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TURN YOUR MONEY GREEN

BAG A BARGAIN PROPERTY

17 TOP TIPS FROM FUND MANAGERS

5 WAYS YOU'RE SAVING ALL WRONG AND HOW TO FIX IT

PUBLISHED BY interactive investor

WELCOME TO *March*

There are thousands of funds and companies to invest in – but that doesn't mean you should be intimidated. In this issue of *Moneywise*, we make things simple. We have updated our list of First 50 Funds for Beginners (page 50) – funds that we think can be a good starting place. We also reveal the most recommended funds across nine different investing platforms – see page 12 of our Isa supplement to see which are the most popular.

In fact, if you are a novice investor, the chances are you could even have advantages over the professionals. Read our feature on page 47 for the five reasons why.

Meanwhile, it is time to give your Isa some welly! Cash Isa rates are pitiful – but there are other options for growing your money, as we explain on page 9. Our Isa guide, free with this issue, has even more ideas.

We also help you get more from your savings in our feature on page 43 on five ways you are saving all wrong – and how to fix them.

Saving and investing is not just about getting the best returns, for rising numbers of people it is about doing good with money too. On page 38, we investigate how you can find financial products from mortgages to savings accounts that align with your values.

Over the past few months, we have asked top fund managers what one piece of advice they would give to a beginner investor. On page 56, we round up 17 of the best.

As the property market hots up once again, it may seem as if there are no bargains left to be found. On page 63, we investigate how to buy repossessed properties to get more for your money.

Meanwhile, on page 67 we have the ultimate guide to pensions for women. The guide is useful for everyone, but while the pension gender gap remains so large we feel it is women, in particular, who need a helping hand.

Finally, on page 23 we have a brilliant competition for you. Win £3,000 to invest in an investment company, courtesy of the Association of Investment Companies.

Please get in touch with your views, money-saving tips and what you would like to read more about.

Rachel

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ONE THING I LEARNT THIS MONTH IS...

"Thousands of workers could be missing out in pension top-ups from the Government. We find out this month if pension tax relief for higher earners will be cut (see page 14), but even now many are not getting their full allowance because they are not claiming it. If you are a higher-rate or additional-rate taxpayer, check if you need to claim yours."

Rachel Rickard Straus

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Sections

For the first five months of the year, we're working to pay the Government

Regulars

GIVE YOUR ISA SOME WELLY!

Whether you are building a nest egg for your children, buying a home or boosting your pension, there is an Isa that could help you. Don't just stick with a Cash Isa – check out the other options too

BY RUTH JACKSON-KIRBY

Just a few years ago, a Cash Isa was a great home for your savings. You could enjoy a reasonable return on your money and not have to hand a penny of it to the taxman. But these days the interest rates offered on Cash Isas are pitiful. The average rate is 0.84%, according to Moneyfacts, which is well below inflation. Add in the fact most of us can now earn £1,000 a year tax-free on our normal savings accounts and it's hard to see the allure of a Cash Isa.

But that doesn't mean you should write off Isas completely. There are a lot of other types of Isa that could seriously boost your nest egg.

We look at the rest of the Isa family and what they could do for you.

0.88%
Average interest rate on a Cash Isa
(Moneyfacts)

Build a nest egg

The most common reason to save into an Isa is simply to build a nest egg for the future. Most of us opt to do this with a Cash Isa but, depending on when you want the money and how much risk you're willing to take with it, there may be more rewarding alternatives. For example, you could consider an Investment Isa or Innovative Finance Isa.

Harry Row, 26, an anaesthetic practitioner from Cardiff, decided that he would start saving when he received a rebate from the taxman.

"The money had spent a number of months sitting in my current account, collecting dust, while I was wondering what best to do with it," he says.

"After doing some research, I decided to go with an Investment Isa, rather than a Cash Isa. The reasoning behind my decision was, although my capital is at risk, I could grow my money in far more substantial amounts if it were invested rather than left alone earning interest, given the low rates at present."

Harry has earned a 19.98% return on his £5,000 investment since opening his Isa two years ago.

"Over the long term, Stocks and Shares Isas are a great way of building a nest egg," says Sarah Coles, a personal finance analyst at Hargreaves Lansdown.

"Many of us avoid Investment Isas because we are worried about the risk of losing money in the short term on the stock market – despite the fact that as long as we hold if for five to 10 years or more, we can usually ride this out and take advantage of long-term growth."

CAN I HAVE MORE THAN ONE ISA?

You can pay into one of each type of Isa within any one tax year, and split your allowance between them however you like. Therefore, you can still pay into a Cash Isa if you wish, while trying out an alternative at the same time. You can pay in a maximum of £20,000 across all your Isas this tax year.

An Investment Isa acts like a tax-efficient wrapper around your choice of shares or funds. You can open an Isa with an investment platform such as interactive investor, Hargreaves Lansdown or Vanguard, then fill it with your choice of investments. Your investment can then grow free from income tax, capital gains tax and dividend tax.

Buy a house

The right Isa can also significantly boost your savings towards your own home. The Lifetime Isa (Lisa) can be opened by anyone aged between 18 and 39. You can deposit up to £4,000 a year and the Government will add 25% to anything you pay in, so you could boost your savings by £1,000 a year.

You can either use the money to buy your first home or access it when you are 60 or over, to help with your retirement.

You can make deposits into a Lifetime Isa until you are 50, so you could get up to £33,000 from the Government if you saved the maximum every year.

£5,114
Average amount held in a Cash Isa
(HMRC)

Lisas can hold cash or investments. Which to choose will depend on when you need the money. If you need it to buy a home in less than five years' time, cash is the best option. The interest rates are not great – the best buy is 1.4% from Moneybox – but your money isn't at risk of stock market falls.

If you can tie up your money for five years or more, then investments are likely to outperform the return you would get on cash. Various firms, including AJ Bell, Forester, Hargreaves Lansdown, Nutmeg and The Share Centre, offer Stocks and Shares Lifetime Isas.

The best Cash Isa rates

Type of Account	Account	Interest Rate	Transfers In?	Notes
Instant Access	Al Rayan	1.36%	Yes	
Notice Account	Paragon	1.31%	Yes	120 days' notice to withdraw
One Year Fixed Rate	OakNorth Bank	1.41%	Yes	Earlier access subject to 90-day loss of interest
Two Year Fixed Rate	Al Rayan	1.50%	Yes	Offers an Expected Profit Rate
Five Year Fixed Rate	Coventry BS	1.75%	Yes	Matures on 31 May 2025
Junior Isa	Coventry BS	3.6%	Yes	

Source: Moneywise, 14/11/20

£10,124
Average amount held in an Investment Isa
(HMRC)

Supplement your pension

"People can choose to invest in an Isa alongside their pension to give them extra flexibility over how they structure their retirement income," says Helen Morrissey, a long-term savings specialist at Royal London.

"For instance, they may amass a sizeable amount in their Stocks and Shares Isa that they choose to access first so they can leave their pension untouched."

There are several benefits to this. First, as soon as you start drawing an income from your pension the amount you can pay into it drops from £40,000 a year to £4,000 a year. Using your Isa first means you can carry on paying into your pension and enjoying the associated tax relief.

Second, if you die your pension can be passed on to your beneficiaries free from inheritance tax (IHT), while an Isa counts as part of your estate for IHT purposes. So it can make sense to spend your Isa savings before you start using your pension.

"Isas can also prove useful to those people unable to top up their pension due to lifetime or annual allowance issues," says Morrissey. "Being able to put that money into an Isa offers a further option for people to benefit from tax-efficient investment growth."

Unlike pension income. cash taken out of an Isa in retirement will not be subject to tax.

Save for your children's future

If you plan to set aside money for your children, then a Junior Isa (Jisa) is the best place to put it. Protecting your child's money from tax may seem strange, but in the eyes of the taxman they are the same as an adult.

Children have to pay income tax and capital gains tax in just the same way. While it is unlikely they will exceed their personal allowances and have to pay tax as a child, it's worth getting their money into a tax-efficient wrapper now, so it's protected when they are older and earning enough to pay tax.

If you deposited the full allowance each year – and it grew by 3% a year – your child would have just over £100,000 already beyond the taxman's reach when they turn 18.

Most parents opt for a Cash Jisa, but you are likely to get a better return if you choose an Investment Jisa.

"The fact Jisas are out of reach until your child is 18 means it's a great way to build a tax-free nest egg," says Coles. "While investments can go up and down in value, over 18 years there is usually plenty of time to see these out and take advantage of more potential long-term growth from the stock market than from cash."

However, bear in mind that your child will take over control of any Jisa in their name when they turn 18 and may not have the maturity to make sensible spending decisions.

Become a profitable lender

Another way to boost the return on your savings is to start lending your cash to other people. The Innovative Finance Isa (Ifisa) allows you to put peer-to-peer (P2P) investments in an Isa wrapper. You put your money into the Ifisa and then it is lent to other individuals or businesses.

Mike Best, 39, a software developer from Edinburgh, has an Ifisa with Funding Circle.

"I was initially attracted because of the return. You can earn several times what you could with a Cash Isa," he says. "Over the long term, my Ifisa has yielded 6%. It forms part of my long-term investment plan, including for my retirement as an alternative to a Sipp. I also have a Stocks and Shares Isa."

The reason you get a better return with an Ifisa than a Cash Isa is because you're taking on more risk. There is always the chance someone you lend to could fail to pay you back.

"Some businesses you lend to will have hard times, but the key to controlling risk is diversification," says Best. "I currently lend to over 200 businesses, with each making up less than 0.5% of my portfolio."

1,000
– the number of Isa millionaires

A major risk with an Ifisa is your money is not covered by the Financial Services Compensation Scheme. This means if the Ifisa provider goes bust you could lose your money. Different Ifisa providers operate using different

£20,000
Annual Isa allowance

INHERITING ISAS

When someone dies, their Isas don't die with them. Isa accounts can be inherited by a spouse or civil partner, meaning they can continue to enjoy the tax benefits. When your partner dies, you are given an additional permitted subscription (APS). This is a one-off Isa allowance that is equal to the value of your partner's Isa holdings when they died. For example, if your partner died with £80,000 in Isas, you would be given an Isa allowance of £100,000 for that tax year (your own Isa allowance of £20,000 plus the value of their accounts).

£4,368
Junior Isa allowance in the 19/20 tax year

Whichever Isa you choose to boost your returns, don't forget your Cash Isa completely

models, so choose your provider carefully and be cautious of returns that seem too good to be true.

When P2P firm Lendy collapsed in May 2018, investors were owed about £152 million. Many could receive back less than they invested, as funds were not ring-fenced as they believed – this means Lendy investors' money could end up being paid to insolvency practitioners and creditors instead of being returned.

"When choosing an Ifisa option, we suggest people look primarily at the underlying asset class they'll be investing in," says Natasha Wear, chief executive of P2P at Zopa.

"P2P platforms offer a variety of asset classes, including lower-risk personal loans through to higher-risk small businesses and property loans."

The FCA introduced new rules to protect P2P investors in 2019. The regulations mean retail investors can only have 10% of their investible assets in P2P loans unless they have received regulated financial advice. The aim is to ensure that investors do not over-expose themselves to risk.

Don't forget your rainy day fund

Whichever Isa you choose to boost your returns, don't forget about your Cash Isa completely. We all need to have access to cash in a hurry should an emergency arise, so keeping some of your savings in an easy access account is still a good idea.

"You can always divide your Isa allowance between cash and stocks and shares, in whatever proportion leaves you comfortable," says Francis Klonowski, a certified financial planner. mw

RUTH JACKSON-KIRBY writes for publications including *The Sunday Times*, *MoneyWeek* and *Good Money Guide*

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PAST PERFORMANCE

	Nov 14 – Nov 15	Nov 15 – Nov 16	Nov 16 – Nov 17	Nov 17 – Nov 18	Nov 18 – Nov 19
Net Asset Value	9.3%	32.6%	26.2%	-12.0%	5.1%
Share Price	4.3%	34.8%	30.3%	-13.2%	10.2%
MSCI China Index	-1.7%	25.1%	33.8%	-6.6%	5.6%

Past performance is not a reliable indicator of future returns.
Source: Morningstar as at 30.11.2019, bid-bid, net income reinvested.
©2020 Morningstar Inc. All rights reserved. The MSCI China Index is a comparative index of the investment trust.

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To find out more, go to fidelity.co.uk/china or speak to your adviser.

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Fidelity INTERNATIONAL

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Budget 2020: why neighbours should be there for one another

Have there ever been two addresses with such a history of spats between their occupants as number 10 and number 11 Downing Street?

Tenants should be warned before moving in that neighbourly feuds are almost inevitable.

In the Eighties, it was Margaret Thatcher sparring with Nigel Lawson, throughout the Noughties Tony Blair with Gordon Brown – and until last month Boris Johnson with Sajid Javid.

But while you or I might fall out with our neighbours over loud music or fence maintenance, this lot battle it out over control of the economy and the nation's coffers.

The latest tussle – between Prime Minister Boris Johnson and former Chancellor Sajid Javid – has meant the latter had to move out before he had given his first Budget statement.

Now newcomer Rishi Sunak is moving in with just days to go before he has to give his first Budget announcement on 11 March. Talk about being thrown in the deep end.

As usual with this recurring neighbourly feud, it comes with a whole lot of noise. There are commentators analysing the dynamics between the Prime Minister's office and the Treasury. There are ministers taking sides and vying for power. There are tweets, leaders, news reports – and even, in this case, analysis of what Javid meant when he wished the PM a happy Valentine's day the day after he handed in his notice.

The danger is that all this noise drowns out what is important or that we are tempted to tune out the whole thing because it is so clogged up with politics and people and power and nonsense.

But that would be a shame. Because what is in the Chancellor's Budget on 11 March could affect all of our lives. Not just in a general sense, but in very practical ways.

It could affect where we can afford to go on holiday, the length of our commutes, the value of our homes, even the quality of the air we breathe. So it is worth paying attention to.

One prediction is that the new Chancellor will cut pension tax relief. This could result in tens of thousands of pounds less to spend in retirement for some people. That will make a material difference to where they holiday, do their grocery shopping and how they spend their leisure time.

Some changes take a while to make a difference, while others are immediate. For example, should the Chancellor make changes to certain levies, the amount we pay for a pint, a litre of petrol or a packet of cigarettes will change that evening.

And there are bigger issues at stake than all of this. The Chancellor's speech could quite literally affect the air we breathe. I will be watching to see if he commits to investing in a low carbon economy, whether there are subsidies for electric cars and if funds can be found for new roads and runways or for cycle paths and public transport. This Budget will likely set the tone for how the Government plans to deal with one of the greatest issues we have ever faced – climate change.

A lot is resting on Sunak's shoulders – like keeping the peace

Whether the Chancellor decides to turn on the money taps again or draw out the austerity measures of the previous government will also be revealed. Will he rein in spending for the sake of balancing the books or take advantage of cheap money and spend to grow the economy?

There is a lot resting on his shoulders – not to mention keeping the peace with his new neighbour.

On 11 March, we will be keeping you updated with what is in the Budget and what it could mean for you. Check in at Moneywise.co.uk or look out for our special budget newsletter. mw

This month, *Moneywise*'s Brean Horne visited another winner of our Personal Finance Teacher of the Year Awards 2019. Russell Wareing at Lancaster Royal Grammar School has been able to turbo-boost his lessons about investing and entrepreneurship, thanks to the £1,500 prize money his school received from award sponsor interactive investor (*Moneywise*'s parent company). Her brilliant report is on page 72. See page 66 for how you can nominate a teacher or yourself.

