is that, should the change happen, the potential investment upside is greater than any downside if it does not.

PAST PERFORMANCE

	Jan 12 – Jan 13	Jan 13 – Jan 14	Jan 14 – Jan 15	Jan 15 – Jan 16	Jan 16 – Jan 17
Net Asset Value	29.2%	34.7%	0.0%	5.6%	21.5%
Share Price	37.0%	43.7%	-5.8%	12.5%	22.8%
FTSE All-Share Index	16.3%	10.1%	7.1%	-4.6%	20.0%
IA UK All Companies	17.2%	16.4%	6.1%	-2.9%	17.6%

Source of performance: Fidelity and Morningstar as at 31 January 2017 on a bid-to-bid basis with income reinvested. Copyright ©2017 Morningstar Inc. All Rights Reserved. The comparative index of the investment trust is FTSE All-Share Index. Manager tenure start date is 03.09.2012.

This approach has worked well – since Alex took over in September 2012, the trust has returned 103.0% compared to the FTSE All-Share Index's 50.7%.

So, if like Alex and his team, you see a future in investing in companies with unrecognised potential, follow your instincts. Stay ahead of the curve with Fidelity Special Values.

The value of investments can go down as well as up, and you may not get back the amount you originally invest. Past performance is not a reliable indicator of future results.

As the trust can also invest overseas, investments are subject to currency fluctuations. This investment trust may invest more heavily than others in smaller companies, which can carry a higher risk because their share prices may be more volatile than those of larger companies.

Go to fidelity.co.uk/aheadofcurve to find out more, or speak to an adviser.

REPLY NUMBER 1801

The latest annual reports and factsheets can be obtained from our website at www.fidelity.co.uk/its or by calling 0800 41 41 10. The full prospectus may also be obtained from Fidelity. Issued by Financial Administration Services Limited, authorised and regulated by the Financial Conduct Authority. Fidelity, Fidelity International, the Fidelity International logo and F symbol are trademarks of FIL Limited. UKM0217/18354/SSO/0517

Asking prices fall as house hunters get nervous over Brexit

BY ADAM WILLIAMS

Almost a third of houses on the market have been reduced in price since they were first listed, with Brexit-related uncertainty being cited as a reason.

Research by online estate agency HouseSimple looked at prices in 100 UK towns and cities in early February and found almost one in three (31.3%) of all properties have had prices reduced since their original listing.

Stockton in the North East of England saw the highest proportion of listings reduced in price, with almost half (49.2%) of all properties having their asking price cut.

The Scottish city of Aberdeen saw 45.9% of its asking prices lowered, while in Halifax in West Yorkshire 44.9% of all properties had a reduction.

In London, three in 10 (30%) properties currently listed have seen prices reduced. This compares to 27.6% in Birmingham and 19.9% in Manchester.

HouseSimple says buyers are more cautious, so sellers are being forced to reduce prices in order to secure a sale. It suggests wider economic uncertainty, such as the UK's impending exit from the European Union, is behind this.

Alex Gosling, chief executive of HouseSimple, says: "Price reductions can indicate that there are too many sellers and not enough buyers, but actually there has been a lack of stock coming onto the market and plenty of buyers looking.

"That would suggest that sellers are in the driving seat and wouldn't need to drop their asking price to secure an offer. But with all the economic uncertainty, particularly around Brexit, buyers are being more cautious about purchasing, spending more time viewing multiple properties before making a decision." mw

Follow Moneywise on Twitter

Keep up to date with the latest news every day from @Moneywiseonline on Twitter.com.

Here's a selection of recent tweets:

10 Feb 17: Get £10 off orders over £30 @ Dominos_UK, 40% off mains @love_prezzo & more in this week's cheap eats **bit.ly/2b8QjuH**

9 Feb 17: When did you start your first pension? Half (49%) of Moneywise.co.uk users began theirs aged 19 to 25 **bit.ly/2luN6tF**

8 Feb 17: 17 Tune into @ShareRadioUK to hear *Moneywise's* @MoiraONeill and @HelenKnapman discuss investments, current account ping pong and more.

LISTEN TO MONEYWISE

Listen to the *Moneywise* team talking about all the key personal finance issues that affect your pocket in our weekly Share Radio show. **www.moneywise.co.uk/podcast**

Remortgaging: Brits underestimate how much they could save

31% of homeowners are considering remortgaging in 2017

54% can't correctly identify the Bank of England base rate as 0.25%.

£49 – the average monthly saving homeowners expect to make from remortgaging

54% want to make the most of the recent 'lower for longer' interest rate environment. This is particularly true among those who identify themselves as Just About Managing (JAMs)

15% say they won't remortgage because it's too much effort or it hasn't crossed their mind

23% want to free up monthly income for themselves or their families

£96 – the actual average monthly saving homeowners can make.

How those polled would spend the extra money they would save on remortgaging:

39% would go on holiday

37% would overpay their mortgage to be mortgage-free faster

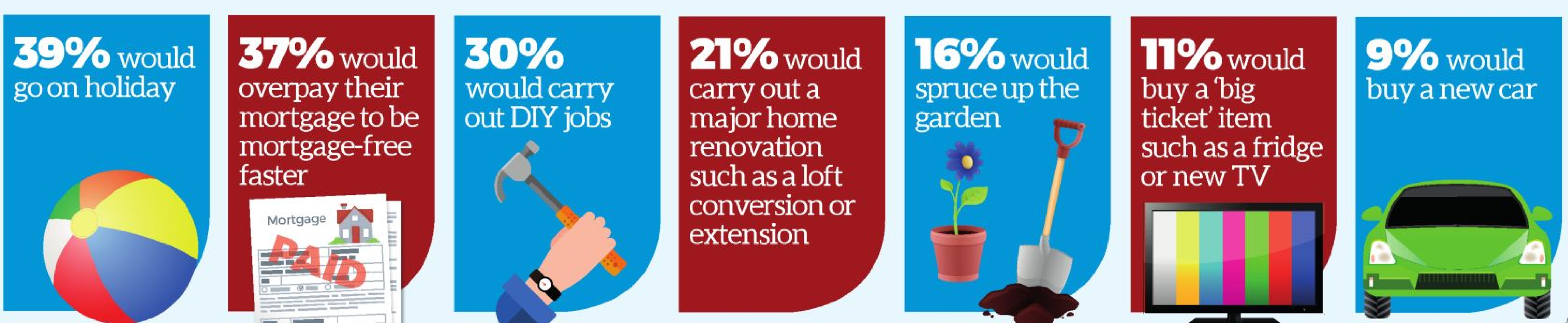
30% would carry out DIY jobs

21% would carry out a major home renovation such as a loft conversion or extension

16% would spruce up the garden

11% would buy a 'big ticket' item such as a fridge or new TV

9% would buy a new car



Source: TSB, 13 January 2017

moneywise

Henderson
GLOBAL INVESTORS

EXCLUSIVE VIDEO

Moneywise interviews Henderson's John Pattullo on the outlook for 2017.

Moneywise editor Moira O'Neill talks to John Pattullo, fund manager of Henderson Diversified Income investment trust, which invests across the full spectrum of fixed income asset classes, about the prospects for the bond markets this year.

The video covers:

- What are the prospects for interest rates this year?
- Should investors be worried about inflation?
- Bonds have enjoyed more than three decades of good returns. Can this continue in 2017?
- Which part of the bond market offers most value?

WWW.MONEYWISE.CO.UK/TV

Norwich & Peterborough Building Society brand to be ditched

BY HELEN KNAPMAN

The Norwich & Peterborough (N&P) Building Society brand will be be "withdrawn" from the high street over the next year, under plans announced by its parent bank Yorkshire Building Society Group (YBS).

The proposals include closing 28 of N&P's branches from September and rebranding the remaining 17 N&P branches as YBS branches.

The N&P brand will also be removed from the high street over the year, meaning new products will eventually stop being sold.

In terms of existing customers, N&P offers current accounts, savings accounts and mortgages to a total of 3.3 million people. Here's what YBS has proposed for these customers:

Current account customers: Current accounts will be closed for existing customers over the next year.

Savings customers: Savings will be transferred to YBS products, although the bank says it doesn't plan to change any rates or terms and conditions.

Mortgage customers: These will remain N&P branded products and customers will continue to receive N&P branded letters and literature. YBS says it doesn't plan to change the mortgage rates or terms and conditions.

> 28 branches will shut and 17 will be renamed YBS

This process is expected to take place by April 2018, with the plans confirmed at some point before then.

In addition, 20 of YBS's 163 branches are earmarked for closure in May 2017. mw

STAT OF THE MONTH
Only 3.5m current accounts switched using seven-day service

BY ADAM WILLIAMS

There are around 70 million active current accounts in the UK, yet only 3.5 million have been moved using the seven-day switching service.

The launch of the current account switching service (CASS) in September 2013 was supposed to encourage people to change account to where they could get a better deal, but these figures suggest the majority of account holders have stayed put.

Data from payment provider Bacs shows that 1,010,423 switches were completed during 2016 – lower than the 1,033,939 switches completed the previous year.

Santander was the big favourite among current account switchers in the second quarter of 2016 – it saw a net increase of 46,208 current accounts.

Barclays was the biggest loser with a net loss of 26,764 current accounts.

NEWS IN BRIEF

Grandparents who help with childcare may be losing state pension rights

Grandparents are failing to take advantage of a scheme that helps plug gaps in their national insurance record that they suffer as a result of caring for grandchildren.

Insurer Royal London has discovered that in the year to September 2016, just 1,298 grandparents took advantage of the 'specified adult childcare credit'.

Current rules allow working mums to sign a CA9176 form that allows grandparents – or any other family members – who are yet to reach state pension age, to receive national insurance credits for caring for their child. Claims can be backdated to April 2011.

Government launches £1.5k tax-free pension allowance for retirement advice

People planning their retirement will be able to withdraw up to £1,500 from their pension pots tax-free to pay for financial advice. The new Pension Advice Allowance will enable people to withdraw £500 on up to three occasions from April 2017.

Adviser platform Unbiased says UK savers with a pension pot of £100,000 save an average of £98 more every month and receive an additional income of £3,654 every year of their retirement if they take financial advice.

Tesco guarantees 3% current account interest until 2019

Tesco Bank is guaranteeing new and existing current account holders a 3% rate of interest on up to £3,000 until 1 April 2019.

From 1 April 2017, customers will also receive one Clubcard point per £1 spent at Tesco on their debit card, up from the current one point per £4. Holders will continue to earn one point for every £8 spent elsewhere

Applications were on hold at the time *Moneywise* went to press.

WIN £1,000 by voting now in the

MONEYWISE **CUSTOMER SERVICE AWARDS** 2017

We all value customer service, but it's especially important in the world of financial services. Good customer service breeds trust – and we're more likely to trust the firms that treat us right. That's why we want you to tell us which financial services providers offer superb customer service and great value for money.

There's a **£1,000 cash prize** up for grabs as well as **five vouchers of £100**.

So cast your vote now and help us find Britain's most trusted companies.

VOTE NOW AT:

www.moneywise.co.uk/consumersurvey

PARENTS' EXPECTED EXPENSES

Source: Sainsbury's Bank, September 2016

CITY SURVIVORS

HELPING YOUNG PROFESSIONALS TO LIVE WELL ON LESS

Housing White Paper doesn't do enough for first-time buyers

BY HELEN KNAPMAN

The number of 25-year-old homeowners has plummeted by more than half in 20 years.

According to the Local Government Association (LGA), which represents more than 370 councils in England and Wales, almost half (46%) of 25-year-olds owned their own home 20 years ago compared to just 20% today.

Now I appreciate times have changed, and perhaps fewer people are interested in owning a home at such a young age. But I suspect a large factor in this figure is ever creeping up and, in some locations, rocketing house prices.

I fall into the 80% of people who didn't own a home at 25. I've been renting since I went to university at 18, although I'm hoping that will change this year.

However, despite the fact I feel lucky to even be in the position to consider homeownership, it's still slightly depressing to see what – or rather just how little – we can afford in London.

I did read one uplifting article from the BBC where four couples managed the extraordinary feat of getting onto the property ladder before the age of 25. The couples had managed to scrimp and save, by cutting down on food bills, not spending money socialising or living with their parents, in order to put down deposits of between 5% and 15% and take out a mortgage for the rest.

But as the LGA's stats show, this clearly isn't the norm. Plus only one of the couples was buying in the pricey South East and none of them were buying in London where, according to the LGA, the average size of a deposit needed to get a mortgage is 131% of annual income.

Also, these first-time buyers were working as a tag team; when you have two peoples' salaries and savings you can reach your goal quicker. But doing it on your own is a lot harder.

Rising rents are part of the problem. While renting is so expensive, how can people save for a deposit? According to the LGA, on average, renters pay 34% of their total household income on rent. In comparison, homeowners pay an average of 18% of their annual income on their mortgage.

> Almost half (46%) of 25-year-olds owned their own home 20 years ago

Will the government's new Housing White Paper help renters and homebuyers alike? It includes measures to promote longer tenancy agreements to make the private rental sector more family-friendly, and initiatives to make it easier for small and medium-sized developers to build more homes.

In addition, the government plans to offer a fairer deal to leaseholders – who own the right to live in a property for a set period (often 99 years or more), rather than owning the land it stands on – by reviewing unfair practices where ground rents can increase significantly during the lease.

I understand that longer rental leases may make people feel more secure, and less worried about rent hikes when annual contracts end each year, and more properties will help with the housing shortage – but unless prices come down or more practical help is offered to first-time buyers, this still doesn't resolve the issue of getting people on to the housing ladder in the first place.

I know there are government schemes available, such as the Help to Buy Isa and the forthcoming Lifetime Isa (although the Help to Buy mortgage guarantee scheme was axed in December), and the fact the government is encouraging saving by topping up your cash is great.

But while the White Paper is a step in the right direction, it doesn't go nearly far enough. I'm not sure of the solution but if something doesn't change, the level of homeownership among millennials will keep on falling. mw

Every week on our website Moneywise's product researcher Adam Williams picks out his favourite deal. For the magazine, he picks a new reward credit card from Amazon.

Amazon launches reward credit card

BY ADAM WILLIAMS

Online retailer Amazon has launched a new credit card offering rewards for spending on its own website and elsewhere.

Get more great deals every week at:
MONEYWISE.CO.UK/DEAL-OF-THE-WEEK

What's the deal exactly?

If you're accepted for the Amazon Platinum MasterCard you'll earn 1.5 Amazon reward points for each £2 you spend at Amazon, and one point for every £2 spent elsewhere.

Once you've earned 1,000 Amazon reward points, a £10 Amazon gift voucher will be credited to your Amazon account. This is an effective cashback rate of 0.75% for Amazon purchases and 0.5% on other spending.

There is no annual fee and new customers will also receive a £10 Amazon gift voucher when they first sign up.

Holders are given 0% interest on purchases for the first three months. The representative APR is 21.9%.

Why should I care?

Cashback and credit card reward providers have slashed the rates and rewards offered ever since an EU ruling came into force in December 2015, which capped the amount credit card providers could charge retailers to process transactions.

This so-called "interchange fee" ruling meant card providers wanted to recoup lost earnings elsewhere in their business – which they did by scaling back reward schemes.

So the launch of a decent new card on the block is unusual.

What's the catch?

This deal is primarily of interest to people who spend large sums of money with Amazon. If you spend £4,000 at the retailer, you'll receive gift cards worth £30.

In comparison, spending £4,000 elsewhere will earn £20 in Amazon vouchers.

What other options do I have?

There are other reward credit cards still on the market. For a good all-rounder, the American Express Platinum Cashback Everyday Card offers 5% cashback on spending up to £100 for the first three months. After that, cardholders will earn 1% cashback on spending over £5,001 and 0.5% below this amount. But remember American Express is less widely accepted than Visa or MasterCard.

Alternatively, if you shop at retailers such as Asda, John Lewis or M&S more than you shop at Amazon, their rewards credit cards may be better for you. mw

Neil Woodford to launch new higher-yielding income fund

BY KYLE CALDWELL

Woodford Investment Management is launching a second income fund this month for star fund manager Neil Woodford (pictured right).

The new fund will aim to deliver an income of 5p per share for every £1 invested in its first full calendar year in 2018. From then onwards, Mr Woodford will aim to deliver modest sustainable growth in per share income.

It is understood that investors should expect the fund to yield at least 20% more than the income delivered by the FTSE All Share index over a rolling five-year period. At the time of writing the index is yielding 3.7%.

The new fund will aim to generate a higher level of income than the firm's popular CF Woodford Equity Income, a member of *Moneywise*'s First 50 Funds, which is offering a yield of 3.4% at the time of writing. To do this, the new fund will only buy 'quoted companies', which are publically traded and listed on the stock exchange.

The fund will only buy 'quoted companies' listed on the stock exchange

UK motorists driving in France risk £117 pollution fine

BY ADAM WILLIAMS

New anti-pollution rules in three French cities mean UK motorists risk an on-the-spot fine of up to £117 unless they display a Crit'Air vehicle emissions sticker.

According to motoring group the RAC, vehicles registered abroad will be allowed to drive in central Paris without a sticker until 31 March, but those driving in Grenoble and Lyon could be fined if they do not have one.

The sticker costs around £3.20 (€3.70) – or £3.60 (€4.18) including postage – and they are on sale on the Crit'Air website at Certificat-air.gouv.fr/en/.

You can find your vehicle emissions standard on the RAC website at Rac.co.uk

YOUR SHOUT

THIS MONTH'S STAR LETTER

'Hopefully, future generations will be very money savvy'

Over the years I have lost count of hearing friends or cousins saying they wished they had made better financial decisions during their lives. I would agree and always say that I wished I had known how to manage money at school during the mid-'80s and '90s. Even just knowing the basics would have helped, such as being told to save money or wages, and how to avoid having debt.

Debt is so common these days and is so distressing. It can be hard to save for our own property or put savings aside. Many people are moving back in with their parents or turning to debt charities. It is therefore great that personal finance is now being taught at school and I agree with editor Moira O'Neill that more should be done and at home too.

Thank you for your 'Get financial education working' campaign and for searching for the personal finance teacher of the year. It is so encouraging.

I may only be learning to manage my finances more effectively now I am in my late 30s, but I am glad children will learn from an early age. I will help my nieces and nephews to be good with money once they are older and I have already spoken to their parents about it.

Hopefully, the future generations will be very money savvy.

MK/VIA EMAIL

"More should be done to teach personal finance"

Moneywise says: While it's great that personal finance education is now on the national curriculum, many secondary schools don't need to teach children about finances at all, as private schools, academies, and free schools are not bound by the national curriculum. This is why it's vitally important for parents and grandchildren to teach children money matters, and for us to recognise the teachers who are doing it to. If you know a teacher doing a great job, please email editor@moneywise.co.uk with your nominations, including the name of the teacher and the name and address of the school, plus your reasons for nominating them. See page 14 for more information.

Current account ping pong

Moneywise says: In February's Moneywise we told you how to play current account ping pong and used the example of Moneywise reader Kevin who pings money between seven current accounts and six regular savers to benefit from high interest paying accounts. One Moneywise.co.uk user commented:

Yep, that's the way to do it – well done, Kevin, that beats my game of ping pong! To get the maximum out of this game, one should keep the

Blog of the month: Don't trust the newspaper pundits' tips on shares

BY MOIRA O'NEILL

I was fascinated to read in *Private Eye* that only one major newspaper – *The Sunday Times* – beat the FTSE 100 index with its share tips for 2016.

The FTSE 100, which represents the performance of the 100 largest companies listed on the London Stock Exchange, ended the year at an all-time high – *Private Eye* says this is 14.4%, which is actually wrong. The flagship index posted a total return (including dividends – the income that companies pay to shareholders) of 19.1% for the year.

By contrast, the *Sunday Times*'s portfolio of eight companies for 2016 showed an impressive average gain of 26% for the year. *Private Eye* also reported that *The Daily Telegraph* managed an average gain of 5% on 10 picks, the *Daily Mail*, a gain of 3.3% and *The Times*' 10 tips produced 2.4%. Meanwhile, only one of *The Guardian*'s 10 tips beat the index, while four complete "dogs" showed losses of 25% to 53%.

I also looked at *Investors Chronicle*, where I previously worked, which specialises in company share tipping. Its journalists reported a "disappointing" year for their eight tips, stating: "The 15.2% total return was not too shamefully far off the index return, but clearly we would have liked to have done much better."

All of this goes to show that picking company shares is extremely difficult and best left to those who want to do it for a pleasant hobby, and with some of their money, not the bulk of their retirement fund.

Most investors, particularly when starting out, are better off investing in a highly diversified investment fund. Whether it is a tracker

WRITE TO US

EACH MONTH THE READER WITH THE BEST LETTER WINS A **£50 M&S GIFT CARD**

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maximum amount the account would pay interest on, that is about £3,000 in each account, while ping-ponging the requisite sum in each month (i.e. £500). To keep more than that amount is pointless. It's time to take the banks on at our little game.
DRIVERY67 / VIA ONLINE COMMENTS

Moneywise adds: There are two corrections to point out in the Current Account Ping Pong feature. The interest rate that Santander 123 pays is 1.5% on up to £20,000, not £2,000 as we wrote, while the interest rate on the TSB Classic Plus account is 3% on up to £1,500, not 1.5% on up to £2,000. Apologies for any inconvenience caused.

'Thanks for such an informative unbiased magazine'

I have just finished reading a trial issue of *Moneywise* magazine (February 2017) and it was an inspiration to me!

Last year I split up with my partner of 18 years, so your 'Divorce To-Do List' was full of useful, practical information for me.

"Your Divorce To-Do List was full of helpful tips"

As a result of the break-up, I recently became a first-time buyer and have been overpaying on my mortgage but, thanks to your article 'Would An Offset Mortgage Suit You?', I am considering offsetting it when my three-year fix is up.

I have been moving money between three current accounts for a few years to benefit from the interest rates, and your 'Beat The Banks With Current Account Ping Pong' feature has now shown me some more banks I can do this with.

Finally, your 'Pension Versus Isa' feature has given me insight into where I should be putting my money as I have been unsure of the best way to save for the future.

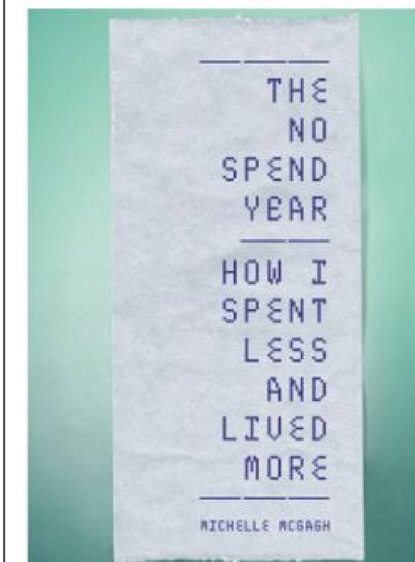
Thank you very much for such an informative, unbiased magazine – I will be taking out a subscription.
RH/VIA EMAIL

Moneywise says: *Thanks for the kind words. We hope you find our future editions helpful too. You can subscribe to Moneywise for £1 for three issues and then £7.50 every three months after that. See: www.moneywisepublishing.co.uk/subscriptions/moneywise-magazine?offer=MWLFS3*

20-second book review

The No Spend Year: How I Spent Less and Lived More

By Michelle McGagh
Coronet, paperback and e-book, £12.99.



This book is financial journalist Michelle McGagh's personal account of her challenge not to spend money on anything other than bills and groceries for a year.

Spending with abandon and ignoring bank statements were her modus operandi prior to 2016. But this book explores how she had to find creative ways to get the things she needed, to travel, and to enjoy time with friends.

Michelle now says that not only has she saved money but she is happier, no longer feeling the desire to buy things all the time. Her relationship with money has changed for the better.

The book also includes tips on how to become more financially secure, looking at interest rates, mortgages, savings, pensions, as well as how to spend less.
For more on Michelle's story, see page 50.
To win one of 10 copies, log on to www.moneywise.co.uk/competitions and enter your name and address by 31 March 2017.

fund that aims to replicate the performance of a stock market index or an actively managed fund run by a professional fund manager is a personal choice.

The average performance of the entire *Moneywise* First 50 Funds range in 2016 was 14.6%. For more details, visit www.moneywise.co.uk/first-50-funds. However, bear in mind that our list includes funds that invest across all major asset classes, including UK and global shares, government bonds, corporate bonds, commercial property and gold.

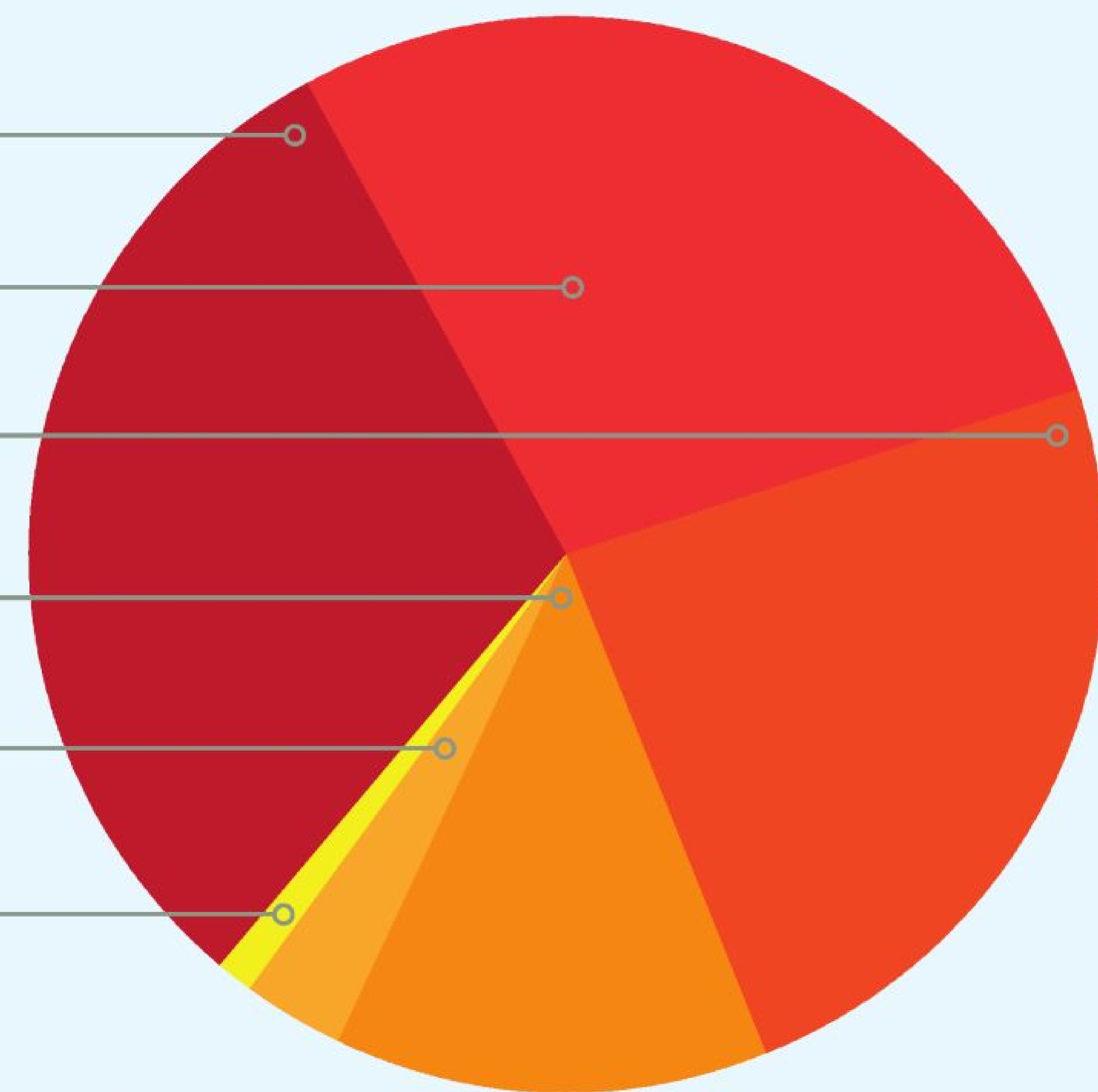
Also, the list is not intended to be a 'tip list' of funds to buy this year. It is intended to be a list of good investments to buy and hold for the long term – at least five and preferably 10 years.

www.moneywise.co.uk/blog

WEB POLL:

Which Isas have you used so far over the 2016/17 tax year?

%	Answer
31%	I've just used a cash Isa
28%	I haven't used an Isa this tax year
24%	I've just used a stocks and shares Isa
13%	I've used a mixture of Isas
3%	I've just used a Help to Buy Isa
1%	I've just used an innovative finance Isa
0%	I've just used a Junior Isa



Based on 770 votes on www.moneywise.co.uk between 31 January and 7 February 2017

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Moneywise fights

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Write to us (including your name, address and phone number) at: **Fightback, Moneywise Publishing, Standon House, 21 Mansell Street, London E1 8AA**. Or email us at **fightback@moneywise.co.uk.** Due to the high volume of emails Fight for your Rights receives, we cannot guarantee answering every query personally.

Couriers signed away an iPad and broke £200 whisky bottle

Stolen parcels and broken bottles of booze, two tales of absolute woe experienced by hapless *Moneywise* readers who had simply tried to get items delivered.

Attempting to resolve their problems with the delivery companies concerned left the readers facing unnecessarily long-winded and ultimately frustrating battles.

I really don't get it. Delivery firms offer one service: to take a package from one address to another. If they fail to do so, then they should recompense victims of botched deliveries.

Their reputations depend on being able to deliver successfully. But, frankly, the Fight For Your Rights mailbag is full of complaints.

What's wrong with these firms? Look, they handle millions of packages safely every day. But if there's a problem with one, they should put things right – and fast.

When things go wrong with deliveries, many firms fail to provide useful information and often even deny any liability. To be honest they should be pulling out all the stops to leave the customer feeling happy, rather than fed up.

It's left delivery firms among the most difficult to deal with, with their customer service folk seemingly unable to use common sense to resolve issues. The good news is that after I intervened, two readers have had a satisfactory ending.

OUTCOME: Goodwill gestures of £300 in total

"Delivery firms are the most difficult to deal with"

The first parcel problem came from reader SW of Falkirk who bought a secondhand iPad for £73 through eBay. The seller sent the parcel through MyHermes and instructed that it should be signed for.

Signed for it was, but not by SW. Someone else forged her name and pocketed the iPad. The result should have been simple. MyHermes had failed to deliver the package correctly so should have compensated the victim.

It told the seller to claim for the loss, but then rejected the claim for reasons that aren't clear. Several weeks of frustrating emails and calls to the firm followed, before SW got in touch. After I got involved, the company agreed to compensate SW "as a matter of goodwill". They handed her £100, with which she was happy.

Meanwhile reader JC from Manchester sent two bottles of expensive whisky with DHL. He reckons the pair were worth £500. Personally, I would be a bit hesitant in trusting such expensive items to a delivery firm. But, as I noted earlier, they do successfully deliver millions of items so my caution is probably not really justified.

But it was in JC's case. Of the two bottles he had carefully packaged up in several layers of bubble wrap, only one was delivered; the other was damaged. And by damaged, I mean smashed, leaving it irrevocably useless.

To be fair to DHL, it admitted the damage was its fault. But it then compounded its crime by only offering £34.23 compensation, which included the £13.95 delivery cost. In other words, it thought it was fine to offer just £20 for a bottle of whisky worth £200.

In fact, under its complicated terms and conditions, that is all it reckoned it was liable for.

After I contacted DHL, it saw reason and offered JC £200 "as a gesture of goodwill", which he was happy to accept. Cheers!

Why was I recommended a fund that was in trouble?

OUTCOME: Ongoing. Seeking more answers from deVere

I have a £125,000 investment in the (now) suspended Strategic Growth Fund. It was sold to me in April 2012 by the deVere Group on the basis that it was a 'multi-manager, multi-strategy long-term growth fund with high level of stability'.

The fund was suspended in February 2013 and remains so. But deVere chief executive Nigel Green has said: "Since 2011, the Strategic Growth Fund seriously underperformed and clients were strongly advised to withdraw. I issued a memo to all deVere managers advising them to ask their clients to pull out."

I do not understand why I was sold the fund when deVere had this knowledge. I feel that the company knowingly mis-sold this to me and I have been defrauded.

JE/Dorset

This is a confusing and sorry tale. deVere claims that the problems only came to light in 2013 when it reviewed the fund – which is Mauritius domiciled and administered by a Guernsey-based firm.

It then advised clients to pull out of it, action that led directly to the suspension of the fund, according to chief executive Nigel Green. "The fund was suspended, it can be reasonably assumed, down to the high number of withdrawals from deVere clients," he has written.

deVere reportedly had $50 million worth of clients' money invested in the fund, which remains "temporarily" locked. When I approached the company about JE's money, it pointed out that while the fund is suspended "no loss has crystallised" as yet and that it is working "to bring it to a satisfactory close for our clients".

Does that mean JE will get his money back? "We remain hopeful for a positive outcome," it said.

The story raises a huge but fundamental question for me: how could an advisory firm such as deVere happily point people to what seems to have been a highly dodgy fund?

> "Why did deVere wait until 2013 to review the fund?"

The firm told me: "2011 was moderate performance, but previously the fund had done reasonably well compared to the market."

That doesn't seem good enough to me. Why did it wait until 2013 to review the fund? I would expect any responsible adviser to be constantly reviewing clients' investments to ensure they're on track.

JE understandably continues to be unhappy. "I was sent a dealing form and recommended to disinvest three days after the fund was suspended," he said. "This in itself implies negligence, in my view."