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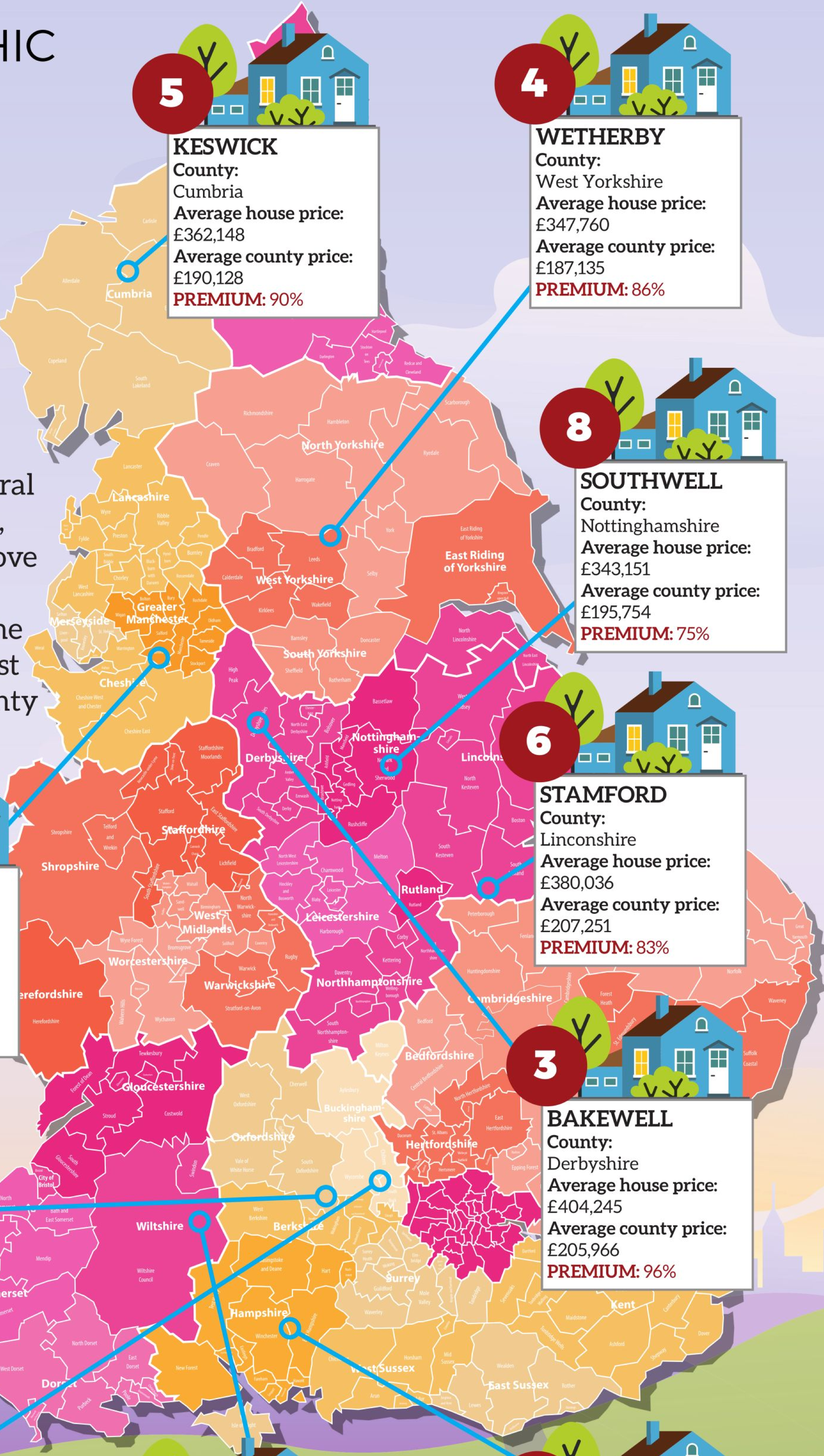
INFOGRAPHIC

WHAT IT COSTS TO LIVE IN AN ENGLISH MARKET TOWN

If your dream is to live in the rural idyll of an English market town, you will pay 12% or £33,000 above the average house price for the surrounding county. Here are the 10 market towns with the largest premiums compared to the county in which they are situated.



1 **BEACONSFIELD**
County: Buckinghamshire
Average house price: £1,098,060
Average county price: £418,483
PREMIUM: 162%

2 **HENLEY ON THAMES**
County: Oxfordshire
Average house price: £811,388
Average county price: £412,185
PREMIUM: 97%

3 **BAKEWELL**
County: Derbyshire
Average house price: £404,245
Average county price: £205,966
PREMIUM: 96%

4 **WETHERBY**
County: West Yorkshire
Average house price: £347,760
Average county price: £187,135
PREMIUM: 86%

5 **KESWICK**
County: Cumbria
Average house price: £362,148
Average county price: £190,128
PREMIUM: 90%

6 **STAMFORD**
County: Linconshire
Average house price: £380,036
Average county price: £207,251
PREMIUM: 83%

7 **ALTRINCHAM**
County: Greater Manchester
Average house price: £480,718
Average county price: £262,210
PREMIUM: 83%

8 **SOUTHWELL**
County: Nottinghamshire
Average house price: £343,151
Average county price: £195,754
PREMIUM: 75%

9 **ALRESFORD**
County: Hampshire
Average house price: £564,156
Average county price: £333,089
PREMIUM: 69%

10 **MARLBOROUGH**
County: Wiltshire
Average house price: £470,072
Average county price: £289,520
PREMIUM: 62%

Source: Lloyds Bank using Land Registry data

One thing to do this month

Boost your credit score

BY BREAN HORNE

There are three credit reference agencies in the UK – Experian, Equifax and TransUnion – which collect your financial data and generate credit scores based on your credit history.

It is important to keep an eye on your credit score as it can affect your ability to get anything from a mortgage to a mobile phone contract. Often people don't realise that there is an issue with their credit history until they have been rejected for a financial product.

Here are four ways to keep on top of your credit score and give it a boost too.

Check your credit history

1 Monitoring your credit history regularly will help to identify errors or fraudulent activity on your credit file that could be affecting your score. You can check your score for free using Experian, Equifax or TransUnion. However, you will have to pay to see your full credit history.

You can view your credit score and history for free using MoneySavingExpert's Credit Club (which uses data from Experian), ClearScore (which uses data from Equifax) and Credit Karma (which uses data from TransUnion).

If you spot any inaccuracies or fraudulent activities, you will need to contact the credit reference agency that holds the data as soon as possible to get it resolved.

Register to vote

2 Making sure that you are registered to vote is a simple way to improve your credit rating, as it helps credit reference agencies and lenders to identify you. Price comparison website MoneySuperMarket found that the average credit score for someone on the electoral register is 566 compared with 538 for someone who is not. Registering is easy and can be done in five minutes. Just head to Gov.UK to fill out the online form.

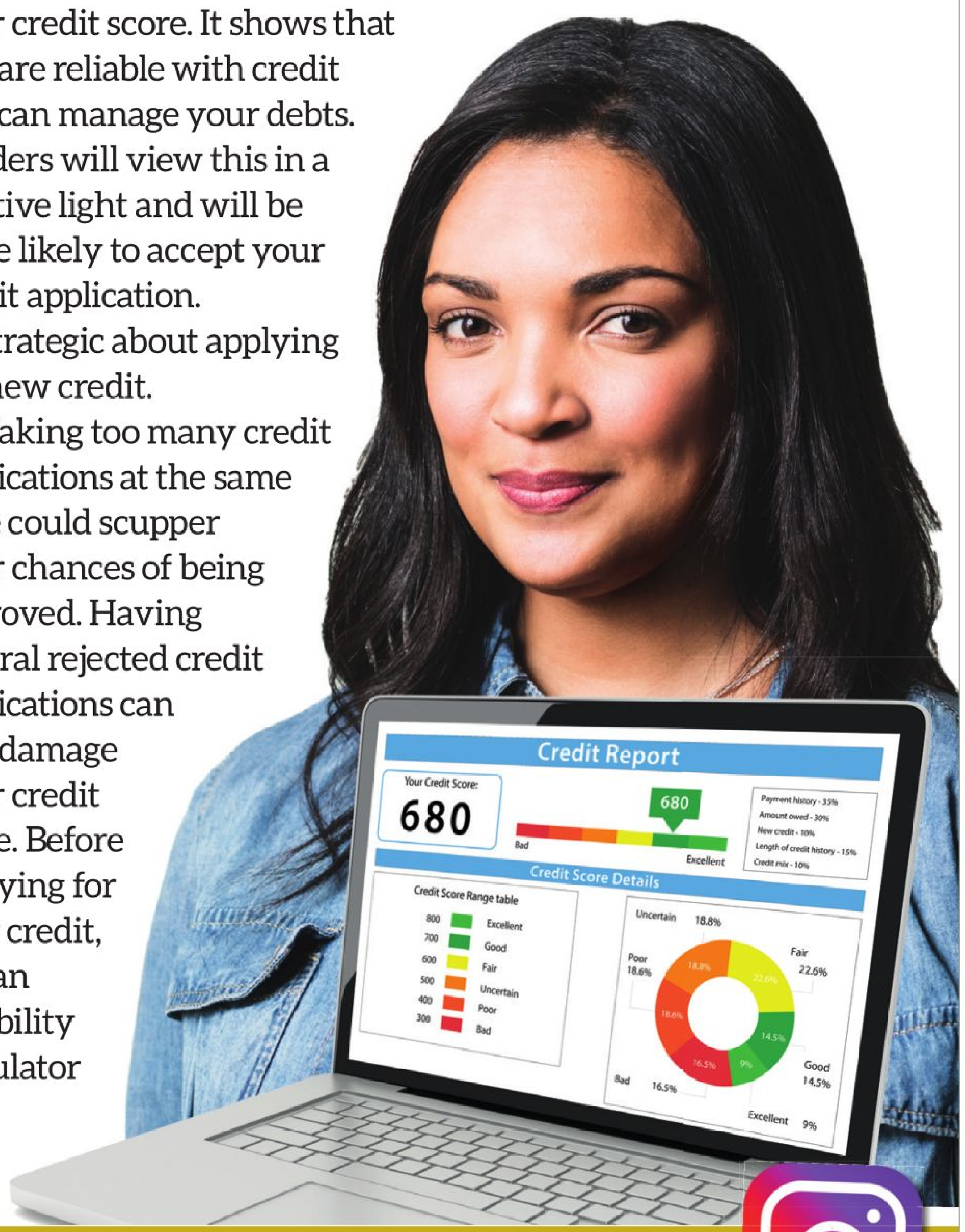
Keep up with your repayments

3 Paying off your credit card balance each month, as well as keeping up with repayments on personal loans and mortgages, will help boost your credit score. It shows that you are reliable with credit and can manage your debts. Lenders will view this in a positive light and will be more likely to accept your credit application. Be strategic about applying for new credit.

Making too many credit applications at the same time could scupper your chances of being approved. Having several rejected credit applications can also damage your credit score. Before applying for new credit, use an eligibility calculator to help you work out the types of financial product you are likely to qualify for. Eligibility calculators are free to use, and you can find them by doing a quick search online.

Start building your credit history

4 If you have no credit history, or a very limited one, it can harm your credit score. This is because credit reference agencies have little information to judge how reliable you are at using credit and managing debt. Steps such as setting up direct debits or using a credit card and clearing your balance each month can help you build your history. mw



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Will pension tax relief be cut in the Budget?

BY EMMA LUNN

The Budget is just weeks away and, predictably enough, rumours are circulating that radical pension tax reform is tucked away in the Chancellor's briefcase.

Pundits are speculating that on 11 March Rishi Sunak could carry out a big tax raid on high earners by slashing the tax relief they can claim on pension contributions.

But while the idea is seen as long overdue by some, it is viewed as daylight robbery by others.

How does pension tax relief work?

Currently, people saving into their pension receive tax relief at the same rate as their income tax rate. This means basic-rate taxpayers get 20% tax relief, higher-rate taxpayers 40%, and additional-rate taxpayers 45%.

The perk is aimed at encouraging everyone to save more for retirement. That is fair enough, but the system means you get a bigger sweetener the more you earn.

As pension contributions have grown, the cost of tax relief has inevitably increased – currently about £40 billion a year. Cutting pension tax relief for higher and additional rate taxpayers from 40% or 45% to 20% – which is one idea on the table – could save the Treasury an estimated £10 billion a year.

Higher earners would lose out

Basic-rate taxpayers would not be affected by the move, but it would come at a cost to anyone earning more than £50,000 a year.

Over a decade, someone earning £80,000 a year contributing 5% of their salary into a pension that is matched by their employer would lose £8,000 in tax relief, according to Hargreaves Lansdown. Over 40 years of work, they would lose £32,000 in top-ups.

But the reduction in free cash from the Government only tells half the story. Pension savings are grown by investing, which means the real losses would be much higher.

According to stockbroker AJ Bell, assuming 5% annual investment growth, a 30-year-old higher-rate payer saving £500 a month in a pension until the age of 65, would be £142,254 worse off if pension tax relief was reduced to 20%. Assuming the same investment returns, a 30-year-old additional-rate taxpayer saving £1,000 a month until the age of 65 would lose a staggering £355,636.

Is cutting pension tax relief fair?

A knee-jerk reaction to the proposal might be a lack of sympathy for higher- and additional-rate taxpayers. After all, why should big earners benefit from state handouts?

As it stands, basic-rate taxpayers get £20 in tax relief when £100 goes into a pension; higher-rate taxpayers get £40; and additional-rate taxpayers £45. Some have argued that this is the wrong way around as those on more modest incomes arguably need more help to put money aside for later life.

This might be true, but is reducing pension tax relief to 20% the answer?

Younger people would be affected

Slashing pension tax relief ignores the fact that older, wealthier people have already benefited from the current system. Some experts say the real losers under a policy change could be young people who pay basic-rate tax now but could potentially earn a lot more later in their careers. This age group have already missed out on cheap housing, a free university education, and generous defined benefit pension schemes.

Financial planning firm LEBC says any change that restricts the rate of relief to the basic rate will "hit middle-aged middle earners hardest" and would likely result in less being saved for retirement and many being forced to work longer.

The idea is long overdue for some, daylight robbery for others

Do we need a new system?

But Tom McPhail, head of policy at Hargreaves Lansdown, says the pension tax system is increasingly out of kilter with people's working lives and society.

"As an incentive to save, tax relief no longer works, as 74% of people in pensions either don't understand tax relief or don't even know it exists," he says.

Hargreaves Lansdown suggests a new "double your money" system: every £1 that someone pays into a pension would be doubled, either by their employer or via a government top-up.

Suggestions elsewhere include making tax relief a flat rate for everyone – probably 25% or 30%. This was a Liberal Democrat policy during the years of the coalition government.

While the current system is more generous to higher earners, it has limits. You can only put in £40,000 every year and benefit from tax relief, tapering down to £10,000 for earners above £150,000. There is also a lifetime limit, which is £1,055,000.

Myron Jobson, personal finance campaigner at interactive investor, (*Moneywise*'s parent company), adds: "The rumoured reduction in pension tax relief to a flat 20% may seem like pre-Budget speculation fodder, given the election of a fortified Tory majority government. But it is no secret that the Government is seeking to slash its swelling pension liabilities."

We'll have to wait and see what the new Chancellor announces, but barely a Budget goes by without radical pension tax reform ideas being mooted. It has not happened so far – will this time be any different? mw

This month, look out for cheaper energy tariffs, water bills and travel insurance…

Millions of households will see energy bills fall

BY EMMA LUNN

Energy bills could fall from April, after energy regulator Ofgem announced it is lowering the energy price cap from £1,179 to £1,162 a year. The prepayment meter cap will also fall by £17, from £1,217 to £1,200.

Ofgem says the cap changes are due to lower wholesale costs and will mean cheaper bills for millions of households.

Reviewed by Ofgem every six months, the energy price cap establishes a maximum price that can be charged per unit of energy, and a maximum that can be charged per day as a standing charge.

The cap is reviewed every six months and will rise or fall based on the costs that Ofgem calculates suppliers need to spend to get energy to their homes.

The energy price cap applies to energy suppliers' standard variable or default tariffs. Energy users are often switched to these tariffs at the end of a fixed-rate deal.

But switching away from a default tariff to a cheaper deal could save a typical household more than £300 a year, according to Compare the Market.

Ed Dodman, director of regulatory affairs at the Energy Ombudsman, says: "This reduction in the price cap is good news for the millions of UK households currently on default tariffs, but shouldn't discourage people from shopping around for better deals.

"When switching, we would encourage consumers to look at the customer service they can expect to receive as well as how much money they could save."

> "People should still shop around for a deal"

Average household water bills to drop by 4%

BY STEPHEN LITTLE

Water bills will drop by 4% to £396.60 on average from 1 April, according to the industry trade body Water UK.

Christine McGourty, chief executive of Water UK, says the water industry is "committed to giving customers good value for money".

The news comes after the water regulator Ofwat said in December that water firms in England and Wales must cut the average household bill by £50 – or 12% – over the next five years.

The decision forms part of a £51 billion investment package to improve services for customers.

The Consumer Council for Water (CCW), the industry watchdog, says customers could make even bigger savings by installing a water meter – this can slash your water bill by more than £100 a year. With a water meter you will get charged for how much you use, rather than a flat rate.

If you live in England and Wales, you can get one fitted for free. Most firms will give customers up to two years to trial a meter and they can switch back if they are worse off.

Andy White, senior policy manager at CCW, says: "There are still millions of households who could tap into savings by switching to a meter or cut their bills if they are on a low income by signing up to their company's social tariff."

The amount of money you save will depend on factors including your usage, how much you currently pay and the number of people living in your property.

Cheaper cover for holidaymakers with medical conditions

BY BREAN HORNE

People with pre-existing medical conditions (PEMCs) may find it easier to find cheaper travel insurance thanks to new rules introduced by the Financial Conduct Authority (FCA).

People with PEMCs often struggle to find travel insurance, even if they are fit to travel. Those insurers that do offer these travellers cover often charge higher premiums.

Under the new rules, insurers will be required to 'signpost' customers with PEMCs to specialist firms if: the customer is declined cover; a PEMC is excluded from a travel policy; or a customer will have to pay more for travel cover because of a PEMC.

The Money and Pensions Service will create an online directory, which will list providers that specialise in protecting travellers with serious medical conditions.

Firms will be required to include details of the directory on their website within 30 days of it going live – expected to be by the end of summer 2020.

Around 14.1 million customers with PEMCs seek out travel insurance policies each year. Of these, 11% settle for a policy which does not cover their condition and 0.7% are declined for cover altogether, according to the FCA.

How to find cheap travel insurance

If you have a PEMC, the following tips could help you cut the cost of your travel insurance premium.

- Buy early
- Shop around
- Try a specialist insurer or broker
- Read the terms and conditions carefully

UPFRONT

Inheritance tax should be slashed to 10%, say MPs

BY STEPHEN LITTLE

A cross-party group of MPs is calling for a radical shake-up of inheritance tax (IHT), cutting it from 40% to 10%.

They also suggest scrapping the rule that currently allows gifts to be made tax-free so long as the giver lives for seven years after they make the gift.

A report by the All-Party Parliamentary Group (APPG) for Inheritance and Intergenerational Fairness, says IHT is "unpopular" and "ripe for reform".

Currently, IHT is charged at 40% on estates above £325,000, or £650,000 for married couples or civil partners. Assets given away seven years before death are also exempt from IHT – see box (right) for 2020 changes.

The APPG wants to cut IHT to 10% for estates above £325,000, while those above £2 million would pay 20%. The seven-year rule would be replaced with a 10% tax on all lifetime gifts above £30,000 each year.

The report says that small estates would therefore not pay the gift tax, while larger estates would not be able to avoid it as donors presently can by making gifts seven years before their death. The APPG described IHT as "an unfair penalty on hard-working savers".

> Fewer than 5% of deaths actually result in IHT being paid

John Stevenson MP, chairman of the APPG, says: "Our bold proposals for reform seek to address this unfairness by simplifying the system and ensuring that the higher value estates that currently take advantage of so many reliefs and exemptions actually pay some IHT."

According to the APPG, fewer than 5% of deaths actually result in payment of IHT. It says the changes would make the system fairer and help reduce tax avoidance.

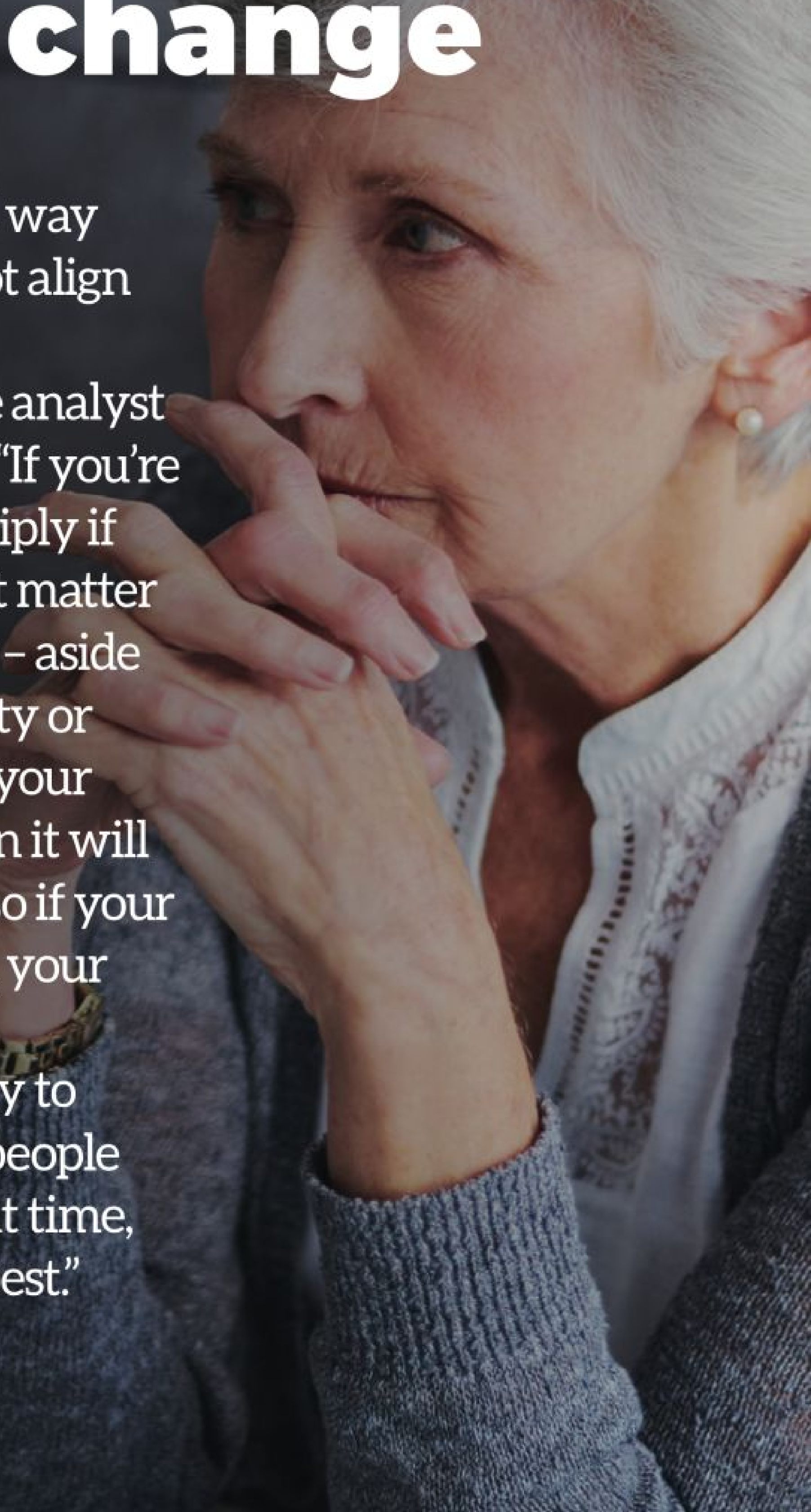
INHERITANCE TAX: WHAT YOU NEED TO KNOW

IHT is a tax on the estate (property, money and possessions) that is paid when someone dies.

It is payable when the total assets of an estate are in excess of £325,000. Any assets above this amount are liable to a tax of 40%.

Married couples can combine their IHT thresholds and pass on the first £650,000 of their combined estate IHT-free. Those passing on a family home to direct descendants also benefit from the residence nil rate band, which is worth an extra £150,000 each in the 2019-20 tax year and an extra £175,000 per person from April 2020. This means couples will be able to pass on £1 million tax-free from April.

Spouses to get an extra £20,000 if their partner dies without leaving a will after rule change



BY STEPHEN LITTLE

The Government has increased the amount that automatically goes to their spouse if someone dies without leaving a will.

Previously, the surviving spouse received the first £250,000 of their partner's estate, all of the personal property of the person who died, and half of the remaining estate.

The figure is updated every five years to account for inflation and has now gone up to £270,000.

Many couples think that all assets will go to their other half if they pass away without a will – but this is not the case. If the deceased person had children the remainder is split between them or their descendants.

Myron Jobson, personal finance campaigner at interactive investor (*Moneywise*'s parent company), says: "If you die without having written a will, you relinquish control of what happens to your home, savings and other possessions. Things get more complicated for unmarried couples as the surviving partner has no automatic right to inheritance. Your assets will be split in a standard way defined by law – which may not align to your wishes."

Sarah Coles, personal finance analyst at Hargreaves Lansdown, says: "If you're not married, the problems multiply if you die without a will. It doesn't matter how long you've been together – aside from any jointly owned property or accounts, your estate will go to your children. If you have no children it will pass to other family members, so if your property is in your name alone, your partner could lose their home.

"Making a will is the only way to ensure you give money to the people you want to benefit, at the right time, and in the way that suits you best."

WHY YOU SHOULD MAKE A WILL

Having an up-to-date will prepared by a solicitor ensures your wishes are respected when you die. It also avoids difficult decisions and legal complications for your loved ones.

COLUMNIST CAROLINE FIENNES

Charity is no place for roulette

Many of us want to give to charity to help a particular cause, but how do we know our money will have a positive impact?

Suppose your goal with your charitable giving is to reduce child sexual abuse. This is an important goal because it is so widespread – some estimates say that 5% to 10% of boys and 10% to 20% of girls globally experience sexual abuse. It can destroy people's lives.

You are in luck. Rigorous research finds the most widely used prevention strategy to be effective. A 2015 study looked at all the robust evidence globally about school-based programmes to teach children how to avoid sexual abuse.

They vary, and include use of books, comics, puppets, films, plays and discussions. Researchers found 24 studies, conducted in Europe, North America and Asia, which collectively included 5,802 participants.

Every single study found "evidence of improvements… regardless of the type of programme", and that the "children's knowledge [gained through the programmes] does not deteriorate over time".

Of course, that's not a cast-iron guarantee that any such programme will succeed, but it does give good confidence.

Now suppose instead that you want your giving to improve education in South Africa. This, too, is a worthy goal. Over a quarter of children who have attended school there for six years still cannot read. When the World Economic Forum ranked 138 countries by the quality of their education systems, South Africa came 123rd.

This time you are out of luck because there is not good evidence about what to do.

The International Initiative on Impact Evaluation, a sensible body funded by the UK's Department for International Development and Bill Gates' foundation among others, compiled the rigorous evidence about how to improve primary and secondary education in various low- and middle-income countries.

For South Africa, it found just two studies. One examined tuition and enrolment fees, and the other looked at teaching English to non-native speakers. If you want to know about the effect of, say, teacher training, or how to improve attendance, the fact is nobody yet knows.

These two scenarios pop up all the time in philanthropy. Either there is good evidence about what will solve the problem, and you can just fund that solution – 'evidence-based giving' – or there is not good evidence about what will solve the problem. So we had either choose a different goal for which there is good evidence and we can do evidence-based giving, or we should fund the production of that evidence in what we might call "evidence-generating giving".

These two strategies are the only options – ever. Sometimes donors take a third option, which I call "guess and hope". They intuit a programme, or hear about one, or get approached by a random charity, but they don't check out whether there is rigorous evidence about solving its target problem or not.

If your strategy is to "guess and hope", you can go play roulette with my friend Nick, who works in a casino. But charity – such as for education and ensuring safe childhoods – is no place to be playing roulette.

The two strategies are very different. Evidence-based giving involves implementation. So you might be funding the production of teaching materials, or trucks in Malawi piled with boxes of anti-malarial bednets, or training new parents about bonding with their babies.

By contrast, evidence-generating giving involves researchers, data-gathering, analysis, and articles in academic journals and conferences.

Whenever you are giving, make sure you know which scenario you are in, and make sure that your strategy matches it.

> Be sure which giving scenario you're in

It is probably fair to say that it is more common that we don't know what to do than that we do know. For example, the Centre for Homelessness Impact, which is the UK's new 'what works' centre for homelessness, recently sought and mapped all the rigorous evidence around the most common programmes in homelessness.

Lots of organisations run arts programmes with homeless people (to increase their confidence, networks, and so on) but it turns out that these have never been studied rigorously. Neither has the effect of giving money directly to homeless people, so nobody knows whether they work.

Sensible donors have no choice (beyond roulette) to fund the production of evidence. But that can be powerful, because funding new research can catalyse widespread changes in policy and practice.

No wonder Lord (David) Sainsbury, one of the UK's largest donors, says that charitable money can be "the research and development arm of society".

Caroline Fiennes is director of Giving Evidence, which advises donors on giving based on sound evidence.

COLUMNIST STEPHEN LITTLE

It's time to stop scapegoating landlords

Rocketing house prices and deposits over the past 20 years have priced many first-time buyers out of the market.

Many commentators have blamed the buy-to-let market for pushing up prices and squeezing first-time buyers out.

In an attempt to rebalance the market, the Government has come down hard on landlords.

In 2016, the then Chancellor George Osborne introduced a raft of measures to curb the sector.

A 3% stamp duty surcharge was brought in on buy-to-let and second homes, making the cost of buying a property even more expensive.

Tax relief for landlords has also been gradually phased out since 2017. From April, landlords will no longer be able to deduct rental expenses from mortgage income and instead will be able to claim a 20% tax credit.

Charging letting fees has also been banned and landlords are only allowed to take five weeks' rent as a deposit.

Buy-to-let has traditionally been seen as a good investment, with many landlords looking to invest in property to supplement their pensions.

However, government interference in the market is increasingly making buy-to-let less appealing.

Many landlords feel the Government has made them a scapegoat for the housing crisis in order to grab votes, and are now looking to get out.

The policies have had some success, with more first-time buyers getting on to the property ladder last year than at any time since the financial crisis, but at what cost?

While the Government has had the best of intentions, messing with the property market is having a huge impact on the rental market and ultimately, it will be tenants who suffer.

Landlords are seeing their profits fall and are already selling up, reducing the supply of rented properties. Increased costs for landlords are also being passed on to tenants.

More tenants are entering the market and, combined with the squeeze on supply, rents are being pushed higher.

Some of the landlords I have spoken to feel disillusioned with the Government and don't feel the extra income is worth the hassle any more.

According to research from Rightmove released last year, almost a quarter of landlords are planning to sell.

While landlords leaving the market will help to free up supply for first-time buyers, it could prove to be disastrous for tenants. Demand from tenants is increasing and reductions in supply could result in rents being pushed up further.

A recent report by ARLA Propertymark also found that 230,000 landlords are considering switching to short-term lets as they offer bigger profits, which could exacerbate the problem.

Things are likely to get worse for landlords before they get better. With the Budget nearly upon us, landlords are unlikely to get much help from the new Chancellor.

There are also plans for Section 21 'no fault' evictions to be scrapped, making it more difficult to evict tenants at short notice. There are fears that this could disincentivise investment and lead to a landlord exodus.

The National Landlords Association (NLA) warns that if Section 21 is abolished there could be 960,000 fewer homes available to renters if landlords pull out of the market.

> There could be 960,000 fewer homes for renters

While the Government has opened up housing for some renters who were competing with buy-to-let, getting on the property ladder is nothing more than a pipe dream for many.

Government policies that cut the rental supply are only going to drive rents up and do little in the long term to get more first-time buyers on the property ladder.

Most landlords are ordinary, hardworking people who want to do the best for their tenants, with a small minority of rogue landlords giving the sector a bad name.

Demonising them helps no one and the Government has to realise the valuable contribution they make to society by providing rented accommodation.

Housebuilding rates continue to fail to meet Government targets of 200,000 a year, and this is where the real problem lies.

Rising homelessness and sky-high house prices highlight the need for more social housing, while the number of tenants stuck in the rental sector suggests the system is broken.

The vast difference in property values across the country is also another problem that needs to be tackled.

If the Government wants to fix the housing crisis it needs to address the imbalance of supply and demand by building more starter homes. mw

The 4 Day Week: How The Flexible Work Revolution Can Increase Productivity, Profitability And Well-being, And Create a Sustainable Future By Andrew Barnes

BY RACHEL RICKARD STRAUS

Just imagine working a four-day week, but being paid for a five. You could hit the snooze button on a Monday morning, do more gardening, swimming, studying, spending time with friends and family – and your income would stay the same.

If you are an employee, I imagine you would take little convincing to embrace a four-day week.

But in Andrew Barnes's brilliant new book, he suggests that it is a no-brainer for employers as well.

His lightbulb moment came a few years ago when he read a study in *The Economist* that said office workers were productive for only 1.5 to 2.5 hours of a typical eight-hour day.

Barnes was shocked – but it is easy to see how this could happen. Once you account for time taken up with making cups of tea, unproductive meetings, time spent checking the headlines, chatting to colleagues, daydreaming about gardening, swimming and Monday morning lie-ins… well, you can see where the time goes. Of course, not everyone fritters away time in this way, but *The Economist* study was for an average worker.

Barnes got to thinking how he could remove some of this bagginess in the working day, help his employees to become more productive in the time they are at work and so free up a full day to do whatever they like instead.

The result was a trial of a four-day week – and he has never looked back. It worked so well, he wrote this book about it to encourage others to join his flexible work revolution.

Below: author Andrew Barnes. Photo by Peter Rees Photography

Barnes found that there was a 20% gain in productivity at his company. But not only this – employee stress levels fell from 45% to 38%; work-life balance increased from 45% to 78%; and engagement levels rose from 79% to 84%.