This story will run and run. I will continue to press the firm for answers and report back on progress in a future issue. mw

SIMON READ is a money writer and broadcaster. He was the last personal finance editor at *The Independent* and is an expert on BBC1's *Right On The Money.*

Parcel Monkey let me down

OUTCOME: Return of parcel and partial refund of original fee

I used Parcel Monkey to send a package of Christmas presents to family in Venezuela on 13 December. The estimated delivery time was five days.

I then got an email saying that the package included prohibited items. It asked "Do you want to remove the prohibited goods and continue with the delivery?"

I agreed and assumed the package was on its way until it didn't arrive. Finally, on 28 December I was told the package was still being held.

I asked for my box back, but was have to pay for delivery and I won't get compensation for the delay.

The lack of service or information from the company was ridiculous.

IV/London

A call from Fight For Your Rights prompted swift action from Parcel Monkey. It reported: "The item has been returned to our customer and a refund less £20 for associated costs for UK-based movements has been offered and accepted."

IV was not happy. "It took a month to get my box back and now I have to arrange another delivery," she said. "It couldn't even help me to resolve the problem quickly. I don't think this is fair."

Neither do I. The consistent lack of information given was poor service, but I haven't been able to persuade Parcel Monkey to consider compensation.

A spokesperson said: "I do not feel that compensation to our customer is necessary."

That's a great shame, but the story is a lesson for anyone planning to send items abroad: check the restrictions. In IV's case, the problem item was deodorant. Harmless? Not according to the delivery firm.

SORTED Your Finances

THIS MONTH'S STAR QUESTION

What investments should my son make to have good savings in 40 years' time?

Q My 21-year-old son wants to start making long-term investments for his old age. We're not 100% sure, but think he won't be entitled to state pension until he is 72. He is a bricklayer and doesn't believe he will be physically able to work to such an old age, so he wants to start saving a pot of money for when he is around 60 to help him along.

He has £10,000 to £15,000 to invest in a stocks and shares individual savings account (Isa) and he may add to it in the future. He is unmarried and has yet to buy a home. What kind of investments should he be making and what can he expect his pot to be worth in 40 years?

CJ/Ceredigion

MIKE GORDON Technical director at Rutherford Wilkinson

It's great that your son is considering saving early on, because cumulative growth over 40 years will make a big difference to the size of the savings he can amass.

Given the long timeframe for investing, your son can afford to take on investment risk. I would suggest a broad spread of UK and overseas equities using low-cost index tracker funds. This will give him diversified exposure across different economies and currencies.

Predicting the size of the pot in 40 years' time is somewhat difficult, as so much can change. If your son's fund, after charges, were to grow at 7% each year, £15,000 might have grown to £224,000, worth £101,000 in today's money if inflation is 2%.

These projections take no account of any tax incentives your son could benefit from if he were to invest via a personal pension, or the new Lifetime Isa available from April. A personal pension has the benefit that savings are supplemented by tax relief and, if your son is an employee, he should have access to a workplace pension that is boosted by an employer contribution.

Current rules put the State Pension Age at 68 for your son, but, as you recognize, this could rise. Access to a personal pension is available 10 years prior to State Pension Age. If you are correct in predicting a State Pension age of 72, a personal pension would be inaccessible until 62. It therefore makes sense to use an individual savings account (Isa) as well, which can be accessed earlier.

Another option for some contributions from April is the Lifetime Isa. The government will add a 25% bonus to contributions of up to £4,000 a year, but the money can only be accessed for a first home or at age 60. *You can find out more about Lifetime Isas on page 58.*

"A personal pension has the benefit that savings are supplemented by tax relief"

Moneywise says: *You don't say if your son has already bought a home. He should not invest the lump sum if he's planning on buying a house within five years and using it as the deposit.*

Why do I have to pay such a huge sum for my IFA to set up a portfolio for me?

Q I intend to invest a lump sum of around £300,000 to generate a reasonable income. I have spoken to an independent financial adviser (IFA) who has told me that to set up a portfolio there would be an initial charge of 1% plus an ongoing 1% adviser fee. In addition there would be ongoing fees charged by the platform of 0.4%.

I totally understand that IFAs have to make a living, but what I am not clear on is why a percentage fee is applied to set up a portfolio. If I wanted to invest £100,000, I would pay £1,000 – but as I am investing £300,000, I would have to pay £3,000. Surely the work involved in setting up the portfolio for both sums is similar?

MCR/via email

PATRICK CONNOLLY Certified financial planner at Chase de Vere

The charges you have been quoted for financial advice are fairly standard although your platform charge seems expensive.

Fixed

Do you have a question for our experts? Write to: Moneywise, Standon House, 21 Mansell Street, London E1 8AA or drop us an email at advice@moneywise.co.uk (please include your address)

Every care is taken to ensure the accuracy of the information provided, but no responsibility is accepted for the consequences of actions based on the advice given. To find an IFA in your area, please visit moneywise.co.uk/findanifa

Each month the reader with the best question wins a £50 M&S giftcard

If you're using an independent financial adviser, I would expect them to recommend a cheaper platform.

Most financial advisers charge percentage fees. You will also be charged a percentage fee for your platform and for any funds you invest in. It is important that you understand the total charges you will be paying.

When looking at adviser charges, it is important that you put these in context with the level of service you receive. Also, make sure your adviser is independent and not a restricted adviser. The high charge for your platform makes me wonder if you're using a restricted adviser who is recommending their own platform rather than the best one for you on the market.

There are cheaper options. You could make your own financial decisions instead of taking advice. However, you need to have the confidence to do this.

There are also advisers that have lower fees, although they might offer a more remote or one-size-fits-all service.

Alternatively, you can ask your adviser to charge you on an hourly fee rather than a percentage fee. Most advisers should be willing to do this. That way, your overall advice costs should reflect the amount of work your adviser does for you. However, your platform and fund charges will still be percentage fees.

Moneywise says: *It is true that most platforms charge a percentage of the value of your portfolio. However, Interactive Investor, Moneywise's parent company, charges a fixed £80 a year, which includes two free trades every three months. This makes it "by far the most cost competitive for larger portfolios" [meaning people who have investments of £50,000 or more], according to Platforum.*

Where to find independent financial advice

There are a number of websites where you can find details of independent financial advisers (IFAs) in your area including Unbiased.co.uk and Vouchedfor.co.uk.
All IFAs are required by law to charge a fee these days, rather than taking commission from the product providers. Make sure you are comfortable with the fee charged before you take any advice.

Also, check whether the adviser is 'restricted'. This means they can only recommend products from a limited number of providers, as opposed to 'independent' advisers who can talk you through all your options from all providers.

As I near retirement, should I save into an Isa or put money into a pension?

Q I am 65, still working and not drawing either a state or personal pension. I'm currently saving around £15,000 a year into an Isa and regular savings account. I intend to work at least another 18, possibly 30, months. Rather than saving, should I be putting my money into a pension?
MB/Chatham

PATRICK CONNOLLY
Certified financial planner at Chase de Vere

The right approach for you will depend on your personal circumstances. However, the pension freedoms introduced in April 2015 mean that pensions are particularly attractive to those aged 55 or older.

Pension contributions receive initial income tax relief on contributions whereas Isas don't. Both benefit from the same tax-efficient returns and both provide equal access for those aged over 55. But pension withdrawals are taxable at somebody's marginal rate of income tax apart from, typically, 25% which is tax-free, whereas all Isa withdrawals are tax-free. Pensions are free of inheritance tax whereas Isas aren't, apart from some Isas that invest in alternative investment market listed companies, and there are no death charges on Isas or, where death occurs before age 75, on pensions.

For younger people, the flexibility of Isas is likely to be preferable to the extra tax benefits of pensions, and the upcoming launch of the Lifetime Isa will be of particular interest to those trying to get on the property ladder.

However, in your situation, the implementation of pension freedoms mean that with initial income tax relief, tax-efficient growth, better death benefits, inheritance tax advantages and far greater flexibility than before, the case for using pensions is very strong.

Do we have to pay capital gains tax on the sale of my late mother's home?

Q I recently sold my mother's flat a year after her death. Her estate was worth well below the inheritance tax threshold and the proceeds of the sale went to four beneficiaries. My question is do we have to pay

capital gains tax on the proceeds of the flat sale?
MB/Brighton

DAVID WESLEY-YATES
Chartered tax adviser at Red & Black Accountancy

When a person dies, there is no capital gains tax to pay on property or assets that are inherited provided those items aren't sold. If property or assets that are inherited are then sold, and their value has risen since the death, then there is capital gains tax to pay.

The gain is calculated by taking what you sold the item for and deducting what it was worth when she died. Because a year has passed between your mother's death and you selling her flat, there is a good chance the value has increased. This means you have made a capital gain, and you could have to pay tax of up to 28% as a result.

However, everybody gets an annual capital gains allowance worth £11,100 – that is how much you can make in capital gains before tax is due. You can also deduct sale expenses from the capital gain. So you may not owe the taxman anything, depending on your personal circumstances.

"Everyone has an annual capital gains allowance of £11,100"

Will I have to pay tax if I buy my parents' share of the house I live in?

Q My wife and I owned our house outright. We separated two years ago and my parents bought her half of the property so that I could continue to live there. They own her equity in equal shares. At the time, the house was valued at £450,000. I think it is now worth around £500,000. I now want to buy some or all of my parents' share jointly with my new partner. My parents have suggested we could make them regular payments to buy the house, rather than taking out a mortgage. Although the value of the house has increased, my parents may not wish to take advantage of that.

The basics of IHT

Inheritance tax (IHT) replaced the 'capital transfer tax' in 1986. This replaced 'estate duty' in 1974. IHT goes back to at least 1694 when probate duty, a tax on personal property, was introduced.

The basic set-up is that anybody leaving an estate behind is taxed 40% on anything above £325,000.

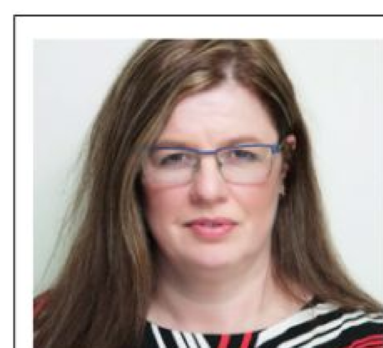
The threshold rose steadily each year until April 2009, but it hasn't since. As inflation and house prices have risen since then, IHT has acted as a tax rise.

However, from April 2017 there will be a new threshold for what is being called a 'family home allowance'. Married couples (and civil partners) will eventually be able to pass on assets worth up to £1 million tax-free as long as they are a homeowner.

This will be tapered in as follows:

- 2017/18 – an extra £100,000 per person
- 2018/19 – £125,000
- 2019/20 – £150,000
- 2020/21 – £175,000

Are there any tax implications, capital gains at this stage or inheritance tax in the future as both my parents are in their 80s?
DS/Cheam


ANGELA MURFITT
Chartered financial planner at Fairstone Financial Management

As your parents don't live with you, their share of your home is an investment. This means any sale or transfer of ownership is subject to capital gains tax (CGT) if the property has risen in value since they bought out your ex-wife. You say your parents may not wish to take advantage of any increase in value, but HMRC will still assess the gain on the market value rather than the value you pay them if it is lower. However, both your parents have a CGT allowance of £11,100 each so,

How to calculate a capital gain on property

Capital gains tax (CGT) is due when you make a profit on the sale of a property that isn't your primary residence. It can also apply onthe sale of another asset that has increased in value such a business asset or company shares that aren't held in an Isa)In the case of property, to work out the profit you need to deduct the price you sold the property for from the price you paid for it. So if you bought it for £150,000 and sold it for £175,000, you've made a £25,000 gain.

You can then deduct any selling expenses and money you've spent on improvements from that gain. So let's say that adds up to £10,000, it leaves you with a £15,000 gain.

Everyone is granted a £11,100 capital gains tax allowance each tax year. That is how much you can make before CGT is due. In this example, provided you haven't made any gains elsewhere in the tax year, that leaves you with a taxable gain of £3,900.

You pay a higher rate of CGT on gains from residential property than you do on other assets. If you are a basic-rate taxpayer, CGT is levied at 18% on residential properties, meaning a bill of £702. Higher-rate or additional-rate taxpayers pay CGT at 28% on residential property, giving a bill of £1,092. You need to report any CGT you need to pay to HMRC either straight away using its online service (Gov.uk/capital-gains-tax/report-and-pay-capital-gains-tax) or annually in a Self Assessment tax return.

Fixed

Each month the reader with the best question wins a £50 M&S giftcard

"You may have to pay stamp duty on their share"

provided they haven't made other capital gains this tax year, that should wipe out most of the tax bill. Any gain above that would be taxed at either 18% or 28% depending on whether they are basic- or higher-rate or additional-rate taxpayers.

Paying in instalments will not avoid the CGT bill if the transfer of ownership takes place at the outset as the gain is deemed to have taken place at that point and the tax due, even if it hasn't been fully paid. The only way paying in instalments would work to reduce the capital gain would be if your parents transferred their share of the property to you in smaller chunks. But this would involve additional legal expenses, which could end up costing more than the CGT you would avoid.

You also need to consider the impact of Stamp Duty Land Tax (SDLT), as this tax may be payable on the value of the transaction. This is a complex area where specialist advice is essential. However, on the face of it, if only one of your parents' shares was purchased, the transaction is below the threshold value of £125,000 so, provided neither yourself nor your partner own other property, then SDLT could be avoided.

Inheritance tax (IHT)also needs to be considered if your parents do transfer or sell their share of the property to you at less than the market value. The difference between what you pay them and the market value would be classed as a gift and could be liable for IHT if your parents were to die within seven years of the transfer.

It seems to be a sensible approach to purchase one of your parents' shares in instalments. That would minimise the CGT and, hopefully, you could avoid stamp duty.

If I give a property to my sons, what taxes will I pay?

Q I own my own home and bought a second home for £42,000 near my children in 2013. I want to give the second property to my two sons, but with the condition that they can only sell it in order to raise funds to buy their own homes.

The property was valued at £65,000 in 2014 after I had spent £15,000 renovating it. I think it is probably worth around £75,000 now.

If I give it to them, what taxes will I have to pay?

PCP/Hayes

DAVID WESLEY-YATES
Chartered tax adviser at Red & Black Accountancy

When you give something away but attach a condition to the eventual transfer of the asset to somebody else, you are effectively putting it into a trust even if you haven't drawn up documents to do this or instructed a solicitor. In your case, you intend to retain an interest in the property unless your sons sell it in order to buy a home for themselves. This means you are effectively creating a "settlor interested trust" and will make life very complicated in tax terms.

First of all, when you hand the property over to your sons and attach conditions to the transfer, it will be classed as being moved into the trust. This transfer would be subject to capital gains tax and, potentially, inheritance tax (IHT) too. Secondly, if the property was sold and the proceeds handed on to your sons, this could also be subject to CGT and inheritance tax. Thirdly, if the property wasn't sold and the proceeds handed on within 10 years the trust would be subject to a principal charge that would be levied every 10 years. Finally, if you died before the property was sold, it would be classed as part of your estate for IHT purposes.

A far more tax-efficient and simpler option would be for you to retain ownership of the second property. You could then sell it and pass on the proceeds to your sons when they are ready to buy homes. The key here is that the transfer of cash would have to be unconditional and you must not be able to benefit from it in any way.

Under such a scenario, you will be liable for capital gains on the sale of this property.

If you do decide to sell the house and simply give the money to your sons when they are ready to buy a property, the money you give them may be subject to IHT if you die within seven years of gifting it. mw

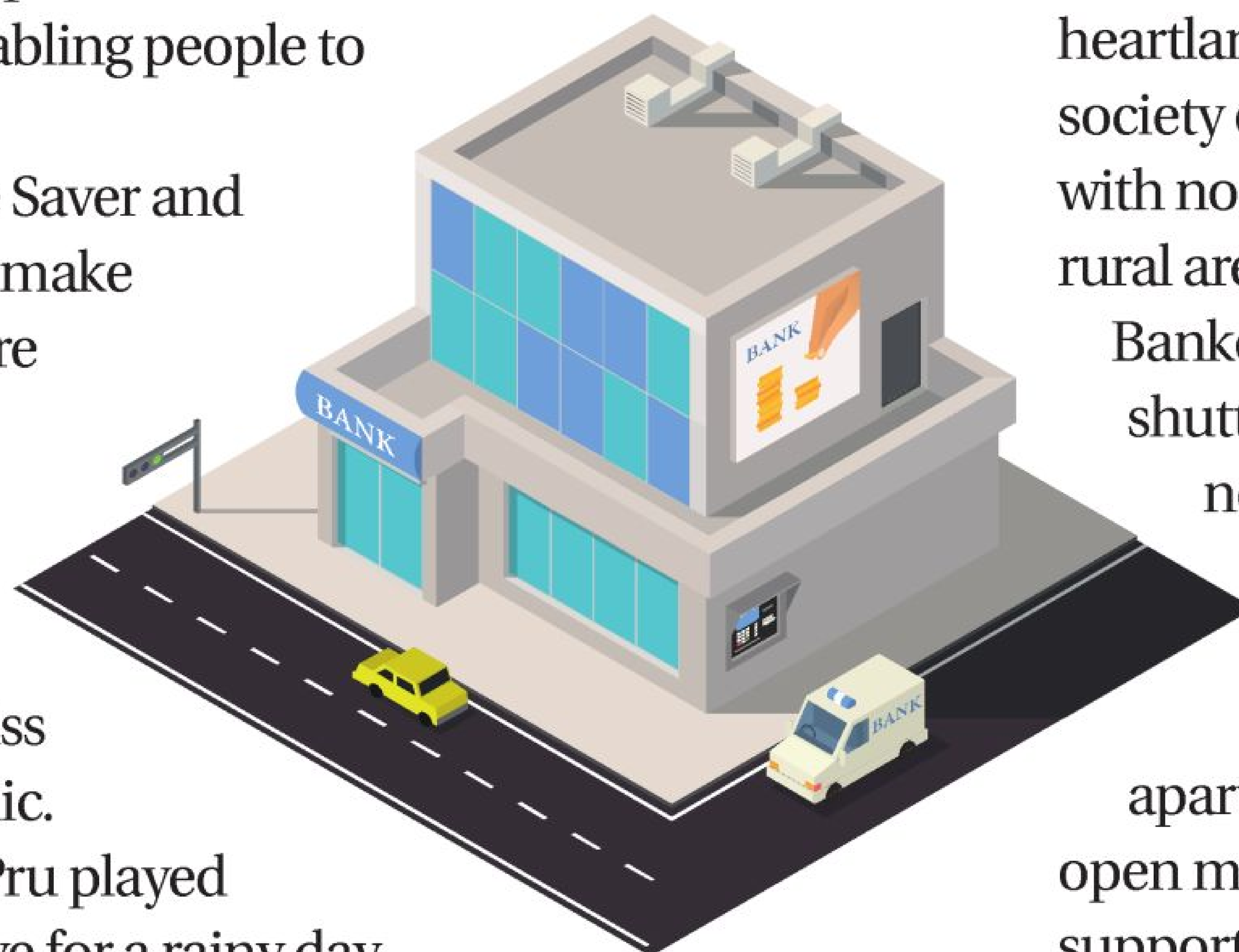
Closing our bank branches is not the way forward

THE PERSONAL finance world is constantly evolving, sometimes for the worse but often for the better. The internet has been the driving force.

It has transformed the way we do our banking, saving and investing, and how we pay our household bills.

The mobile phone and financial apps have taken this transformation a step further, enabling people to conduct their finances on the move.

Apps such as Nationwide's Impulse Saver and Moneybox,which encourage users to make small investments or cash deposits, are a great way to get people into good financial habits.But I sometimes feel that in the pursuit of developing the latest gizmo, the financial services industry is too quick to dismiss what works perfectly well for the public.



Forty years ago, the man from the Pru played a key role in getting households to save for a rainy day or to insure against the financial chaos caused by a death in the family. I vividly remember the man from the Pru knocking on our front door, so he could collect premiums from my mother. He got mum and dad thinking about financial issues they had never considered previously.

The Pru axed these agents in 2001 as the internet took grip and the cost of employing them soared. It's understandable, but the decision stopped many people getting into good financial habits.

Interestingly, the man from the Pru was reintroduced a few years later, albeit on a smaller scale, and aimed at high-net-worth clients. What comes around goes around.

Can the same be said about fast disappearing bank branches? Back in April 2000, I revealed Barclays Bank's extraordinary decision to axe 172 branches in one day. It was hugely controversial and, as a result, pressure was put on all the big banks to approach future closures with caution, especially in communities where they were the last bank standing. Indeed, most of the banks responded by stating they would not shut the last branch in town. For a while, a certain truce prevailed.

Sadly, the past couple of years have seen an end to any form of community responsibility shown by the banks. Although they now have to adhere to certain procedures when they close a branch – inform customers, tell them about alternative options and publish details of individual branch closures – they are wielding the axe unmercifully.

Over the past two years, more than 1,000 branches have been shut. Scores of communities have been left bankless.

Two months into 2017 and a further 423 branches have either been axed or put on notice of closure. Worryingly, the culling is not exclusive to the banks.

Yorkshire Building Society has announced it is axing 48 branches as part of a restructuring that will see the Norwich & Peterborough (N&P) brand it owns disappear.

Its decision has been met with derision in N&P's heartland areas of Norfolk and Suffolk. Some accuse the society of deserting the people who need it most – those with no access to the internet and customers living in rural areas who rely upon their N&P branch for cash.

Bankers and building society bosses tell us branches are shutting because customers don't use them. But that is not the whole truth.

Nationwide's branch network has never been busier because it encourages customers to come in and use them. Not surprisingly, apart from Metro, it is the only institution seeking to open more branches. If only other banks were similarly supportive of their branches.

"In isolated areas, banks should share branches"

In January, the Post Office, which has 11,600 branches, signed an agreement to provide nearly all of the large banks' personal customers with face-to-face services. But finding a Post Office branch is becoming harder too.

I have long argued that banks should run shared branches in areas where operating a bank in isolation is unsustainable. So far, this idea has been fiercely resisted on competition grounds.

As a passionate believer in the 'personal' in 'personal finance', I am convinced that shared branches will eventually make it on to the high street. I am also hoping that Nationwide's high street success will continue, forcing rivals to rethink their antipathy towards branches.

We need bank branches. Plain and simple. mw

JEFF PRESTRIDGE is the personal finance editor of the Mail on Sunday. He won the Contribution to Personal Finance Education category at the Santander Media Awards 2016. Email him at **columnists@moneywise.co.uk**

WIN a culinary weekend for two in Scotland

TAYNUILT ETIVE restaurant with rooms in Argyll, Scotland is offering Moneywise readers the chance to win an incredible two-night stay

HOW TO WIN Simply answer the following question:
HOW MANY AA ROSETTES DOES THE ETIVE RESTAURANT HOLD?
A) One B) Two C) Three
For your chance to win, send your answer on the reader card reply at the front of the magazine to arrive by 31 March 2017 or enter your answer online at www.moneywise.co.uk/competitions by the same date.

One lucky winner and their guest will get to stay in the two AA-rosette Etive restaurant with rooms. Guests will also enjoy a traditional Scottish breakfast both mornings and a three-course dinner on one night.

Chef patron, John McNulty, will cook an exquisite menu exploring the best of Scotland's seasonal produce, including ingredients from the hotel's kitchen garden, home-smoked fish and meat, and locally foraged delicacies. Every item on the à la carte menu at Etive restaurant with rooms is prepared in its kitchen, where the chef overseas the curing of meat and fish, butchery, chocolate and sugar work, and the preparation of stocks, sauces, and pastry. Sourdough bread and ice creams are also homemade on site.

For fans of an after-dinner dram, the Etive restaurant with rooms claims to offer the best single malt whisky and Scottish gin selection in Argyll. Of course, please be drink aware (Drinkaware.co.uk).

Taynuilt itself is only a 20-minute drive from Oban, the gateway to the Isles. In an area of outstanding beauty and steeped in history, it is the inspired choice for discovering the West Coast of Scotland and enjoying the best of its food and drink.

The hotel itself is set in a stunning location between two lochs not far from the picturesque Taynuilt Pier and has nine en-suite rooms all named after Scottish Lochs.

If you're travelling by public transport, Taynuilt has its own train station (West Highland Line, Glasgow to Oban or Oban to Glasgow route) and a bus stop (Glasgow to Oban or Oban to Glasgow route). It is also accessible by car (it's on the A85) and has its own free private car park.

For more information, visit Taynuilthotel.co.uk or call 01866 822437. mw

TERMS & CONDITIONS: The prize is for two people to share a standard room at Taynuilt Etive restaurant with rooms, including a three-course dinner with water and coffee on one night in the hotel's 2 AA-rosette restaurant and a full Scottish breakfast on both mornings. The winner is responsible for any additional food and beverages consumed. The prize may be taken from Sunday to Thursday at any time between 1 April 2017 and 1 March 2018, subject to availability. The prize cannot be taken on Valentine's Day, Mother's Day, Easter weekend, Christmas or New Year. Entries must be received before the competition closing date of 31 March 2017. One entry per person. Winner will be picked at random. Prize is not exchangeable for cash.

HOW TO BEEF UP YOUR ONLINE SECURITY

When was the last time you changed your password for Amazon, eBay or even your own bank? And when did you last back up your files or update antivirus software? Feeling sheepish? Then read our 17 tips to ward off the scammers

Protect all your passwords with one master password

BY ANDY WEBB

You wouldn't stick a note to your front door listing your mother's maiden name, your credit card details, date of birth or password. But every time you sign up to an e-newsletter or shop online, you're increasing who has access to this personal information and losing control of its security. If the data falls into the wrong hands, you're opening yourself up to theft, identity fraud and other scams.

It is time to take action to take as much control as possible. Here, we have outlined 17 of the best ways to protect your accounts, devices and money online in 2017.

1 Test your passwords

No matter how clever you think your password is, the technology hackers could be smarter.

A way to test the password's strength is via website Howsecureismypassword.net. It will give you an estimated time it would take a computer to crack your password, from nanoseconds to a trillion years-plus, and offers hints on how to improve it.

2 Use a password manager

It can be a nightmare to remember all your different log-in details. Writing them all down is itself a security risk if you were burgled, as is keeping them in an email account. This is where password managers, such as

LastPass.com and Dashlane.com, can make a huge difference.

These online accounts store all your log-in details and protect them with a master password. You can also change existing passwords to a random series of symbols, numbers and letters without having to visit the sites in question.

Both have plug-ins for Chrome and Safari browsers, and apps for mobile devices, to quickly input the complicated passwords you've created – once you've entered your master password.

These two services are free, though Dashlane requires a subscription (US$39 a year – about £32) if you want to synchronise across multiple devices.

3 Double up on the most sensitive accounts

You can set up double authentication on many websites, adding an extra layer of security. You will be familiar with this if you bank online, as many require a code generated on a phone or separate device to log in or authorise payments.

Although this can add a minute or so to your signing in, it will be well worth it if the consequences of a security breach were dire.

You should also make sure the most important accounts have an alternative email address or phone number registered in case you are locked out and need to regain access.

4 Set up alias accounts

Many email providers, including Yahoo and Gmail, allow you set up alias email addresses. For example, if your email address is Andy@yahoo.co.uk, you could create andy-newsletters@yahoo.co.uk for any newsletter you sign up to. Those emails would still arrive in your inbox, but your real email address won't be shared out to marketeers and any potential hackers.

5 Password protect your devices

You need to ensure every bit of tech you use to access the internet is as secure as it can be. Even if you're the only person who uses your computer or phone, you need to add a password or passcode to use the device. Treat it as you would your PIN and don't share the details.

6 Update your software

Hackers hunt out vulnerabilities in the operating software of your devices and try to expose them.

Companies such as Apple and Microsoft will release patches when they are made aware of dangers, so it's important you update software when prompted – just ensure you check it is a legitimate source asking you to do so.

7 Scan for viruses and spyware

If you have Windows 8 or above you'll have Windows Defender, while Windows 7 and Vista comes with Microsoft Security Essentials. You can buy premium antivirus software, but if you want a free one PC Advisor magazine recommends Avira.

Apple Mac computers are generally thought less vulnerable to viruses. This is partly because Microsoft Windows is used by a lot more people than the Apple Mac OS. Because more people use Microsoft Windows, it is a much better target and makes it easier for viruses to spread. However, as Apple Mac computers gain market share, virus infections are becoming more common than they used to be.

What to do if you've been hacked

If you find your details have been hacked or leaked, the first thing to do is to change your passwords. If you're locked out, you may need to reset access first.

Then keep an eye on your financial records for any purchases you didn't make and check your credit report for any applications that are made in your name. If money is taken, contact your bank immediately and alert Action Fraud.

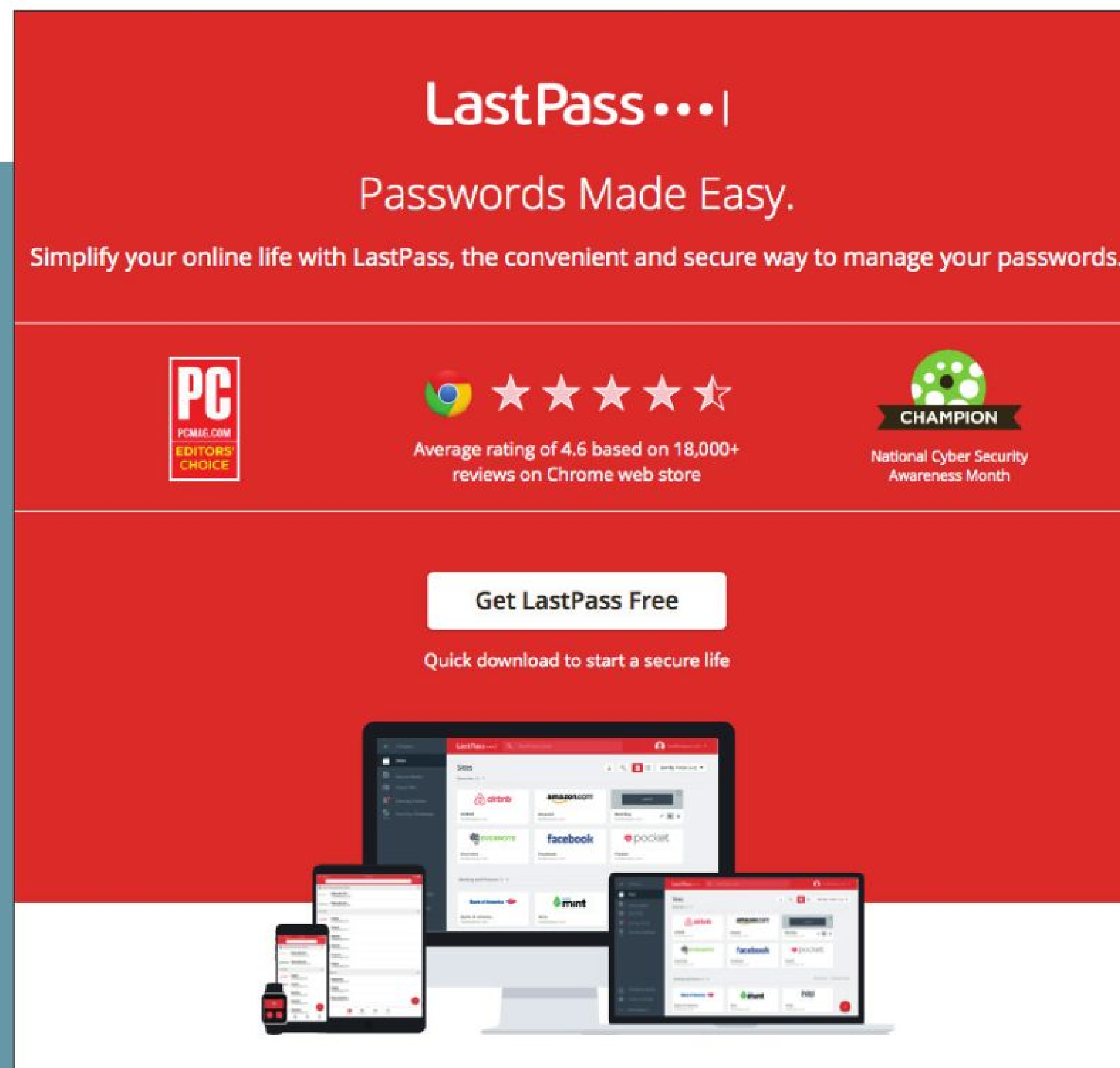
How I mastered my own passwords

I'd been guilty of having a few variations of the same password on most accounts, but a few high-profile hacks finally forced me to take action.

The passwords on my emails, social media, banking and a few other accounts had already been changed last year, but I'd often forget what they were.

So I signed up for LastPass and began to enter my main accounts. My master password seems secure – Howsecureismypassword.net says it will take four billion years to crack, and there is a plug-in that prompts me to save details each time I sign into a new account, and it's easy to cut and paste passwords from the secure 'vault'.

I've put in around 30, but there are still dozens that need to go in, and plenty I'm sure I've forgotten on top. However, I've covered all the most important accounts, and I've easily changed each of the passwords through LastPass. It's a little annoying that I now can't remember all the details, but at least I know my details are safe.



The master password becomes the only password you need to remember as once you use it to open your password manager, you can access any other log-in details you have saved there. Just make sure you never use this master password for any other account.

8 Back up to beat a ransom

A recent threat to your computer is via ransomware software. If this makes its way on to your computer, you could be locked out – unless you pay a ransom. To protect against this, back up your computer regularly. An up-to-date portable hard drive will allow you to restore all your files from scratch should the worst happen.

9 Ignore suspicious email attachments

If you aren't expecting an attachment, don't open it. Avoid clicking on any links too. This isn't just through email. You could receive them via messaging apps, such as WhatsApp or Facebook. Be especially wary of emails that claim to be from your bank or official bodies, such as HMRC.