For employees and employers alike, it is a win-win.

In September 2019, the Labour party introduced the idea of a four-day week as a new policy. However, Barnes believes that the business justification was overlooked.

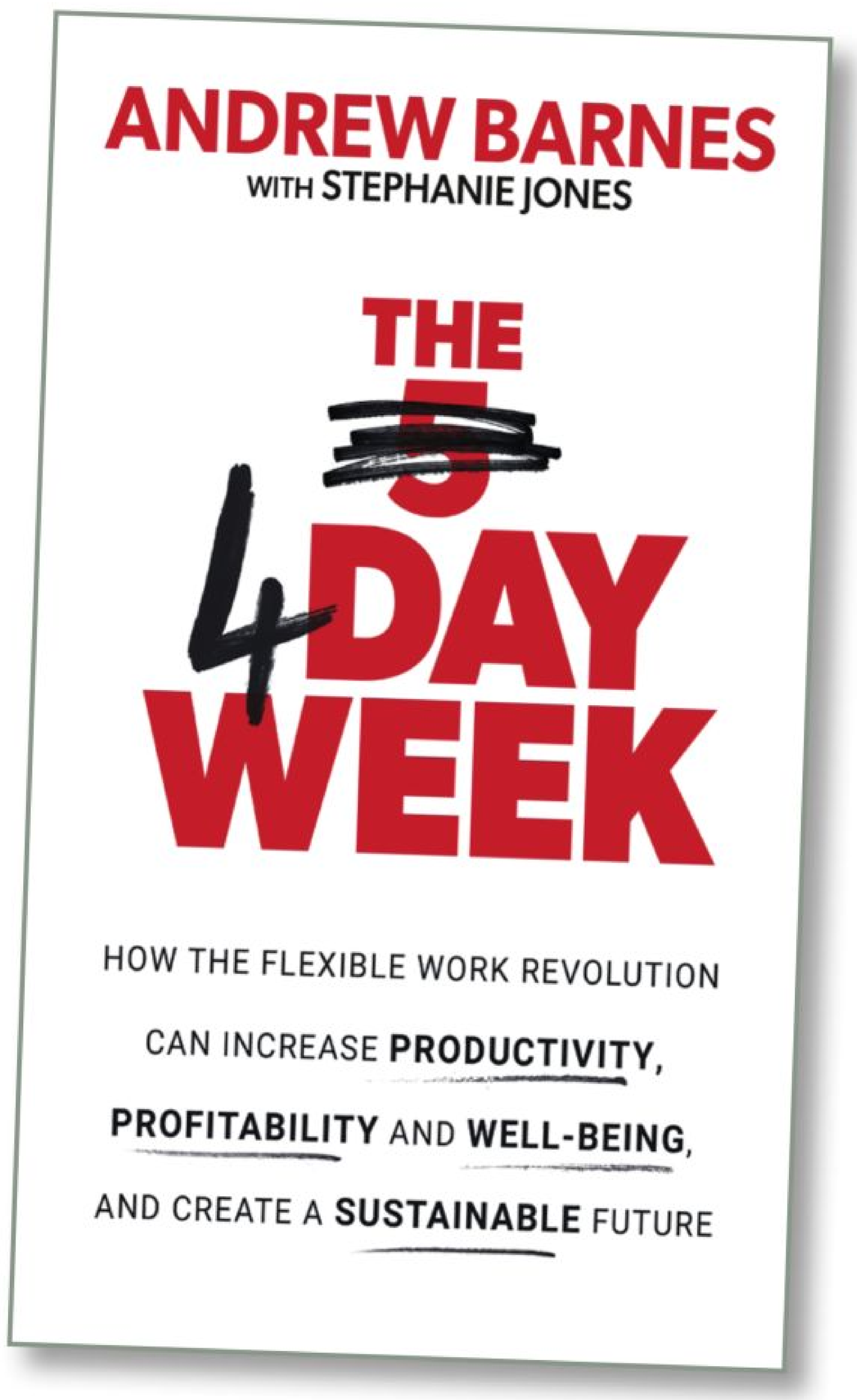
Speaking from his home in New Zealand, Barnes explains: "I'm not a bleeding hard Liberal when it comes to this policy. That's not what drove me. It makes business and economic sense. It also starts to address issues such as the gender pay gap, climate change, mental health, education and retraining."

In his book, Barnes addresses each of these benefits. He explains how by creating more flexibility in the working week parents find it easier to manage childcare and there is less pressure on women, in particular, to take a step back in their careers.

He considers how fewer people commuting helps to tackle climate change.

"The data suggests that people engage in lower carbon activities in their day off," he tells me. "So they are not clogging up the roads with cars one day a week. Relieving congestion also adds around one to two points to GDP."

Working four days also allows people to upskill or retrain if they wish. They also come back refreshed and ready to be more productive after what is effectively a three-day weekend.



Barnes explains that the transition has to be managed well. For example, if targets are not met, employers must be able to insist workers do five days.

He also proposes that workers should "set goals on a team basis" – that way, everyone is accountable to the team if they decide to slack during their four-day week.

So what should you do if you are convinced by Barnes's arguments?

"Buy a copy of the book and leave it on your boss's desk," he laughs. "Or if you are a business leader or HR boss, consider a trial."

The 4 Day Week: How The Flexible Work Revolution Can Increase Productivity, Profitability And Well-being, and Create A Sustainable Future
By Andrew Barnes with Stephanie Jones
Published by Piatkus, paperback £14.99

To win one of 10 copies of The 4 Day Week, go to Moneywise.co.uk/competitions and enter your name and address by 31 March 2020. mw

HOW TO WIN Simply answer the following question:

UP TO WHAT % OF INCOME CAN INVESTMENT COMPANIES HOLD BACK EACH YEAR TO SMOOTH DIVIDEND PAYMENTS LATER ON?

A) 10% B) 5% C) 15%

For your chance to win, send your answer on the reader reply card at the front of the magazine to arrive by 31 March 2020 or enter your answer online at Moneywise.co.uk/competitions by the same date.

WIN £3,000 to invest in an investment company

THE ASSOCIATION OF INVESTMENT COMPANIES (AIC), in association with *Moneywise*, is offering readers the chance to win £3,000 to invest in the investment company of their choice.

COURTESY OF aic The Association of Investment Companies

Investment company assets topped a record £202 billion at the start of the year and today there are hundreds of investment companies to choose from. But how do you decide if an investment company is right for you? And how should you choose one? This very much depends on you. Are you looking for income or for capital growth, or perhaps a combination of the two? And what is your attitude to risk?

Strong long-term performance While past performance is not a guide to future returns, it is something to be considered. When looking at performance data, it makes sense to look at a variety of time periods and also to look at performance for individual years to give a clearer picture of how a company has performed in different market conditions.

Investment companies cover a diverse range of assets and the AIC provides a wealth of information to help investors along the way. The AIC's website, Theaic.co.uk, offers performance data, as well as information on gearing (borrowing), discounts/premiums, dividends, charges, portfolio and management information. You can even download the latest factsheet and annual report of an investment company.

Innovation The closed-ended investment company structure lends itself well to innovation, as the growth of specialist sectors in areas such as infrastructure, renewable energy, healthcare and specialist property demonstrates. In addition, some companies are using innovative investment strategies which are difficult to replicate elsewhere, such as in private equity and venture capital trusts (VCTs). If you are looking for a company that is a little bit different, the investment company sector offers a good deal of choice. But there are plenty of more mainstream investment companies too, investing in areas such as UK or global equities.

Income The investment company sector has an unrivalled dividend track record. This is because investment companies have the flexibility to retain up to 15% of the income they receive each year and squirrel it away for the leaner years. Known as 'dividend smoothing', this has enabled many investment companies to increase their dividends through both good and bad times. There are 21 'dividend hero' investment companies that have increased their dividends each year for 20 years or longer. There are even four dividend heroes that have consecutively increased their dividends for 50 years or more.

Durability Investment companies have been around since 1868. The past 152 years have seen two World Wars, the Great Depression, the tech boom (and bust) and the 2008/9 financial crisis. We never know what is around the corner, but investment companies' 152 years of history demonstrate the strength and durability of the investment company structure, which is just as relevant for today's investors.

For more information on investment companies, visit Theaic.co.uk mw

TERMS & CONDITIONS: Issued by the Association of Investment Companies (AIC). All entries to this competition must be received by 31 March 2020. The winner will be the first correct entry drawn at random following the closing date for entries. The winner's prize will be paid by bank transfer only. Only one entry per person is admitted. This offer is only open to UK residents aged 18 years or over and excludes employees of the AIC, connected companies, their agents or families, or anyone connected with the competition. Entry from competition bots will be excluded. The judge's decision is final. Investment companies are equities whose value can go down as well as up and you may not get back the full amount invested. Past performance is not a guide to future performance. If you are in any doubt about whether an investment company is suitable for you, please consult a financial adviser. The Association of Investment Companies (AIC) would like the opportunity to contact you by email to send you its investment company newsletter, Compass. Please read the options on the reader reply card at the front of the magazine or at Moneywise.co.uk/competitions and tick where appropriate.

Coin launches with Queen on both sides

BY STEPHEN LITTLE

Rock legend Queen has become the first band in history to be celebrated on an official UK coin.

The band will join Queen Elizabeth II on a new commemorative coin from The Royal Mint, which has been released to celebrate the band's legacy.

It depicts the instruments played by all four members of the band, and prices start from £13.

Brian May (right), the band's guitarist, says: "This is a big 'Who could have imagined it?' moment for us. When we began as Queen, even the first rung of the ladder to recognition seemed remote and unreachable. To have our band recognised and our music celebrated in this way is very touching – a real honour."

Planning a building project? Claim your free tickets

Homebuilding & Renovating Show
March 26-29
NEC, Birmingham
OFFICIAL SPONSOR
SPECTRUM
Excellence Through Experience

Moneywise is offering readers two free tickets each, worth up to £36 a pair, to spend a day at the Homebuilding & Renovating Show at the NEC, Birmingham from 26 to 29 March 2020.

The National show will be home to more than 500 exhibitors and offers 13 daily seminars and masterclasses, with specialist advice, products and services from kitchen and bathroom companies to firms helping you to plan and build a conversion or an extension.

Homeowners who have successfully finished a project will also be there to share their experiences.

The John Lewis Home Design Service will be at the show for the first time, offering advice from stylists.

If you can't get to the NEC, the Homebuilding & Renovating Show also can be found in Glasgow (30-31 May), Sandown Park (27-28 June), London ExCel (25-27 September), Edinburgh (17-18 October), Harrogate (6-8 November) and Bath (21-22 November).

Visit Moneywise.co.uk/competitions to download your free tickets for any of these shows and to see full terms and conditions, Tickets must be downloaded by 3pm on 26 March for the NEC show.

WARNING
SCAM WATCH

For all the latest scams news and advice go to: Moneywise.co.uk/scams

Watch out for 'SIM swap' fraudsters

BY STEPHEN LITTLE

Customers at big-name mobile operators are being warned to be on the lookout for SIM swap fraud.

SIM swapping occurs when a fraudster contacts your mobile operator and convinces them that they are you, and asks for a replacement SIM.

When fraudsters gain control of a mobile number they can intercept text messages from banks containing security codes and then steal your money.

According to Action Fraud, criminals using SIM swaps steal an average of £4,000.

How SIM swap fraud works

Criminals convince mobile providers to send them a new SIM for your number.

Before a mobile phone network cancels and re-issues a SIM, it will ask a number of security questions about the account holder.

Experts believe criminals are getting this information on victims from social media websites or by using malware. These details are then sold on the dark web.

When fraudsters put a new SIM for your number in a handset, they will receive all your calls and texts. These include texts sent as part of a bank's two-step authentication process for payments and transfers.

One of the first signs that you have been a victim of a SIM swap is an extended loss of mobile signal. If this happens, contact you network provider as it can block the swap before it happens. mw

SIX WAYS TO AVOID SIM SCAMS

SET UP A SIM PIN This is a four-digit code that you will need to enter when you turn on or restart your smartphone.

DOWNLOADS Only download applications or make in-app purchases from websites and stores you trust.

OPENING LINKS Always be careful about opening links on your smartphone, and delete anything suspicious.

PHISHING Make sure you don't give out any of your personal details or passwords to cold-callers or respond to unsolicited emails.

GET UP-TO-DATE VIRUS SOFTWARE This will give you an added layer of protection from fraudsters and protect you from malware cyber attacks.

SOCIAL MEDIA Do not put personal information such as your date of birth, pet's name or favourite band on public social media profiles.

COLUMNIST JEFF PRESTRIDGE

Putting the 'personal' into personal finance

Nothing energises me more as a personal finance journalist than escaping from the office and listening to the money experiences of the public. Not a whiff of social media in the air, just face-to-face conversation.

It puts the 'personal' firmly back into personal finance and invariably I come away from such experiences enthused and raring to go (not a pretty sight, I hasten to add). Either ready to report on exciting new money issues or comforted by the fact that some of the things that matter most to me and *Moneywise* are of great importance to the public. In other words, we are hitting the nail squarely on the head.

Recently, I had the good fortune to do a proverbial *Escape From Colditz* twice within the space of 24 hours.

First stop was a tiny theatre in London's Chelsea where I was asked to join a post-show panel debate on customer service standards. I was chosen, I imagine, because of *Moneywise*'s commitment via its annual Customer Service Awards to highlighting those companies in the financial services arena that go the extra mile to deliver service *par excellence* – while shining a brilliant light on other providers who consistently fail to step up to the mark.

The debate was triggered by a play (*Scrounger),* written (and performed) by Athena Stevens about her woeful experience at the hands of British Airways and London City Airport in late 2015. Athena's wheelchair (she has athetoid cerebral palsy) would not fit in the plane's hold; the flight was delayed; and she was unceremoniously bundled off the plane. To heap yet more misery on misery, her wheelchair was left badly damaged.

What then followed was a battle royal as Athena attempted to get compensation for the damage to her wheelchair, an expensive piece of equipment that no travel insurer had been prepared to cover. Despite mounting a quite brilliant media campaign, she was met with a wall of indifference from British Airways and London City Airport. Although she settled in the end with British Airways, the airline's customer service standards were found wanting. Indeed, they remain so – last year ,the airline was ranked 83rd out of 100 British brands for customer service.

A feisty crowd lamented the lack of good customer service

moneywise CUSTOMER SERVICE AWARDS 2020

Tell us your experiences of customer service from the UK's financial companies and you could win £1,000 in cash.
Go to: Moneywise.co.uk/consumersurvey

The panel debate was fascinating as the audience (a splendidly feisty crowd) lamented the quality of customer service across swathes of industry – from energy suppliers through to banks and insurers. A result, most felt, of the overwhelming need for companies to deliver profits rather than good customer service. I walked away from the event determined to keep holding to account those companies whose service standards slip, while praising those who put customers first – the likes of First Direct and Nationwide Building Society.

An evening later, and at a venue a stone's throw from the shopper's delight that is Bicester Village in Oxfordshire, I spoke at the launch of Chiltern Women in Business, a group of like-minded people determined to make financial advice a welcoming and rewarding experience for women. Not just in terms of ensuring women feel comfortable when talking about money, but investing it in a way that is line with their principles and beliefs.

It was an exhilarating night as forceful presentations were made by Time Investments and Earthworm Group on the growing demand for responsible investing – be it of an environmental, social or good corporate governance nature (so called ESG investing). There was a near-fervour in the room about the need for all of us as investors to ensure we support companies that are doing their utmost to safeguard the planet. Even Victoria Prentis, Conservative MP for North Oxfordshire, was caught up by it all, vowing to run the rule over her investments to ensure they were ESG compliant.

I think responsible investing will be the major investment theme of the next decade. Investment managers are setting up ESG-friendly investment funds in their droves while demanding that companies embrace good ESG practice.

Financial advisers are also waking up to the demand from clients for advice on ESG investments while fund platform interactive investor (*Moneywise*'s parent company} has launched the UK's first rated list of ethical investments – the so-called ACE 30 – 30 funds that invest ethically, whether in UK or international companies, bonds or physical assets (for example, plants that produce clean energy). I came away determined to write more about ethical investing.

So good customer service and good investing – two causes whose drum I will beat ferociously over the coming months. Do let me know if they are causes close to your heart. I do hope so.

JEFF PRESTRIDGE is the personal finance editor of *The Mail on Sunday.* Email him at **columnists@moneywise.co.uk**.

moneywise fights for

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"I fell for diet scam but HSBC failed to stop my payments"

OUTCOME: £267 refund plus £83

Diet scams have been around for years and, unfortunately, it is often the most vulnerable consumers who get taken in by promises of fast and easy weight loss. But, more often than not, the only pounds people lose are from their wallets.

Pensioner DB sent off for a free sample of slimming pills and paid £3.25 postage, using her HSBC credit card. The payment was taken in early September but – surprise, surprise – no free sample arrived.

> DB was "so disgusted" with HSBC's attitude

Offering a free gift or trial while asking for postage costs is an easy way for fraudsters to get hold of victims' card details – before targeting them for larger payments.

On 25 September 2019, DB found that £89 had been taken from her account, so she immediately phoned HSBC. However, call-centre staff said the bank could not help as the sum taken was less than £100. Under Section 75 of the Consumer Credit Act 1974, consumers are only protected for purchases over £100.

And when DB went online to the bookmarked page to contact the diet company, it said 'access denied'.

Another payment was taken in October, despite the fact that HSBC's dispute team said it would block further payments. HSBC also cancelled DB's credit card and issued her with a new one.

However, despite this seemingly belt-and-braces approach, another payment of £89 was taken in November 2019. DB says she then made nine phone calls to HSBC to stop the payment, but it still went through. She also did not receive the forms HSBC had promised her, which would enable her to raise a dispute over these transactions.

When she was eventually emailed the dispute forms, and she sent them back, she was told it was the wrong HSBC department and that she should try an online chat to discuss it.

DB says: "Each time I called, HSBC staff said they had no knowledge I had called about this issue before. I even sent a letter by special delivery to the only address given on the back of my bank statement, but it was returned unopened.

"I then sent a letter by recorded delivery to my local branch, but received no reply. When I went in in person, HSBC staff were very helpful but were unable to stop the payment – though they did try for two hours."

By early December, DB had lost three payments of £89 each – a total of £267 – along with £3.25 postage, additional postage costs, and seven hours of holding on to speak to HSBC over nine telephone calls.

DB eventually went into her local HSBC and cancelled her credit card. She also switched her current account from HSBC because she was "so disgusted with its attitude".

When *Moneywise* contacted HSBC, it was quick to resolve the problem, offering to refund the three payments of £89 and to pay a goodwill gesture of £83 – coming to £350 in total.

A spokesperson for HSBC says: "We are sorry your reader had difficulty with a recent repeat payment. Due to an administrative error, the request to block those future payments was not actioned correctly. We have resolved the matter and have been in touch to apologise for this error."

To add insult to injury, more than three weeks after she had received the £350, DB was bemused to get a letter from HSBC saying "it was looking into the payments taken from her account".

DB told *Moneywise*: "Resolving the issue was down to you, and I want to thank you for your help. I was diagnosed with a blood clot in my leg and an irregular heart beat in November, so it's been a distressing time."

Juicy problem with MacBook laptop

Sometimes Fight for Your Rights gets a complaint that looks like it will be easy to sort out. Then it turns tricky – and this was the case with SI's laptop.

He bought a MacBook from Currys PC World in December 2018, then insured it by taking out the retailer's monthly repair plan. So far so good.

However, at the start of September 2019, he says his three-year-old child spilt orange juice on the laptop so he took it to his local Currys.

Currys PC World sent the laptop off for repair, but it was returned two days later with a letter saying it was a 'biohazard' and there was a 'smell'.

When I asked the retailer what it meant by a 'biohazard', it explained that its tests showed there were 'bodily fluids' – possibly urine – which meant it could not be repaired.

SI was adamant that the liquid his three-year-old spilt was orange juice, but Currys PC World stood by its test results.

SI says: "I am very unhappy with how I was treated and I was told everything would be covered under the plan."

He says that staff at the store told him to take the laptop to be cleaned, then bring it back, which he did – at a cost of £40. But when he returned, he was told it could not be repaired and his insurance plan had been cancelled.

A spokesperson for Currys PC World says: "Because we have found bodily fluids in the laptop, we cannot repair it as per our repair and support agreement."

SI asked for a refund of the cleaning bill and his first three months of his care plan – around £9.50 a month – but Currys PC World refused because the laptop was in breach of its repair agreement.

As there was no point in SI having it cleaned, perhaps the cleaning bill should have been refunded – but SI did not keep the receipt (something you should always do when you are involved in a dispute), so there was little point in following this up.

As the MacBook was still under guarantee, I suggested that SI take it to an Apple store to see if it could help. Apple sent it off for repair but SI says it was returned because it was 'water damaged'. However, Apple did agree to repair it – at a cost of £750.

SI says: "I don't want to pay that much, as I could get a new laptop for £750."

But all's well that ends well: the laptop must have dried out as SI says it is working fine at the moment! mw

YOUR SHOUT

THIS MONTH'S STAR LETTER

A PLAGUE ON POTHOLES

I very much enjoyed Chris Menon's piece on potholes in February's issue. I've never tried to claim compensation myself, but, as a blind person, uneven pavement and poorly maintained roads are the bane of my life.

I would like to remind your readers that if they spot damaged roads and pavements while out and about, it is very straightforward to report it to local councils via their smartphones, using services such as Fixmystreet.com. That way, they may get fixed sooner, saving ankle-twisters like myself the cost of bandage bills.

And in cases where councils fail to act, this may also help to provide useful evidence for anyone who does suffer a serious injury in the future.

AT/VIA EMAIL

"It's easy to report damaged roads via your smartphone"

ANGRY WITH SANTANDER

Santander announced that it was cutting interest on its 123 account and, unsurprisingly, readers were not happy:

The new rate of 1% will effectively fall to 0.7% when the £5 account fee is taken into account and is based on the maximum qualifying account balance of £20,000. On lower balances, the interest rate gets progressively worse. Payment on direct debits will effectively increase the rate of return, but for most people this is unlikely to be more than 0.2%. Come May, I and my wife will ditch the 123 Account and move our money elsewhere

PS/VIA COMMENTS

Blog of the month: Know your limits: three smart ways to spread

BY ROMI SAVOVA

Few of us relish life admin, but getting all of your bank accounts, Isas and pensions in order can bring huge benefits to both your wealth and wellbeing – from finding lost pensions to slashing fees and charges.

To tidy up your money, without putting your cash at risk, here are some rules of thumb to help you use your short-, medium- and long-term savings to your advantage.

Bank accounts (short-term money)

Unfortunately, bank current accounts have not paid a healthy level of interest (think around 5%) since the financial crisis more than a decade ago. Therefore, they may not be the best place to keep your money if you would like it to grow in the short-term. Three to six months' expenditure in cash is a good safety net to leave in your current account.

For larger amounts, be aware that £85,000 is the maximum you will be able to claim back via the Financial Services Compensation Scheme (FSCS), if your bank goes bust. This deposit protection limit is per person, per bank or building society. For joint accounts, each named holder is protected to the value of £85,000 (meaning two named account holders could claim a combined £170,000).

With this limit in mind, it might be prudent to spread your cash across multiple accounts. Keeping it all in one place can seem simpler, but anything above the deposit protection limit is at risk and relying on a single bank can leave you with no access to cash if it suffers an IT glitch (remember NatWest and RBS on Black Friday last year?).

Isas (mid-term money)

Interest on Cash Isas isn't much better than current accounts these days, but investment Isas can be a good way to save up to £20,000 a year (2019/20) and make tax-free gains. You don't need to open a new Isa each year for this but, perhaps surprisingly, lots of people do, creating a maze of accounts.

It will become much easier to keep an eye on how your investments are performing if you combine all your Isas in a single account. You can either pick one of your existing Isa accounts and transfer the others into that or open a new Isa and move your old ones there. Your Isas' tax-free status and annual allowance will not be affected.

You may find that some providers will charge you to move your money, so it is worth double checking before you commit to any transfers. You may still be able to save money even if they do, as fewer pots means you will be paying for just one account not several, and you can choose the best value option. Before you take steps to combine your Isas, ensure that your investments are diversified in order to mitigate

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MIXED REVIEWS FOR OVER-75s TV LICENCE

The Government's recent move to scrap free TV licences for over-75s received mixed reviews:

I think it will be very difficult for us older people to find the extra money to pay this bill, especially if you are just over the weekly means-tested figure as I am, and cannot get pension credit. I would rather have less service and keep this very helpful free TV licence.

TH/VIA COMMENTS

"I'd rather have less service and keep this free TV licence"

Many people over 75 do less paying activities outside and have free bus travel when they do go out and also watch more TV than most, so I do not think it unreasonable for them to pay the TV licence fee, which will improve the quality of programmes provided.

Plus, many have younger people living with them who are also getting TV for free, so maybe they can pay for them. It also deals with the question of 'what do you get a 75-year-old for Christmas?' A whipround of family and friends can now sort out that problem.

PW/VIA COMMENTS

DODGY OFFER OF INHERITANCE DOLLARS

After we wrote about an inheritance scam, a reader shared her experience of being targeted by fraudsters:

I received a letter for a person who died in 2008 with the same surname as mine, leaving US $7,600,000, claiming there was no heir, but I could inherit 40% since I share the same last name. It looked like a scam because there was no company header/footer on the letter, and it was asking me to keep the information absolutely private and provide my phone and fax no. The letter was dated for three weeks after I received it. I have completely ignored it.

D/VIA COMMENTS

NO LONGER A WINNER

One reader shared his experience of Premium Bonds after we wrote about February's winners:

Fifteen years ago, I bought the then maximum holding of £25,000 and I won every month and sometimes twice. Then, when they changed the prize structure, I hardly won so I cashed mine in.

SW/VIA COMMENTS

LEASEHOLDERS' COSTS SPIRAL

In February, we wrote about the plight of some leaseholders. One reader told us about their issue:

My [annual] ground rent went up from £165 to £265 in five years, plus we pay around £700 a year for service charges to a separate company for maintenance of a property that is not worth more than £60,000.

A/VIA COMMENTS mw

your savings

the risks of putting all your savings into a single fund.

The FSCS protection limit for Cash Isas and Stocks and Shares Isas is also £85,000. If you have a lot saved in Isas, it could be worth spreading your savings and investments across a few accounts with different companies to stay under these limits.

Pensions (long-term money)

If you are anything like the average UK worker, it is likely that you will have 11 jobs in your career, which probably means 11 pensions too, thanks to auto-enrolment. Over time. you might decide to consolidate them into one pension.

A single pot means you can easily see if you are on track for the lifestyle you want in retirement, or if you need to increase your contributions. You will also benefit from enhanced compounding – one big pension pot fed by contributions and investment returns is likely to grow much faster than lots of smaller pots.

Plus, you will only pay one set of fees and can choose the best value option. With a long-term investment like a pension, charges are extremely important, especially if you are a long way from retirement. Tens of thousands, even hundreds of thousands, of pounds, can be eaten away in fees if your savings aren't invested sensibly.

Much like Isas, it may still pay off to transfer any pensions with exit fees as the money you will save in the long run could far outweigh a one-off fee. If you are nearing retirement, it might be prudent to wait until age 55 to move your pension as this is when the 1% exit cap kicks in.

When it comes to pensions, there are some caveats. Moving a defined benefit ("final salary") pension is likely to mean losing a guaranteed income for life that rises in line with inflation and exposing your pot to investment risk. Likewise, if any of your pensions offer guaranteed benefits, such as annuity rates, you will also lose these if you transfer out.

It is worth noting that while pensions are protected by the FSCS, the amount you can claim, should your pension provider fail, will vary depending on how your pension plan is structured.

Some personal pensions are structured as 'contracts of long-term insurance', which means that the FSCS will cover 100% of your claim, with no upper limit. Whereas if you have a self-invested personal pension, which is classed as an 'investment', you'll only be covered up to £85,000. For added peace of mind you may want to check with your provider directly to see if your pension benefits from the full protection.

Romi Savova is chief executive of online pension provider PensionBee.

Ask the experts

Illustration: Paul Reid

THIS MONTH'S STAR QUESTION

Can I withdraw my final salary pension without paying for an adviser?

Q I recently turned 55 and am aware that I can withdraw my final salary pension if I wish. As the value is more than £30,000 I now have to find an independent financial adviser (IFA) who can give me an advice certificate.

The problem I have is that this advice/certificate is not a set fee but a percentage of the total pot. I've had three quotes ranging from £5,000 to £10,000. To be honest, I can't see the sense in giving someone a percentage which I have no control over simply because the government says I must have the advice. And with it being a percentage, I feel that the system is totally open to abuse depending on whom I go to. Surely this advice must be regulated?

Is there any way I can avoid this?
NH/via email

PATRICK CONNOLLY
Certified financial planner at Chase de Vere

Just because you can access your pension at age 55, it doesn't mean that you should. And just because you are able to transfer your final salary pension to a different pension, it doesn't mean that you should.

For most people with a final salary pension, it's sensible to leave it alone. The Government was worried that people would make the wrong choices and move out of their final salary pensions, giving up all of the benefits and guarantees, and would be worse off as a result. This is why it wrote it into legislation that somebody who wishes to transfer out of a final salary pension, which has a value of £30,000 or more, is required to take regulated financial advice.

I understand why some people begrudge paying for financial advice when they have already decided what they want to do, but this law is there to help protect people and there is no way round it.

> This law is there to help protect people and there is no way round it

Financial advisers typically charge for providing this advice in one of two ways. They either charge a fixed fee, which is payable whether they advise you to transfer the pension or not, or they charge a percentage fee based on the size of the pension. Payment of the percentage fee is contingent on the transfer taking place, which means the adviser gets paid if the transfer happens but will not get paid if it doesn't. This second approach can create a conflict of interest as the adviser has a financial incentive to tell you to transfer your pension.

Where advisers charge a non-contingent fixed fee, this is usually more than £2,000 because giving advice in this area requires a lot of technical analysis and, as there are often large sums involved, it is a high-risk area for financial advisers.

If you still want to look at transferring your pension, then you should contact different financial advisers to establish their credentials and find out how much they will charge you.

However, I will point out that the primary purpose of a pension is to provide you with an income

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in retirement. There are some circumstances when it is acceptable to transfer out of a final salary pension but, by transferring, you will lose valuable guarantees and have to take responsibility for all of the investment risk.

If you make the wrong investment decisions, take out too much income, make withdrawals from your pension fund for other purposes, or underestimate how long you will live, there is a risk that your money will run out in your later years.

Can we give our two daughters cash now and avoid inheritance tax?

Q My wife and I want to give our two daughters money now to avoid inheritance tax (IHT). We know at least one of us has to live for another seven years, but do we have to do anything legally to do this or can we just give them the money?

NC/Nantwich

FRANCIS KLONOWSKI
Principal of financial planning at Klonowski & Co

There are a number of things you should consider before making such a gift.

First, do you actually have an IHT liability now that you are hoping to reduce? Remember that each of you has a nil-rate band of £325,000, on which no inheritance tax is paid. If you own a house, you also have the residence nil-rate band which is due to go up to the full £175,000 in April this year – effectively giving you a total £500,000 each that can be passed on tax-free.

Any nil-rate band not used by the first to die can be passed on to the surviving spouse. If none had been used, this would mean a total of £1 million can be passed tax-free to your daughters when the second spouse dies.

Next, do you have any assets such as pension funds that would be passed to your daughters outside your estate, and therefore not subject to IHT?

If you still wish to proceed with the gift, you should draw up a brief letter addressed to each daughter stating that you are making this gift of £XX and the date of the gift. If you have not used your annual gift allowance of £3,000 you could include a note, saying: "The first £3,000 is using my annual gift allowance for the 2019/20 tax year."

A copy of this letter would then be left with your will, so your executors have a complete record when they are preparing the probate application.

I am self-employed. What's the best pension scheme for me?

Q I have been reading up on pensions and investments in *Moneywise* since becoming self-employed and need advice.

As a self-employed person, my income fluctuates from month to month, and it will change from year to year, so contributing the same amount on a monthly basis is not ideal.

Are there any pension schemes designed for self-employed people, or are we better to invest it elsewhere? And what percentage of income would you suggest a self-employed person contributes to a pension scheme?

AM/Edinburgh

You could aim to save 10% or more of your income into a pension

PATRICK CONNOLLY
Certified financial planner at Chase de Vere

For most people it is important to invest in a pension as they provide compelling tax benefits, including tax relief at your marginal rate on your contributions, tax-free growth, and the option of taking 25% of your fund tax-free when you take benefits.

However, self-employed people such as yourself are at a disadvantage when it comes to pensions as you will not benefit from

Ask the experts

auto-enrolment or have an employer who is paying into a pension on your behalf. You have to take full responsibility to make sure that you are planning adequately for your retirement.

The basic principles of investing in a pension are the same for self-employed and employed people. This means starting to save into a pension as early as possible, even if you cannot afford to save very much to start with, as it is better to do something than nothing at all.

Many self-employed people need to keep their finances flexible and are wary of locking away money where they are unable to access it. This is a particular concern for those who have varying levels of income and need to ensure they have enough put aside to meet their daily living costs, business expenses and tax bills.