10 Watch what you download

One popular scam is for a person to cold-call your landline and claim they're from Microsoft or TalkTalk. They will claim your computer has been hacked and ask you to download a file, so they can help you. This is, of course, nonsense. The downloaded file will actually give the scammer access to your computer.

Watch out for free wi-fi in cafés as it may not be secure

11 Check if a site is safe

It is relatively easy to make a professional-looking website, so you need to look a little closer to ensure you're on a legitimate site. In the address bar, check for the letters 'https' at the start, and for a padlock symbol. This means you're on a secure site.

Also check the URL is correct as copycat websites can take advantage of misspellings. If you're unsure, use search engines to find the legitimate sites.

12 Avoid public computers and unsecured wi-fi

Checking the football scores in the Apple shop is fine, but it's a bad idea to enter any passwords or financial data into public computers.

You should also watch out for free wi-fi in cafés and shops. It might not be secure, meaning hackers could intercept anything you type.

13 Always log out

Once you've finished with a website, always log out. If you share a computer at home or work, lock it whenever you're not using it.

14 Double-check before transferring money

There has been an increase in fraud where the email account of a solicitor or builder is hacked and new invoices are sent to clients. It all looks legitimate except for one small change – the bank details. Unfortunately, there is little protection if you move money to the wrong account, so clarify the details before you transfer money online.

15 Don't save card details

It is easy to click the box 'remember my details for next time' when shopping online, but you need to weigh up just how important one-click shopping is to you. Putting your card details in each time will only take 30 seconds. A worthwhile trade when you consider the consequences.

If you do want to store card details, use just one credit card for every site. If an online account is compromised, you only have one card to cancel.

16 Make payments within the site

If you are using middleman sites, such as eBay or Airbnb, you might be asked to pay outside the main website. This would mean avoiding charges, but you'll also lose protection if something goes wrong.

17 Find out if you've already been hacked

From TalkTalk to Yahoo to LinkedIn, we've seen some high-profile companies hacked and details made public. If you've used the same email and account for a number of years, there is a good chance you've been caught up in one of the attacks.

To find out for sure, enter your email address into the website Haveibeenpwned.com, which searches details of 179 hacked websites. mw

ANDY WEBB is a personal finance journalist who has previously worked for BBC Two's *Money Programme*. He regularly contributes to BBC One's *Rip Off Britain* and *Right On The Money Live*, and he blogs on his award-nominated website, Be Clever With Your Cash.

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FUN WAYS TO TEACH YOUR KIDS ABOUT MONEY

– shared by *Moneywise* readers

Thank you to all of you who wrote in to give your tips for educating children about money. Here's a selection of your words of wisdom, from saving into jam jars to earning extra for household chores

BY MOIRA O'NEILL

AGE 5+

Use a purse

"Give children their own purse or wallet, which is filled with pocket money and present money. If they want something, it is paid for from the wallet. It really focuses them on the fact that money does not grow on trees and helps them budget for things they really want."

AC, London

Open an account as soon as you can

"Tell your children about money as early as possible. I opened a child account for my son with the Clydesdale Bank when he was six – those were the days of passbooks. He would 'save' as much of his pocket money as he could every week and visit the bank to deposit his savings. Over the years he watched the interest grow."

SW, Scotland

Cash point lesson

"Take them to your bank of choice and open up an account for them. Then show them how to use the cash point to deposit cash (watching their faces as their cash disappears) and explain where their money goes and that the money is still theirs, just in a safe place earning some extra money (interest) – it works."

JB, Maidstone

Incentivise saving

"When a child is ready to start receiving pocket money, open up an instant-access savings account for them. This should be the best account available at the time – not just for the interest earning potential, but for accessibility and convenience – you and they need to be able to pay in to the account at any time.

"Take the child with you when you open up the account (with a nominal deposit), so they get familiar with going to the bank/building society and hear what is said.

"Then strike a deal with the child so that any pocket money they don't spend each week and pay into the savings account you will match with an equal amount, thus doubling their deposit. Withdrawals are to be restricted to Christmas time or special occasions (to be mutually agreed as they arise).

"A child loves to see the balance building up and begins to set their sights on accumulating funds for something

specific. They like to see when they get a special deposit from you for something special they might have done. They think twice about frittering away pocket money on things they don't actually need/want. They develop a regular savings habit. In time, they learn about the value of (compound) interest.

"Starting savings for a child is something most parents do anyway. This way involves them directly and incentivises them to understand money better. The most crucial lesson they learn is that if they don't put money aside there won't be anything in the pot!"

FR, London

AGE 7+

Teach input and output

"Children should be taught by parents from an early age about the value of money, so they have an understanding of 'input and output'. For example, children should only

> "Get your kids to earn their pocket money, cutting it if tasks are not completed or giving a bonus for extra jobs"

be rewarded with something of value when they have contributed in some way towards its receipt. Parents today are too keen to shower their children with expensive possessions at an early age, which then conditions the children to expect this kind of treatment throughout their lives without having to provide any 'input' for their 'output'.

"My children were encouraged to take up part-time jobs to earn some money or to have assigned tasks around the house and garden in reward for 'spending money' – if tasks were not done or not completed properly, then no spending money. No tasks were ever assigned without 'training' in how to do them being given, so no excuses could be made in terms of not knowing how."

DB, Shropshire

Make pocket money deductions and pay bonuses

"My top tip for educating children about money is to make them earn their pocket money, making deductions if tasks are not completed but also giving bonuses if tasks are done without any prompting.

"An 'annual statement' could be provided to show their earnings in total. This prepares children for the realities of financial dealings."

WB, West Yorkshire

Want versus need

"While your child will naturally ask for the latest games console, making them understand the difference between needs and wants will help them make sensible spending decisions from a very young age.

"It's OK to say no. As adults, we are often told 'no' and children need to hear it.

"Parents should reinforce through words and actions that it's important not to spend more money than you have.

"One good way is to keep the just-for-fun purchases in check by not giving in to every request."

MJ, Bristol

The holiday lesson

"It may seem harsh, but be strict on holiday allowances. Provide a set amount of total money as their holiday fund and get them to work out how to spread it, setting a daily budget. Then don't interfere. If they spend more one day because of going somewhere, they will have less the next day but they manage it. If they spend it all in the first two days, it becomes a very long but well-learned lesson for the rest of the holiday."

JB, Northampton

Use money jars

"I show my kids that saving money is normal.

"Myself and the kids have change jars that we all put our change into. The kids regularly do chores around the house to earn extra money for their jars.

"Once a month or so, we empty our jars out and count what we have. I found this has made the kids comfortable with money, helps them with their maths and is fun.

"We will then go to the building society and deposit their money, using their account passbooks."

GB, Essex

Pay your children interest

"Here's a tip that will show children how their savings grow and the need to start saving early.

"Agree an interest rate for their savings (keep it generous or they will quickly lose interest – no pun intended) – for example, 20% interest a month, which works out as £1 on the first £5 deposited.

"Give them 10 £1 coins to start them off, allowing them to put £5 into a glass jar and spend the other £5. Do this for three months, applying 20% interest a month to the total sum in the jar, and they will have £21.84 in the jar.

"In the fourth month, start another jar and ask them to stop spending their second £5 a month and start putting the money into the second jar, also applying 20% interest.

"Let them watch the first jar fill up much faster as the months go by in comparison to the second jar and explain how starting early and saving regularly multiplies their small amount to something very valuable.

"Treat them with the money they have saved, so they will remember it for a long time!"

RS, via email

AGE 12+

Selling video games and toys

"I encourage my children to resell their video games and toys. I get them to look at the price the item is brand new and then research what price it is selling for second hand before they sell it. With the video games, my son looks at which retailer will give the best trade-in prices and sells to the store giving the best deal. He now looks when buying a new game for the best priced deals.

PW, Newcastle upon Tyne

"Get them to resell their video games and toys"

moneywise campaign

Have your say

This article is part of *Moneywise*'s 'Get Financial Education Working' campaign. Please keep your tips and thoughts coming. We'd love to hear more about what you do at home to educate your family. **Email editor@moneywise.co.uk**

Give jobs a value in pounds

"Always identify jobs around the house that children can do. Each job comes with a value in pounds or pence to your children – for example, ironing, emptying the dishwasher all week or sweeping the kitchen every other day.

"That way, they learn that the more you do and the harder you work, the more money you can earn.

"My daughter is now 14 years old and has been ironing my clothes since she was 13. She gets 35p per item to add to her standard pocket money of £5 a week.

"She is currently saving up to have extra spending money when she goes to London with her grandma."

DL, Lancashire

Make it fun

"Keep it relevant. For example, if they like football connect it to saving by explaining gross, net, deductions etc, using a footballer's payslip. Get them to design their own bank account package or mobile phone package."

SS, Kent

Find supermarket bargains

"Take them along on the family supermarket shop with a budget and a list."

RP, Warwickshire

"At a supermarket, show children the cost of 100ml for a drink. For example, the cheapest soya drink is 5.9p per 100ml. Therefore, the cost for 1 litre is 59p. Packets of food also come in different sizes, so this system is an easy way to work out getting the lowest cost."

MC, North Somerset

Pre-paid cards

"Buy children a prepaid card and load their pocket money on to it – that way, they get used to using credit cards while only spending what they actually have."

MB, Bognor Regis

Treat them like adults

"Treat children as adults when it comes to family finances. Talk to them, show them bank statements, and explain to them how money works. Make it fun if you can."

MJ, Holywell

Involve your children if you have a business

"We ran our own business and involved our daughters in everything. They have all grown up to be good money managers. When one was made redundant, she had six months' money put by for the mortgage if she couldn't work. Her boss couldn't pay his first month's mortgage and he was a finance director!"

FW, via email mw

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REPLY NUMBER 2150

TUNE IN TO YOUR PODCASTING POTENTIAL

It doesn't cost much to produce a podcast but earning an income from one is much harder. Here, we look at ways to turn your audio digital downloads into money-spinners

BY JOHN FITZSIMONS

Podcasts, the audio shows which you can download on to a mobile device or your computer, are on the up. As many as one in five adults in the UK has listened to a podcast, with around 7% listening to them regularly, according to research from Rajar, which measures and profiles the audiences of UK radio stations.

In the UK, podcasting really took off with comedian Ricky Gervais, whose series *The Ricky Gervais Show,* with co-writer Stephen Merchant and producer Karl Pilkington, swiftly built up an enormous audience. Initially hosted by the *Guardian* in 2005, the show ended up in the *Guinness Book of World Records 2007* as the most downloaded ever.

Podcasts come in all sorts of shapes and sizes. Many of the most downloaded podcasts are actually downloadable versions of existing radio shows – *Desert Island Discs, In Our Time,* and *The Archers* can all be found in the top 50.

However, there are plenty of standalone podcasts, which don't benefit from the might of a major broadcaster behind them. For example, you can listen to the *Moneywise* team talking about all the key personal finance issues that affect your pocket in our regular Share Radio show, available at www.moneywise.co.uk/podcast.

One of the big selling points of podcasts has been that, unlike traditional radio shows, they can be pretty cheap to produce – all you really need is a microphone and a way to upload the show on to the internet. There is very little to stop you from putting together a show from your own home.

But even the humblest podcasts will still incur some costs, from the time you have to put in to recording and uploading the show to paying for a hosting service. So how do you get some money back for your efforts?

KEY STAT

In 2015, there were around 60,000 available podcasts on iTunes – up by 13,000 compared to the year before.

Source: Rajar

Sponsorship

The most straightforward way to get some income back for your podcast is by finding businesses that will sponsor the show.

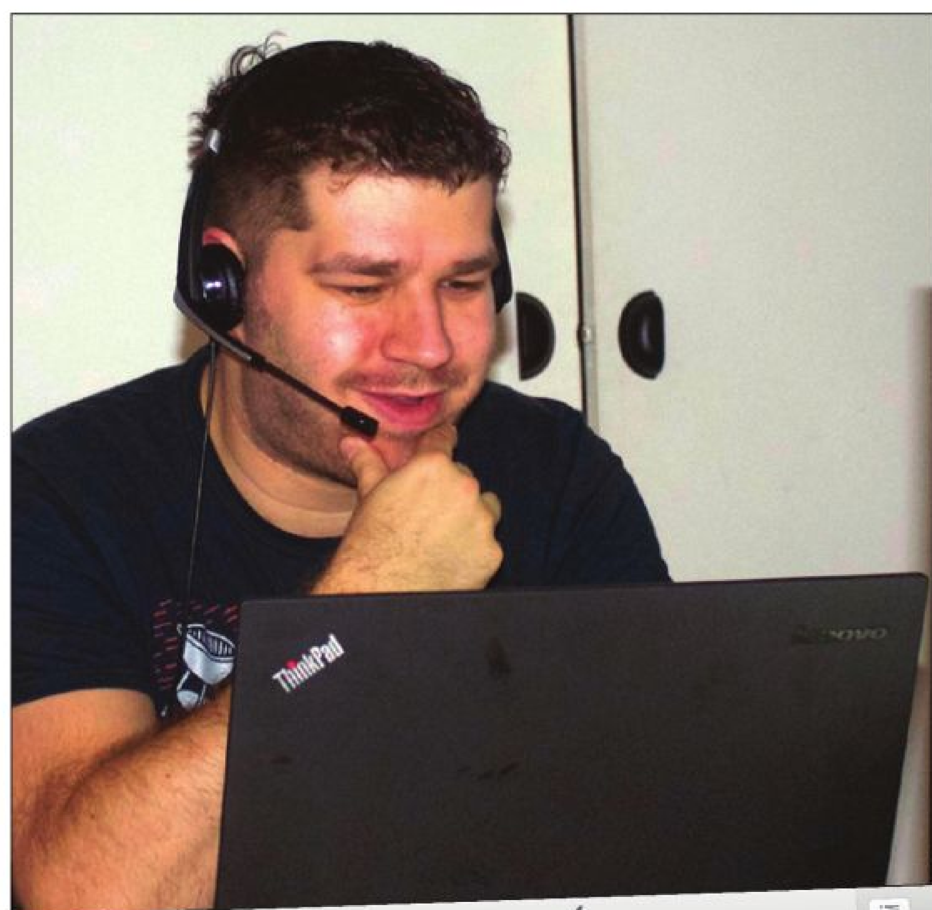
If you have listened to any podcasts that haven't come from the BBC, chances are you will have heard ads from a handful of usual suspects: Audible, SquareSpace and Leesa Mattresses are some of the firms that target their ads at podcast devotees.

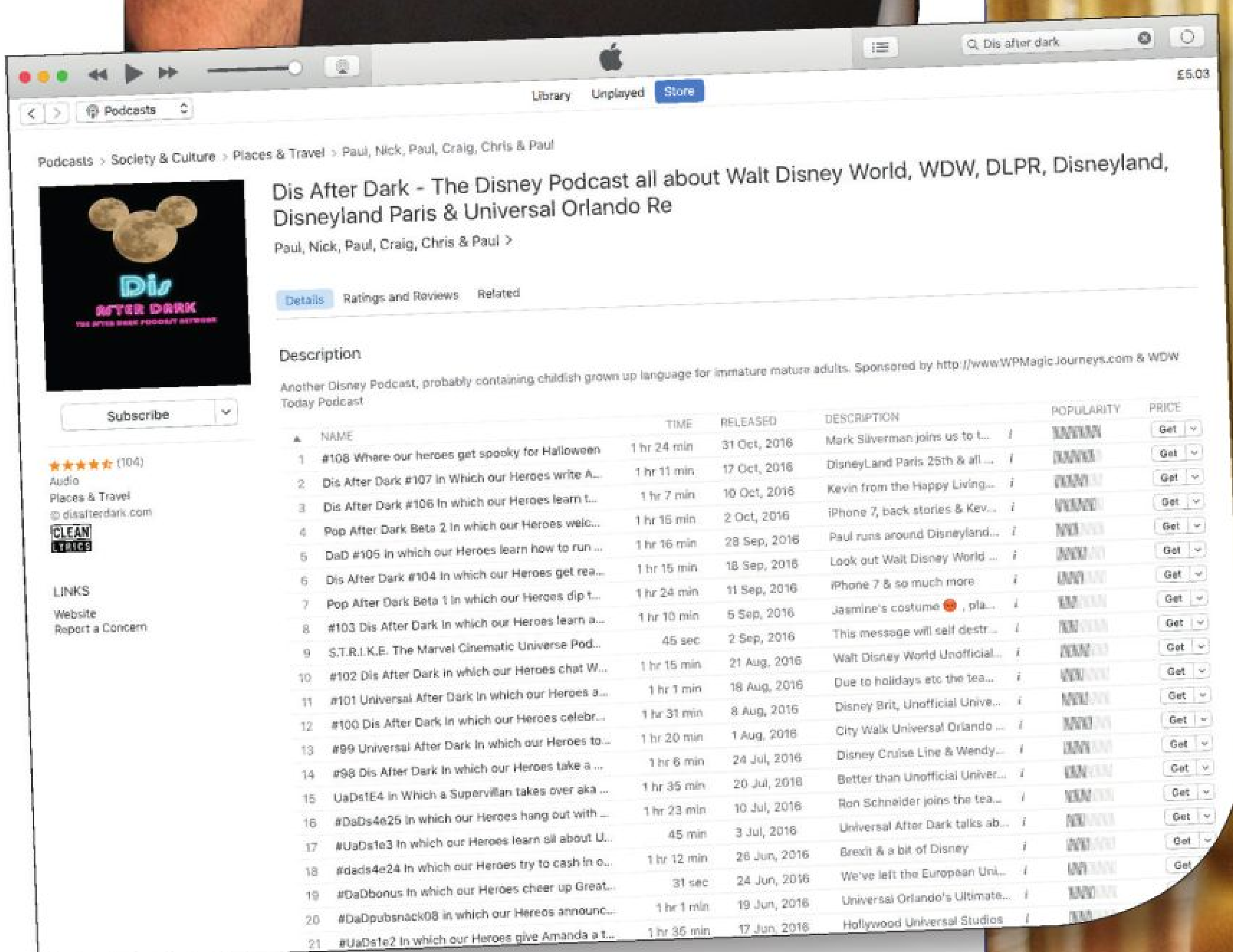
With Audible.co.uk, it is entirely in your own hands. You create a custom url to give your listeners and each time one signs up for a podcast trial membership using that url, you'll get $15 (about £12).

Generally, though, this means that you are responsible for sourcing advertisers yourself, so you may need to be sales savvy.

Ellie Gibson, a journalist and stand-up comedian, is the co-host of the *Scummy Mummies* podcast, a show for "less than perfect parents". She says her show is in a fortunate position because of its demographic: "We have been able to ride the wave of Instagrammers and bloggers; women who have had babies found that they don't want to go back to their old jobs and have started their own companies."

She cites examples of sponsorship





that have come about through networking and attending 'mummy events'.

"We tend to go for products that we like and would use ourselves," she adds.

Nick Branch, host of the Disney-themed *Dis After Dark* podcast, first started looking for sponsorship as a way of covering production costs.

He says: "We wanted to bring in sponsorship just to keep it going. Trying to find sponsorship was a little tough at first, but we secured support from another podcast and from a travel company.

"Unless you're a celeb or have a massive following, you can't start charging for podcasts and, even then, it might not work."

"We tend to go for products we like and would use ourselves"

Top left: Nick Branch found sponsors for his *Dis After Dark* podcast Above: Helen Thorn and Ellie Gibson (right) co-host *Scummy Mummies*

Acast

A rather easier way to monetise your podcast is to make use of Acast, which offers free hosting and distribution of your show.

Acast sources advertisers too, so you don't have to worry about your sales skills. You decide where the ads are placed in each show, and Acast then takes a cut of the revenue.

Acast also offers Acast+, a way for you to sell premium content to your listeners at a price you set yourself.

Ellie says that the Acast model has been a help for the *Scummy Mummies* podcast. She says: "Even if Acast takes a cut, a cut of some money is better than a cut of no money. We don't have to worry about finding ads, it does it all. It does mean that we don't have complete control, though; if it doesn't sell ads that month, then we don't make any money from it."

Patreon

One increasingly popular way for podcasters to bring in an income from their shows is a site called Patreon.

It is a site designed for creatives (from artists and writers to podcasters and photographers) to ask their supporters – or patrons – for one-off or recurring contributions. Patrons are then

offered some form of reward, based on the level of their support.

On top of that, shows set Patreon goals where they commit to give something new to the listeners when they reach certain levels of support. For example, the *Cinematic Universe* podcast, which looks at comic book movies, launched on Patreon last year and has a number of milestone goals. At $50 (£40) a month in total contributions, it is committed to launching a website, featuring show notes and blog posts; at $100 (£79) a month, the team will record a fan commentary over a film of backers' choosing, while once it hits $350 (£277) a month one of the team will start a series of retro superhero video game reviews.

James Hunt co-hosts the show and says he was attracted by how easy the process is, and the fact it is possible to get a return without having a huge listenership.

He adds: "Patreon takes care of the billing and sends you the money, so there's almost nothing to it other than updating the page every so often. All we have to do is keep putting out episodes – which we were planning to do anyway – and throw in some exclusive bits to make sure Patreon backers feel looked after, which so far they seem to.

"We spent a lot of time working out the rewards for different contributions levels, though it was mostly just making sure we didn't over-promise. At the time it started, we were all freelancers so the question for us was essentially: 'If we did X, how much time would we need to invest and what would that cost us?'"

According to Patreon, "thousands" of creatives using the site make more than £20,000 a year. Of course, while there are some people making at least a reasonable income from their projects through the site, there are plenty of others who are not making a penny. Again, the key is to build a following of listeners who are not only committed to listening to each show, but are willing to dip into their pockets to support your product too.

Above: Rob Bence says *The Property Hub*'s podcast helps bring in clients. Left: Appearing on *Woman's Hour* led to a book deal for *Scummy Mummies*

"We only started seeing some money after 18 months"

Will I make a lot of money from it?

It's important to be realistic when it comes to podcasts. They won't make you rich.

As Ellie says: "The mistake podcasts make is thinking they will make tons of money in the first few months. We have been going three and a half years and only started seeing some money coming in two years ago."

Nick agrees, saying: "It's not going to be a career, it's an over-elaborate hobby. The cost of doing the show was coming out of our pocket,and while you enjoy it, you have to question how long you can do it. Podcasting for the little guy is hard – as much as you'd like it to make you money, it's a market that's oversaturated. There are new shows launching all the time."

New opportunities

However, a popular show can cover its costs, but also provide further exposure for your other exploits.

Last year, the *Scummy Mummies* podcast was featured on Radio 4's *Woman's Hour*, alongside podcasting giants *Serial* and Lena Dunham's *Women of the Hour*.

Ellie explains: "A book agent was listening to *Woman's Hour*, then checked out the podcast and loved it. She called us up and asked if we had thought about doing a book. Of course, we said yes! So she went away and got us a book deal with a proper publisher, and now we have the *Scummy Mummies* book coming out on 9 March. And we can use the show to advertise the book."

That extends to your day job too. Property investor Rob Bence is co-founder of *The Property Hub* website and magazine, which is aimed at fellow investors, and co-hosts the site's weekly podcast, which recently passed 200 episodes.

He says: "We give away lots of knowledge and advice on property investing for free. After hearing how to invest, some people love the idea and are very excited to begin, but aren't sure how to get started – we have complementary businesses that help investors achieve that.

"The podcast allows us to demonstrate that we're experts in our field without hard selling. People then come to their own conclusion as to whether they want to work with you or not and when they contact you, you're already a good fit because they've already assessed you. It also helps us to build trust with our clients." mw

JOHN FITZSIMONS is a personal finance journalist who has written for Yahoo Finance, Love Money and *Mortgage Solutions*

6 ways to cash in on your commute

Fed up with hours spent on the train or driving to work? Quit moaning and pick up some tips on how to claw back your train fare or petrol money

BY HELEN KNAPMAN

Unless you're lucky enough to be able to walk or cycle to work, the likelihood is you'll take some form of public transport or drive your own vehicle there.

In fact, 3.7 million workers (14%) had daily commutes of two hours or longer in 2015, according to analysis by the TUC. But some savvy commuters are cashing in by making money on their commute. They share their experiences with *Moneywise*.

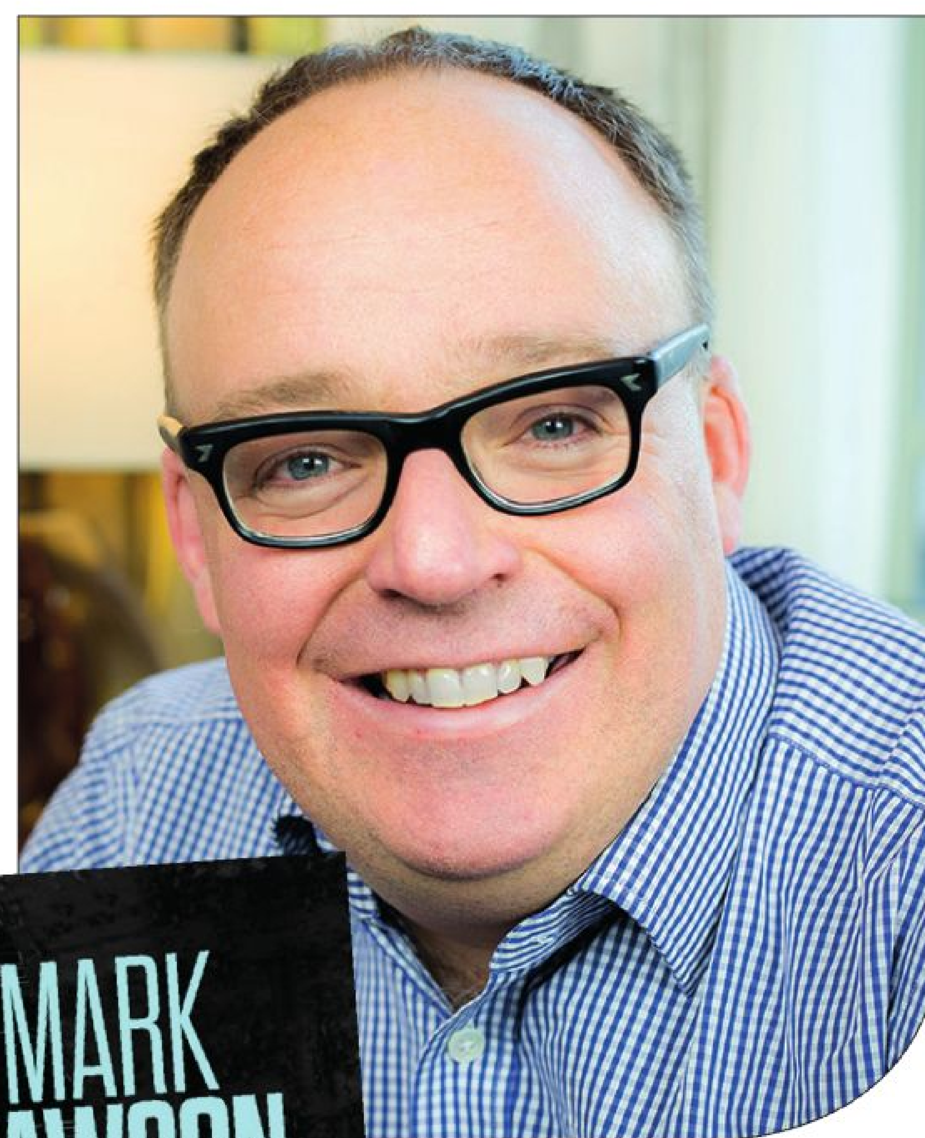
Write and self-publish novels

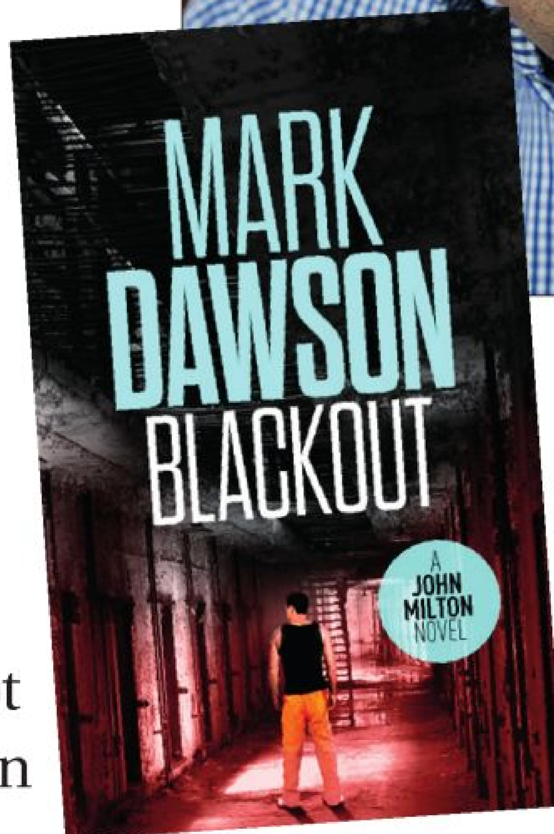
Over 11 months in 2014, Mark Dawson wrote and self-published a million words on his three-hour round trip from Salisbury in Wiltshire to London.

He had already written and published some books in his spare time prior to 2011 while he was living in London. But when he moved to Salisbury with his wife, he began to write on the train.

As his train journey began in Salisbury, Mark – who was working as a film classifier at the time – always got a table seat, meaning he could set up his laptop, put on his noise-cancelling headphones and begin to write.

The 43-year-old self-publishes what he writes on Amazon.co.uk, which is free to do. However, the online retailer takes between 30% and 65% of any royalties, depending on factors such as the price of the book and the size in megabytes – plus you may also have to pay delivery costs.





Mark Dawson wrote his crime thrillers while commuting

Mark prices his books at between £3.99 and £4.99, which means he falls into the category where he makes 70% royalties.

By November 2014, Mark says he was earning more than enough from his crime novels to cover his £5,500 season ticket. In fact, he was making a mid-five-figure sum each month – more than 10 x the salary from his day job, resulting in him taking the plunge to become a full-time writer.

His advice for other budding writers is to just "do it". He says: "Amazon has made it incredibly easy for people to reach out to readers. You don't need a publisher or an agent these days. The process is really simple. Some people can be shy, but if you want to be a writer you've got to publish your work eventually."

Share lifts or charge petrol money

Jason Webb from Harvington, Worcestershire and Mark Bickerdike from Harrogate, Yorkshire both save money by sharing lifts with colleagues

Top left: Mark Bickerdicke shares a lift with colleagues to save money. Inset: Jason Webb (with son Monty) saves £50 a month by sharing his trip. Right: Bex Webb sells her work online and at street markets

– something they organised using lift-sharing company Liftshare.

Thirty-one-year-old engineer, Jason, shares his 25-mile (each way), 40-minute commute from Harvington to Gaydon with a colleague he was matched with using the scheme. They take it in turns to drive alternate weeks. He estimates this saves him about £50 a month on petrol.

Jason says: "I'd definitely recommend the scheme if you want to save a bit of cash or meet a new friend. The only negative is that it restricts your flexibility – for example, if you need to stay late at work."

Fifty-one-year-old Mark Bickerdike, meanwhile, shares a lift with three other colleagues, with each of them taking a turn to drive. The 25-mile journey from Harrogate to Bradford takes about an hour and a quarter each way and Mark estimates it has probably halved his motoring costs – saving him about £60 a month on petrol, let alone on wear and tear or running costs.

Mark says: "There aren't really any downsides, but you do need to plan your journey better and to agree a start time that suits everyone."

Liftshare is free for both drivers and passengers to use, and drivers can even charge passengers, although this is capped at an estimated actual cost of the journey by Liftshare, due to the fact that if you make a profit it will invalidate your insurance.

The Association of British Insurers (ABI) says: "All ABI motor insurers have agreed that your insurance cover will not be affected if your passengers contribute towards your journey costs (including fuel, vehicle depreciation and associated vehicle running costs), as long as lifts are given in a vehicle seating eight passengers or less. This does not apply if you make a profit from payments received or if carrying passengers is your business."

You can also check passenger and drivers' reviews online before agreeing to share or offer a lift.

Other companies running similar schemes include BlaBlacar and GoCarShare.

Crochet and sell your wares

On a day's commute, Bex Webb, 38, crochets anything from a hat or bunting to three coasters. The journey can take up to two hours each way, using the London underground and bus services, to her job as an administrator for a charity.

She sells crocheted items at Chesham's monthly local produce market under her 'Dolly & Blue' brand name. She has participated in three markets and is considering setting up an online shop at Etsy.com to sell her wares.

By selling one beanie hat alone, she recoups the £12 daily cost of the market stall. Etsy, meanwhile, charges a 16p per item listing fee, a 3.5% transaction fee, and a

Top: Mark Callaghan makes money by displaying paid advertising on his car. Right: Emma Drew carried out mystery shopping on her way to and from work

4% plus 20p payment processing fee. A similar online craft hub to consider is Folksy.com, although again sellers will be charged fees.

Bex says: "Handmade items are very hard to make a living from when you factor in the material costs and the time. But crocheting on the tube makes the journey so much quicker, although I haven't quite mastered the art of crocheting on the way home when I don't always get a seat!"

Above: Rob Tregaskes studied for his business degree on his daily train to and from Horsley in Surrey

Get paid to advertise on your car

Mark Callaghan, a 43-year-old accident and emergency porter, has a 14-mile round-trip to work in Edinburgh from his home in Musselburgh, East Lothian.

Through CarQuids.com – which matches companies with motorists who then display the firms' adverts on their car – Mark is paid £150 to have veterinary firm, Pawsquad, advertise on his car for two months.

He says this covers his petrol for those two months, leaving him with about £20 to spare. As part of the deal he also gets a free home visit from Pawsquad for one of his dogs.

He says: "I'd highly recommend others do it too – as long as you don't mind keeping your car clean [which is one of the mandates he was given]. Although perhaps if you're shy and retiring, having adverts on your car could be an issue."

The typical advertising period for Car Quids, which is free for motorists to sign up to, is two to three months, with drivers earning £75 to £100 a month on average – what you earn depends on where the car is driven.

Motorists will be screened for their suitability – whether you're picked depends on what area you drive in, as well as age and driving history.

Having adverts on your car shouldn't invalidate or push up your car insurance premiums, but the ABI advises you check with your car insurer first as insurers view risk in different ways.

> "If you're shy and retiring, having adverts on your car could be an issue"

Study to nab a pay rise or new job

When Rob Tregaskes left the Army he decided to study for a part-time MBA (Master of Business Administration) degree with the Open University.

This enabled him to land a job in banking while he was studying, and every weekday morning he spent the 40- to 55-minute train commute from Horsley, Surrey to London Waterloo reading for his degree. He downloaded all of his books as PDFs to his iPad and worked his way through them on the journey.

He says: "The commute was the perfect time to do this as it's relatively peaceful."

Despite his course costing £16,000 (although Rob paid £13,000 as he received learning credits from the Army), during the four years it took to complete his studies he was promoted twice at the bank – something he credits to his degree, and by the end of the course he had already paid off the fees.

Mystery shop on your commute

Emma Drew is a full-time money blogger at Emmadrew.info. But before she quit her job as an admin assistant in November 2015, she had a 50-mile round commute where she put her money-making tips for others into practice.

When driving from her home in Ely, Cambridgeshire to work in Cambridge, she would pass major supermarkets, restaurants, and high street shops where she would pop in on the way to carry out mystery shopping or dining tasks sourced via companies such as Grass Roots, Marketforce, The Mystery Dining Company and Red WigWam.

She would also complete Field Agent tasks on the way home. One job required her to drive to specific locations to check that a Sat Nav company was using the correct co-ordinates. She earned £3 to £4.50 per task doing this.

Emma says carrying out these tasks on her commute saved her around half of her £300 a month petrol bill.

When using public transport, the 28-year-old completes online surveys where you can earn from 50p to £1 for a short three-minute or so survey to £10 for a 30 minute to an hour-long survey. She recommends Prolific Academic, which matches scientific researchers with participants who get paid to complete surveys for projects.

Raffler is another site she recommends – you have to watch two short videos a day and then you're entered into a daily £1,000 prize draw.

Emma adds: "What else would you do on the commute? It's a great time to do something that's going to earn you money." mw

Prepare to improve rather than move

If you're put off by the cost of moving home, then why not reconfigure your existing living space? We do the sums and look at what's involved

Adding value: the 1980s extension in Stephen and Bea Games's flat had rotten windows and was poorly designed

BY HANNAH NEMETH

If you've outgrown your living space, one possibility is to move house, but when you weigh up the cost of upsizing it is easy to see why many homeowners decide to stay put and extend their homes.

The cost of moving home went up, on average, by £870 (9%) between June 2015 and June 2016 to £10,996, according to research by Lloyds Bank. This was put down to higher property prices, which in turn pushed up the cost of estate agents' fees and stamp duty – and it is the latter that can really deter people from moving home.For example, using online property portal Rightmove's Moving Cost Calculator, buying an average priced house in St Albans for £534,272 (without selling a property) would cost £16,714 in stamp duty, £2,671 in legal fees and £2,671 in other costs – a total of £22,056.

But if, instead, you put a little more money towards improving your home, you could enjoy the added benefit of your property increasing in value. Adding a bedroom and a bathroom through an extension or loft conversion can increase a property's value by more than 20%, according to Nationwide. This would add £106,854 to the value of the St Albans house.

How much will it cost?

As a rough guide, the Royal Institution of Chartered Surveyors (RICS) suggests a homeowner would pay £1,480 a square metre for a 20 square metre loft conversion, which works out at £29,600. This is for a plaster finished shell with dormer and Velux windows and includes construction costs but not architect's fees, which can cost around 15%.

RICS says a single-storey extension with a flat roof will cost £2,360 per square metre for a nine square metre extension, with a total cost of £21,240 – before you put down flooring or install a kitchen.

As you can see from the table opposite the larger the project, the cheaper it will be per square metre.

Value added by an extra bedroom to different property types

Value added	2 bed to 3 bed	3 bed to 4 bed
Terraced	10%	10%
Semi-detached	13%	9%
Detached	-	9%

Source: Nationwide House Price Index Special Report, March 2016

Planning permission

An extension to your house is considered a permitted development and an application for planning permission won't be needed provided certain conditions (listed below) are met.

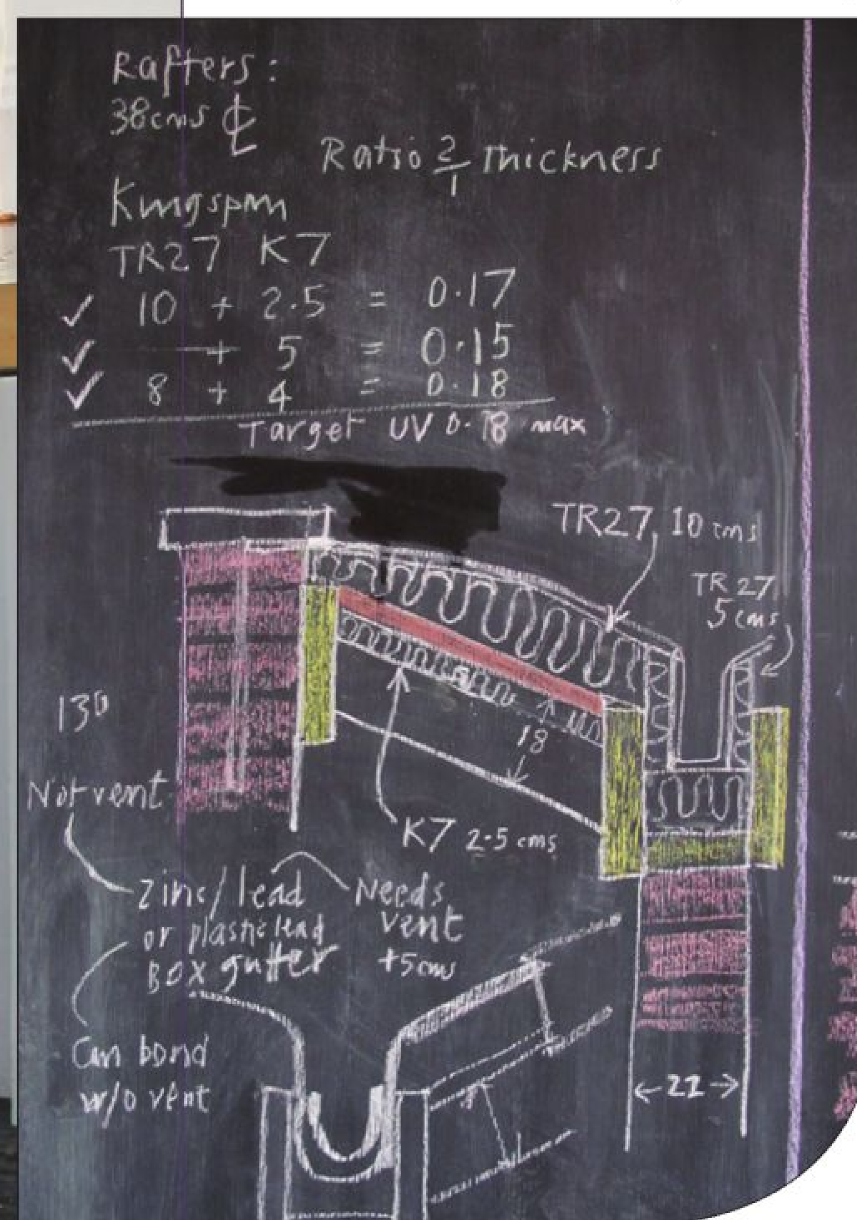
However, if you are thinking of extending, then there is an argument for doing it sooner rather than later. More generous size limits for single-storey rear extensions are currently in place, but work must be completed by 30 May 2019.

You will need to take into account any extensions or loft conversions that previous owners have built when working out how much space you can add. If you plan to extend a new-build house, you may need to get permission from the developer, which may charge a fee for this.

A 20 square metre loft extension works out at £29,600

Designed on his daughter's blackboard

When Stephen and Bea Games moved into their Edwardian ground-floor flat in north London in 2013, one of the first things they planned to do was refurbish the rear extension, a cheap tack-on built in 1981.



Its windows were in poor condition and, worse still, the edge of its flat roof joined on to the French windows in the couple's bedroom [see picture, below left], which looked ugly and blocked out natural light.

They decided to divide the space into two separate studies—one for each of them—with a new V-roof and three Velux windows to let in more light. The French windows would go, and a half wall and stone-paved steps would lead up into the bedroom.

"The original extension was rotten physically and conceptually," says Stephen, a designer and architectural historian.

Stephen set about planning the new extension, but faced a couple of obstacles that delayed progress by five months.

"Flats don't have permitted development rights even when you own a share of the freehold, and buildings in conservation areas require planning permission even when you're not changing their footprint, just re-roofing and re-walling them," he explains.

Stephen did the design work himself, but hired an engineer to check that the concrete floor was strong enough to support a new brick feature wall to add character to the rooms.

"Some aspects of the job were unusually time-consuming," says Stephen. "Dumitru Durleci, our wonderful Romanian builder, had to be taught, for example, how to build brick niches and segmental arch heads for the internal wall, but he proved well up to the challenge.

"I explained everything face to face rather than with expensive architectural drawings. Where illustrations were needed, I sketched them in a notepad, in chalk on my daughter's blackboard and even on the walls of the building itself.

"This was a more old-fashioned way of working, where the builder became a family friend and details were worked out on the back of an envelope," Stephen adds.

It cost less than £20,000 to convert the original 5m x 3.6m extension into two smaller rooms and, once planning permission had been granted, the project took six weeks to complete.

For help with planning and design, you can contact Stephen at stephen.games@newpremises.org

The main rules for extensions to houses

- No more than half the area of land around the original house will be covered by additions or other buildings.
- No extension will project forward of the principal elevation or side elevation fronting a highway (which means that the new extension should not go beyond the front or side of the original house that leads on to the street).
- No extension is to be higher than the highest part of the roof.
- Single-storey rear extensions must not extend beyond the rear wall of the original house by more than 3m if an attached house or by 4m if a detached

The cost of building an extension

LOFT EXTENSIONS				
	Floor size		£/m²	
	m	m²	Excl fees	
With dormer and Velux windows	4 x 5	20	£1,480	
	6 x 5	30	£1,280	
	12 x 7	84	£670	
HOUSE EXTENSIONS				
	Floor size		£/m²	
	m	m²	Excl fees	
			Flat roof	Piched roof
Single storey with one window	3 x 3	9	£2,360	£2,750
	3 x 5	15	£1,830	£2,130
	4 x 4	16	£1,830	£2,110
	4 x 6	24	£1,680	£1,940

Source: Building Cost Information Service, RICS, 27 January 2017

Let there be light: Stephen (pictured) created a bright new room by removing French windows and adding Velux windows and a feature wall

Watch out for builders asking for a big upfront payment

house. However, the limit is increased to 6m if an attached house and 8m if a detached house until 30 May 2019. These increased limits are subject to providing the local authority with prior notification of the work. A neighbour consultation scheme will take place and if objections are received, the proposal might not be allowed.

- Maximum height of a single-storey rear extension of 4m.
- Extensions of more than one storey must not extend beyond the rear wall of the original house by more than 3m.
- Side extensions to be single storey with a maximum height of 4m and width of no more than half that of the original house.
- Two-storey extensions to be no closer than 7m to rear boundary.
- Roof pitch of extensions higher than one storey to match existing house.
- Materials to be similar in appearance to the existing house.
- No verandas, balconies or raised platforms.

Loft conversion rules

Planning permission is not normally required for loft conversions, although there are limits to the extraspace you can create, which are:

- A volume allowance of 40 cubic metres additional roof space for terraced houses or 50 cubic metres for detached and semi-detached houses.
- No extension beyond the plane of the existing roof slope of the principal elevation that fronts the highway.
- No extension to be higher than the highest part of the roof.
- Materials to be similar in appearance to the existing house.
- No verandas, balconies or raised platforms.
- Side-facing windows to be obscure-glazed; any opening to be 1.7m above the floor.
- Roof extensions, apart from hip to gable ones [a typical roof with two sloping sides], to be set back at least 20cm from the original eaves.
- The roof enlargement cannot overhang the outer face of the wall of the original house.

For a full guide to the rules, visit Planningportal.gov.uk.

Extending a flat

The planning rules for flats and maisonettes are stricter than for houses. To add an extension to your flat, you will have to apply for planning permission. Similarly, if you're planning to convert the loft in a top-floor flat, the rules are a bit woolly and you will need to check with your local planning authority. You may not need it if alterations are just internal, but it will be required if you want to extend or alter the roof space. You will also need to check whether you own the roof space. If you are a leaseholder, the freeholder is likely to charge a fee for this.

Building regulations

You will also need Building Regulations approval for both extensions and loft conversions – for example, to ensure that the new floor and existing roof is structurally sound in a loft conversion or to check the foundations, roof, flooring, drainage and electrics in an extension. First,

Don't forget insurance

If you do have a party wall agreement, consider taking out Non-Negligence (party wall) insurance. This will protect you against any structural damage that comes to light either at your property or your neighbours' in the months after the project has been completed – at a time when it is hard to prove that the problem was the builder's. Prices start at around £1,100 a year for this type of policy.

Homeowners should not assume that their building project would be covered by their existing home insurance, as this is rarely the case. Contact your insurer to check whether it will restrict your cover. If so, you may need to shop around for a new policy or consider taking out specific insurance for this type of work.

Andrew Boldt, managing director of specialist insurance broker Insurance Tailors, says: "Make sure you tell your home insurer you are doing works as soon as you decide to renovate. Most insurers will at minimum reduce your cover during renovations – typically only covering you against fire, lightning, earthquake, aircraft or explosion – but in many cases will remove cover completely, putting you in a potentially awkward situation. It is highly likely that for structural property works over £100,000 in value you will need to take out specific renovation insurance."

Working space: The boiler was moved to an outside cupboard. For added ease, the Velux windows in Bea's study are operated by remote control

you'll need to get plans drawn up by an architect and approved by your local council's building control team before starting work. If work will be carried out on a shared wall, you will need their co-operation to sign a party wall agreement before you start. This will involve paying for surveys of the wall to take place both before and after the building work.

The Construction (Design and Management) Regulations 2015 set out what those involved in construction work need to do to protect themselves from harm. Builders working on any building project – including residential property – have to produce a construction phase safety plan.

Contact Building Control at your local council for more information and, again, check out Planningportal.gov.uk.

Hiring a builder

The collapse of a Victorian terraced house in Lewisham, south-east London, last June – after internal load-bearing walls were apparently removed – just goes to show how careful you have to be when hiring a builder.

> "Most insurers will reduce your cover during building work"

A good starting point is to ask friends and family for recommendations. But if you can't find a builder through word of mouth, then try searching for a tradesperson on the Trustmark website (Trustmark.org.uk). TrustMark is a government-endorsed scheme listing tradespeople who have been thoroughly vetted.

Book a verified tradesperson through home services marketplace Plentific.com, and you will get an insurance-backed guarantee that includes payment protection, work-in progress cover in case the tradesperson disappears half way through the job, post-completion cover – for any snagging jobs, for instance – and legal protection up to £50,000.

The National Federation of Builders offers a find-a-builder facility on its website – visit Builders.org.uk. Similarly, on the Federation of Master Builders' (FMB) website (Fob.org.uk), post your project details and your postcode and up to five FMB members will contact you.

Don't be shy about asking builders for references – and follow them up with a phone call or even ask if you can visit completed projects. Also check whether the builder has up-to-date personal and public liability insurance and ask to see their insurance certificates to verify this.

Ideally, you should have a written contract with your builder covering as much detail as possible, such as start and completion dates, the cost of labour and materials, working hours and a payment plan that outlines at what stages payments are to be made.

However, it's not unusual for homeowners to have a verbal agreement with a builder, with cash paid every couple of weeks. It is likely to make the job cheaper – as the onus is on the builder to pay VAT – but remember you'll have no comeback if the work doesn't come up to scratch.

Brian Berry, chief executive of the FMB, says: "A request for a deposit, particularly to cover the cost of drawings, is quite standard but householders should be wary of any builders demanding a high proportion of the final cost upfront." mw

Spending no money on socialising, clothes or treats is a tall order for most people. But read Michelle's story and be inspired to change your money-splurging habits

BY MICHELLE McGAGH

A year without spending money revitalised my finances and changed my relationship with money for the better. However, you don't have to give up splashing the cash completely in order to spend less and save more.

On Black Friday 2015, which fell on 27 November, I started a 'no spend year' as a challenge to myself to jump out of the consumer rat race and overpay my mortgage. I could still pay my bills, such as my mortgage, utilities and council tax, and I had a basic grocery budget, but everything else was off limits.

This meant no pints in the pub, new clothes, taxis, cinema trips or takeaways. I didn't even have a budget for my bus fares so I travelled everywhere on my bicycle for a year, meaning I definitely didn't miss my gym membership.

Over the year, my earnings – coupled with income from a lodger (a great way to boost your income if you have a spare room to rent) – meant I overpaid my mortgage by just over £22,000, cutting both the interest I will pay to the bank and the number of years I will pay my mortgage for.

I also changed my relationship with money and spending; I now focus on the longer-term gains of saving rather than the short-term thrill of spending.

Of course, most people won't want to give up spending for an entire year, but there are smaller changes that can be made in order to make your money stretch further. Here are my top 10:

Review your spending and tally up the amounts you fritter away

1 Check your spending

You can't cut your spending unless you know where your money is going. Before I started my challenge I reviewed a year's worth of spending and was shocked to discover I had shelled out £400 on coffee alone.

As someone who isn't even that bothered about the roast of beans or frothiness of a cappuccino, that was a huge amount. How had I spent that much? The short answer is all those small amounts add up without us realising.

A chocolate bar here and a sandwich there can become significant sums over the course of a year. Review your spending and tally up the amounts you fritter away: if you were given that total amount in cash, would you spend it on coffees and sandwiches?

I know if someone gave me £400 in cash, I definitely wouldn't spend it on coffee, and my flask means I never have to spend money on takeaway coffee again!

2 Needs versus wants

We're all guilty of telling ourselves we really 'need' that new pair of shoes/gadget/whatever it is that we like to spend money on. But do we really need it or do we just want it?

The line between needs and wants has become blurred in our consumer-focused world of seemingly endless credit. It is very easy to talk yourself into buying an item that you don't really need.

Before you open up your wallet or hand over your card, think about whether what you are buying is something you really need, if it's not then ask yourself why you're buying it. This is particularly important if you're getting into debt to make a purchase.

There are lots of reasons people buy: because they're bored, happy, sad or because they want to treat themselves. If you can identify why you're buying things or patterns in your behaviour, then

‘I STOPPED SPENDING FOR A YEAR AND SAVED THOUSANDS’

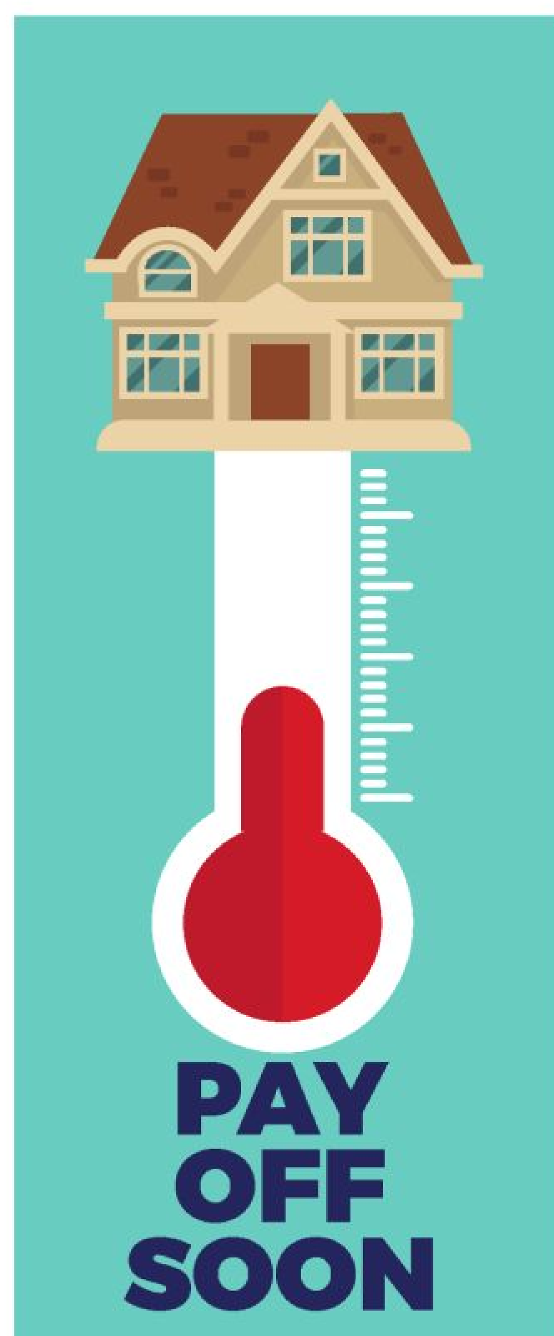
you can stop yourself before handing over your credit card.

3 Set a goal
Don’t try and rein in your spending with the vague aim of ‘saving’ or you’ll soon lose focus. What you need is a longer-term goal to work towards.

My goal was, and still is, overpaying my mortgage because I don’t want to be beholden to the bank for 25 years, but yours could be building up an emergency fund, paying to re-train for a new career, or treating the kids to a holiday of a lifetime.

Having a longer-term goal that will improve your life will make it much easier to make the short-term sacrifices that will be needed to reach that goal.

To help keep me on track, in true *Blue Peter* style I like to colour in a target chart to track my savings progress. It’s a bit old-fashioned, but I like to see the totaliser tick up.



4 Pay yourself first
Once you’ve set your goal, make it a priority. Work out how much you can save and set up a direct debit into a savings account that isn’t easily accessible.

This payment should go out with your direct debits for rent, utilities and all those things you have to pay for each month. By including a payment into savings as part of your essential bills, you are acknowledging that your goal is important.

Paying your future-self first means you can then see how much money you have to spend guilt-free each month and can budget accordingly. I like to use a basic, and free, spending app on my phone from the Citizens Advice Bureau called ‘Budget Tracker – CAB’ to ensure I stay within my budget.

5 Get organised
If there is one thing that the no spend year taught me it’s the value of being organised. If I forgot to bring my lunch into work there was no opportunity to pop into the supermarket for something to eat, so I had to stay on top of my schedule at all times.

Similarly, if I wanted to socialise I had to spend time searching for free events and organising my friends to attend, and making sure I had enough time to cycle there.

The website Eventbrite became my best friend throughout the year as it details loads of free events across the country.

I managed to find film screenings, wine-tasting, exercise classes and even a beer tour. There are lots of free events to attend if you search for them. I also made better use of the free museums, galleries and concerts available to me living in London – if you’re in, or near, a major city then there are lots of places that will cost you nothing to visit.

The trade-off for saving cash is often spending time, whether that’s planning and making your meals, remembering to take a flask instead of buying takeout coffee or searching for free events. I think it’s a trade-off worth making.

6 Pay cash
It’s a simple tip, but it works wonders for making you think about what you’re spending. The use of cards, and in particular contactless spending, detaches us from the idea that we’re handing over our hard-earned cash.

Similarly, storing credit card details on shopping websites makes it all too easy to spend, so delete them.

Food shopping is one area where lots of people overspend and I was guilty of this too, but I now take out a set amount in cash for food shopping each week and hit the shops with a calculator to track what I'm spending. By leaving the cards at home, I only buy what I need because I don't have the money for anything more.

Taking out your cash for the week can also help you stem your general spending, as it provides you with a daily reminder of just how much your budget is. It is much more difficult to break into a £20 note just for the sake of buying a magazine (though if you're reading *Moneywise*, you're likely to be making that money back) and will make you think twice before handing your money over.

7 Get others on board

I couldn't have got through my no spend year without my husband, family and friends getting on board. Although it was tough at first as I and they tried to come to terms with socialising without spending, by the end they were coming to me with free events to attend.

You don't have to aim to spend nothing every time you go out but a few times a month set yourself and your friends and family the challenge of having a free day out, even if it's just hitting the local park with a picnic or organising a film night at home. One of my favourite nights was spent at my house with a friend making homemade face scrubs from items in the cupboards – oats plus water makes a surprisingly good exfoliator!

I planned meals for the week ahead and wrote precise shopping lists

Other people help to keep you accountable too. I know people don't like to talk about money, but it helps to have a friend to confide your savings goals to. Maybe you have a friend who wants to save too; work together to reach your goals and ensure you stay on track.

8 Don't get sucked into 'deals'

Strangely, not having any budget to spend made me aware of the number of so-called deals that we are presented with. Whether that is emails telling us about sales, TV advertising telling us to grab a bargain, or two-for-one offers in supermarkets, everywhere you look you are being offered a discount.

Except are we? It is only really a deal if you actually need the item in the first place and would have bought it full price. If not, you are spending money on an item that you probably don't need and wouldn't have bought at full price.

Yes, that top is 50% off but if you don't need it and don't buy it, that's a saving of 100%.

9 Look to the past

I took inspiration from my grandparents during the challenge and returned to the discipline of old-fashioned housekeeping and in doing so reduced my grocery bill to just £31.60 on average a week to cover three meals a day for both me and my husband, basic toiletries, such as soap and toothpaste, and essential household goods like washing powder.

For someone who would pop into a mini supermarket on the way home from work to pick something up for dinner and end up spending £15, this was a major achievement.

I didn't do anything revolutionary – I was just very organised. I did weekly stock takes of the cupboards and freezer to see what I already had, planned meals for

the week ahead, wrote precise shopping lists (and stuck to them), shopped in multiple shops for the best prices and batch-cooked vegetarian meals weekly.

This ensured we never went hungry, never ran out of loo roll, and kept the food spending to a minimum. Yes, it took time to do but once you get into a routine it becomes less of a chore (and I now have an encyclopaedic knowledge of prices in my local Lidl).

Although the meal plans could get a bit boring as we ate the same lunch for a week solid (usually a veggie chilli, spaghetti Bolognese or curry), I actually ate far better than I had previously. Processed foods and chocolate treats were replaced with plenty of vegetables and lentils, and I actually lost a stone unintentionally over the year.

10 Get out of your comfort zone

When it came to spending, I was stuck in a rut of trips to the pub, meeting my friends in restaurants and buying stuff because I was bored. With no budget for socialising or anything else, I had to find a new way to live and live happily.

At first it was difficult – especially because I started the challenge in winter when it was cold and dark and my friends, understandably, didn't really want to go and wander around a gallery after work – but as the spring sprung and days got longer my perspective changed.

I spent more time outdoors riding my bike, walking and wild swimming, and even managed to go on holiday with my husband. We strapped our tent and sleeping bags to our bikes and cycled from London to Suffolk and up the coast to Norfolk.

I would never have even considered doing those things before, but you have to embrace the new and sometimes unusual, and be willing to be more adventurous if you want to live a frugal life and have some fun.

So many of us get stuck in a pattern of spending but by challenging yourself to find new ways to have fun, you can shake up your finances – it's all about mindset. mw

'No spend' tips from the Moneywise team

Helen Knapman says: "My money-saving tip is to make a packed lunch for work. Yes, it's a little bit obvious, but the savings are huge. I calculated that I spend between 85p to £1 a day on my packed lunch – depending on if I have a sandwich, salad or homemade soup – which is a daily saving of about £4 compared to the £5ish you'd likely pay in most shops for the equivalent readymade. Over a year, (assuming you have 28 days' holiday, including bank holidays) this is an expenditure of £233 and a saving of £932 compared to £1,165 if you spent an average of £5 a day on eating out."

Rachel Lacey says: "I feel rather middle-aged admitting this, but last Black Friday I treated myself to a big chest freezer for our garage and it has been the best money-saving investment. We've long been guilty of spending too much on last-minute trips to the supermarket or phoning for takeaways because we don't fancy cooking and it costs us a fortune. However, now I know that if we feel too tired to cook or are in a hurry there is always something in the freezer – whether it is pizza or fish and chips or a batch-cooked casserole or lasagne. Another big plus is that if we are strapped for cash I know I only need to buy fresh food on my weekly shop as there will plenty in the freezer to keep us going."

Moira O'Neill says: "Try to work out what you actually earn in pounds and pence for every hour that you work and think about your spending in terms of hours worked. I use Thesalarycalculator.co.uk to help me do this because it calculates your daily take-home pay after tax and pension contributions, which you can then divide by the number of hours worked per day. Every time I want to buy a luxury item (usually clothes or shoes), I remind myself how many hours I've had to work in order to buy it. That usually takes the edge off any buzz that I'd get from making the purchase."

MICHELLE McGAGH is a freelance personal finance journalist who writes for *The Guardian*, City Wire, AOL and *Money Observer*

THE A-Z OF BUYING

Shopping for a new car is exciting, but you can get in a spin when faced with the many choices to make. Petrol or diesel? New or secondhand? And then there's how to finance your new motor. Here's how to get it right

BY NICK GIBBS

Britain's sophisticated car market gives us a wealth of options in terms of model type, size, fuel, and finance method. It can be confusing to sift through it all to find your perfect car, but it doesn't take long to figure out what works best for you and that's where this guide comes in.

You'll already know what you want from your car, so here we show you how to find the perfect model, while keeping a lid on the bills.

What car to go for?

The golden rule is the smaller the car, the cheaper it is to buy and run. They are less complicated, need less fuel to haul about and hold their value better.

They're also cheaper to repair and to insure. Cars such as the Ford Fiesta are a whole lot safer to drive these days than the flimsy tin boxes of old. They're more comfortable too, especially on long journeys.

However, one important thing to consider is that car makers share a lot of parts between brands to save money. That means, for example, there isn't a lot of difference technically between a Volkswagen Golf hatchback, a VW Tiguan SUV, a Seat Leon hatchback or a large Skoda Superb estate. They are all built by the VW Group and all use the same platform underneath, just raised a bit or stretched a bit.

The biggest difference is usually in the design. This means if your preferred VW Golf is looking expensive, then a similarly sized Seat Leon or Skoda Octavia, for example, might be better value.

The smaller the car, the cheaper it is to buy and run

This way, if you don't care too much about the brand, you can still buy a well-made vehicle that does pretty much everything a more 'premium' car might. Skoda is the perhaps best example of this – all the VW expertise, with a good saving on the price.

Petrol or diesel?

This decision used to be a no-brainer. If you're doing more miles in a bigger car, then a frugal diesel was the fuel to go for. Local miles in a small car? Then choose petrol. But diesels are currently in the naughty corner for their dirty tailpipe emissions, and manufacturers are struggling to clean them without a great deal of expense (or cheating).

Diesel cars still accounted for just under half of all UK sales last year

A NEW CAR

despite slipping slightly against petrol and hybrid/electric cars.

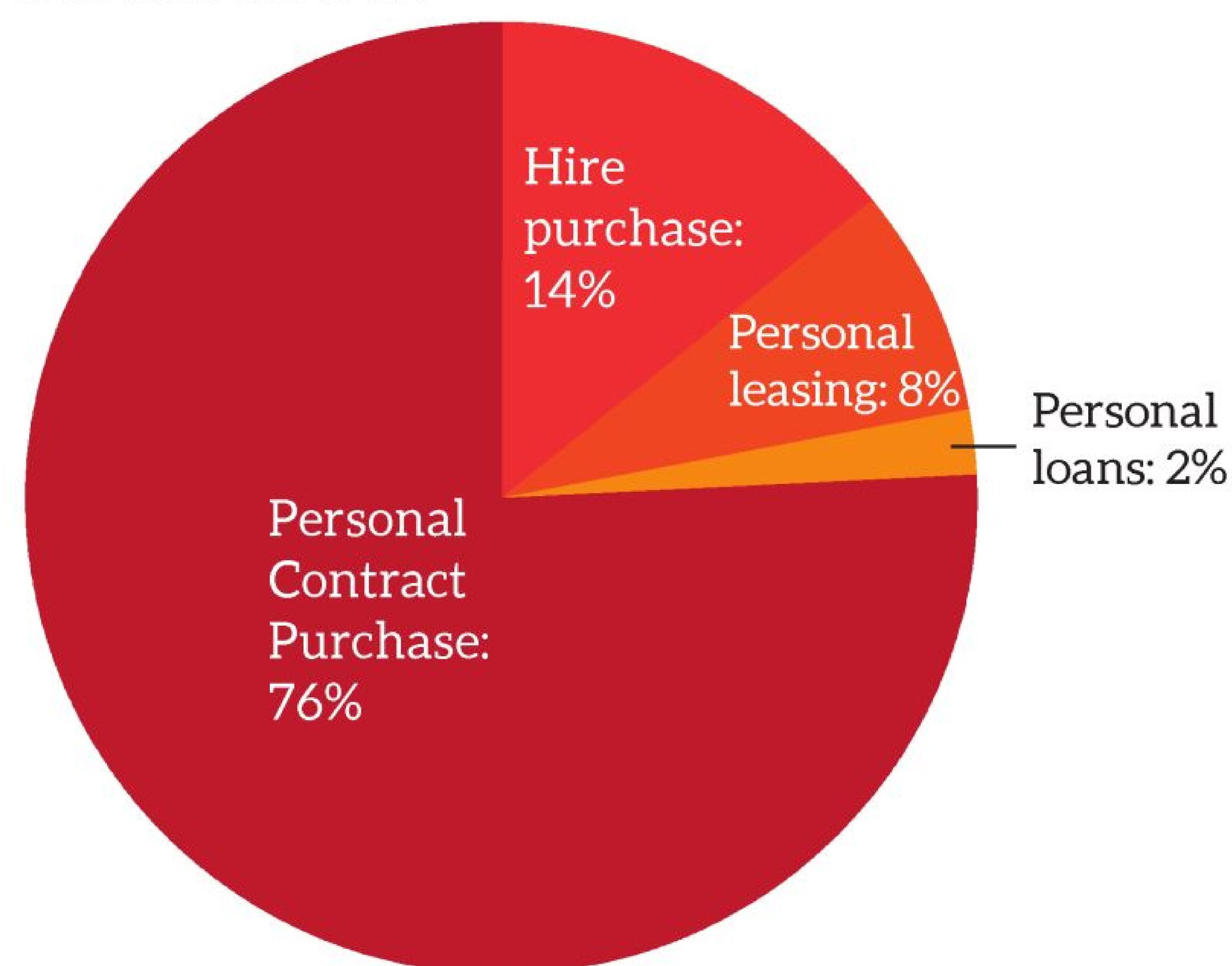
Last year, the government signalled that diesel cars may be taxed more in the future than they are currently to penalise their emissions. And cities such as London are talking about penalising or even banning diesel cars within their centres. Both would make them more unpopular to secondhand buyers, killing their value.