This could mean you may prefer to save money in accessible cash savings or Isas, rather than in pensions. However, having your money accessible means you are more likely to spend it and it won't be there when you reach retirement.

There is no set amount that you should be saving into a pension, although you could aim for a figure of around 10% or more of your income. You need to be disciplined. You should look at making annual payments into a pension from the money you have saved over the course of the year and aim to increase the amount you pay regularly into your pension when you are more confident about the security of your earnings.

The good news is that most modern pension policies are flexible, allowing you to increase and decrease, stop or start your contributions, or add ad-hoc amounts with no penalties.

It is important you get this right, so if you are not sure what to do, you should take independent financial advice. Contact Unbiased.co.uk for a list of independent financial advisers in your area.

A state pension is not affected by tax-free cash you take from a personal pension

Will taking a lump sum from my private pensions affect my state pension?

Q I have two pensions: one is an old Lloyds Bank scheme for the period 1984 to 1986 – suspended when I left that role – which I cannot do anything with until it pays out a tiny sum when I am 65 due to the guaranteed value being worth more than I contributed. So I cannot transfer or cash it in.

The other is a private personal pension that I set up in the mid-1990s and, due to self-employment since 2003, I have not paid in as much as I would have liked and contracted out for as long as I could. This was set up to pay out when I hit 55 – yes, I was an over-optimistic youth. I will be 55 in eight months.

My question is, if, under new pension rules, I choose to take out some of my private pension as a tax-free lump sum now, how will this affect the level of state pension I will be paid when I reach whatever the government decides will be my retirement age?

PM/via email

MICHELLE CRACKNELL
Former chief executive of the Pensions Advisory Service

Your state pension is not affected by the amount of tax-free cash you take out of your private pensions.

The state pension is only affected by whether your scheme was contracted out of the second tier of state pension (this is often called Serps or the state second pension).

If you were an employee of Lloyds Bank and a member of its pension scheme, I expect you were contracted out between 1984 and 1986. This means that you and Lloyds Bank paid lower national insurance contributions with the requirement of the bank's scheme to provide you with a pension at least of a certain level.

As you rightly say, you will be able to access your tax-free cash sum from your private pension at age 55. Just be aware that how much you take out could affect your ability to continue paying into your private pension in the future.

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If you take the maximum tax-free cash sum of 25% of the fund value, you will still have the full annual allowance of up to £40,000 that can be paid into a pension to get tax relief. If you take more of the fund as a one-off payment or a regular income, the annual allowance reduces to £4,000 a year. The only exception is where the pension pot is less than £10,000 when you can take out the money under the small pension pot rule.

Should I transfer my personal pension?

Q I hold a Prudential personal pension valued at £90,000. I've been advised by Portafina to transfer it to an Aegon Arc Plan. Is this wise? Also, should I deposit £500 each month into my personal pension or into the workplace pension I have been enrolled in with my current employer?
CN/via email

FRANCIS KLONOWSKI
Principal of financial planning at Klonowski & Co

Regarding your first question – no. If you are being advised to transfer, you need to know why. What is it that Portafina thinks you will gain by transferring to Aegon? Reasons like "more flexibility" or "greater fund choice" are not sufficient justification for switching. For instance, do you want 4,500 funds from which to choose from? Equally, what does Portafina say is wrong with your existing Prudential plan?

Then you need to know what Portafina would gain from the switch. Presumably it would receive a fee if you proceed?

Finally, did Portafina contact you or did you contact them? I only ask because it contacted me out of the blue recently offering a 'free review', clearly unaware of what I do for a living. 'Review' normally means it would look for a reason to change; and any such change is never free.

If you're advised to transfer, you need to know why

Turning to your second question, you don't say whether this is the full contribution or in addition to what you're already paying, so I will assume it's the former. I will also assume that you have already determined that this is within your £40,000 annual allowance.

I couldn't give a definitive answer here, but in general, the better option would be to pay into your workplace pension. This would ensure that you also get the employer contribution, which would not happen with a personal pension. Also, the administration costs are usually lower and underlying fund charges are often lower through using index-tracking funds.

However, your Prudential policy may be an older-style personal pension, judging by the amount you have accumulated. If you are paying regular contributions, you may be penalised if you stop them; if so, part of your £500 should be used to maintain these contributions. mw

How can I protect myself from fraudsters?

Q Out of the blue I have received a letter from Virgin Money Credit Cards advising that it knows my personal details have been misused to obtain credit and that it has recorded the impersonation with CIFAS. I understand that CIFAS is checked by other organisations and this will indicate that my details have been used fraudulently, so it needs to take care.

I then tried to get my credit score from Experian and Equifax. Both companies said they could not identify me from the information I gave them.

I have lived at my current address for 20 years; I am on the electoral role; I have household bills in my name; and I recently finished a credit agreement for the purchase of a car.

I used these details of the property for my applications to Experian and Equifax. I have checked all my online accounts and changed passwords, etc.

Where do I go from here to try to protect myself from further fraudulent use of my details?
LB/Abbey Wood

LISA HARDSTAFF
Credit information expert at Equifax

Identity theft occurs when personal information such as an individual's name, address, date of birth or contact details are stolen or accessed. It can often lead to identity fraud – when the stolen information is used in fraudulent activity to gain goods or services.

There are several ways to minimise the potential for thieves to steal your identity.

Make sure you shred documents with any private information on them before you throw them away.

Don't give out any information if someone who you don't recognise calls you – your bank will never ask for personal information, such as your card numbers or expiry dates. Simply end the call – you should never give out personal information over the phone.

Keep social media accounts to a minimum and make sure your privacy settings are set to high.

Don't write down passwords and keep them in your bag or in your organiser, and don't store them in the notes section on your phone.

We looked into this reader's particular situation and she had been blocked from checking her credit score due to the report to CIFAS. The issue has now been resolved.

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	2015	2016	2017	2018	2019
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"LOAN CHARGE TAX BILL HAS DESTROYED MY LIFE"

Tens of thousands of workers have been hit with unexpected tax bills. We hear from those who have been affected by the Government's controversial loan charge policy, which has been linked to suicides and bankruptcy

BY STEPHEN LITTLE

Gayle's father committed suicide in November 2018, just months after receiving an unexpected tax bill from HM Revenue & Customs (HMRC).

She says her father, a consultant engineer in his sixties, felt unable to cope with the pressure of paying the loan charge.

Gayle, who asked *Moneywise* not to publish her full name or her father's name, says that he had never had a history of mental health problems, but after receiving a letter from HMRC his personality changed.

She says: "During 2018, it was on his mind a lot and he became despondent and reclusive, but it was nothing that made us think we needed to do something. To me and my sister, it was just a complicated tax thing."

A mother-of-four, Gayle says that her father felt ashamed about breaking the law.

"He took his own life because he was convinced he was a criminal and could go to prison. He was only getting two to three hours' sleep a night, and I just don't think he could see an end," she says.

The loan charge, which was announced in the 2016 Budget, is a Government measure to recover tax and national insurance from workers who used certain widely promoted tax avoidance schemes to pay their wages.

These schemes paid individuals in the form of a loan that was not subject to income tax and was often interest-free. Both

self-employed and employed contractors were free to spend the money as if it was their salary.

Usually these loans were provided by a third party funded by the employer through an employee benefit trust and structured so they did not need to be paid back.

The loan charge came into effect in April 2019 amid a storm of controversy, with many of those facing the charge arguing it was unfair. It sought to reclaim taxes that HMRC considered ought to have been paid, sometimes decades ago.

People who took out the loans include doctors and nurses.

So far, seven suicides have been linked to the charge. People who received loan charge notices also report suffering stress and anxiety.

Gayle says she is telling her story as she wants the world to know about the terrible impact it has had on people's lives.

She says: "Since Dad, there have been more suicides so I can't just sit here and do nothing. I don't want other families to go through this – it is heart-breaking.

"My father was a broken man because of the charge, so something needs to be done to stop this happening again."

"My father was a broken man because of the charge"

Retrospective tax

Last year, HMRC said that anyone who had taken out this type of loan since 1999 would have to pay it back within the tax year as taxable income.

It said that, as the loans were not designed to be repaid, they should never have been called loans and should have been classed as income.

HMRC has come in for severe criticism over how it has gone about recovering the money.

Many people were advised to take out loans after receiving expert advice and believed that they were legal.

Some employees who used them were told to take them out as a way of securing a job.

One of the biggest criticisms of the loan charge is that it is applied retrospectively – a claim disputed by the Treasury.

The Government estimates that about 50,000 people have used a loan scheme in the past 20 years.

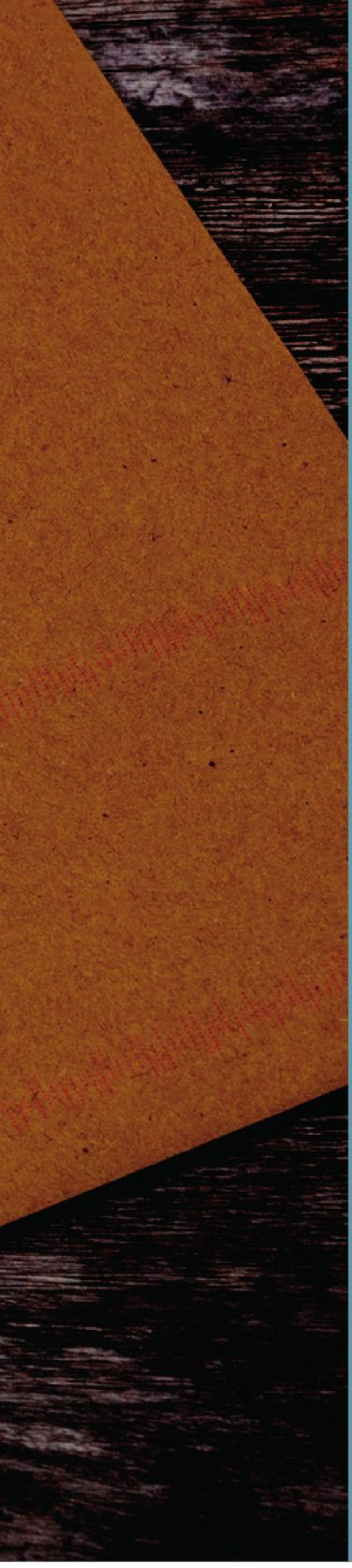
HMRC says it has never approved these schemes and has always said they don't work.

Steve Packham, spokesperson for the Loan Charge Action Group, says: "People took these schemes out in good faith, and you don't expect to receive a tax bill for the past years down the line.

"They were freely available and if there was any risk, then it was never explained by the Revenue at the time."

Keith Gordon, tax barrister at Temple Tax Chambers, says: "HMRC concocted the loan charge to deflect the liability on to the workers in order to cover up their historical failings.

"Its failure to voice its concern gave the promoters of these schemes



"I'VE BEEN MADE TO FEEL LIKE A CRIMINAL"

Beverly Jackson, a social worker from Manchester, is worried she will have to pay thousands of pounds in unpaid tax after signing up with an employment agency.

As the 50-year-old was self-employed, she set up a limited company for the agency to pay money into.

However, in 2016 because of changes to off-payroll working rules – known as IR35 – she was told to switch to an umbrella company. These act as an intermediary between contractors and their clients or a recruitment agency, organising payments for them.

She says the agency convinced her with a polished sales pitch that everything was legal and above board.

Beverly says: "Not being an expert in this, I went with them as they said they could get me a better return than previously.

"They said it was absolutely fine, that they had worked with this provider for a long time and there had never been any repercussions."

In 2018, Beverly received a letter from HMRC, saying she was being investigated. She has not been told how much she owes yet, but she fears it could run into thousands.

She says: "The first thing I knew anything about it was when I got a letter from HMRC. Since then, it's been a nightmare because I haven't got any savings and I have three children to support."

She says she feels as if she is living under a cloud.

"I trusted the agency to arrange everything for me and I didn't knowingly do anything wrong. I've worked all my life and I have been made to feel like a criminal."

and taxpayers the impression that it considered those arrangements to be compliant with tax law.

"HMRC should have been going for the employer and not the individuals themselves because tax law requires the Revenue to collect from the employer, even if the employee received their pay free of tax."

Independent review's recommendations

A damning review of the loan charge was published in December last year.

Conducted by Sir Amyas Morse, the former chief executive of the National Audit Office, the independent review said that, while it is right that avoidance schemes are tackled, in doing so the Government and HMRC must act "proportionately and responsibly".

It criticised the loan charge for backdating payment 20 years, thus causing serious distress to the individuals affected.

> "Nobody will get out of paying the loan charge easily"

The Government has accepted the review's recommendations, and the loan charge will no longer apply to users of the scheme who took out a loan before 9 December 2010.

Those who took loan schemes between 9 December 2010 and 5 April 2016, and fully disclosed details of the loan scheme at the time – specifically the person to whom it was paid and the loan arrangement – will also be exempt from any action.

Experts believe that this is unlikely to make a big difference because most people affected would not have made the necessary disclosures to be eligible for the exemption, as they were not required to do so by law at the time.

"Very few people who had loans between December 2010 and April 2016 will be exempt from the loan charge because HMRC will not accept anything other than full disclosure," says tax adviser Chris O'Hara of Harts Accountants in Macclesfield.

"I don't think anybody will get out of paying the loan charge easily," he adds.

The Government estimates the changes will reduce bills for more than 30,000 people – more than 60% of the total number of users. A further 11,000 will be taken out of it altogether.

Those affected will be able to defer filing their return until September 2020 and can also spread their outstanding tax balance across three tax years.

Those earning less than £50,000 will also be able to spread their payments over five years, while those who have an income of less than £30,000 can pay over seven years.

While the news will bring relief to some, critics argue that the loan charge remains retrospective as those who took out schemes after 2010 will still have to pay.

A spokesperson from HMRC says: "The loan charge is not retrospective. It doesn't change the tax position of any previous year, or the outcome of any open compliance checks.

"We have been consistent that HMRC will not force anyone to sell their main home to pay their loan charge or disguised remuneration debts. Insolvency is only ever considered as a last resort.

"Ultimately, an individual is responsible for their own tax affairs. You don't have to be a tax expert to work out that an arrangement where you are paid in the form of a loan, which is often routed offshore, is not standard practice – especially as the loan is never paid back and the end result involves a much lower tax bill."

HMRC's stance will be no comfort to those affected.

David* says that the changes will not help him and that he faces bankruptcy if he has to pay the loan charge.

"My accountant told me the remuneration scheme I signed up for was legal and approved by HMRC," he says.

"The loan charge has destroyed my life. Hardly a minute goes by where I am not thinking about it and some days I just feel like throwing in the towel." mw

** Name has been changed.*

Concerns about climate change mean more of us are thinking carefully about the eco-friendly and socially responsible choices that we make – and this is filtering down to our finances too. From bank accounts to investments, we explain how to make more ethical choices with our cash

HOW TO BE A FINANCIAL ECO-WARRIOR

BY BREAN HORNE

From recycling to buying eco-friendly products, many of us are making decisions in our daily lives that align with our values and help make a better world.

Making greener or ethical financial decisions doesn't require you to sacrifice your financial goals – you just need to consider alternative companies and financial products. So here's the lowdown on everything from saving and investing ethically to where to get a 'greener' mortgage.

PICK AN ETHICAL BANK

Ethical banks invest customers' money in a way that has a positive impact on society, the local community and the environment.

For example, one bank may decide to invest in green energy while another bank may choose to avoid investing in industries and products such as tobacco and alcohol.

Ethical banks are also likely to value transparency and to share information about their practices and their impact with customers.

In contrast, banks that do not have this as their focus may support companies that manufacture arms or those with poor human rights records.

There are several banks with ethical credentials that offer current accounts, savings accounts and mortgages.

"MY VALUES MATTER WHEN IT COMES TO CHOOSING A CURRENT ACCOUNT"

Katherine Horsham (above), a 30-year-old graphic designer based in London, began making ethical choices with her money 12 years ago.

"I needed to contribute in some positive way to change the system and it was during the recession, which made me think about money and the whole system," says Katherine.

She adds: "I try to make good choices, whether it's the food I eat or where I go on holiday – I try not to fly – and I also do a lot of volunteering. It would be really bizarre for me not to consider my values in the context of where my money goes."

Katherine first decided to open a current account with Triodos.

"I wanted to put my money with a bank I can trust that will do good things with it," she says.

The account has a £3 monthly fee, which she felt was explained clearly by Triodos, and she has no issue paying it.

"I would much rather pay £3 a month to know that my bank isn't exploiting other people in order for me to have an account," she says.

"The most fundamental thing is the transparency, which it is using as an opportunity to put the money toward good stuff and good people."

Building societies

Building societies, such as Nationwide, are considered by some to be more ethical than banks. This is because, since the Building Societies Act 1986, at least 75% of a building society's assets must be held in residential mortgages.

As a result, a lower proportion of their funds is likely to be invested in industries that some may consider unethical.

A small number of high-street banks offer greener products

High street banks

There are a small number of high street banks that offer greener products and services.

The Co-operative was the UK's first high street bank with a policy of not investing in companies deemed unethical by its customers.

Its ethical policy, which dates back to 1992, means that it will not provide banking services to organisations that conflict with its customers' views on anything from human rights and the environment to those involved in irresponsible gambling or payday lending.

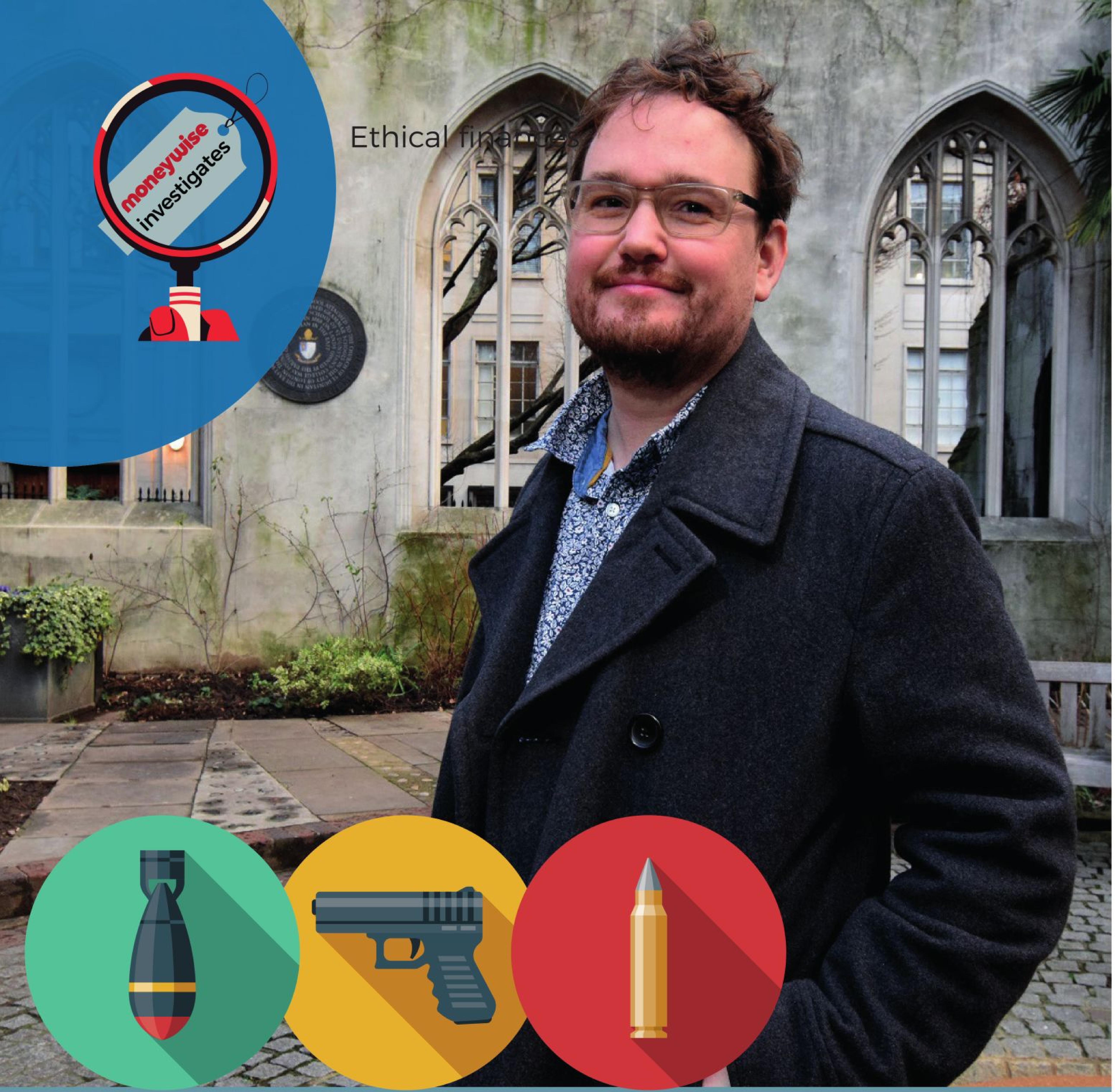
This was soon followed by Triodos Bank, which has been offering ethical savings accounts, current accounts and investments in the UK since 1995.

Challenger banks

So-called challenger banks, such as Metro Bank, Monzo and Starling Bank, are considered by some to be more ethical owing to their commitment to maintaining total transparency with their customers.

Sharia-compliant banks

Sharia-compliant banks (which offer Islamic financial products that are fully compliant with Sharia law), such as Al Rayan Bank and Gatehouse Bank, invest customers' money in line with Islamic principles. As a result,



"I WANT TO STAY AWAY FROM NASTY SECTORS, LIKE TOBACCO AND WEAPONS"

More banks and building societies are offering ethical savings accounts in the UK.

Russell Warfield (above), 30, a senior campaigns officer for Greenpeace, wanted to join a bank that prioritised transparency and being accountable to its customers. Russell has an online Cash Isa with Triodos, which he opened in 2012.

"I find it really important to know where my money goes. It is the only way to make the financial sector more transparent and accountable for what it does with our savings," he says.

For Russell, ensuring that the returns made on his savings were not harming society was vital too.

He says: "I want the interest on my savings not to be at the expense of society. I want to stay away from fossil fuels and nasty sectors like tobacco and weapons."

they will never invest in industries connected with alcohol, tobacco, arms, pornography or gambling.

OPT FOR ETHICAL INVESTMENTS

Over the past decade, investors have become increasingly aware of the importance of sustainability.

Environment, social and governance investing, or ESG, is growing in popularity as more investors choose to put their money into industries and companies that align with their values.

Assets under management in ESG products were worth £35 billion in the first three quarters of 2019 – up from £17 billion in 2014, according to data from Morningstar.

And in 2019 alone, people invested an average of £124 million a week into ESG funds in the UK.

There is no one-size-fits-all when it comes to ethical investing because everyone has different values and priorities. You will need to do your research to check that the funds you are interested in own companies you are happy to invest in.

Furthermore, just because a fund has ESG or 'ethical' or SRI (socially-responsible investing) in its title, it does not automatically mean it will abide by certain credentials. The use of these terms is not regulated and, although the investment industry is working on it, there is no fixed way that they are defined.

> There is no one-size-fits-all when it comes to ethical investing

By the same token, just because a fund is not badged as 'ethical' does not mean it will not fit your own criteria of companies you are happy to invest in.

Most investment platforms offer ESG options. Some merely make them available, while others offer tools to help investors sort through them. For example, interactive investor (*Moneywise*'s parent company) has an extensive list of more than 140 ethical investment options.

It recently launched the ii ACE 30 – the UK's first rated list of ethical investments, which aims to help investors identify high-quality ESG funds, investment trusts and exchange traded funds. It also has an ethical model growth portfolio.

Other platforms are also keen to promote ethical funds on their platforms. Bestinvest, for instance, has a collection of ethical funds that it rates highly in its online investment guide.

Meanwhile, AJ Bell allows investors to sort through its 'favourite funds' list to find top-ranked ethical funds.

CHOOSE AN ETHICAL MORTGAGE

Some building societies and specialist banks offer residential mortgages that are invested ethically, while others specialise in lending to environmentally friendly properties and projects.

More recently, some providers have started offering 'green mortgages' as an option too.

Green mortgages offer preferential interest rates for homes that are energy efficient. Home buyers wishing to qualify for one must either demonstrate that the property they are buying meets certain energy efficiency standards, or commit to making it more energy efficient.

INVEST YOUR PENSION IN ETHICAL OPTIONS

When you enrol into a workplace defined contribution pension or start a personal pension, your money is generally invested automatically into a default fund. However, you can usually request

BANKS AND BUILDING SOCIETIES THAT OFFER ETHICAL CHOICES

Bank	Type	Ethical priorities	Current accounts	Savings accounts	Mortgages
Al Rayan Bank	Sharia-compliant	Does not invest in services such as alcohol, tobacco or gambling	✔	✔	
Charity Bank	Bank	Lends to charities and social enterprises		✔	
Co-op Bank	Bank	Transparency with customers Does not invest in weapons	✔	✔	✔
Gatehouse Bank	Sharia-compliant	Does not invest in services such as alcohol, tobacco or gambling.	✔	✔	✔
Metro Bank	Challenger bank	Committed to customer service. Supports charities and the local community	✔	✔	
Monzo	Challenger bank	Transparency	✔	✔	
Nationwide	Building society	Does not invest in tobacco, arms, alcohol, gambling, coal, oil or gas.	✔	✔	
Reliance Bank	Bank	Transparency	✔	✔	✔
Smile	Bank	Prioritises business lending to companies delivering positive social impact in the UK. Donates up to 75% of profits to The Salvation Army International	✔	✔	✔
Starling Bank	Challenger bank	Transparency	✔	✔	
Triodos	Bank	Invests in social and environmental projects. Transparency with customers	✔	✔	

Source: Moneywise 03/02/20

to select which funds your money goes into instead. If you wish to invest in ethical funds or those that align with your own values, contact your pension provider to ask what it offers and how to switch.

If your workplace pension provider does not offer an ethical option, ask why this is – and you could consider raising it with your employer as well.

When investing for retirement, it is important to make sure that you are taking the appropriate amount of risk and not overpaying on fees.

Take too much or too little risk and you may not have the level of savings you need to support the later-life lifestyle you aspire to.

Pay too much in fees and your nest egg will be needlessly eroded over time. These considerations remain relevant when you choose ethical funds.

MAKE ETHICAL CHOICES

Making ethical financial choices and identifying which financial institutions and products best align with what you believe in requires some research. Some key points to consider include:

What are your ethical values? Before starting your search for an ethical bank or institution, take some time to work out what your priorities are. Having a clear idea of the causes you would like to support or industries you want to avoid will help you filter through the multitude of providers.

Does the financial institution have a consistent ethical past? Once you have identified providers you are interested in, dig deeper. An internet search is likely to reveal whether its ethical credentials have been consistent. Look out for instances of poor practice such as mis-selling products, fraudulent activity and concerning behaviour relating to human rights and climate change.

Who owns it? Banks often belong to larger financial groups, and these could have links to industries or companies that don't reflect your ethical beliefs. mw

"I DON'T WANT MY MONEY TO FUND THE FOSSIL FUEL INDUSTRY"

Hilary Jane, 63, who grew up in South Gloucestershire, has always been concerned about climate change.

"We used to have skylarks and cuckoos round here and they've all disappeared in my lifetime. I knew I had to do something, but it can feel despairing at times," she says. Hilary has always viewed investing as a powerful way to make positive change. She opened her first investment account with Triodos Bank when it first opened in the UK more than 20 years ago.

She says: "I invest with Triodos because it aligns with my ethics.

"The big banks are pumping more and more money into fossil fuels despite the Paris Agreement and I don't want my money to go toward funding the fossil fuel industry," she adds.

FIVE WAYS YOU'RE SAVING ALL WRONG AND HOW TO FIX THEM

As the deadline for adding to your 2019/2020 Isa allowance approaches, it's a good time to take a long, hard look at your savings – or lack of them. Are you proactive about finding the best rates or is your cash languishing in a low-paying account? Read our guide to getting it right

BY ANDY WEBB

We have now entered what the financial services industry and media call 'Isa season'. You will see plenty of emails and articles prompting you to maximise your Individual Savings Account (Isa) allowance before the end of the tax year, then many more encouraging you to open up new accounts for the next.

Maximising the return on any savings you have used to be good practice. But if you do it this year, it could be just one example of where you are getting it all wrong when it comes to cash savings.

Here are five ways you could be saving in the wrong way – and how to put things right.

1 You are saving while you still have debts

Psychologically, many people like to have savings even though they are in debt. But there is a limited benefit to having money stashed away in savings accounts if you also owe money on credit cards, loans and overdrafts. The rate of interest you are paying on your debts, unless you have a 0% deal, is likely to far outweigh what you are earning on your savings. You are better off paying down those debts before building a large nest egg. However, it is still worth having access to some cash in case of emergencies.

2 You have too much cash in easy-access savings accounts

Having a savings pot is essential. But the most you actually need in any kind of easy-access account is enough to cover you in emergencies. That is anything from paying to get your car serviced to covering your mortgage and bills if you lose your job. The general rule of thumb is that you should aim to have enough cash to cover three months of essential outgoings.

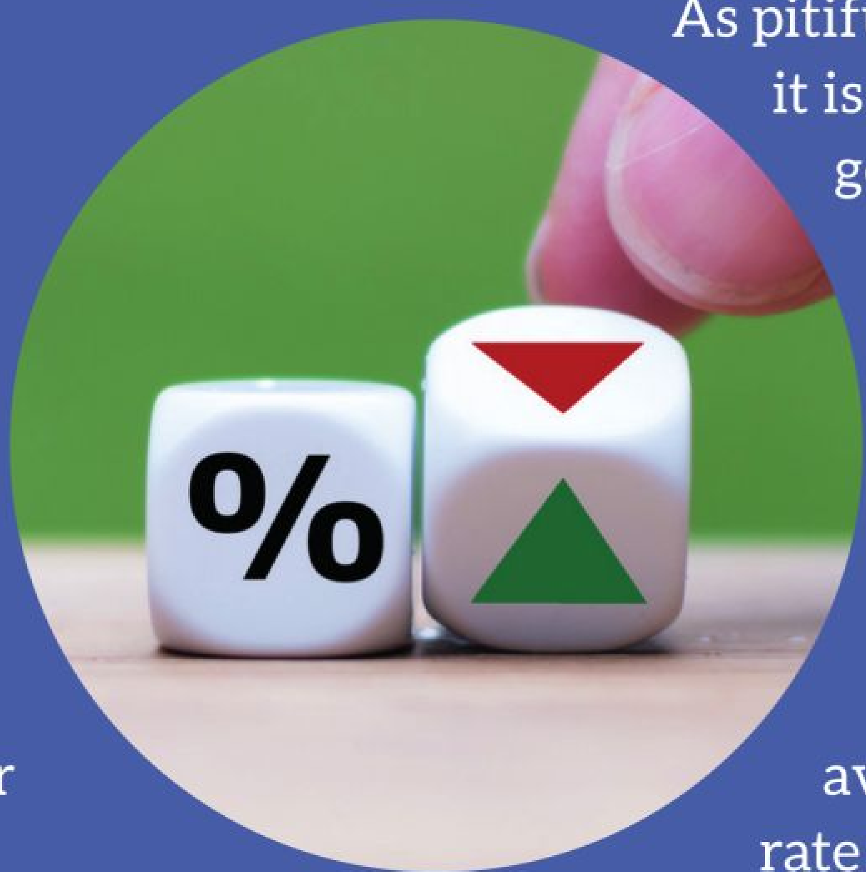
Anything you have in savings above that amount you may be able to put to better use. A mix of the following should benefit you and your money in the long run.

For general savings, you are likely to get the best returns if you invest it – but this is not for the short term. You want to have this money working for at least five years, so you need to be fairly sure you won't want to access it. The Moneywise website (Moneywise.co.uk) has extensive guides to get you started.

If your mortgage allows overpayments, then you could pay off a lump sum to reduce what you owe and cut the amount of interest you will pay in the long term, while also adding to your equity for when you remortgage.

Similarly, you could choose to make extra payments to your pension pot. The most you can pay in each financial year and still receive tax relief is £40,000. If you're not hitting that level from just your normal contributions, you could use spare cash to boost your pot.

If you want to keep access to your savings, but could lock your money away for a few months or years, consider whether a fixed-term savings account could offer you a better rate.



3 You are saving in the wrong place

In 2016 the government introduced the personal savings allowance (PSA). This allows all basic-rate taxpayers to earn £1,000 in interest each year without paying tax on it. The allowance drops to £500 for higher-rate taxpayers (anyone earning more than £50,000 in the 2019/2020 tax year).

So what do these figures actually mean? Well, say you had your money in the highest-paying easy-access account (1.35% with Ford Money at the time of writing), you would need to have £74,074 to make £1,000 in interest, or £37,037 to reach £500. That is a lot of money.

This is why the tax-free benefits an Isa provides are essentially redundant for many. Instead look for the best-paying account you can – regardless of whether it is in an Isa wrapper.

That is not to say all Isas are without merit. Alongside investment Isas, first-time homebuyers will benefit from the 25% bonus that comes with the Lifetime Isa – and it could be a good option for the self-employed who don't have a workplace pension.