Small but powerful petrol engines are increasingly being successfully fitted to larger cars, for example the 1.4-litre turbocharged unit in the new Audi A4. Its maker claims economy of nearly 60mpg, getting close to diesel.

Realistically, however, you won't see anywhere near that figure. Fuel consumption on turbo petrols can rise dramatically unless you're very gentle. Diesels are still reliably more economical, meaning the old rule still stands for now: diesels remain the best option if you want a larger car and will travel the extra miles to offset the extra cost with the fuel savings.

The rise of finance

87% of all new cars bought privately are financed. The methods drivers use are shown below:



Source: Finance and Leasing Association, 12 months to the end of September 2016.

Hybrid or electric?

Electric cars are becoming more viable for a one-car family as the range increases. The two most accessible electric cars, the Nissan Leaf and Renault Zoe, have both had their battery output increased to travel further on a single charge. The new range-boosted Zoe supermini will travel up to 178 miles, compared to 96 miles for the standard car.

Electric cars are not popular enough secondhand to hold their value well, so buy with a PCP (personal contract purchase) with a guaranteed future value or lease it. Renault currently has the longer-range Zoe available on a PCP offer of £269 a month for three years with a £2,000 deposit.

The deal includes a free charging box that will be fitted to your garage or the side of your house, but you need a driveway for the latter option. Bank on your electricity bills going up by around a third, but you'll save compared to the cost of fueling a conventional car. The Energy Savings Trust estimates fuel costs of between £2 and £3 per 100 miles for an electric car, compared to between £9 and £13 for a conventional vehicle. They also attract no road tax.

Hybrids come in regular or plug-in varieties, with the latter charging from an outside electricity supply to boost the electric-only range to 20 miles or so before the engine kicks in. The Mitsubishi Outlander SUV is the best seller here, but it is pricey and heavy on fuel once the electric charge is depleted.

Cars costing under £50,000 new that hold their value best

Car	Percentage of new value retained after 3yrs/60k miles
1. Jeep Wrangler	62.8%
2. BMW Alpina B3	61.2%
3. Lotus Elise	59.4%
4. Audi Q5	58.3%
5. Mazda CX-5	52.8%
6. Dacia Sandero Stepway	52.2%
7. Audi A5	52%
8. Nissan 370Z	51.8%
9. Toyota GT86	49.8%
10. Subaru Forester	47%

Source: CAP, January 2017

The best regular hybrid is the Toyota Auris, which uses the technology from the bigger Prius but in a good-value package that starts from £20,895 for the Active Hybrid. It is more pricey than the petrol version (from £16,495) but, unlike diesels, hybrids thrive on short journeys, where the battery is topped up by regular braking, so they can return phenomenal fuel economy.

How to finance: PCP or lease?
Pretty much all of us finance our car purchases now. Last year almost nine in 10 (87%) of all new car sales to private buyers were financed in

Last year, 87% of all new car sales to private buyers used finance deals

some way, according to the most recent data from the Finance and Leasing Association (FLA).

Three-quarters of those finance sales are made using a PCP. This differs from straight hire purchase in that you are deferring a chunk of the price over two, three or four years. You can pay that deferred chunk at the end of the agreement or give the car back. That way, the monthly payments are much reduced.

However, the idea is that you overpay each month and the dealer estimates the drop in value of your car from start to finish of your finance agreement. The dealer should then give you back enough money to help you pay for the deposit on the next car you buy, or you can keep the cash.

It is worth knowing that because it is your car (unlike with leasing), you can also sell it privately when the agreement ends and pay the dealer back that way, and it is worth checking places, such as WeBuyAnyCar, for their valuation before going back to the dealer, which might not be so generous.

An example of a PCP deal is one offered currently by VW for a base Up! city car. The payments are £99 a month over four years with £2,484 down and 10,000 miles allowed a year. After four years, you can pay £3,310 or hand it back.

There is no easy place to check current PCP deals other than manufacturer websites, but if you know what car you're looking for Askaprice.com will put your request out to dealers for their best price (for leases too).

When it comes to hire purchase (buy outright, pay monthly), this has fallen to just 14% of sales, while just 2% of new buyers used personal bank loans. One trend is the rise of leasing, which now accounts for 8% of all purchases, a jump from 6% in 2015, according to FLA figures.

Leasing, also called private contract hire (PCH), is essentially long-term hire. You pay a deposit, usually the equivalent of three or six monthly payments, and sign up to monthly payments before handing it back under the agreed mileage limit.

As with PCPs, there are often deals to be had because manufacturers can tempt people in with cheap monthly payments without advertising they are in effect cutting a huge chunk off the list price, which generally plays havoc with the car's resale value.

You can compare lease prices on Contracthireandleasing.com or Whatcar.com, but don't forget to tick the box for personal leasing, so you know the VAT has been added. That is not always a given because leasing started out as a way for businesses to finance fleet cars.

As with PCPs, prices aren't as good as they were before the pound lost much of its value against the euro in July last year, and many leasing companies are asking for a higher upfront payment. But they can still be surprisingly good. For example, a

When servicing a secondhand car, choose a decent independent. Franchise dealers can charge double on labour rates and are more likely to replace parts

recent offer from a franchise dealer had a Skoda Octavia Scout 2.0 TDI DSG auto for £159 a month over two years at 10,000 miles a year with £2,490 upfront.

That is £6,306 over the two years, or 21% of the £29,450 list price. Anything under 25% is considered good. You won't pay road tax, and you'll be offered a deal on servicing (or it is sometimes thrown in for free).

Monthly prices can be better than PCPs because you're paying VAT on just your monthly payments and initial payment, not the price of the whole car, as you are with a PCP. You'll pay if you go over the mileage allowance, but that can range from 7p a mile to over 20p – so do check.

Some people might feel more comfortable leasing from a main dealer, but the many leasing companies that have sprung up recently are essentially repackaging manufacturer deals. Just make sure they're registered with the BVRLA (the trade body for the vehicle renting and leasing sector).

What about depreciation?

We all know some cars hold their value better than others. We asked used-car pricing expert CAP to come with the list of the top 10 cars that held their value best, and those that made the list (see far left) included premium cars such as the Audi A5, sports cars like the Lotus Elise and Toyota GT86 and SUVs like the Mazda CX-5, Jeep Wrangler, Audi Q5 SUV and Subaru Forester.

But even cheaper brands can hold their value – in sixth place was the higher Stepway version of the budget

Dacia Sandero, which retained 52% of its average new price of £10,140 after three years and 30,000 miles.

A higher resale price means better finance deals, so a new premium car could be more affordable than a more mainstream car. For example, on Contracthireandleasing.com we saw an Audi A4 Avant estate with a 1.4-litre petrol engine being offered by an Audi dealer with a lease price of £261 a month plus an initial rental price of £783. Meanwhile, one of the best Ford Mondeo estate deals offered by a Ford dealer on the same site pushed up the monthly figures to £292 with £875 up front, despite having a similar engine and spec to the Audi, and with the same two-year/10,000-a-year mileage contract.

Should I buy secondhand?

The cheapest secondhand car to own is usually the most reliable. A useful resource is the Reliability Index from Warranty Direct, which uses its warranty data to work out which cars it pays out on most often.

It lists the most reliable brands as Daihatsu, Honda, Suzuki, Toyota and Mazda (all Japanese), with Bentley, Land-Rover, Porsche, Chrysler and Alfa Romeo at the bottom. Bear in mind data is taken from older cars, so makers might have pulled up their socks on newer models.

When servicing a secondhand car, aim for a decent independent. Franchise dealers typically charge double those of independent specialists on labour rates, and are more like to replace parts than hunt for the cause of the problem.

It is no longer the case that you have to pay cash or use a bank loan. Buyers are increasingly turning to dealer finance offers, including PCP, to buy used cars. Last year, 40% of used cars bought from franchised dealers were bought this way, according to figures from the FLA in the 12 months to the end of September – up from 37% the year before. Hire purchase remained the most popular route to finance with 55%, while just 4% were purchased off the forecourt using a bank loan.

Britain's most reliable car brands

- Daihatsu
- Honda
- Suzuki
- Toyota
- Mazda
- Lexus
- Ford
- Rover
- Nissan
- Renault

Source: Warranty Direct reliability index. Based on the number and cost of warranty claims, October-December 2016

What about insurance?

It is important to shop around to get the best deal. Sadly, loyalty rarely pays with insurers and unless you compare prices and ask your insurer to price match, chances are your premiums will rise each year – whether or not you make a claim. Many insurers give you the option to auto-renew, which makes life easy but also more expensive. From April 2017, insurers have to print last year's premium on your renewal documents, so you can see if you're paying more or not. But still compare prices with other companies. mw

NICK GIBBS is a freelance motoring journalist who writes for *Automotive News Europe, Telegraph Cars* and *Auto Express*

The lowdown on LIFETIME ISAS

A new Isa is set to arrive in April, but is it any use to you? If you're planning to buy your first home or you want to kick-start your pension savings in your 20s and 30s, then read on...

BY RUTH JACKSON

The latest addition to the individual savings account (Isa) family arrives with the new tax year in April. The Lifetime Isa (Lisa) is aimed at first-time buyers and young retirement savers, but has received mixed reviews so far. Here's everything you need to know.

What is a Lisa?

The Lisa is designed to help first-time buyers and people starting to save for retirement. When you pay into a Lisa, the government will top up your deposits with an annual 25% bonus up to a yearly maximum of £1,000. So if you save £2,000 over a year, the government will add £500.

As with other Isas, you can choose a cash Lisa or an investment Lisa and once your money is in a Lisa it can grow tax-free.

Who can save into one?

I'm afraid if you are over 40, a Lisa will be of little interest to you. You can only open one if you are between 18 and 40 years old. If you turn 40 on or before 6 April 2017, you are not eligible for a Lisa.

Once you have opened a Lisa, you can save into it and continue to get the government bonus until you are 50.

How much can I save?

The annual limit on Lisa deposits is £4,000. If you deposit the full amount, you would benefit from an annual £1,000 government bonus. Pay in the full amount each year from the age of 18 to 50, and you would bank £32,000 from the government.

That annual £4,000 limit is quite low, but you are allowed to open a normal Isa alongside a Lifetime Isa and pay the rest of your Isa allowance (£20,000 from 6 April) into that.

Also, you will be able to transfer money into your Lisa from other Isas up to the £4,000 annual limit.

What can I spend the money on?

Unlike other Isas where you are free to spend your savings as you like, there are big restrictions on what you can use your Lisa money for. You can use your Lisa savings to help purchase your first home, but the property must be valued at less than £450,000 and you must have had your Lisa for at least 12 months.

If you don't use the money for a property purchase, you can't access it until you are 60 – so it is intended to be used to help fund your retirement.

It is worth noting if you are buying your first home, you don't have to withdraw your entire Lisa balance. You can leave some money and continue to save for your retirement.

Another benefit of Lisas is that there is no tax to pay when you access your money.

What happens if I need my money before I'm 60?

It is possible to withdraw money other than for a first-time house purchase from your Lisa before you turn 60, but you will pay a hefty 25% penalty on whatever you withdraw. The aim is to recoup the bonus you have earned from the government plus a small charge.

The only exception to the rule is if you are given less than a year to live, then you can withdraw the cash without penalty.

Is it good for first-time buyers?

A Lisa is a brilliant savings vehicle for anyone hoping to get on to the property ladder, as you will

benefit from free cash from the government to help you. Plus a Lisa is an individual product, so if you are buying as a couple you can each use a Lisa. That means you could save up to £8,000 a year and benefit from a £2,000 a year cash bonus.

Pension or Lisa?

Unless you are self-employed, a pension remains a better choice for retirement savings than a Lisa.

"Workplace pensions have the advantage over the Lisa as there will be an employer contribution as well as the tax relief. Pound for pound, that's better value for your retirement savings," says Danny Cox, a chartered financial planner at Hargreaves Lansdown.

But there are a couple of reasons why you should consider using a Lisa as part of your retirement planning. Firstly, if you are self-employed you aren't getting the benefit of employer contributions to your pension, but a Lisa would provide you with a 25% top-up from the government, slightly higher than the tax relief that basic-rate taxpayers would get on a pension.

Secondly, with a Lisa you can withdraw the full amount at 60 without paying tax on it.

"This would be particularly attractive if you think you might be paying more tax in or around your retirement or want to draw the money while you are still in some form of employment or receiving some income," says Adrian Lowcock, investment director at Architas.

> "Workplace pensions are better value than Lisas for your retirement savings"

However, if you are a higher-rate taxpayer, you will get 40% tax relief on a pension, so it should be your first choice for retirement savings.

If you have maxed out your annual pension contribution allowance – the maximum you can pay into your pension and receive tax relief on each year is £40,000 – then a Lisa is a good overflow retirement savings option. This is because not only do you get the government top-up on your Lisa, but when you retire you should use that money first to fund your living costs as pensions are subject to far better tax treatment upon your death.

When you die, the contents of your Isas – including the government bonus – and savings accounts count as part of your estate and can be liable for inheritance tax (IHT). But IHT is not paid on assets held within a pension. So if you want to hand on some of your wealth after death, you spend your savings first and leave your pension alone. mw

Who is offering Lifetime Isas?

At the time of writing, institutions had yet to announce their Lisa offerings, but it is expected that banks, building societies and investment firms will all offer the new Lisa.

RUTH JACKSON is a freelance journalist. She also writes for *MoneyWeek*, *The Times* and *The Guardian*.

Expert investment from £50 to

Whether you have a lump sum to invest or just want to squirrel away £50 a month, we ask the professionals for their investment fund picks

BY MOIRA O'NEILL

You don't need huge sums of money to kick-start an investment habit. Whether you have £50 a month to begin with or want to invest a windfall of £10,000, there is no time like the present to get your money working harder.

Over the long term, investing money will produce far greater returns than you'll get from high street savings accounts. But for beginners, the question is: how should I invest?

We've put together four different investment scenarios and asked the experts how they would invest the cash. The answers should help beginner investors of any age and any financial background plan for their family's future by offering hints and tips on how and where they should invest their cash.

As always, if you are in any doubt, make sure you seek independent financial advice to help you make the right decisions. If you don't have a personal recommendation from friends or family, you can use *Moneywise*'s online tool to help find an adviser in your area: www.moneywise.co.uk/find-an-ifa

£50 A MONTH

Where you should invest depends on why you are investing, over how long and the amount of risk you are willing to take.

"The stock market is generally a good place to start for long-term investing"

When investing on a monthly basis, it is best to have a clear understanding of what you are actually saving the money for. If your aim is to build up emergency funds or you're saving for something specific and expect to spend the money within the next three to five years, deposit accounts and cash Isas are probably the best way to go.

You should aim to make regular deposits into a cash individual savings account (Isa), where all interest will be paid tax-free.

Justin Modray, director of Candid Financial Advice,

tips £50,000

says the golden rule is the same however much you invest: make sure you don't bite off more risk than you can chew.

"If you can invest for five to 10 years or more and sleep soundly through potential downturns along the way, then the stock market is generally a good place to start for long-term investing," he says. "An added potential advantage of monthly investing is that it helps smooth the ups and downs of markets."

He says beginner investors with £50 a month should opt for a single fund and consider switching future contributions into another fund once they have built up a reasonable amount of money. See Investment Doctor on page 65 for ideas on how to add funds if you increase your regular monthly contributions.

Recommendations

For those who want to adopt a more cautious approach and don't want all of their money going into shares, Patrick Connolly, a certified financial planner at Chase de Vere, rates **Investec Cautious Managed fund**. This fund spreads risks by investing into other asset classes alongside shares, such as government bonds, gold and cash.

Mr Modray says the **Vanguard LifeStrategy*** range of funds offer a cheap and convenient way of investing your money across global stock markets and fixed-interest investments such as government and corporate bonds. There are five options, ranging from 20% stock market exposure to 100%, so they should suit most needs.

The 20%, 60% and 100% equity versions are members of the *Moneywise* First 50 Funds for beginners – see www.moneywise.co.uk/first-50-funds.

Peter Chadborn, director and adviser at Plan Money, recommends a fund with a cautious objective for someone starting out with just £50 a month: "We require a low-cost, highly diversified, risk-controlled solution and, of course, good consistent past performance. To meet these criteria, I would suggest the **Vanguard LifeStrategy 40% Equity fund**."

If you are happy to have all your money in higher-risk company shares, Mr Connolly recommends a "good low-cost UK tracker fund" that will give broad exposure to the UK stock market. He likes the **HSBC FTSE All Share Index fund**.

For those who are happy to take greater risk, then exposure to more volatile areas such as emerging markets can be considered. "These have the potential to perform very well over the long term," adds Mr Connolly. "A good choice is the **JPM Emerging Markets fund**."

£250 A MONTH

Mr Modray says: "Larger sums of money make it practical to put together a basket of funds that gives you exposure to several asset types that are unlikely to all move in the same direction at the same time. It can also make sense to add further diversity by combining cheap stock

market tracking funds with active managers who invest quite differently. At the very least, I'd suggest exposure to UK and overseas stock markets, fixed interest and commercial property."

Darius McDermott, managing director at Chelsea Financial Services, suggests the following strategy. "For cautious investors – perhaps someone making the transition to investing in other asset classes other than cash for the first time – I would suggest a mix of a more defensive UK equity income fund and a targeted absolute return fund.

"An equity income fund is a way of getting exposure to the stock market but at the same time should be less volatile than a growth-orientated fund."

Whatever funds you go for, review your fund choices regularly, at least once a year and preferably every six months.

Recommendations

In the UK Equity Income sector, Mr McDermott likes the **Artemis Income fund.** He says the managers invest for both value and growth and the fund has a consistent yield at around 4.1%.

In the Targeted Absolute Return sector, he favours **SVS Church House Tenax Absolute Return Strategies,** which he says is "one of the few funds in the sector to target an absolute return from diversification and risk management alone".

Mr Modray says: "**The Vanguard FTSE UK All Share tracking fund** is a good bedrock for low-cost exposure to the UK stock market. **CF Woodford Equity Income*** and **Marlborough Special Situations** would nicely complement this. Both funds also invest in the UK stock market, but very differently from the FTSE All Share index. Mr Woodford tends to shun certain sectors he believes will struggle while Marlborough focuses on medium- and smaller-sized companies.

"Likewise, **Vanguard FTSE Developed World ex UK*** offers very cost-effective tracking exposure to overseas stock markets with **Fundsmith Equity*** and **M&G Global Dividend** being good diversifiers. Fundsmith invests long term in a handful of companies with good prospects, while M&G focuses on companies with rising dividends and tends to have a higher weighting to resources and financials companies, sectors which Fundsmith largely ignores.

"I like **Fidelity Strategic Bond** and **Jupiter Strategic Bond*** for fixed-interest exposure. Both funds allow their managers a free rein as to which fixed-interest investments they buy, which should bode well across varying market conditions. Fidelity tends to be the more cautious of the two funds, so it can work well holding both side by side.

"Commercial property funds come in two flavours, those that buy physical property and those that buy property company shares. To help diversify stock market exposure, I prefer physical property and the **L&G UK Property fund** does a good job of this. It also holds plenty of cash in reserve to meet redemptions during difficult periods."

£10,000 LUMP SUM

All our experts state that your attitude to risk is one of the most important things to consider before you invest your £10,000. "You must ask yourself: how much risk am I prepared to take? How long am I investing for? What are my investment goals?" says Mr McDermott.

He says a medium-risk person looking for capital growth across a minimum 10-year investment horizon could consider weighting their portfolio towards 40% in the UK, 20% in the US, 15% in Europe and 5% each in Asia, Japan and other emerging markets, as well as 10% in so-called absolute return funds.

Interactive Investor's most bought funds in 2016

Rank	Fund
1	Fundsmith Equity*
2	CF Woodford Equity Income*
3	Axa Framlington Biotech
4	Vanguard LifeStrategy 80% Equities
5	Lindsell Train Global Equity*
6	HSBC FTSE 250 Index
7	Artemis Global Income*
8	Vanguard LifeStrategy 100% Equities*
9	BlackRock Gold & General
10	Invesco Perpetual High Income

All our experts said that investors should look to tax-efficient investments as a first port of call. That means using your Isa allowance of up to £15,240 for the 2016/17 tax year. Plus if you are prepared to lock the money away until you're at least 55, then you could consider pensions, which give an upfront boost to your investment via income tax relief on contributions.

Recommendations

Rebecca O'Keefe, head of investment at Interactive Investor, *Moneywise*'s parent company, says that for those who do not have time to monitor their investments, Terry Smith's global equity fund, **Fundsmith Equity***, is a top performer, with an unconstrained mandate, making it easy for the fund to invest where it wants, when it wants. The fund was Interactive Investor's most bought fund in 2016 and has performed very well since it launched in 2010 by investing in a full range of global investments across different asset classes and sectors.

"For investors who are looking for exposure to emerging markets, then **Jupiter's Global Emerging Markets fund** is a well-known, attractive option," Ms O'Keefe adds. Investing in companies based in, or exposed to, emerging market economies worldwide, this fund is not for the faint-hearted, but has an enviable track record for those looking to take a high risk, potentially high return approach.

Mr Connolly says a good choice could be **Schroder Multi Manager Diversity**, which invests one-third in shares, one-third in fixed interest and one-third in other investments, such as property and commodities.

"If you've already got an investment portfolio in place and are happy to take greater risks, then good choices could include **Jupiter UK Growth**, which invests in UK shares, or **AXA Framlington American Growth**, which invests in US shares," he says.

> "Where to invest £50,000 is dependent on your time horizon, attitude to risk and objectives"

£50,000 LUMP SUM

"How and where to invest £50,000 is very dependent on a number of factors – time horizon, attitude to risk and objective – whether that's income, growth or a bit of both," says Sheridan Admans, investment research manager at The Share Centre.

Mr Connolly adds: "If you don't have many, or any, other investments, then you shouldn't take too much risk. If you take big risks and your investment falls by 20%, which is entirely possible, then your £50,000 investment will be worth only £40,000," he warns.

Mr Connolly believes the best way to spread risk, and so help to protect your money, is to invest in different investment types. "So perhaps put some money in shares, some in fixed interest and some in property. Then also spread risk within each of these assets by picking different types of investment in different geographical regions. So, for example, with shares you can invest in large and small companies, in different types of businesses and in different parts of the world," he says.

Recommendations

Mr Connolly suggests those looking to spread risk by diversifying could consider investing through a multi-asset fund such as **Schroder Multi Manager Diversity**, **Investec Cautious Managed** and **JPM Multi Asset Income**.

Alternatively, Mr McDermott recommends they consider **Chelsea Financial Services' balanced growth Easy Isa portfolio**. The six funds in which it invests are: **AXA Framlington American Growth**, **AXA Framlington UK Select Opportunities***, **Henderson Strategic Bond**, **Henderson UK Absolute Return**, **Liontrust Special Situations** and **Threadneedle European Select**.

However, for those looking for income, he suggests a diversified income stream from a mix of property, strategic bond and equity income funds that use covered call options to enhance the income provided.

"I like the **Henderson UK Property Fund***, which has one of the highest yields in the sector; **Invesco Perpetual Monthly Income Plus**, which again has one of the highest yields in its sector; **Fidelity Enhanced Income** (which alongside investments in UK companies uses high-risk derivative instruments to generate additional income and **Schroder Asian Income**."

Sheridan Admans, investment research and fund of funds manager at The Share Centre, suggests investors seeking income and who are prepared for a bit more risk in the hope of generating growth could consider the **Polar Capital Global Convertible**, **Newton Global Higher Income** and **Legg Mason ClearBridge US Aggressive Growth funds.** mw

**A member of the Moneywise 50 First Funds: www.moneywise.co.uk/first-50-funds .*

The Association of Investment Companies

Welcome to the world of investment companies

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WHERE SHOULD I INVEST AN EXTRA £75 A MONTH?

One reader, aged 51, is at pains to work out which funds he should regularly invest in

BY MOIRA O'NEILL

I have been investing in two funds over the past three to four years: Witan Investment Trust Isa and Fidelity Special Values Investment Trust. These are my only stock market investments, but I have plenty of savings in the bank. My total investments are £150 a month. I would like to invest another £50 to £75 a month. Any suggestions?

Initial diagnosis

Gary Millward, a financial consultant with Alan Steel Asset Management, says: "Given you are only 51 and have funds also lying in deposit, you should be prepared to invest monthly as much as you can afford in order to have the best chance of a decent retirement income.

"We wonder, though, why you don't consider either saving completely inside an individual savings account (Isa), with no added charges and freedom from capital gains tax (CGT), or leveraging the investment returns by investing within a pension.

"I don't know your tax position, but even a basic-rate taxpayer receives a 25% uplift on pension contributions. It's even better for 40% taxpayers - a 67% uplift, and then invested in a fund also free of CGT and inheritance tax.

"Witan and Fidelity Special Values are long-term favourites. We would continue dripping into them, but this is a chance to diversify into other funds. Don't keep too much excess cash savings – interest rates are going nowhere fast."

Jason Hollands, the managing director of Tilney Group, says: "Your holdings in Witan* and the Fidelity Special Values investment trusts, both of which invest in equity markets, suggest you are a long-term investor looking for capital growth rather than needing any income from these trusts. Both of these are sound investments.

"You should focus on upping your overseas exposure"

"Fidelity Special Values invest in the UK market, with a strong bias towards small- and medium-sized companies, while Witan has a global remit but nevertheless has a policy of always having a large chunk in the UK which currently represents 41% of the portfolio.

"Together, this means your investments are predominantly in the UK stock market, so you should focus on upping your international exposure."

Investment treatment

Mr Hollands continues: "One of my firm favourites in the investment trust world is Scottish Mortgage Investment Trust*, which confusingly neither invests specifically in Scotland nor has anything to do with mortgages. It does, however, invest in high-growth companies from across the globe, taking a concentrated and unconstrained 'go anywhere' approach.

"Currently, the Scottish Mortgage portfolio has 46% in US companies, 20% in the Eurozone and 18% in Chinese companies, with just 4% in the UK so it would seem to fit alongside your existing UK-biased existing investments nicely. The top holdings are littered with fast growth companies such as Amazon and Facebook, electric car firm Tesla, Chinese online giants Tencent, Baidu, and Alibaba, and biotech giant Illumina, so the approach is fairly racy.

"An additional bonus is that Scottish Mortgage has very low annual costs of just 0.45%, which is a bargain for such a high performing investment and is considerably lower than the costs on your existing trusts."

Mr Millward says: "It depends how you feel about the future. If you, like us, think optimists will win through, we'd suggest you let go of the roof and stick the extra into an attacker, such as Nick Train, the fund manager of Lindsell Train Investment Trust.

"Nick was quoted recently saying he saw more opportunities right now than he had seen for a long time. Given his excellent performance numbers this past five and 10 years, we'd say he's worth listening to."

Alternative medicine

Mr Millward says: "If you are pessimistic and would rather hang on to the roof, adding a goalkeeper (safe pair of hands) such as Sebastian Lyon at Personal Assets Trust would make sense, given his defensive strengths over the last 16 years at Troy."

Mr Hollands says: "An alternative, which is an open-ended fund rather than an investment trust, is FundSmith Equity*, a concentrated global fund that backs quality businesses with strong cash flows, such as PepsiCo, Intercontinental Hotels, and Johnson & Johnson. The fund has a tremendous record and its manager, City big hitter Terry Smith, is confident enough in it to have invested £115 million of his own cash last year alone."

Moneywise says: Mr Millward's 'attacker' Nick Train also manages an open-ended fund Lindsell Train Global Equity*. mw

moneywise FIRST 50 FUNDS

*Fundsmith Equity, Lindsell Train Global Equity, Scottish Mortgage and Witan are all members of the *Moneywise* First 50 Funds for beginners. For more details, visit www.moneywise.co.uk/first-50-funds.

Do you have a question for the Investment Doctor? email **editor@moneywise.co.uk**

moneywise FIRST 50 FUNDS THE Q&A

Murray International Trust
Bruce Stout

Bruce Stout, manager of Murray International Trust – the highest performer of our **First 50 Funds** in 2016 – gives *Moneywise*'s **Helen Knapman** the lowdown

What is the Murray International Trust?

It is a closed-end investment trust. Its shares are listed on the London Stock Exchange, and there is a board of directors who govern the trust.

The trust seeks to protect and grow investors' capital over the long term, as well as pay an above-average dividend yield [annual income].

The main strategy is diversification, and as it's a global trust we can invest anywhere in the world. The trust currently has 48 equity holdings and 24 bond holdings, and is represented in 25 different countries worldwide.

What does being a 'contrarian' investor mean?

Contrarian investing in its purist form is just going against whatever the consensus thinks. This conjures images of people who buy deeply out-of-favour industries because they want to do the opposite of everyone else, and we do not do that. We don't go out of the way to do what everyone else isn't. But what we do want to do in the contrarian sense is to buy things that everyone is selling. This is because if there aren't enough buyers, you'll probably get the company at a cheap price.

How do you pick companies to invest in?

The first question is do we understand the business model? If we do, then we can value it and decide whether it's cheap or expensive.

We're looking for businesses that are different from the others we own, and we want a company that gets stronger as it grows.

Normally, the bigger the company gets, the weaker it gets; it becomes more vulnerable because you have

Murray International Trust key stats

Launched: December 1907

Total assets: £1.65 billion

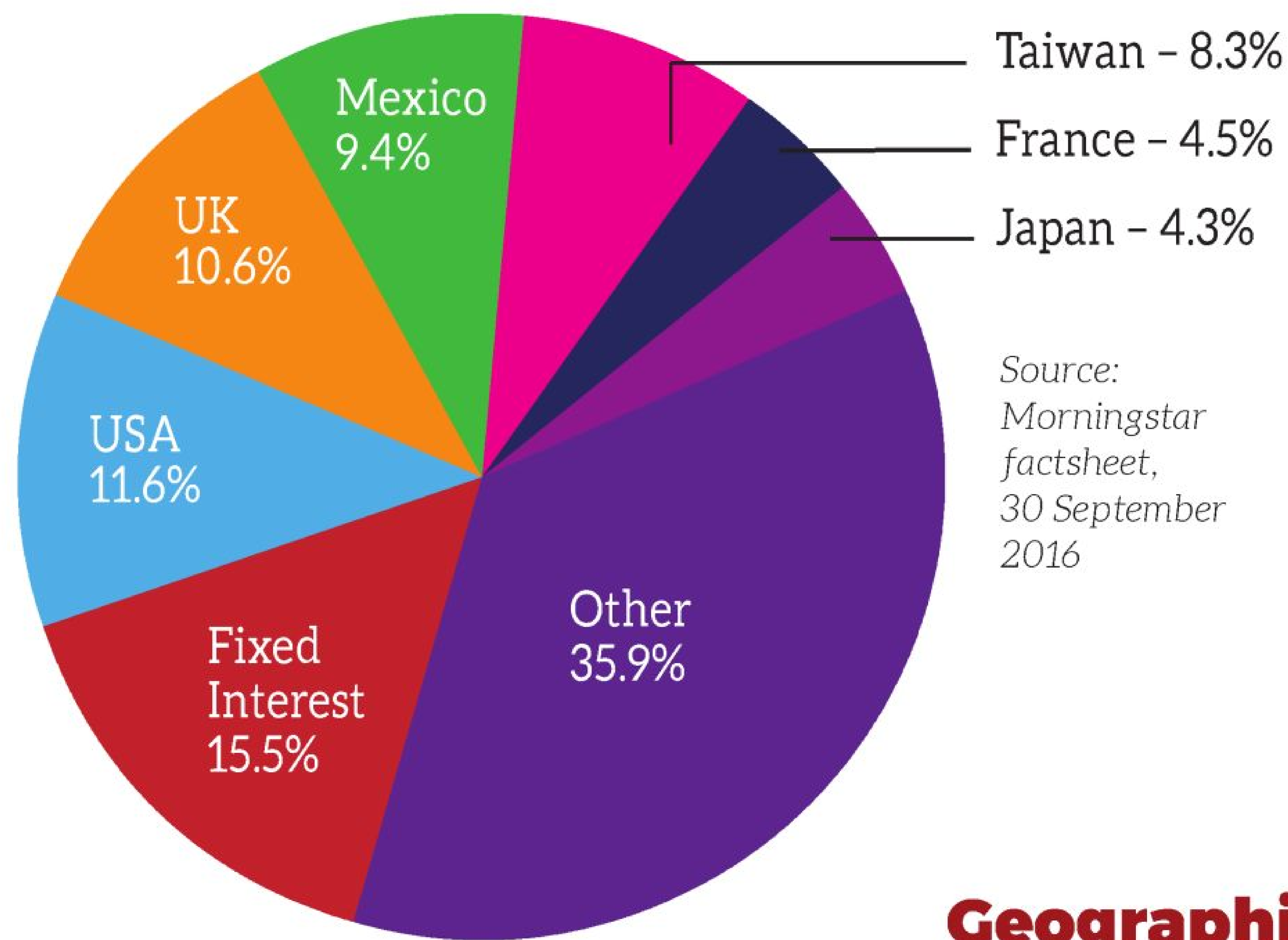
Net dividend yield: 4.08%

Ongoing charges: 0.75%

Source: Morningstar on 30 January 2017.

The man behind the fund

Bruce Stout joined Aberdeen Asset Management in 1987 via the acquisition of Murray Johnstone. Bruce has held a number of roles including investment manager on the emerging markets team. He began managing Murray International Trust in June 2004. Bruce graduated with a BA in Economics from the University of Strathclyde and completed a graduate training course with General Electric Company UK.



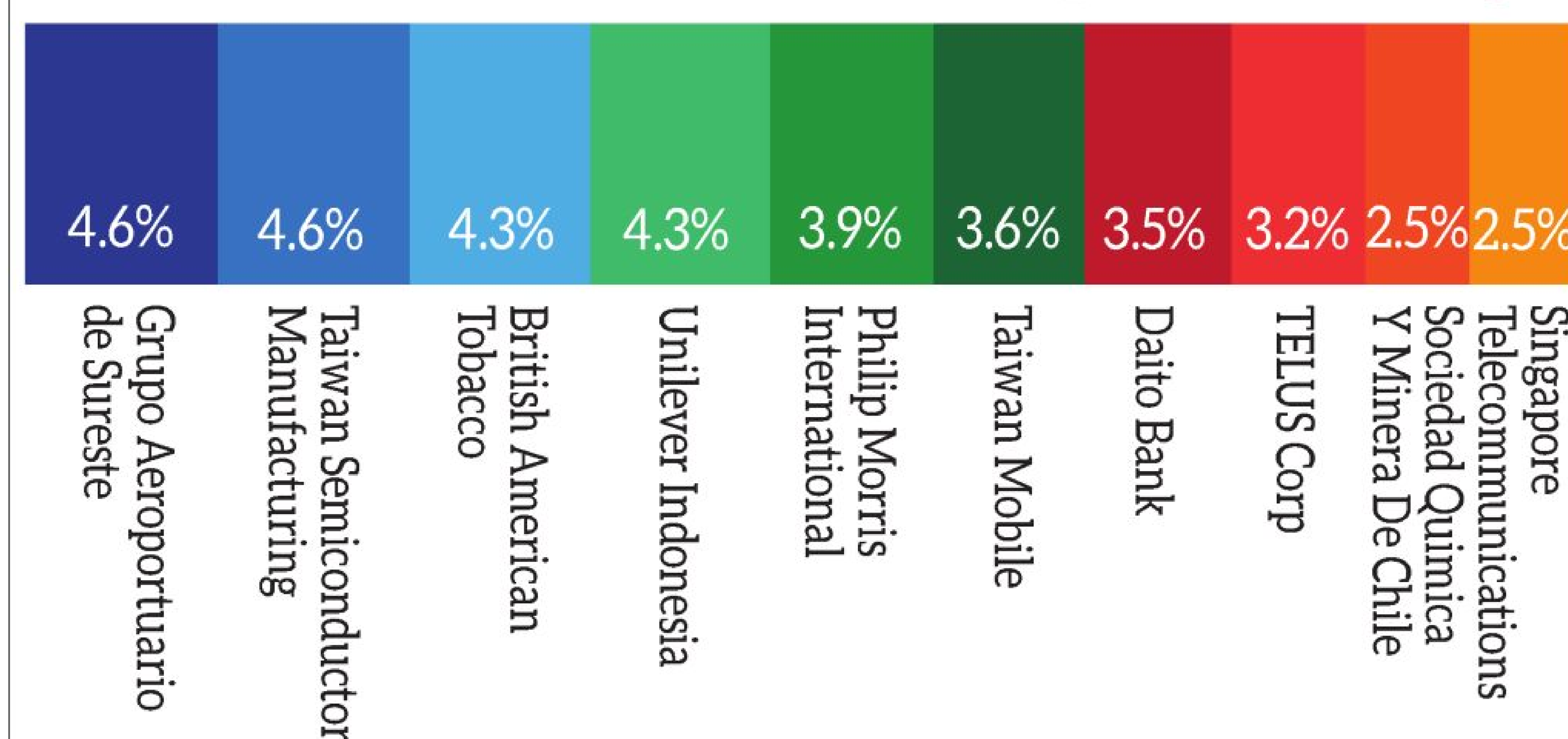
Geographic breakdown

Five-year performance of Murray International Trust

	2012	2013	2014	2015	2016
Share price	18.9%	4.1%	1.7%	-15.2%	50.4%
FTSE World Index total return GBP*	11.8%	22.3%	11.2%	4.3%	29.5%

**The performance benchmark. Source: Murray International*

Top 10 holdings



Source: Morningstar factsheet, 30 October 2016

to delegate, you have to expand, and mistakes are made.

But with some companies, the bigger they get, the stronger they get. Take one company that we own, Taiwan Semiconductor. It's very expensive and technologically difficult to produce semiconductors [the chips found in smartphones], and customers, such as Apple or Samsung, want quality. So although the chips are low cost, their quality is important. To have that, the company has to invest in itself, which costs billions. This financial muscle keeps out competition.

Another company we own, Asur, a Mexican airport operator, gets stronger as it gets bigger because there is no competition. You can't build another airport in those areas, but you can add terminals and in airports a captive group of people want to spend money.

> "We buy and hold, but we're not slaves to holding companies"

How often do you buy or sell companies?

Not often. If you look at our top 20 holdings, 15 have been in there for over 10 years. Every time you trade, it costs shareholders money in commission fees. Our strategy is to buy and hold, but we're not slaves to holding companies.

What companies have you recently bought?

We bought Auckland airport in New Zealand. It only has one terminal. so there's a lot of growth ahead for it.

We bought Siam Commercial Bank in Thailand too. In Thailand, there is huge growth potential as a lot of people don't have bank accounts, loans or mortgages.

Another 2016 purchase was MTR. It operates railway lines in Hong Kong and it's also working on Crossrail in the UK and other global rail projects.

What companies have you recently sold?

We sold out of Swiss insurance company, Zurich Financial. We felt the company might find it difficult now bond yields are negative. There is also pressure on insurance premiums and a saturation of insurance products on the market.

We also sold out of Baxter International, a medical company in the US. It split its business and we didn't like the new format – it wasn't the same company we invested in.

Are you worried about the impact of Brexit?

Murray International has the lowest exposure to the UK that it's ever had, but that's not because of Brexit – we didn't know this would happen. It is because UK profitability had been declining, sterling had been going up for five years, and the UK was living beyond its means. So there is not as much investment opportunity – there are one or two good companies still in the UK but not at a good price, and this means the opportunities for us this year are not in the UK.

What's your best and worst investment decision?

If you had four children and someone said to you "Which is your best child?", to answer that would be getting too emotionally attached. And if you get caught up emotionally in investing you'll lose a fortune.

What's your top tip for a beginner investor?

Invest monthly to cost-average any losses or gains. If you can't do this and want to invest a lump sum, lock it away in a box and don't do anything with it for at least five years.

Visit www.moneywise.co.uk/first-50-funds to view Moneywise's First 50 Funds for beginners. mw

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YOUR Fund Choices

New and updated issue for 2017 from Money Observer

› DETAILS ON 198 Funds and Trusts

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Where are Isa investors putting their money in 2017?

Individual savings account (Isa) investment trends so far this year have a familiar feel. UK investors have traditionally preferred to invest their money in UK companies.

This year almost a third of January Isa investments have gone into UK equity funds, which invest in the shares of companies listed on the London Stock Exchange.

Income generators popular

UK equity income funds, which invest in dividend-paying firms, are top of the pops, having attracted more than 15% of inflows. Strategic bond funds – which invest in government and corporate bonds, and were out of favour last year – attracted almost 8% of Isa money.

Winners and losers

The big loser is the property fund sector. After some commercial property funds suspended trading following the Brexit vote, their popularity plummeted. The sector has fallen from 6th to 21st spot, having attracted less than 1% of Isa inflows. It's a shame. The 'gating', although frustrating if you needed your money, stopped investors panicking and incurring big losses, and I believe these funds still have a place in a diversified portfolio.

Global emerging market funds remain unloved, having attracted a fraction over 1% of Isa investment. In contrast, Asia Pacific ex Japan funds have made a modest comeback, accounting for 4% of Isa sales.

Familiar fund faces

The top-selling funds are CF Woodford Equity Income*, followed by Fundsmith Equity*. Stewart Investors Asia Pacific Leaders* and Invesco Perpetual Monthly Income Plus regained the top 10 status they lost in 2016. There are fewer medium and smaller companies funds among the top-sellers. Investors may be waiting out Brexit uncertainty by favouring larger, US dollar-earning businesses in the FTSE 100.

Busy month

Despite having 12 months to make use of their annual Isa allowances, investors always seem to leave it to the last minute. March is by far the busiest month for Isas as people rush to meet the 5 April deadline.**

March could be especially busy, as Neil Woodford, one of the UK's most successful fund managers, is launching an income fund at the end of the month. When he launched CF Woodford Equity Income in 2014, it fast became the best-selling fund in the UK and has topped the charts since. The new fund, Woodford Income Focus, is set to pay a higher dividend, which will appeal to investors looking for income. Don't be surprised to see the name Woodford in the top two fund positions by the end of this tax year.

Top-selling sectors and funds among Chelsea Financial Services clients in January 2017

Position	Investment Association fund sector	% of overall Isa investments
1st	UK Equity Income	15%
2nd	UK All Companies	13%
3rd	Global	11%
4th	Sterling Strategic Bond	7%
5th	Europe excluding UK	7%
6th	Specialist	6%
7th	North America	5%
8th	UK Smaller Companies	4%
9th	Asia Pacific excluding Japan	4%
10th	Global Equity Income	4%

Position	Fund	% of overall Isa investments
1st	CF Woodford Equity Income*	5%
2nd	Fundsmith Equity*	5%
3rd	Threadneedle UK Equity Alpha Income	4%
4th	Marlborough UK Micro Cap Growth*	3%
5th	AXA Framlington American Growth	2%
6th	Stewart Investors Asia Pacific Leaders*	2%
7th	Invesco Perpetual Monthly Income Plus	2%
8th	JOHCM UK Dynamic	2%
9th	AXA Framlington UK Select Opportunities*	2%
10th	Liontrust Special Situations	2%

Equity income funds came top

** Member of Moneywise's First 50 Funds for beginners: www.moneywise.co.uk/first-50-funds*
*** Source: Chelsea Financial Services. Average level of Isa sales in final two weeks of the tax year, 2012-2016.*

Past performance is not a reliable guide to future returns. You may not get back the amount originally invested, and tax rules can change over time. Mr McDermott's views are his own and do not constitute financial advice. mw

DARIUS MCDERMOTT is managing director at Chelsea Financial Services and FundCalibre

Fund Briefing

Your guide to investing in stocks and shares

THIS MONTH: CONTRARIAN FUNDS

Brave investors wanting to make higher-than-expected returns are naturally drawn to contrarian funds. But it's not a stance for the faint-hearted

BY ROB GRIFFIN

Managers of these funds have a reputation for ignoring consensus views and drawing their own conclusions. And while there is the potential for them to reap handsome rewards by going against the crowd, it is equally possible for them to be horrendously wrong and lose money.

A successful contrarian investor is not a gambler. It is someone who doesn't follow the general consensus because they either disagree with the view or feel it has been exaggerated. This is especially relevant given many investors adopt a herd mentality.

A contrarian fund manager, therefore, will use their knowledge and experience to buy unloved companies and industry sectors that are being shunned by the rest of the market. By adopting this approach, they stand to make strong returns when these positions outperform.

They may also take different macro-economic views in terms of the outlook for growth, inflation or interest rates.

Patrick Connolly, a certified financial planner with Chase de Vere, says: "Many investors are positive about US equities and see the election of Donald Trump as good news for the US economy. However, a contrarian manager might not buy into the US growth story – or may see value in beaten up sectors."

The performance of contrarian funds can also be quite volatile. As a result, they can often be seen at the top or bottom of fund performance tables. Investing in such a fund, therefore, requires patience. "A contrarian approach can only work where you have good quality fund managers who are given the flexibility to back their own judgement and time to ride out any periods of underperformance," adds Mr Connolly.

Being contrarian requires a lot of conviction with performance often coming in fits and starts. "Contrarian investing requires a lot of research, expertise and time to be successful, so it's not suitable for the short term," adds Adrian Lowcock, investment director at Architas. "Sometimes investors do not have the patience to wait for contrarian managers to deliver on their investments."

However, it is important not to be contrarian just for the sake of it because there will be times when the consensus view is correct, points out Mr Lowcock.

"The biggest risk to adopting a contrarian approach is getting the call wrong and missing out on a market rally," he says. "By repeatedly doing this, you would seriously damage your wealth. Successful investors can't be contrarian all the time."

> "The biggest risk is getting the call wrong and missing out on a market rally"

QUICK GUIDE:
Is this area right for me?
Consider investing in contrarian funds if...

- You don't always want to go with the consensus
- You are patient
- You want a manager who doesn't follow the herd

Where to find contrarian funds

There is not a specific sector catering for contrarian funds. It is all down to the approach of individual managers, which means suitable funds for those wanting such an approach can be found in a wide variety of sectors.

Darius McDermott, managing director of Chelsea Financial Services, likes the Schroder Recovery Fund, which invests in companies that have suffered a major profit or share price setback but have good long-term prospects, alongside Jupiter UK Special Situations.

Pointing out that a 'contrarian' style will go through bad periods, he says that investors will need to hold throughout a cycle in order to properly benefit. A prime example, he believes, came back in 2015.

"The Schroder Recovery fund was near the bottom of its sector in terms of performance, but by 2016 it was the second best fund in the sector as miners experienced a bounce and banks started to come off their lows," he says.

It is also possible to be contrarian by selecting funds that invest in sectors that are out of favour. In today's investment climate, Mr Lowcock suggests

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Value of £100 invested in the fund over five years

Year	2012	2013	2014	2015	2016
Price performance in year %	15.56	26.40	-0.74	-1.48	17.37
Value of £100 at end of year	£115	£146	£146	£144	£169

Based on £100 investment on 1 January 2012. Table shows total returns cumulative in GBP. Source: Morningstar on 20 January 2017

Manager	Alastair Mundy
Launch date	1978
Total fund size	£1.1 billion
Ongoing charges*	0.84%
Min initial investment	£100
Website	Investecassetmanagement.com

Ongoing charge for the 'I' share class of the fund, which is commonly available on investment platforms.

HOW MUCH SHOULD I INVEST IN THIS SECTOR?

LOW-RISK INVESTORS 5%

MEDIUM-RISK INVESTORS 10%

HIGH-RISK INVESTORS 20%

contrarian investors look at defensive assets such as gold. Plus he thinks alternative income assets, including infrastructure and commercial property, could provide security to income seekers with inflation returning.

One fund he cites is BlackRock Gold and General. "The manager, Evy Hambro, focuses on investing in a risk-controlled manager with a preference for medium- and smaller-sized gold miners with high earnings growth," he says.

Although conceding that this focus means the fund is more vulnerable to weakness in the market, Mr Lowcock says that Mr Hambro is experienced and well resourced, with a team known for carrying out rigorous analysis.

Mr Lowcock also likes Newton Real Return, a member of *Moneywise*'s First 50 Funds for beginners, managed by Iain Stewart.

"His first priority is capital protection and then he looks to deliver returns of 4% above cash per annum over the longer term," Mr Lowcock explains. "Mr Stewart runs an unconstrained and flexible approach which identifies opportunities."

How much should you hold in contrarian funds?

There is a place for contrarian investments in an investor's overall portfolio – but only as a smaller addition and not a core holding, warns Mr McDermott.

"Investors need to understand that contrarian investing may be very uncomfortable at times," he says. "It can be a very volatile ride, and investors in this area need to be willing to go where others fear to go." mw

ROB GRIFFIN writes for *The Independent, Sunday Telegraph* and *Daily Express*

Alastair Mundy

Fund to watch: Investec UK Special Situations

Alastair Mundy's Investec UK Special Situations fund aims to provide an income and grow the value of your investment over time. It seeks to achieve this by favouring shares in undervalued, out-of-favour companies with strong balance sheets.

The fund sources its investments predominantly from the largest 350 companies listed on the London Stock Exchange, while making sure that the portfolio is diversified by industry and sector. At the last count, it had 51 holdings, which is a more concentrated approach to investing than some other rival funds.

To stand a chance of being included in the portfolio, a stock must have fallen by at least 50% – relative to the market – over the past five years. Those chosen will generally be held for four to five years in order to maximise their recovery potential.

According to the most recent fund fact sheet, its largest positions are HSBC Holdings (7%), GlaxoSmithKline (7%), Barclays (6%), Royal Dutch Shell (6%) and Grafton Group (4%).

The most prominent sectors, meanwhile, are financials (29%), consumer services (18%), industrials (15%), oil & gas (9%) and health care (7%). There is also exposure to utilities, consumer goods, basic materials, technology and telecoms.

Investec suggests that this fund may be suitable as a core UK equity holding if it is in an overall portfolio where it can be blended with other equity funds that adopt different investment styles.

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REPLY NUMBER 2150

Don't skimp on paying into your pension pot

Are daily expenses draining away the cash you'd earmarked for your pension? Then there's no time to lose – read our guide to how to maximise your chances of a comfortable retirement

BY RACHEL LACEY

It's hard enough choosing a pension plan and the right investments, but then comes the really tricky part: you'll have to consider how much you need to pay in.

Something is always better than nothing, but if you want to have a comfortable retirement it is worth giving the size of your contributions more than a passing thought.

"People very often see what they have at the end of the month and save that," says Fiona Tait, pensions specialist at Royal London. "However, there are two problems with that – very often there is nothing left at the end of the month and, second, there is no end goal or target to aim for."

How much you should be paying into your pension will depend on a number of factors – most significant is the age at which you start saving. The longer you leave it, the more you'll have to put away.

Start sooner rather than later

Jonathan Watts-Lay, a director of Wealth at Work which provides financial education in the workplace, says: "There is an old adage with pensions and that is that you save, as a proportion of your salary, half your age when you start. So if you start at age 30, you'll need to save 15%." If you leave it until you are 40, you'll have to put away 20%, or 25% if you don't start your pension until you are 50.

This is because the money that you invest first, while you are young has the longest time invested and more chance to grow. Take this example from Chase De Vere. If you invest £100 and it grows at a rate of 6% a year, it will be worth £179 after 10 years once charges are taken into account. After 20 years, it will be worth £321 and by the time it has been left for 30 years it will have racked up to £574. Leave it invested for 40 years, and it will be worth £1,029 –10 times the original amount.

Most advisers agree 'saving half your age' is a good rule of thumb to work with. However, there are

How much of your earnings do you need to save for retirement?*

Type of pension income received	Gold standard (two-thirds of pre-retirement income)	Silver standard (half of pre-retirement income)
Inflation-linked pension with benefits for spouse	25.10%	13.80%
Inflation-linked with no benefits for spouse	22.40%	12.30%
Pays level income only	13.80%	7.60%

**Estimated contribution rates for worker earning average wages to receive target levels and types of pension provision at age 68. It assumes a starting age of 22. Source: Royal London*

other factors that you will need to think about too. Mr Watts-Lay says it is important to consider the lifestyle you will want to lead when you retire.

"Do you want to spend your retirement fishing or travelling the world? Also think about when you'll finish work," he says.

Easy motivators

Clearly the more lavish your plans or the earlier you want to retire, the harder you'll have to save. You might feel like you are getting ahead of yourself, planning your retirement when you've barely started your pension. However, your aspirations can be a very powerful motivator.

"Think about what you want to achieve with your money and then you'll find it easier to make the necessary sacrifices to meet that goal," he adds.

Rather than thinking of your pension as a lump sum, it can also be helpful to think about the income it will need to deliver. "Think of it as a replacement salary, based on your existing one," says Miss Tait. "Aiming for two-thirds of your earnings would be considered the gold standard; silver would be half."

By searching online, you can find numerous pension savings calculators (such as those provided by the Money Advice Service), which can help you work out just how much you need to have saved to deliver the income you want.

Employer contributions

If you are a member of your workplace scheme, your employer should also be making contributions on your behalf and, depending on your deal, could encourage you to pay in more.

Mr Watts-Lay says: "If your employer is matching your contributions, that's essentially free money."

Coupling that contribution with the tax relief on contributions at your own marginal rate of income tax means that a small deduction from your salary can be transformed into a sizeable investment into your pension.

"Take a £100 a month payment, for a basic-rate taxpayer that will be grossed up to £125. Then if you've got employer matching, that could be taken up to £250. You have spent £100, but got £250 in value," he explains.

How much will £100,000 deliver in income?

Bear in mind that a pension pot of £100,000 would deliver a healthy 65-year-old an income of around £5,370 a year with an annuity (with no guarantees, inflation or spouse protection included). However, your capital – the original £100,000 from the pension pot – would be gone.

Alternatively, if you left the money invested via income drawdown you could expect an income of around £3,000, or 3% with a balanced portfolio of investments and without surrendering your capital. (You could, of course, take a higher income, but the risk of running out of money or suffering a drop in income becomes greater). You could also draw down on your capital as a last resort, if needed.

Whether your plans are modest or grand, the figures will invariably be daunting, but it is important to remember that you don't have to save all this money yourself.

> "Aiming for two-thirds of your earnings would be the gold standard"

Auto-enrolment

Although you may not receive such generous help from your employer, under auto-enrolment rules, which are being phased in, all employers will have to pay money into your pension on your behalf by October 2018.

Currently, the minimum contribution on an auto-enrolment scheme is 2%, with 1% coming from the employer.

However, it is important to note that this isn't a percentage of your whole salary, rather it is a percentage of your 'qualifying' earnings which in tax year 2016/17 is the money you earn between £5,824 and £43,000 a year.

Kate Smith, head of pensions at Aegon, says: "Some employers will pay it on your full salary, but you do need to check."

From April 2018, minimum contribution levels will at least rise to 5%, with 2% coming from the employer and, from April 2019, it will rise again to 8% with bosses needing to pay in 3%.

However, in spite of these increases, there is still widespread concern that this isn't enough for a comfortable retirement and workers are being urged to save more than the minimum.

Analysis from Royal London shows that if somebody spent their whole working life paying in the minimum statutory amount to get a pension equivalent to two-thirds of their income, with inflation protection and provision for a partner, they

Pension saving statistics

56% of people are saving adequately for retirement.

12% is the minimum amount of income that people think they should set aside for retirement.

£24,000 is the annual amount of income that people feel they need in retirement.

23% of people have no idea if they are saving enough for retirement.

24% of self-employed people aren't saving for retirement at all.

27 is the latest age that 60- to 64-year-olds think you can start saving for retirement.

Source: Scottish Widows Retirement Report 2016

would need to work until age 77. To get half their salary with the same benefits, they would need to work until they were just over 71.

Don't pay the minimum

This means, unless you want to work into your 70s, you must not just assume that because a scheme has been set up on your behalf, you are saving enough.

This is particularly tough when there are so many other drains on your finances, such as mortgages, childcare and credit card bills plus gym memberships and TV subscriptions. But experts agree savers need to not get bogged down in the now and give some thought to how they will get by in the future. "It's a balancing act between short-term consumption and a need to live a longer, fuller life," says Ms Smith. "People don't want to carry on working too long or to retire in poverty."

But Mr Watts-Lay says upping your pension contributions doesn't always mean having to make sacrifices to your current lifestyle. "Think about all the things you are spending your money on that you have no emotional attachment to. Do you have the best deals, for example, on your utilities and insurance? That can all free up more money for your pension."

Alternatively, you may want to siphon off a portion of every pay rise that you get – the saving won't feel like too much of a sacrifice if you haven't had the opportunity to spend it.

Miss Tait says you should do the same whenever you manage to drop a regular outgoing. "Look at the things you are spending money on now that are finite – such as childcare, for example. Once you stop paying it, redirect it to your pension before you are tempted to spend it." mw

ADAM'S PRODUCT PICKS

Adam Williams has hunted through the mass of financial products and data to bring you this month's best deals for Isas, savings accounts, loans, credit cards and mortgages

NS&I's decision to cut interest rates across its range of accounts may have been expected, but it's still a body blow to savers.

The government-run provider has continued to offer best buy products since last August's base rate cut, yet with rates across the rest of the market falling it has now followed suit.

From 1 May 2017, those saving in its Direct Isa will see their rate lowered from 1% to 0.75%; the Direct Saver rate will decrease from 0.8% to 0.7%; and the rate on its Income Bond product will be cut from 1% to 0.75%.

Those with cash invested in Premium Bonds will also see their potential returns reduced (see Editor's Letter on page 13).

So can you switch your savings and get a higher interest rate? It's possible, but you won't earn much more. The top easy-access savings account is currently the RCI Bank Freedom Saver, but this offers just a 1.1% return.

It is also worth remembering that any cash saved with RCI is covered by the French deposit protection scheme, rather than the UK's Financial Services Compensation Scheme. The level of protection is, however, the same at €100,000 (£85,000).

Even locking your cash away for years won't generate a bigger return. Those seeking an interest rate of more than 2% would have to stash their cash for five whole years. Secure Trust Bank leads the market with an account paying 2.06% if you're willing to lock your money away until 2022.

In the cash Isa market my top pick is the Paragon Bank Limited Edition Easy Access at 1.05%. Beyond a handful of accounts, most easy-access Isas are offering rates below 1%.

SAVINGS: www.moneywise.co.uk/best-savings-rates

These tables show the best going rates for various savings accounts. Don't forget the personal savings allowance means basic-rate taxpayers can earn £1,000 tax-free, from savings. Higher-rate taxpayers get £500 tax free.

Product/provider	Type	Headline rate (before tax)	Minimum/ maximum balance	Access	Notes	Change
RCI Bank Freedom Savings Account	Instant access	1.1% AER	£100 to £1 million	Online only	Covered by French deposit protection scheme	=
Secure Trust Bank 120 Day Notice Account (Issue 22)	Notice	1.2% AER	£1,000 to £1 million	Online or phone	120 days' notice required	↓
Atom Bank One Year Fixed Saver	12-month fixed rate	1.5% AER	£50 to £100,000	Smartphone app only	No early access	↑
Secure Trust Bank Five Year Fixed Rate Bond (Series 29)	60-month fixed rate	2.06% AER	£1,000 to £1 million	Online only	No early access	↑
Nationwide Flexclusive Regular Saver	Regular Saver	5% AER	Up to £500 a month	Branch or online	Open to current account holders only	=
Halifax Kids Regular Saver	Children's Savings	4% AER	£10 to £100 a month	Branch only	Max age 15, no early access	=

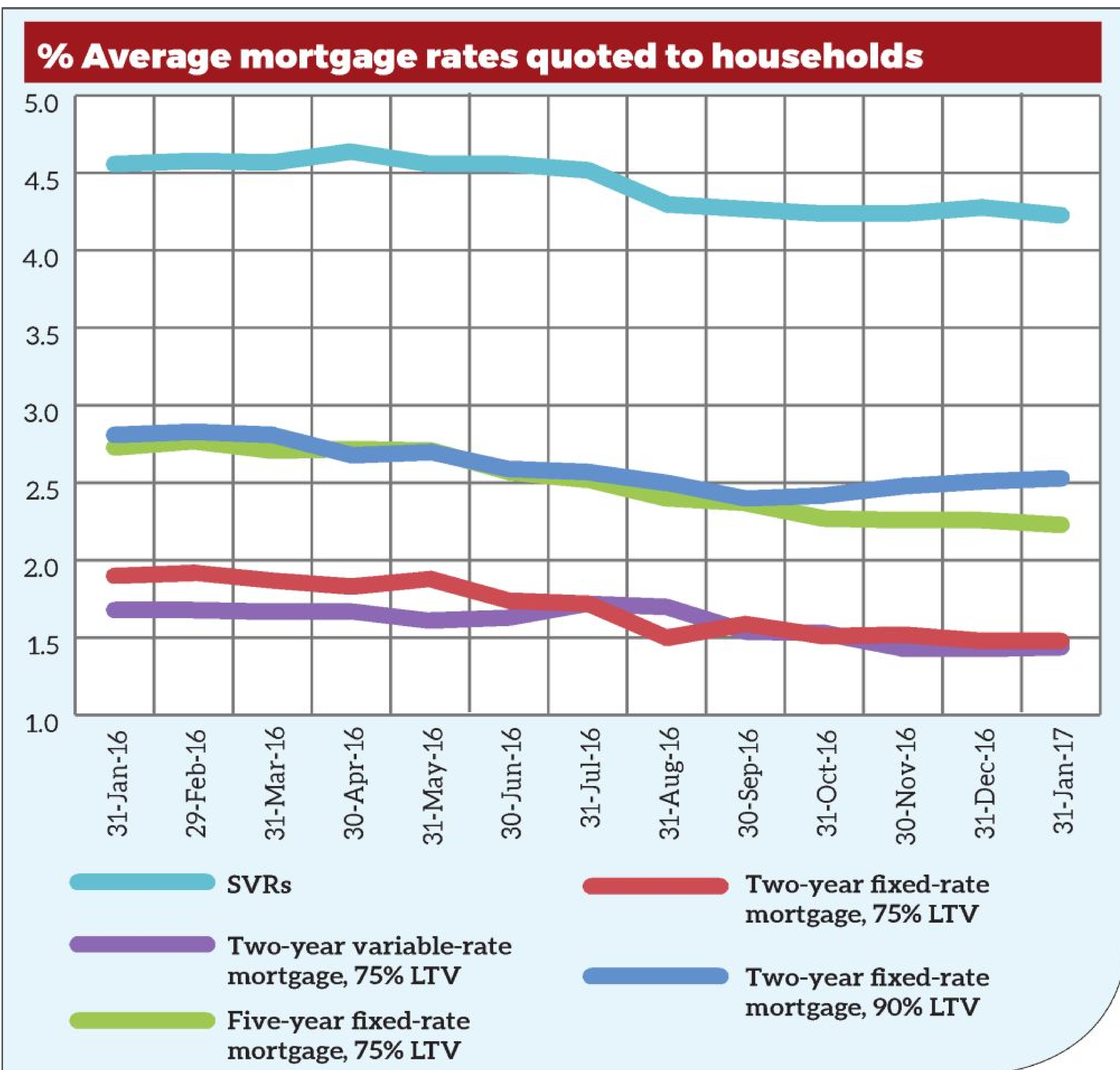
Note: All accounts are protected by the FSCS unless stated otherwise. AER (Annual Equivalent Rate) shows what the interest rate would be if interest was paid and compounded each year. Rates correct as of 14 February 2017

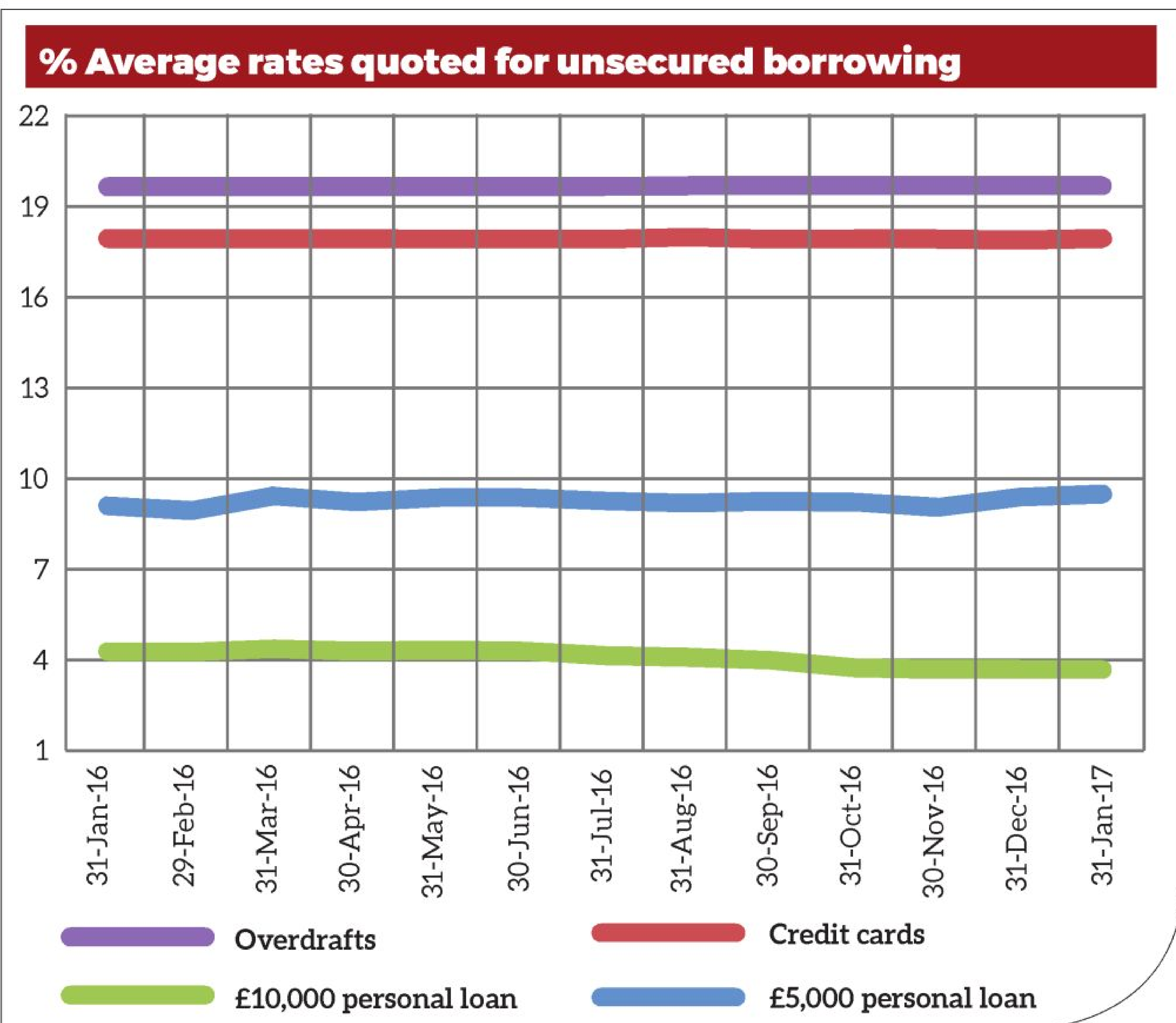
ISAS: www.moneywise.co.uk/best-cash-isa-rates

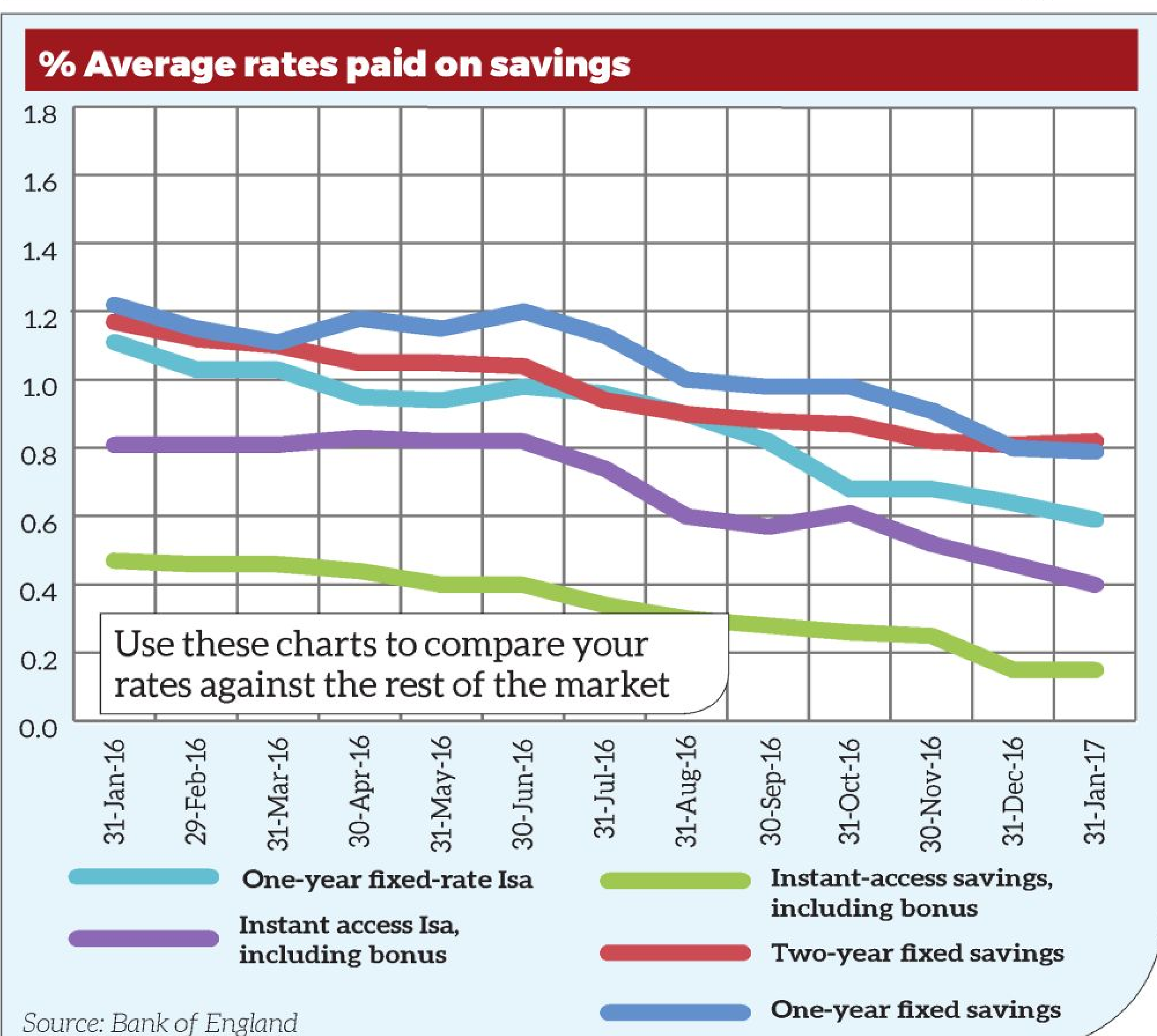
Cash Isas work just like the savings accounts above, but you don't pay tax on the interest you receive. You can put £15,240 into an Isa this tax year, split however you like between cash and investments. You're only allowed to open one of each in a tax year. Don't forget you can transfer to a new account if better rates become available. The annual limit for Junior Isas (Jisas) is £4,080.

Product/provider	Type	Headline rate/AER	Minimum/maximum balance	Access	Notes	Change
Paragon Bank Limited Edition Easy Access Isa	Easy access	1.05%	£1 to £100,000	Online only	Accepts transfers	↑
Teachers Building Society 90 Day Notice Cash Isa (Issue 6)	Notice	1.05%	£100 to £100,000	Post only	90 days' interest penalty for withdrawals	=
Virgin Money Fixed Rate Cash Isa (Issue 250)	12-month fixed rate	1.05%	£1 to £2 million	Branch, online, phone or post	Accepts transfers	↓
Paragon Bank Five Year Fixed Rate Isa	60-month fixed rate	1.6%	£500 to £100,000	Online only	Accepts transfers	=
Coventry Building Society Junior Isa	Junior Isa	3.25%	£1 to £19,000	Branch, phone or post	Normal Jisa rules apply - see HMRC for details	=
Barclays Help to Buy Isa	Help to Buy Isa	2.27%	Deposit up to £1,000 and make regular savings of up to £200 a month	Branch, online or phone	Open to first-time buyers only	=

Note: Some other accounts advertise higher rates on balances over £15,240 but don't allow transfers, meaning it's impossible to get the advertised rate until you've been saving for years. AER (Annual Equivalent Rate) shows what the interest rate would be if interest was paid and compounded each year. Rates correct as of 14 February 2017







BUY-TO-LET MORTGAGES

Our example buyer is looking to purchase a £250,000 buy-to-let property on an interest-only basis over a 20-year mortgage term.

BEST LARGE DEPOSIT DEALS If you have a 40% deposit, then Platform will lend at 1.69%, fixed until April 2019. But remember after this initial period the rate will switch to the lender's standard variable rate (SVR) – currently a hefty 5%.

Repayments will be £211 a month but you need to factor in the £928 upfront fees. This gives this mortgage an average annual cost of £2,999.

If you're looking to fix for longer, Platform also offers the best five-year fix at 2.44%. This rate is fixed until April 2022 before reverting to the SVR mentioned above. Upfront fees of £1,678 are payable along with a monthly cost of £305. This means the average annual cost is £3,996.

Remember that Platform products are only available through a mortgage broker.

BEST FOR A 25% DEPOSIT Landlords looking for a two-year deal can nab a 1.98% rate from the Post Office, fixed until April 2019. This has a monthly cost of £309, plus initial fees of £1,305. This reverts to the Post Office's SVR after the end of the fixed period, which is currently 4.74%.

If you want to protect yourself against future rate rises and fix until June 2022, then another option comes from HSBC. This five-year deal comes with a rate of 2.79% until the end of the fixed period. It then reverts to HSBC's SVR – currently 4.75%.

Monthly repayments are £436, representing an annual cost of £5,670. The fees here are an eye-watering £2,196.

CREDIT CARDS

BEST FOR BALANCE TRANSFERS If you are in debt, a balance transfer card can help you manage your finances and reduce the amount you pay back. The Santander All in One Credit Card offers a 0% balance transfer for 41 months with no transfer fee. This product has a representative 21.7% APR variable and comes with an ongoing £3 monthly account fee.

BEST FOR CASHBACK The American Express Platinum Cashback Everyday Card offers holders cashback as you spend. An introductory offer means you can earn 5% cashback on spending up to £100 for the first three months. After that, cardholders will earn 1% cashback on spending over £5,001, and 0.5% if you spend below this amount. But remember that American Express is less widely accepted than other types of credit card. The representative interest rate is 22.9% APR.

BEST FOR OVERSEAS SPENDING If you're travelling abroad regularly, it pays to take out a specialist overseas credit card. The Creation Everyday account has no fees on spending or cash withdrawals anywhere in the world. However, when you withdraw cash abroad, you will be charged interest from the day of the transaction at a rate of 12.9% APR.

If you want a high street product, the Halifax Clarity Card has all the same benefits, albeit with a higher interest rate of 18.9% APR. mw

Our selection criteria:
We prioritise products that are widely and easily available. We aim to pick products that are available until the publication of our next edition, but this is subject to factors outside our control. Our latest recommendations are available at moneywise.co.uk/best-buys. If you find something better, contact us at editorial@moneywise.co.uk.

how to retireinstyle

from the publisher of Moneywise

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COMPARE

Find all the latest deals at Moneywise.co.uk/compare

Annuities Top three example rates on £50,000 purchase price (as at 1/2/17)

The Annuity Bureau from Alexander Forbes

CONVENTIONAL ANNUITIES (GROSS ANNUAL INCOME)

Age	Level		RPI-linked	
60	£2,268	Hodge Lifetime	£1,211	Aviva
	£2,242	Aviva	£1,204	Legal & General
	£2,218	Legal & General	£1,154	Retirement Advantage
65	£2,661	Legal & General	£1,634	Legal & General
	£2,595	Hodge Lifetime	£1,526	Aviva
	£2,578	Aviva	£1,416	Retirement Advantage
70	£3,021	Aviva	£1,951	Aviva
	£3,007	Hodge Lifetime	£1,821	Legal & General
	£2,959	Legal & General	£1,688	Canada Life
75	£3,732	Aviva	£2,622	Aviva
	£3,639	Legal & General	£2,501	Legal & General
	£3,633	Hodge Lifetime	£2,229	Canada Life

ENHANCED ANNUITIES (GROSS ANNUAL INCOME)

Age	Level		RPI-linked	
60	£2,543	Just Retirement	£1,448	Scottish Widows
	£2,432	Aviva	£1,396	Just Retirement
	£2,409	Legal & General	£1,354	Aviva
65	£2,932	Just Retirement	£1,835	Scottish Widows
	£2,839	Aviva	£1,776	Just Retirement
	£2,750	Scottish Widows	£1,728	Aviva
70	£3,420	Just Retirement	£2,235	Just Retirement
	£3,127	Scottish Widows	£2,209	Scottish Widows
	£3,021	Aviva	£1,951	Aviva
75	£4,214	Just Retirement	£2,983	Just Retirement
	£3,919	Scottish Widows	£2,974	Scottish Widows
	£3,732	Aviva	£2,622	Aviva

Annuity rates based on purchase price of £50,000. Single life, nil guarantee period, income payments monthly in arrears. Enhanced annuity rates based on Type 2 diabetes, one tablet a day, diagnosed for 10 years. Source: Annuity-bureau.co.uk

Unit trusts Top five funds in the most popular sectors based on three-year returns (as at 5/2/17)

UK ALL COMPANIES

Fund name	1yr	Rank	3yr	Rank	5yr		TER	M'star rating	M'wise
Old Mutual Equity 1 A GBP Acc	121	80	151	1	256	3	1.1	★★★★	
Castlefield CFP SDL UK Bufftlgy Inst Inc	122	68	151	2	254	4	-	★★★★★	
Old Mutual UK Mid Cap R GBP Acc	121	92	150	3	278	1	0.85	★★★★★	
Old Mutual UK Dynamic Eq R GBP Inc	122	67	149	4	257	2	3.62	★★★★★	
MFM Bowland	119	116	145	5	167	118	2.09	★★★	
Sector average/Total	118	253	122	253	170	240	1.01		

UK EQUITY INCOME

Fund name	1yr	Rank	3yr	Rank	5yr		TER	M'star rating	M'wise
Troy Trojan Income O Acc	110	67	136	1	174	21	1.05	★★★★★	
Franklin UK Equity Income W Acc	117	14	134	2	177	18	0.91	★★★★	
BlackRock UK Income D Acc	114	28	133	3	164	43	0.92	★★★	
Jupiter Income Trust I Acc	121	5	132	4	171	27	0.94	★★★	
Neptune Income C Acc GBP	120	8	130	5	157	51	-	★★★	
Sector average/Total	114	74	123	74	169	69	1.08		

UK SMALLER COMPANIES

Fund name	1yr	Rank	3yr	Rank	5yr		TER	M'star rating	M'wise
Old Mutual UK Smlr Coms Foc R GBP Inc	137	2	159	1	280	2	1.8	★★★★★	
MI Downing UK Micro-Cap Growth B	122	12	152	2	247	7	2.04	★★★★	
MFM Techinvest Special Situations A Acc	121	15	151	3	248	6	1.84	★★★	
TB Amati UK Smaller Companies B	123	8	150	4	210	23	1.39	★★★★	
Liontrust UK Smaller Companies I Inc	122	9	145	5	257	5	-	★★★★★	
Sector average/Total	118	46	128	46	217	44	1.13		

STERLING CORPORATE BOND

Fund name	1yr	Rank	3yr	Rank	5yr		TER	M'star rating	M'wise
PIMCO GIS UK Long Term Corp Bd Ins £ Acc	112	4	132	1	154	1	0.46	★★★★★	
F&C Institutional Lng Dated Corp Bd 3 £ Acc	112	5	131	2	-	-	-	★★★★★	
Schroder Instl Long Dated Corp Bd I Acc	113	1	130	3	146	5	0.27	★★★★★	
Henderson Inst Long Dated Crdt I Inc	113	2	128	4	143	9	0.55	★★★★	
Fidelity Instl UK Lng Corp Bd Inc	112	3	128	5	149	2	0.42	★★★★★	
Sector average/Total	108	81	117	81	134	69	0.62		

STERLING HIGH YIELD

Fund name	1yr	Rank	3yr	Rank	5yr		TER	M'star rating	M'wise
GAM Star Credit Opp (GBP) Instl GBP Acc	113	5	128	1	181	1	1.14	★★★★★	
Sanlam Strategic Bond P GBP Acc	112	8	126	2	-	-	0.44	★★★★	
GS Stlg Broad Fixed Inc+ R Acc	107	47	122	3	135	23	0.75	★★★★	
NFU Mutual Gilt & Corp Bond C	108	36	122	4	127	41	-	★★★★	
GS Sterling Broad Fixed Inc R Acc	106	59	120	5	127	40	0.6	★★★	
Sector average/Total	108	73	113	73	132	61	0.85		

STERLING STRATEGIC BOND

Fund name	1yr	Rank	3yr	Rank	5yr		TER	M'star rating	M'wise
GAM Star Credit Opp (GBP) Instl GBP Acc	110	9	129	1	183	1	1.14	★★★★★	
GS Sterling Broad Fixed Inc+ R Acc	112	5	128	2	138	23	0.75	★★★★	
NFU Mutual Gilt & Corp Bond C	112	4	126	3	130	42	-	★★★★	
GS Sterling Broad Fixed Inc R Acc	111	8	125	4	130	38	0.6	★★★	
Sanlam Strategic Bond P GBP Acc	110	10	125	5	-	-	0.44	★★★★★	
Sector average/Total	107	73	114	73	135	61	0.85		

Unit trusts (continued) Top five funds in the most popular sectors based on three-year returns (as at 5/2/17)

ASIA PACIFIC EXCLUDING JAPAN

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
Veritas Asian A GBP	135	66	171	1	196	2	1.18	★★★★★	
Fidelity Emerging Asia W Acc	138	55	169	2	173	10	-	★★★★★	
Hermes Asia Ex Japan Equity F GBP Acc	139	48	168	3	-	-	0.85	★★★★★	
IP Asian Z Acc	157	1	167	4	181	7	-	★★★★★	
JOHCM Asia ex-Japan Sm & Md-Cp A £ I	120	97	167	5	196	3	3.77	★★★★	
Sector average/Total	138	88	148	88	157	79	1.2		

EUROPE EXCLUDING UK

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
Marlborough European Multi-Cap P Inc	144	2	177	1	239	2	-	★★★★	
Man GLG Continental Eurp Gr Prf Acc C	121	83	173	2	249	1	1.06	★★★★★	✓
Liontrust European Growth I Inc	130	13	149	3	183	44	1.02	★★★★	
Aviva Investors Euro Eq MoM 2 2 GBP Inc	127	39	148	4	190	32	1.07	★★★★	
Henderson Eurp Growth I GBP Acc Inst	126	42	148	5	202	16	1.08	★★★★	
Sector average/Total	124	97	134	97	187	87	1.05		

UK EQUITY & BOND INCOME

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
Jupiter Monthly Income I Acc	119	1	132	1	173	3	0.97	★★★★	
Threadneedle Mthly Etr Inc Z Inc GBP	114	6	125	2	175	2	-	★★★★★	
M&G UK Income Distribution GBP I Acc	115	4	124	3	161	6	0.91	★★★★	
Cavendish UK Bal-anced Income B	117	2	124	4	176	1	0.63	★★★★	
CF Canlife UK Equity and Bd Inc C Acc £	112	10	124	5	155	8	0.8	★★★	
Sector average/Total	114	12	122	12	159	12	1.09		

MIXED INVESTMENT 0%-35% SHARES

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
BlackRock Consensus 35 D Acc	116	1	129	1	-	-	0.29	★★★★★	
Old Mutual Cirilium Cnsrv R GBP Acc	116	2	124	2	-	-	1.09	★★★★★	
L&G Multi-Index 3 I Acc	110	29	122	3	-	-	-	★★★★★	
Royal London Sustainable Mgd Gr C Acc	110	22	122	4	-	-	-	★★★★★	
Vanguard LifeStrategy 20% Eq A Grs Acc	109	42	121	5	131	11	0.29	★★★★	50
Sector average/Total	110	44	116	44	127	31	1.19		

MIXED INVESTMENT 20%-60% SHARES

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
Artemis Monthly Distribution I Inc	123	2	141	1	-	-	-	★★★★★	
AXA Global Distribution Z Acc	125	1	137	2	157	7	1.02	★★★★★	◎
Royal London Sustainable Div C Inc	114	64	129	3	160	4	-	★★★★★	
HSBC Open Global Return C Acc	120	8	128	4	146	22	-	★★★★	
Old Mutual Cirilium Balanced R GBP Acc	121	5	128	5	154	9	1.24	★★★★★	
Sector average/Total	114	115	120	115	141	99	1.37		

MIXED INVESTMENT 40%-85% SHARES

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
Orbis OEIC Global Balanced Standard	139	1	152	1	-	-	-	★★★★★	
Royal London Sustainable World C Acc	121	29	145	2	195	1	-	★★★★★	✓
Vanguard LifeStrategy 80% Equity A Acc	125	7	141	3	171	4	0.29	★★★★★	
Baillie Gifford Managed B Acc	126	2	138	4	170	6	0.47	★★★★★	
McInroy & Wood Balance Pers Inc	120	55	136	5	156	34	1	★★★★★	
Sector average/Total	118	119	126	119	152	102	1.32		

FLEXIBLE INVESTMENT

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
CF IM Global Strategy A Acc	134	5	151	1	167	22	1.49	★★★	
Premier Multi Asset Global Gr C Net Inc	130	13	148	2	191	5	1.98	★★★★★	
Newton Osprey Sterling Inc	122	71	144	3	201	2	1.14	★★★★★	
M&G Managed Growth GBP I Acc	143	1	144	4	142	87	1.03	★★★	
IP Managed Growth Z Acc	134	4	143	5	188	6	-	★★★	
Sector average/Total	122	129	129	129	156	107	1.47		

GLOBAL

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
Fundsmith Equity T Acc	130	159	191	1	255	1	1.17	★★★★★	50 ✓
MS INVF Global Opportunity Z	128	184	183	2	247	3	0.94	★★★★★	
GS Glbl CORE Equity R Snap Acc	136	79	172	3	231	12	0.75	★★★★★	
Old Mutual Global Equity R GBP Acc	142	25	171	4	254	2	1.14	★★★★★	◎
T. Rowe Price Glbl Foc Grth Eq Q GBP	141	27	170	5	221	19	0.92	★★★★	
Sector average/Total	132	233	146	233	186	201	1.12		

GLOBAL EMERGING MARKETS

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
JPM Em Mkts Small Cap A (dist) perf GBP	139	57	165	1	167	2	1.8	★★★★	
Templeton Emerging Markets Smaller Companies W Acc £	134	72	162	2	180	1	1.65	★★★★★	
Hermes Global Emerging markets F GBP Acc	141	52	156	3	155	6	1.14	★★★★★	
UBS Global Emerging Markets Equity C Acc	147	20	156	4	128	42	-	★★★	
T. Rowe Price Emerging Markets Eq Q GBP	146	29	154	5	138	18	1.17	★★★★	
Sector average/Total	142	74	140	74	133	63	1.29		

NORTH AMERICA

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
Fidelity American Special Sits W Acc	140	45	187	1	264	4	-	★★★★★	◎
Old Mutual North American Eq R GBP Acc	146	17	186	2	269	3	0.9	★★★★★	✓
Baillie Gifford American B Acc	148	11	184	3	233	28	0.67	★★★★	
Schroder US Mid Cap Z Acc	149	9	183	4	243	11	-	★★★★★	○
Old Mutual Schroder US Mid Cp U2 GBP Acc	150	7	183	5	-	-	-	★★★★★	
Sector average/Total	138	107	166	107	225	96	1.1		

Investment trusts

Top five trusts in popular sectors based on three-year returns (as at 5/2/17)

UK ALL COMPANIES

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	M'star rating	Discount	M'wise
Crystal Amber Ord	148	1	146	1	276	2	★★★★	-4.15	
Invesco Perp Select UK Equity Ord	112	11	132	2	234	5	★★★★★	-0.42	✔
Fidelity Special Values Ord	123	5	130	3	256	4	★★★★	-1.66	
JPMorgan Mid Cap Ord	93	18	128	4	271	3	★★★	-11.95	⊙
Mercantile Ord	104	14	123	5	216	6	★★	-8.86	
Sector average/Total	115	18	115	16	188	16			

UK EQUITY INCOME

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	M'star rating	Discount	M'wise
Troy Income & Growth Ord	108	16	137	1	169	14	★★★	0.54	
Finsbury Growth & Income Ord	113	13	137	2	217	3	★★★★★	0.09	50 ✔
Chelverton Small Companies Dividend Ord	117	4	136	3	299	1	★★★	-5.98	
Edinburgh Investment Ord	103	20	133	4	177	10	★★★★★	-4.21	⊙
BlackRock Income and Growth Ord	114	11	130	5	180	8	★★★	-1.08	
Sector average/Total	111	24	118	24	181	23			

UK SMALLER COMPANIES

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	M'star rating	Discount	M'wise
Rights & Issues Investment Trust Ord	153	1	182	1	329	1		-12.54	
Invesco Perpetual UK Smaller Ord	124	3	152	2	270	3	★★★★	-5.58	
Strategic Equity Capital Ord	113	8	143	3	279	2	★★★	-7.07	⊙
Chelverton Growth Trust Ord	138	2	136	4	240	5	★★★	-21.54	
Athelney Trust Ord	116	6	136	5	235	7	★★★	-7.39	
Sector average/Total	115	16	125	14	229	14			

EUROPE

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	M'star rating	Discount	M'wise
Henderson European Focus Trust Ord	124	2	136	1	243	1	★★★★★	-5.83	⊙
Henderson EuroTrust Ord	119	3	136	2	223	3	★★★★★	-7.18	
JPMorgan European Income Pool Ord	116	6	135	3	212	4	★★★★★	-11.58	
Fidelity European Values Ord	115	7	135	4	198	6	★★★★	-11.83	
Jupiter European Opportunities Ord	100	8	133	5	236	2	★★★★★	-5.42	50 ✔
Sector average/Total	117	8	131	8	210	8			

GLOBAL

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	M'star rating	Discount	M'wise
Lindsell Train Ord	136	4	207	1	314	1	★★★★★	28.22	⊙
Scottish Mortgage Ord	137	3	170	2	276	2	★★★★	2.86	50
Mid Wynd International Investment	133	7	163	3	206	10	★★★★★	2.56	
Majedie Investments Ord	126	15	162	4	225	5	★★	-4.51	
Alliance Trust Ord	136	5	160	5	207	9	★★★★★	-4.81	
Sector average/Total	129	24	145	24	200	24			

GLOBAL EMERGING MARKETS

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	M'star rating	Discount	M'wise
Terra Capital Ord	122	8	153	1	152	4		-16.39	
JPMorgan Emerging Markets Ord	135	6	143	2	134	6	★★★★★	-13.95	⊙
BlackRock Frontiers Ord	151	3	140	3	229	1	★★★★	3.46	✔
Aberdeen Emerging Markets Ord	137	5	137	4	120	8	★★★	-13.23	
JPMorgan Global Emerging Markets Inc Ord	165	1	129	5	136	5	★★★★	-3.36	
Sector average/Total	130	14	122	12	130	12			

ASIA PACIFIC EXCLUDING JAPAN

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	M'star rating	Discount	M'wise
Fidelity Asian Values Ord	154	1	188	1	198	2	★★★★★	-4.41	
Schroder Asian	136	11	167	2	176	5	★★★	-4.62	
Invesco Asia Ord	142	6	165	3	173	6	★★★★	-12.56	
Pacific Assets Ord	122	15	163	4	214	1	★★★★★	-3.68	✔
Schroder Asia Pacific Ord	143	4	162	5	167	8	★★★★★	-12.12	
Sector average/Total	135	16	143	16	166	15			

NORTH AMERICA

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	M'star rating	Discount	M'wise
North American Income Trust Ord	156	2	177	1	219	1	★★★★	-7.1	
BlackRock North American Ord	149	4	165	2	-	-	★★★★	-2.88	
JPMorgan American Ord	140	5	163	3	216	2	★★★★	-4.23	✔
Middlefield Canadian Income Ord	155	3	126	4	127	3	★★★★	-12.75	
Gabelli Value Plus+ Trust Ord	158	1	-	-	-	-		-1.91	
Sector average/Total	151	5	158	4	187	3			

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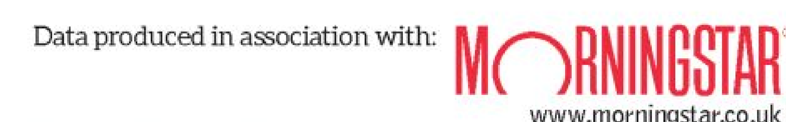
HOW TO READ THE INVESTMENT DATA TABLES

Data produced in association with:



Unit trusts/Oeics
The tables show a selection of popular Investment Association (IA) fund sectors. Only funds with a minimum initial investment of £1,000 or less are included in the data. We show the performance of the top five qualifying funds over three years, plus their performance and rank within the sector over one and five years to show how consistent their performance is. The figures show returns on £100 invested, calculated in sterling on a bid-to-bid basis, with income reinvested net of basic-rate tax.

Investment trusts
The tables show a selection of the main Association of Investment Companies (AIC) investment trust sectors. We highlight the performance of the top five trusts over three years, plus their one- and five-year performance and ranking within the sector. The figures show returns on £100 on a mid-to-mid basis, with income reinvested net of basic-rate tax.

The total expense ratio (TER) is a measure of a fund's annual operating costs, including management and performance fees.

The Morningstar rating is calculated on a fund's total returns, adjusted for risk and sales charges, relative to other funds in its Morningstar category. The rating is based on a weighted average of a fund's three-, five-, and 10-year ratings, depending on its track record.

The Moneywise column indicates whether a fund has been awarded a Moneywise award in the past year: ✔ = winner; ⊙ = highly commended; O = commended. 50 = *Moneywise*'s pick of its **First 50** Funds for beginner investors.

The discount column (investment trusts) shows the percentage difference between the value of a trust's underlying assets and the value of its share price.

True money stories from smart people:

Women just love clearing clutter

What do you get the man who has everything? Shelves. So goes the saying anyway. But really it should say 'woman' because it's women who seem to have an absolute obsession with organising, storing and generally getting on top of 'stuff'

It's women who are attracted, like moths to a flame, to storage units that look like they're in charge, pretty bags and boxes that offer calm, under-bed drawers that can hide the ugliness of life and wicker baskets that beckon with untold opportunities.

Men don't seem to feel that way.

The national Clear Your Clutter campaign which I run every year (shameless plug: it's on 11 March) has a following that is 85% female. And I've noticed that every single edition of the popular women's monthly *Good Housekeeping* has at least one article about storage, organising or de-cluttering. Even *Esquire* wouldn't bother with that.

Pinterest, which has a following that is over 90% female, is stuffed full of clever storage ideas while the membership of APDO (the Association of Professional De-clutterers and Organisers) is 95% female.

And it tends to be women readers on my website MoneyMagpie who give tips on de-junking your life and getting on top of things.

Julia H says: "My spring cleaning tip is to get a large black bag and go around the house picking any bits and pieces that are out of place. Put this black bag in a garage for storage for one month only. After that, if you don't need these bits and pieces, get rid of them. Trust me, a lot of rubbish will be out of your house in no time at all." So true.

It's generally the women who suddenly get the urge to spring-clean, sweeping through the house like they're possessed, picking up useless stuff to throw out as they go, such as old mobile phones, piles of DVDs, old clothes and, occasionally, their husbands.

People claim you can lose weight by de-cluttering

There's something about organising our stuff that attracts women in the same way as Justin Bieber cuddling kittens while giving his mum a back rub. It must be an element in the female psyche that makes us feel that if we can just get on top of our 'stuff' we will get on top of our lives.

It could be connected to the generally female role of running the family's money. A new survey by Nationwide finds that women are more likely to run the household budget (a third said they did) than men (a quarter). And we know that household junk is worth good money if you get round to selling it. In fact, there is about £5.7 billion-worth in homes across the country, according to classifieds website Gumtree.

Or maybe our fascination with sorting, de-cluttering and storing stems from the claim that you can actually lose weight by clearing clutter. Seriously.

American professional organiser, Peter Walsh, author of *Lose the Clutter, Lose the Weight* claims that people with cluttered homes are 77% likely to be overweight or obese and cites evidence to back this up.

Another American, Dr Pamela Peeke, says that she had one patient whose garage was "a solid cube of clutter". But the woman cleaned up her home and, in the process, lost nearly four stone. "It wasn't, at the end of the day, about her weight," Dr Peeke says, "it was about uncluttering at multiple levels of her life."

So all power to the women who want to clear, the girls who get organised and the dames who de-clutter. The nation needs it, as our urge to acquire has made us fat and poor. We've been clogging up our floors, and arteries, for too long with stuff we neither need nor want. Girl Power will make us free from clutter. And if the boys want to join in, they would be very welcome. mw

JASMINE BIRTLES is a financial journalist and founder of MoneyMagpie.com. Email her at **columnists@moneywise.co.uk**

BUILD A SOLID FOUNDATION TO ENSURE YOUR RETIREMENT INCOME WILL LAST

The 2015 pension freedoms allow you to be your own retirement architect. So it's essential to ensure that you build a solid foundation for your income in later life so neither you or your partner miss out.

Thinking about retiring or simply cutting back on work? Here's some useful points to consider when creating your solid foundation:

Perhaps start by reviewing your finances. You may have debts and we believe the repayment of these should be prioritised as they could cause you financial instability, emotional stress and hardship in retirement.

See how much income you'll need to cover the essentials, such as household bills

- If you're lucky enough to have a final salary scheme pension or guaranteed annuity rate then this may cover your essential expenditure.
- Alternatively, a guaranteed income for life provided by an annuity could give you peace of mind and help you achieve a solid foundation.

By having a rainy day fund set up it could help alleviate any unexpected costs – for example a boiler needing replacing.

If you've covered the essentials and have some pension savings left, why not plan some days out with friends and family or even work on your bucket list!

Up to 27%* more income

Shop around and provide details of your health and lifestyle to get up to 27%* more income for your foundation.

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*18/11/2016. 27% is achieved by comparing the lowest standard annuity rate against the best enhanced rate for a 65 year old male, 5'10", 9.5 stone, who has been diagnosed with bowel cancer in the last three years, has had surgery, chemotherapy and radiotherapy and is on medication, including one for high blood pressure. He is a smoker. Quotes have been obtained from a representative sample of providers via Just Retirement Solutions Limited and are based on an RH2 7RU postcode, pension pot of £25,000, with a 5 year guarantee period, no escalation and no value protection, with monthly payments in advance. The comparison is based on rates available via the open market option only and it should be noted that smaller increases will be achieved for less serious medical or lifestyle conditions.

†Lines are open from 9am to 8pm Monday to Friday except for bank holidays. Calls may be monitored and recorded.

[1]Model based on http://www.nextavenue.org/article/2014-04/determine-your-hierarchy-needs-retirement copyright 2003 Mitch Antony

REPLY NUMBER 2495

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Beth
Customer Service Assistant

REPLY NUMBER 3020

INSIDE:

PAGE 3: Introduction

PAGE 5: Cash Isas

PAGE 8: Stocks and shares Isas

PAGE 12: Seven recommended funds

PAGE 14: Junior Isas

EASY ISA GUIDE 2017

100%

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35%

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with a Stocks and Shares ISA

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REPLY NUMBER 2955

Act now to make the most of a flexible, tax-free Isa

With the end of the tax year fast approaching, it's time to get your cash working for you in an individual savings account before your tax-free allowance expires

BY ADAM WILLIAMS

You may remember individual savings account (Isa) "seasons" of past years: the couple of months at the end of the tax year when people dashed to make the most of their tax-free allowances.

It seemed banks and building societies would do anything to get a slice of your savings, upping rates on a daily basis to try to top the best buy tables for the longest.

Things are a little different these days. Current accounts offer the best returns, while tax changes mean less interest is paid on savings, regardless of whether they're in an Isa or not. But does that mean the end for our favourite savings vehicle? Definitely not.

Whether you're saving for a house deposit, a car or even a holiday, there are still big advantages to investing in an Isa. Every penny you earn in interest is tax-free, as are all the profits and dividends you make from stocks and shares Isas.

Since the introduction of the Isa in 1999, millions of accounts have been opened. Almost 12.7 million adult accounts were subscribed to and a total of £80 billion deposited in the 2015/16 tax year alone, according to HMRC.

If you had maxed out on your Isa each year since Isas were launched, you would have more than £100,000, plus any interest or growth, at the end of the 2016/17 tax year. Even if you have a smaller sum to invest, doing your research and picking the right account for you could secure much higher returns than you're receiving at present.

The vast majority of Isa accounts – around eight in 10 – are cash Isas, but stocks and shares Isas are increasing in popularity as people seek a better return on their money.

On page 8 we look at whether stocks and shares Isas are the right way to invest your cash, and examine the other types of Isa on the market. Launched in 2016, the Help to Buy Isa or the innovative finance Isa could be right for you if you're saving for your first home or interested in peer-to-peer lending.

And let's not forget people who prefer to save in cash (page 5). Interest rates may be low, but many people can get a better rate of interest by switching their Isa to one of today's best buys.

Some 740,000 Junior Isa accounts were subscribed to in the 2015/16 tax year, as parents looked to build up nest eggs for their children. We uncover the best Junior Isa deals on page 14 of this *Easy Isa Guide*.

Accounts come with different levels of risk and return, so consider whether you need to access your Isa pot easily or whether you can afford to put money away for several years.

Whether you have hundreds or thousands to invest, there is great value to be had from Isa saving. But whatever option you choose, remember your £15,240 allowance for 2016/17 runs out on 5 April 2017 – so don't delay. mw

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REPLY NUMBER 1645

Are cash Isas still king?

High interest current accounts may have tempted people away from cash Isas, but there are still advantages for those investing this way

BY ADAM WILLIAMS

With some current accounts paying as much as 5% interest and everyone now having access to a personal tax-free savings allowance, there might seem little need for the humble cash individual savings account (Isa). But in a rapidly changing market, we shouldn't understate the security offered by the UK's favourite tax-free account.

By the end of the 2015/16 tax year, more than £269 billion was being held in cash Isas with the average saver holding £5,810. However, savers will be well aware that the rates on Isa accounts have been dropping for some time. Moneyfacts data shows the average easy-access Isa rate fell from 2.56% in January 2012 to 0.82% at the start of 2017.

Some current accounts now offer much higher rates, and this has tempted many people to save by splitting their money between several current accounts.

What is more, the introduction of a personal tax-free savings allowance of £1,000 in April 2016 means the tax-free advantages of cash Isas don't seem so essential. These rules mean basic-rate taxpayers can earn up to £1,000 in savings from any source tax free, while higher-rate taxpayers are able to earn £500 in any given tax year.

So is there any point in sheltering your cash savings in an Isa wrapper if you're unlikely to have to pay tax on them anyway?

If you saved the maximum £15,240 into a cash Isa this year and received the average 0.82% on your savings, you would only earn £124.97 interest for the year. To get £1,000 annual interest on a 0.82% rate, you would need to have £121,951 saved up.

But keeping your cash inside an Isa wrapper still has benefits. For a start, the personal savings allowance is new government policy and future governments could review it or take it away.

TOP TIP

Remember that in the event of a bank failure, the Financial Services Compensation Scheme will only guarantee the first £85,000 of savings with each financial institution. So if you do have a sum of this size, make sure it is split between two or more providers that don't belong within the same banking group.

Rates on Isa accounts have been dropping for some time

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Past performance is not a guarantee of future performance. The value of investments, and any income from them, can fall as well as rise so you could get back less than you invest. Tax treatment depends on individual circumstances and may change. If in any doubt, please seek advice.

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REPLY NUMBER 2150

Moneywise cash Isa picks (for the latest rates, visit www.moneywise.co.uk/best-cash-isas)

Type of account	Provider	Interest rate	Comments	Available
Easy access	Paragon Bank Limited Edition Easy Access Isa	1.05%	Allows transfers	Online only
Notice account	Teachers Building Society 90 Day Notice Cash Isa (Issue 6)	1.05%	Allows transfers	Post only
One-year fix	Virgin Fixed Rate Cash Isa (Issue 250)	1.05%	Allows transfers	Branch, online, phone and post
Three-year fix	Leeds Building Society Three Year Fixed Rate Isa (Issue 48)	1.30%	Allows transfers	Branch, online and phone
Five-year fix	Paragon Bank Fixed Rate Isa	1.6%	Allows tranfers. Only balances between £500 and £100,000	Online only

All accounts are covered by the Financial Services Compensation Scheme. Source: Moneywise.co.uk, 14 February 2017

Switch to make your money work harder

While you can only open one cash Isa each tax year, you are able to switch your existing Isa pot between providers.

This means that if rates fall you can move to a new bank or building society – as long as they allow transfers in. Cash Isas rarely come with a fee, although it is worth checking what withdrawal penalties are associated with your account – especially if you're closing your account to switch elsewhere.

It is also important to ask your new provider for an Isa transfer form – don't withdraw or transfer the cash yourself as you'll lose all the tax-free benefits associated with the account.

How average Isa rates have fallen over five years

	Feb 2012	Feb 2013	Feb 2014	Feb 2015	Feb 2016	Feb 2017
Average Isa rates	2.55%	1.74%	1.65%	1.44%	1.42%	0.80%

Source: Moneyfacts, 14 February 2017

Second, if you make the maximum savings into a cash Isa each year, then you might breach the personal savings allowance sooner than you think.

A person who had maxed out the Isa limit each year since its introduction in 1999 would have at least £121,520 in cash, plus all the interest paid on top of that, by the end of the 2017/18 tax year.

What is more, if interest rates go up in future, the Isa wrapper will give you protection. At 2% interest, you would only need £50,000 in cash Isas to reach the personal savings allowance of £1,000. Also, if your yearly earnings are more than £150,000, then you do not receive a personal savings allowance, meaning all your non-Isa savings are taxed at 45%.

It is also worth remembering that most current accounts only pay interest up to a certain amount – often just a few thousand pounds. In the upcoming tax year, savers will be able to put £20,000 in their Isa – up from the £15,240 allowance in 2016/17. This is in addition to any previous Isa contributions.

How to choose the right cash Isa

There are several types of cash Isa account, both fixed and variable rate, ranging from easy-access to long-term accounts. All major banks and building societies offer a range of Isas that anyone aged 16 or over can open. So what is the best strategy for getting a return on your cash?

Which cash Isa account you choose will depend on how quickly you want to access your money. Easy-access accounts allow you to withdraw funds at any time without paying a penalty – these are the best choice for people who need flexibility.

However, easy-access accounts tend to have lower rates than other cash Isas and can often include an introductory bonus which expires after a year, so make a note of this in your diary and switch accounts when this happens. Some of these accounts also have restrictions on the number of withdrawals that you can make in any tax year.

Notice accounts are slightly less flexible versions of easy-access Isas. Here, you can withdraw your cash at any time but you'll need to give a notice period, which can range from 30 to 90 days.

It should also be noted that some Isas pay more interest on higher balances or require a minimum deposit for you to open an account.

Fixed-term accounts pay more interest, but your money is locked away and can't be accessed without paying a large penalty. These fixes range from one to five years – and the longer you're willing to stash cash, the higher the rate you'll receive. For those fixing for five years, the best cash Isa rate is from Paragon at 1.6%; this compares to 1.05% for the best easy-access pick, also from Paragon.

If interest rates rise during your fixed period, you won't see your rate increase, but you will be protected if rates drop further. mw

Maximise your returns with investment Isas

While cash Isas may be the most common form of tax-free savings vehicle, there are many more options available for the discerning investor

BY ADAM WILLIAMS

Interest rates remain at rock-bottom levels, so many people are choosing to look beyond cash in an attempt to get bigger returns.

Stocks and shares Isas are an increasingly popular way of using your yearly tax-free allowance. By the end of the 2015/16 tax year, there was £249 billion invested in non-cash accounts, representing 48% of the total Isa market.

Launched in 1999, the stocks and shares Isa has since been joined by a range of other Isas. Which Isa you choose depends on whether you are saving for a home, interested in peer-to-peer lending or just looking for a better return on your cash.

Risk and reward

Stocks and shares Isas offer the prospect of higher returns than cash, though there is a greater level of risk. This kind of investment is suited to medium- and long-term investors rather than those seeking an instant return on their money.

The good news is that all the profits made in your stocks and shares Isa are tax free. Non-Isa investments are liable to an 18% tax for basic-rate payers and 28% if you're in the higher- or additional-rate tax band, once you pass the £11,100 capital gains tax allowance.

Tax benefits for stocks and shares Isa account holders are as follows:

- Investments that pay interest (for example, government and corporate bonds) or rental income (such as some property funds) provide 100% tax-free income if held within a stocks and shares Isa and therefore offer tax benefits for everyone.
- All individuals are eligible for a £5,000 tax-free dividend allowance. Dividends received on shares within an Isa will remain tax-free and won't affect your dividend allowance.
- Also, any profit you make when selling investments in your stocks and shares Isa is free of capital gains tax.

Rob Morgan, pensions and investments analyst at Charles Stanley, says: "The appeal of cash Isas is fading as low interest rates are hurting savers. What is more, the personal savings allowance introduced from April 2016 means that many people no longer pay tax on their savings interest in bank and building society accounts.

"With ordinary savings accounts providing similar rates in many cases and banks now paying interest gross (untaxed) rather than net (with basic-rate tax taken off), many people are questioning the point of saving into a cash Isa and are instead looking to transfer to a stocks and shares Isa in search of superior long-term returns, albeit with higher risks attached."

If you already have a pot of savings in a cash Isa, then it is possible to move this over to a stocks and shares product – you just need to ask the new provider for a transfer form. Don't withdraw the cash from the Isa wrapper yourself as you'll lose the tax advantages. But it is always a good idea to hold some cash in an easily accessible account, so consider how you want to invest and plan accordingly.

Patrick Connolly, financial planner at Chase de Vere, says: "As a starting point, you need to decide what you want to achieve, how long you are planning to invest and how much

risk you are prepared to take. This will help you decide the most appropriate investments for you.

"Before investing, you should make sure that you have paid off any expensive debt and have enough money in cash to cater for any short-term emergencies or requirements.

"First time investors should usually avoid higher risk or more specialist investments unless they fully understand the risks and are prepared to take a long-term perspective, say 10 years or more."

"The peaks and troughs of the market tend to pale into insignificance over time"

Cost of investment

Investing can be a daunting task at the best of times. The FTSE 100 index of the biggest companies listed on the London Stock Exchange may have reached record highs this year, but the UK's exit from the European Union and the long-term impact of Donald Trump's presidency present challenges.

To counter any short-term fluctuations, you can choose to drip-feed money into your chosen investments at regular intervals. This means you're not risking all of your cash at one moment in time and your risk is spread over a longer period.

Mr Morgan says: "The stock market has performed very well recently, and that may put some people who are worried about buying in at the peak of the market off.

"However, the prevailing level of the market should never really put you off investing. So long as you make investing a habit and commit for the longer term, the peaks and troughs have a tendency to pale into insignificance over time."

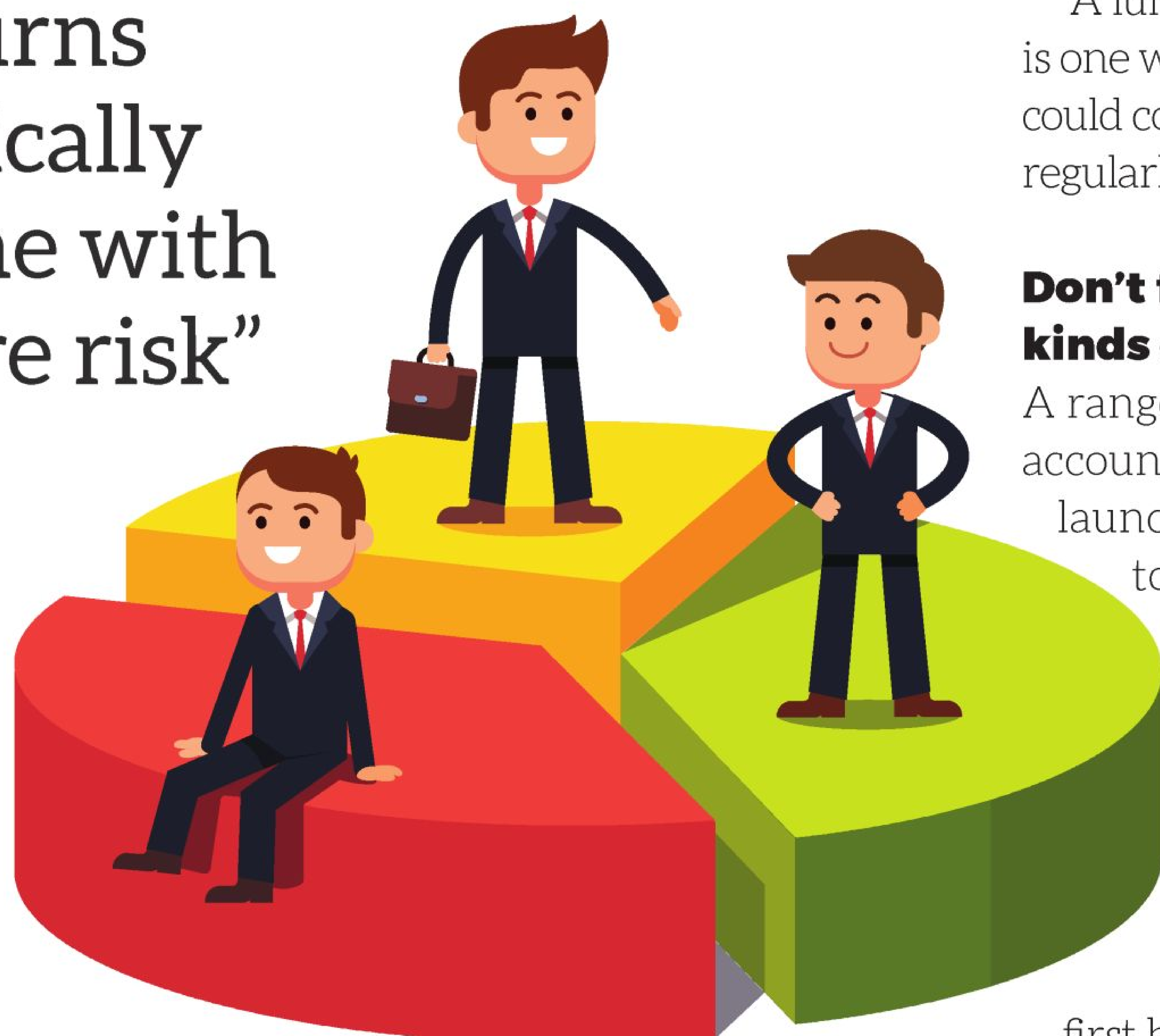
There is a wide range of choice when it comes to stocks and shares Isas. You can hold individual company shares, bonds or funds. Funds are holdings, which are run by professionals who pool together a number of investments. Your portfolio can cover everything from individual firms to full sectors and this allows the risk to be spread over multiple asset classes.

It is also important to remember the costs associated with this kind of investment and any ongoing dealing charges. An independent financial adviser will tend to deal with people who are investing larger sums of £50,000 or more so smaller investors must typically fend for themselves.

Most investors tend to use platforms – examples include Charles Stanley Direct, Hargreaves Lansdown or Interactive Investor (*Moneywise*'s parent company). These charge either a yearly fee – usually a percentage of your Isa's value – or a fixed amount, which is charged each time you make a trade.

"When buying funds through an Isa on a low-cost platform, the charges (fund annual charge and annual platform fee) are usually percentage rather

“Accounts that offer higher returns typically come with more risk”



than fixed ones so starting to invest with a small amount is perfectly valid,” says Mr Morgan.

“A lump sum of £1,000 is one way to start – or you could commit to investing regularly from £50 a month.”

Don’t forget other kinds of Isa

A range of new Isa accounts has been launched in recent years to cater for specific segments of the market.

The Help to Buy Isa gives aspiring homeowners assistance when buying their first home and pays a bonus once a purchase is completed.

Rates on offer are much higher than the equivalent cash Isa – the current top paying account generally available to all is from Barclays at a rate of 2.27%, but there are some restrictions. You can only pay in £200 a month, plus an extra £1,000 when you open the account. This means the total maximum saved is £3,400 in the first year and £2,400 in each subsequent year.

A bonus of 25% is paid when the account owner buys a house. The maximum bonus awarded through the scheme is £3,000 and is paid upon

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completion, which means it can be used for the mortgage deposit, but not for the exchange deposit and any costs incurred prior to completion.

This is only available to people who have never owned a home before, although couples may hold separate Isas and thus both can benefit from a government bonus.

Meanwhile, peer-to-peer (P2P) investments can now be held in a tax-free Isa after the launch of the Innovative Finance Isa – sometimes known as an Ifisa – in April 2016. This offers higher returns, but is much riskier than other kinds of investment.

The range of providers is relatively small at present with Crowdstacker, Crowd2Fund and Lending Works, some of the bigger names in the market.

While peer-to-peer investors have seen strong returns so far, there are doubts about the long-term sustainability of the market. Mr Connolly believes this is a much riskier option than investing in stocks and shares.

"Accounts that offer higher returns typically come with more risk and, as the peer-to-peer market continues to grow and develop, we are likely to see new entrants entering the fray," he says.

Types of Isa

- Cash Isa
- Help to Buy Isa
- Innovative finance Isa
- Junior Isa *(see Easy Isa Guide page 14)*
- Lifetime Isa *(see Moneywise page 58)*
- Stocks and shares Isa

"While more competition should be positive news for consumers, with it comes increased risks that all providers might not be of suitable quality.

"You can invest up to £20,000 in Innovative Finance Isas in the 2017/18 tax year. While peer-to-peer lending is now regulated by the Financial Conduct Authority, it still isn't covered by the Financial Services Compensation Scheme, so if a borrower or provider defaults those who invest could be left out of pocket."

Lifetime Isas will launch in April 2017 and are an option for people saving for a first home or for their retirement. You can read about them on page 58 of this issue of *Moneywise*. The Junior Isa (see page 14 of this *Easy Isa Guide)* is also an option for younger savers. mw

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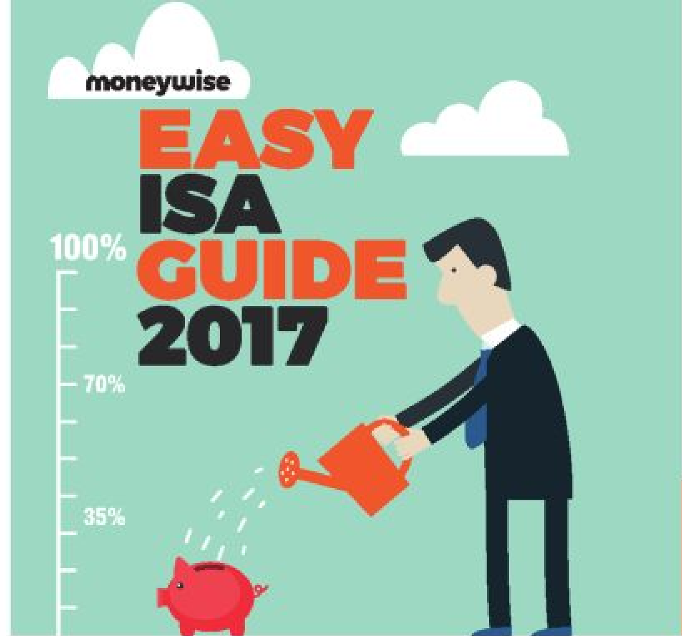

TOP PICKS

Seven most recommended funds from 10 investment platforms

We find the funds that are most recommended to investors by the DIY investment platforms

BY MOIRA O'NEILL

Once you've decided to invest in a stocks and shares Isa, you need to decide what investments to hold in it. But there are thousands of funds to choose from and it's hard to narrow down the choice yourself.

Many DIY investment platforms offer lists of 50 to 150 recommended funds, which they promote to investors as the best funds available on the market, as researched by their independent analysts.

We examined the fund select lists on 10 investment platforms: AXA Self Investor, Barclays Stockbrokers, Bestinvest, Charles Stanley Direct, Chelsea Financial Services, Close Brothers, Fidelity, Hargreaves Lansdown, The Share Centre, and Trustnet Direct.

We expected to find lots of common recommendations among the select lists, but this wasn't the case.

In total, 338 funds were recommended. But 217 of these funds only received one recommendation across all 10 platforms.

In fact, the 10 platforms only agreed on one fund, and only 16 funds received five or more recommendations.

You can see the 32 funds that received four or more recommendations in the table opposite.

Here's a bit more detail about the seven funds that received six or more recommendations.

Stewart Investors Asia Pacific Leaders*

Number of platform recommendations: 10/10
Ongoing charges figure: 0.91%

Its goal is to achieve long-term capital growth from a portfolio of large and medium-sized companies in the Asia Pacific region, including Australia and New Zealand, but excluding Japan. Each potential investment is evaluated according to seven principles which include: looking for companies that treat their investors fairly, avoiding capital losses, examining company fundamentals and not investing for the short term.

AXA Framlington UK Select Opportunities*

Number of platform recommendations: 7/10
Ongoing charges figure: 0.83%

Run by Nigel Thomas, a highly respected manager with more than 30 years' experience, it can invest in UK companies of any size. Although the fund has not always been top of the pops in the performance charts, its long-term record has been impressive.

CF Woodford Equity Income*

Number of platform recommendations: 7/10
Ongoing charges figure: 0.75%

Managed by the UK's best-known fund manager, Neil Woodford, this invests primarily in UK-listed companies. It aims to provide a reasonable level of income together with capital growth.

Fidelity MoneyBuilder Income*

Number of platform recommendations: 6/10
Ongoing charges figure: 0.56%

This is a relatively conservatively managed, high-quality, investment-grade corporate bond portfolio. It aims to provide an attractive level of income and predominantly invests in UK fixed-interest securities, with some exposure to other developed markets.

JPM US Equity Income Fund

Number of platform recommendations: 6/10
Ongoing charges figure: 0.93%

It aims to share in the future growth of the US stock market by investing in high-quality, attractively valued companies in any economic sector that have healthy and sustainable dividend yields.

Funds recommended by at least four platforms

Platform name	AXA Self Investor	Barclays Stockbrokers	Bestinvest	Charles Stanley Direct	Chelsea Financial Services	Close Brothers	Fidelity	Hargreaves Lansdown	The Share Centre	Trustnet Direct	
Fund select list name	Favourite Funds	Funds list	5 star rated	Foundation Fund List	Core Selection	50	Select 50	Wealth 150+	Platinum 120	100	Total***
Stewart Investors Asia Pacific Leaders*	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	10
AXA Framlington UK Select Opportunities*	✔	✔	✔	✔	✔	✔	✗	✗	✔	✗	7
CF Woodford Equity Inc*	✔	✗	✗	✔	✔	✔	✗	✔	✔	✔	7
Fidelity MoneyBuilder Inc*	✔	✔	✔	✗	✗	✗	✔	✔	✗	✔	6
JPM US Equity Income	✔	✔	✗	✗	✗	✔	✔	✗	✔	✔	6
Liontrust Special Situations		✗	✔	✔	✔	✔	✗	✗	✔	✔	6
Schroder Tokyo	✔	✗	✗	✔	✗	✔	✔	✔	✗	✔	6
Artemis Income	✔	✔	✗	✗	✗	✔	✗	✔	✔	✗	5
Henderson Strategic Bond		✗	✗	✔	✔	✔	✗	✗	✔	✔	5
M&G Optimal Income	✔	✗	✔	✗	✗	✔	✔	✗	✔	✗	5
Man GLG Japan CoreAlpha*	✔	✔	✗	✔	✔	✗	✗	✔	✗	✗	5
Newton Global Income	✔	✗	✗	✗	✗	✔	✗	✔	✔	✔	5
Newton Real Return*	✔	✗	✗	✔	✗	✔	✗	✔	✔	✗	5
Old Mutual UK Smaller Cos		✔	✗	✔	✗	✗	✔	✗	✔	✔	5
Standard Life Investments GARS**	✔	✔	✔	✔	✗	✔	✗	✗	✗	✗	5
Threadneedle European Select	✔	✗	✔	✗	✔	✗	✔	✔	✗	✗	5
Baillie Gifford Japanese	✔	✗	✗	✗	✗	✔	✔	✗	✗	✔	4
BlackRock Gold & General	✔	✗	✗	✔	✗	✔	✗	✗	✔	✗	4
Fidelity Emerging Markets*	✔	✗	✗	✗	✗	✔	✔	✗	✗	✔	4
Fidelity Enhanced Income	✔	✗	✗	✗	✗	✔	✔	✗	✔	✗	4
Fidelity Strategic Bond		✗	✔	✗	✗	✔	✔	✗	✗	✔	4
Franklin UK Mid Cap	✔	✗	✗	✗	✗	✔	✗	✔	✔	✗	4
Franklin UK Smaller Cos	✔	✗	✗	✔	✔	✗	✔	✗	✗	✗	4
JOHCM UK Opportunities		✔	✔	✗	✗	✔	✗	✗	✗	✔	4
M&G Corporate Bond	✔	✔	✗	✗	✗	✗	✔	✗	✗	✔	4
M&G Global Dividend		✗	✗	✔	✔	✔	✗	✗	✔	✗	4
Marlborough UK Micro-Cap Growth*	✗	✗	✗	✗	✔	✗	✗	✔	✔	✔	4
Old Mutual UK Alpha	✔	✔	✗	✗	✔	✔	✗	✗	✗	✗	4
Old Mutual UK Mid-Cap*	✔	✔	✗	✗		✗	✗	✗	✔	✔	4
Rathbone Income	✗	✗	✗	✗	✔	✗	✗	✔	✔	✔	4
Schroder US Mid Cap	✔	✗	✗	✗	✗	✗	✔	✗	✔	✔	4
Threadneedle UK Equity Income	✔	✗	✔	✗	✗	✗	✗	✔	✗	✔	4

A member of the Moneywise First 50 Funds for beginners. ** GARS stands for global absolute return strategies. * Number of recommendations*
Source: Moneywise, using platform websites on 5 February 2016.

Liontrust Special Situations

Number of platform recommendations: 6/10
Ongoing charges figure: 0.88%

It is a UK equity fund with a distinct process looking for UK companies with a strong, defendable business franchise. The fund typically has a bias to medium- and small-sized UK companies in a relatively concentrated portfolio with low turnover.

Schroder Tokyo

Number of platform recommendations: 6/10
Ongoing charges figure: 0.91%

It aims to achieve capital appreciation through participation in the growth of the Japanese economy. Investment will be based primarily on Japan's economic strengths, such as its manufacturing industry – in particular on those parts of its industry that are demonstrating an ability to exploit newly emerging technology) and on sectors benefiting from structural change in the economy.

**A member of Moneywise's First 50 Funds for beginners. Find out more at www.moneywise.co.uk/first-50-funds.*

Interactive Investor

Moneywise's parent company Interactive Investor is a DIY investment platform. It offers fund recommendations to its customers by offering them a digital copy of Moneywise's sister magazine Money Observer's rated funds list. You can view this at www.moneyobserver.com/rated-funds-2017. Stewart Investors Asia Pacific Leaders is a member of the Money Observer rated funds. mw

JUNIOR ISAS

Smart saving for savvy parents

Building up savings early can give your children the perfect start when they reach adulthood

BY ADAM WILLIAMS

Going to university, buying a first car, putting a deposit down for a house – these are just some of the expenses your children could be facing once they turn 18. All cost considerable sums of money, so investing now could give them a real boost in the future - and the Junior Isa is a popular way of doing so.

Junior Isas – or Jisas as they are sometimes known – are savings vehicles for everyone aged under 18. Like adult Isas, they are available through most major banks and building societies with both cash and stocks and shares variants available.

These accounts can be opened by parents with children aged under 16 or by the children themselves once they reach 16 or 17 years old.

Junior Isas have the same tax-free status as regular Isas, but there are also some important differences between Isas for adults and children.

How much can you make?

The good news is that the interest rates offered by Jisa providers are much higher than the adult equivalent. The current best buy Jisa is available from Coventry Building Society and offers savers a rate of 3.25% – more than three times the top paying easy-access Isa.

The Jisa allowance for the 2017/18 tax year is £4,128, up from £4,080 in 2016/17.

While you're free to max out the year's allowance at any time, it is more common to pay in a little each month. Parents paying £344 a month into their child's account from birth until 16 will have invested £66,048 in cash. Using the best buy 3.25% rate as an example, a child would have earned £20,696 in interest, meaning a cash payout of £86,744.

For those looking to save a smaller sum each month, saving £100 a month would result in a pot of £25,216 after 16 years and those putting away £50 each month would have £12,608 saved.

Remember this is a rough calculation based on today's rates; interest rates are very likely to vary during any prolonged period and the amount you can pay into the Jisa can alter too.

Are there any restrictions?

There are a number of key facts to consider before opening a Jisa. The first is that everything you invest is locked up until your child turns 18 and cannot be accessed before that date, barring death or terminal illness.

Once your child turns 18, they will be given direct access to the account and will be able to do whatever they want with it. So if you're worried about your child receiving such a large sum and you haven't maxed out your own Isa allowance, then consider putting the cash in your name but reserving it for your child.

Moneywise Junior Isa picks

Provider	Interest rate	Age limit	Transfers in?	Available
Coventry Building Society Junior Cash Isa	3.25%	Under 18s only	Yes	Branch, phone and post
Halifax Junior Cash Isa	3%	Under 18s only	Yes	Branch and online
Nationwide Smart Junior Isa	3%	Under 18s only	Yes	Branch and online
TSB Junior Cash Isa	3%	Under 18s only	Yes	Branch only
Tesco Bank Junior Cash Isa	3%	Under 18s only	Yes	Online and phone

All accounts are covered by the Financial Services Compensation Scheme. Information correct as at 14 February 2017

At 16, your child can open both a Jisa and an adult Isa

Only parents and guardians are able to open a Jisa, but anyone, including grandparents and other relatives, can pay in once the account is active.

There are some other benefits to having a Jisa. Once your child turns 16, they are able to open up both a Jisa and an adult cash Isa, so they could save £24,128 a year based on 2017/18 allowances. They may also transfer their Jisa to an adult product when they turn 16.

Can I invest in stocks and shares?

As with adult Isas, there is the option of opening a stocks and shares Jisa. These operate in much the same way as their adult counterparts and typically offer greater returns, albeit with a greater risk.

Investments tend to outperform cash over a longer period, so it is important to consider the age of your child before opening this account. If you're investing when your child is very young, you are likely to be able to withstand any short-term market fluctuations. If your child is already a teenager, then there is the chance that a market slump could significantly hit your savings pot.

Alliance Trust says, based on a contribution of £344 a month, a Jisa investment – after charges and fees – could be worth £91,320 after 16 years (assumes an investment charge of 1% and annual growth rate of 5%). This is much higher than the £66,048 expected cash return.

Who you invest your money with is another question. Providers offer a wide range of investment opportunities, with differing costs for trading depending on which you take the account out with.

Jisa providers include AJ Bell YouInvest, Alliance Trust Savings, BestInvest, Charles Stanley Direct, Fidelity, Hargreaves Lansdown, Interactive Investor (*Moneywise*'s parent company) and The Share Centre.

Unless you have a good knowledge of the stock market, it may be better to use a fund that tracks a varied range of companies and sectors, both in the UK and abroad. This spreads your risk further and means you are less likely to suffer if a particular company or sector gets into trouble.

And if you are still unwilling to risk all your cash in a stocks and shares Jisa, you can split the yearly allowance between it and the cash version.

Make the most of the tax benefits

Jisas, like their adult counterparts, offer some distinct tax advantages over regular savings accounts or investments:

- For cash Jisas, there is no tax deducted from the interest you earn.
- For stocks and shares Jisas, there is no tax payable on any capital growth or dividends.

But the biggest tax benefits are for grandparents as Jisas are a useful way to minimise inheritance tax liabilities. Individuals can pass on a cash gift of £3,000 each tax year, which will be exempt from inheritance tax on death.

While this may seem a small amount, it can add up to a large tax saving when spread over a period of up to 18 years. mw

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Investment Research Manager

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