Of course, if you do have a lot of money in cash – perhaps a windfall you are working out what to do with – it makes sense to avoid the 20% or 40% that will be taken off any interest outside the PSA, but don't forget the annual Isa limit is £20,000.

4 You are not getting the best return

As pitiful as 1.35% sounds, it is actually a very good rate for the current climate. Most accounts will not pay anything near that amount. According to Moneyfacts, the average interest rate on an easy-access account in December 2019 was 0.61%.

Even that might be generous. Many people will have cash languishing in the banks where they have their current accounts – and these are generally paying even less. Among the worst is Lloyd's Easy Saver with a rate of just 0.10%. All of a sudden 1.35% looks a lot better.

But this can be beaten too. For any money you cannot or do not want to invest, consider when you will actually need it. If you are willing to lock the money away, the rates increase. The app MoneyBox offers 1.65% but requires 95 days' notice, while a two-year fix with BLME pays 1.80%. Longer fixes are available too, though there's always the chance that general rates could go up in that time.

If you're willing to lock the money away, the rates will increase

Ideally, though, you want to beat inflation. The latest figure sees the rate at a three-year low of 1.5%, with a 12-month peak of 2.1% in April and July last year. Anything below the current rate

NEED SOME HELP ACTUALLY PUTTING MONEY ASIDE?

It is all well and good showing you where to put your cash, but what if you don't actually have a savings pot? These quick tips should help you get started.

KEEP IT SEPARATE FROM YOUR EVERYDAY SPENDING

If you keep your savings in the same account as your everyday money, you will lose track of what's what. The result is you will inevitably end up spending it. Put your savings in a separate account instead.

ADD TO YOUR POT EVERY TIME YOU SPEND

Banks including Lloyds, TSB, Monzo and Starling have features where each purchase you make can be rounded up to the nearest pound. This spare change is moved into a separate account. So if you spend £2.55 on a coffee, 45p will be put aside.

Wherever you put your money, watch out for bonus rates that end

PAY YOURSELF FIRST

Set up a standing order to move spare cash out of your current account just after payday, so you don't forget. You can always change the amount if you are short of cash.

means you are losing money in real terms. It's hard to find interest above these levels, but it is usually possible with smaller deposits.

Best of the bunch is a Nationwide FlexDirect current account. New customers can earn 5% on balances up to £2,500 for one year. TSB's Classic Plus account offers 3% on savings of up to £1,500. An individual can only have one Nationwide account with this rate, but an additional TSB account is available as a joint account. This means if two people maximise their initial deposits with five accounts across these two banks they could make a combined £385 in the first year on a balance of £9,500 – the equivalent of 4.05% AER.

Beyond this, there are also regular saver accounts for First Direct, HSBC and M&S Bank customers, which pay 2.75%. You're limited to the amount you can save each month, but you can funnel the cash over from lower-paying accounts.

Wherever you put your money, watch out for bonus rates that end, or long-forgotten accounts where the rate has plummeted since you first saved the money.

USE A ROBOT TO WORK OUT WHAT YOU CAN AFFORD

Connect to artificial intelligence apps such as Chip and Plum to let them analyse your spending habits. Based on what you have coming in and going out each month, these smart algorithms will move money before you can spend it.

5 Your savings are not protected

It's vital to make sure you don't have more than £85,000 in one place. This is the maximum covered for individuals by the Financial Services Compensation Scheme (FSCS) in the event a bank goes bust. Any savings above that amount would likely be lost, though up to £1 million is temporarily covered for six months after a life event such as selling a house or receiving an inheritance.

The FSCS only applies to UK-regulated banks and building societies, so it's worth checking that your savings are covered. Just because there is a branch near you doesn't mean it is on the FCA register – some foreign-owned banks are covered by the compensation scheme of their home country.

You also need to make sure the bank is classed as a single financial institution. Many are actually part of umbrella organisations that operate under the same FCA licence, such as First Direct and HSBC. Money split across these banks is then subject to a combined £85,000 limit if you needed to make a claim. But some of the well-known banking groups, such as NatWest and RBS, do have separate licences.

Check out all banks on the FCA register (Register.FCA.org.uk). And here are some of the most notable joint brands:

- **HSBC and First Direct**
- **Halifax and Bank of Scotland**
- **Bank of Ireland and Post Office Money**
- **Virgin Money, Yorkshire Bank and Clydesdale Bank** .mw

ANDY WEBB is a freelance journalist, a *Reader's Digest* columnist, and a presenter for Channel 5's *Shop Smart: Save Money*

5 REASONS YOU'RE BETTER THAN A FUND MANAGER

Who says that you can't beat the investment professionals? We look at the skills you have without even knowing it

BY RACHEL RICKARD STRAUS

Even if you have never invested before, the chances are you could be very good at it. Don't believe me? That may be even greater proof that you would excel.

Investing can seem like an intimidating business, encrusted as it is with jargon and bloated with experts and professionals making a fortune from it. But there is no reason to be put off: a nimble beginner investor even has some advantages over the professionals.

1 A LACK OF CONFIDENCE CAN WORK IN YOUR FAVOUR

Sometimes the best investing strategy is to sit tight and see what happens. After all, it is very hard to predict how markets will fluctuate in the short term and investing is for the long term.

Doing nothing and not reacting to market movements can be much easier if you are not overly confident – a lack of conviction that you know which way markets will go next or how to respond can lead to inertia.

As our confidence grows, it gets harder not to meddle. We start to think that we know better than others and so we start to change our portfolios based on our predictions – whether they are right or not. And making quick changes will be unlikely to produce a good outcome on balance.

Jessica Exton, behavioural scientist at banking and financial services firm ING, says: "We naturally tend to be overconfident in our abilities, which can result in making frequent changes to our investment strategy over time.

"It has also been found to encourage us to take on higher levels of investment risk if we believe we can predict what will happen in the market more accurately than others. Both of these tendencies can lead to lower investment performance in the long run.

"Being overconfident in investing has also been found to increase with investing experience and education. This suggests that those without a lot of experience in the stock market may be less likely to frequently change their strategy and avoid overreacting to short-term market fluctuations."

> "Women traded less frequently than men and had better returns"

A study by professors Barber and Odean at the University of California laid bare the cost of overconfidence leading to overtrading.

James Norton, senior investment planner at Vanguard, explains: "Over a six-year period, professors Barber and Odean carried out detailed research on more than 78,000 US brokerage accounts, analysing over three million trades. Specifically, they wanted to understand how investment returns differed for the 20% of investors who traded the most compared to the 20% who traded the least.

"The results were truly shocking. The confident, frequent traders achieved returns of 11.4% a year compared to 18.5% a year for the less active traders. To put this into perspective, £1,000 invested at the beginning of the

period would have grown to over £2,700 after six years for the active traders, compared to over £4,000 for the infrequent traders. Interestingly, the professors also found that women traded less frequently than men and consequently had better returns."

2 YOU CAN KEEP IT SIMPLE – AND SIMPLE IS GOOD

Fund managers need to attract funds and fees with theories, names and performance that make them stand apart. But despite all this, many will not do any better than cheap, passive funds that are not actively managed by fund managers, once fees are factored in.

"As an individual investor, you have the licence to keep it simple," says Vanguard's James Norton. "A fund manager needs to get assets for their fund or they don't have a job.

"It's human nature that we tend to like things – especially in investing – that sound more complicated and think they will be better.

"Over the years there have been trends for particular words to appear in the names of funds: 'alpha', 'plus', 'special'. They make you feel as if you have found a good fund. But although index or passive funds don't have jazzy names, their performance tends to beat most actively managed funds.

"You can have a globally diversified portfolio of stocks and bonds in two holdings and for around 0.2% a year."

3 YOU ARE INVESTING FOR THE LONG TERM

Individuals invest for future goals; for retirement, or for a deposit for a home, or to gain financial independence. With long-term horizons of at least five years and often of decades, we can afford to ride out the highs and the lows of the stock market. A spell of losses is not the end of the world when you have sufficient time for your portfolio to recover.

While most fund managers would say they, too, invest for the long term, in reality many will come under pressure if they have periods of poor performance. Thinking practically, a fund manager will not attract new investment and may see investors withdraw their funds if it stops making money for its investors.

A fund manager may have a benchmark or target that they are tasked with outperforming; they may be under pressure to attract new funds by coming up with an interesting sounding proposition; or to show good performance every quarter which can curb their ability to think long term.

WANT HELP GETTING STARTED?

moneywise FIRST 50 FUNDS

In April's issue of *Moneywise*, we bring you the ultimate guide to investing from scratch. From working out whether you're ready to start, to what to invest in, we've got it covered.

Look out for it on newsstands or take out a subscription now to make sure it lands on your doorstep next month.

For fund ideas, the *Moneywise* First 50 Funds for beginners can also be a great starting point. We maintain a list of funds, including a range of active and passive options as well as investment trusts. See page 50 onwards for our full, updated list.

"Index or passive funds tend to beat most actively managed funds"

GOT AN INVESTMENT QUESTION?

Write to *Moneywise*'s Investment Doctor for expert guidance on anything from investing for your kids or grandchildren to whether you should switch if the fund you have invested in is no longer a top performer. See page 62 for the answer to this month's question: 'Can I set up a pension fund for my son?' Please email your question to editor@moneywise.co.uk.

This pressure may force professionals to make changes or to act in an attempt to improve short-term performance, missing out on the opportunity to invest in a way that will harvest rewards longer term.

After all, some companies may take time to grow and start producing good profits – as investors in these, sometimes you need to play the long game.

Lee Wild, head of equity strategy at interactive investor (*Moneywise*'s parent company), says: "As an individual, if your investments' return is, say, 5% above inflation, you may be happy with this outcome. If you are a professional, 5% above inflation does not look like such a good outcome if your benchmark has returned 6%."

4 YOU DON'T HAVE TO WORRY ABOUT TAX

As a beginner investor, it is unlikely you will have to worry about filing tax returns, keeping track of capital gains tax and messing around with endless paperwork.

If you invest in a Stocks and Shares Isa, there is no tax to pay on any gains that you make while you are investing or when you come to spend them. You can invest up to £20,000 each year in a Stocks and Shares Isa and don't have to fill in a tax return or alert HMRC.

> You could be an Isa millionaire in just 17 years

Later on, should you start to breach this amount, there may be tax implications and reliefs to be aware of, which makes things trickier. However, using just your full Isa allowance alone could make you an Isa millionaire in just 17 years, assuming average returns of 5% a year.

5 YOU ARE LIKELY TO BE MORE OPEN- MINDED

Diving into the theories and technicalities of investing can be useful and, of course, it is good to understand what you are investing in. However, there is an argument that this could lead to more narrow thinking if you are not careful.

James Anderson, manager of Scottish Mortgage Investment Trust, believes that investors need to hear a variety of views, and yet this is often not what professionals do.

Investing professionals tend to study for the same qualifications, learn the same theories and read the same materials, which can lead to an overdependence on certain ideas.

For Anderson, it is the Chartered Financial Analyst program that distorts views in particular, with its attachment to value investing – buying shares in companies that look cheap.

He says: "We don't take the view that individual investors are worse than institutional ones. I find, by and large, individual investors are both much more open to different approaches and much more long term than the bulk of our institutional clients."

So put your lack of confidence to good use – and show the professionals how it is done. mw

This feature also appeared in the Mail On Sunday.

moneywise FIRST 50 FUNDS 2020

Choosing from thousands of funds can be a daunting prospect for novice investors. To make it easier, *Moneywise* has a list of 50 top funds for beginners that we've updated with eight new funds for 2020

Moneywise's list of First 50 Funds for Beginners offers a good starting point for beginner investors looking to put together a balanced portfolio.

The selection, which we launched in July 2016 and update every year, includes index tracker funds, actively managed funds and investment trusts.

Index tracker funds are low cost and can be used to build a solid core for your portfolio. They are also known as passive funds because they simply aim to replicate the performance of a benchmark index, rather than trying to actively buy and sell stocks and shares to boost performance.

If you use trackers, you'll never beat the index – but you also reduce the risk of performing worse than the index.

Active funds have the potential to perform better than index trackers, but there is the risk that the fund manager may make the wrong decision.

Many of these active funds have income and accumulation units, and you will need to buy the right version for your investment needs.

With income units, shown as 'Inc' in the fund name, any income is paid as cash. This can be withdrawn, reinvested or simply held in your account.

With accumulation units, shown as 'Acc' in the fund name, any income is retained within the fund; the number of units remains the same, but the price of each unit increases by the

It is a good starting point for beginners wanting a balanced portfolio

amount of income generated within the fund. Generally, accumulation units offer a slightly more efficient way to reinvest income, although many investors will choose to hold income units and reinvest the income to buy extra units.

Many investors build a core of low-cost passive funds and then add active funds as 'satellites' around this to try to add value.

We have included the ISIN identifier for each fund below – this is a unique number that will help you to identify the fund on the investment platform that you use.

The ongoing charges figure, or OCF, is the most accurate measure available of what it costs to invest in a fund. The OCF is made up of the annual management charge (AMC) levied by fund managers and other operating costs.

Note that you may have to pay an investment platform fee on top of this, depending on which platform you use to buy the funds.

For ease of use, we have divided the First 50 Funds selection into three parts:

- **20 cheap tracker funds to use as core holdings**

The best 'buy and forget' funds. Use these if you want no-nonsense, cheap investing.

- **20 active funds to add value**

If you want a manager to sit down and pick the shares and bonds that they think will perform best, make sure to look at these.

- **10 investment trusts for starters**

Investment trusts possess unique qualities that make them worth considering by anyone investing over the longer term, but they can be riskier than funds.

How we reviewed and updated the list

Our main considerations are a fund's performance, charges and suitability for a beginner investor. We considered whether funds had been highly commended or won a *Moneywise* fund or investment trust award over the past year. We also considered our sister magazine *Money Observer's* Rated Funds list for 2020, which includes 259 active and passive funds. Plus, we reviewed rated funds lists on platforms such as *Moneywise's* parent company, interactive investor, and other DIY investment platforms. We also consulted ii's fund analyst, Teodor Dilov.

20 CHEAP TRACKER FUNDS

INSTANT PORTFOLIOS

Vanguard LifeStrategy 20% Equity Inc or Acc

This low-risk fund provides some upside potential from investing while limiting the risk of losing your money. It has 20% exposure to globally diversified equities with the remainder in globally diversified government and corporate bonds. The underlying portfolios are wholly made up of Vanguard index tracker funds. For a bit more risk, use the 40% equity version.

OCF: 0.22%
ISIN – Inc: GB00B4620290
Acc: GB00B4NXY349

Vanguard LifeStrategy 60% Equity Fund Inc or Acc

This instant, medium-risk portfolio has 60% exposure to globally diversified shares with the rest in globally diversified government and corporate bonds.

OCF: 0.22%
ISIN – Inc: GB00B4R2F348
Acc: GB00B3TYHH97

Vanguard LifeStrategy 100% Equity Fund Inc or Acc

This one-stop fund is aimed at higher-risk investors, who don't want to think about how to put a portfolio together. The main stock market exposure is to US company shares, followed by UK shares. To reduce risk, go for the 80% version.

OCF: 0.22%
ISIN – Inc: GB00B545NX97
Acc: GB00B41XG308

UK SHARES

iShares 100 UK Equity Fund D Acc

By tracking performance of the FTSE 100 Index of the biggest companies traded on the London Stock Exchange, it seeks to achieve capital growth. Dividends are paid quarterly.

OCF: 0.07%
ISIN – GB00B7W4GQ69

NEW Fidelity Index UK P

This open-ended investment company tracks the performance of more than 600 shares in the FTSE All-Share, which is an index of the companies listed on the London Stock Exchange. It invests in most of the largest and some of the smallest companies, to mirror the performance of the index as closely as possible.

OCF: 0.06%
ISIN: Inc: GB00BP8RY614
Acc: GB00BJS8SF95

Vanguard FTSE 250 UCITS ETF

This Exchange Traded Fund aims to provide long-term capital growth by matching the return of the FTSE 250 index, which represents medium-sized companies on the London Stock Exchange.

OCF: 0.1%
ISIN – IE00BKX55Q28

Vanguard FTSE UK Equity Income Index Inc or Acc

Offering low-cost, diversified access to higher income UK shares, it tracks performance of the FTSE UK Equity Income Index, made up of the highest dividend-paying shares among the largest 350 companies on the London Stock Exchange.

OCF: 0.22%
ISIN – Inc: GB00B5B74684
Acc: GB00B59G4H82

OVERSEAS SHARES

Fidelity Index World Fund P Inc or Acc

A good fund to start a portfolio with, it tracks performance of the MSCI World Net Return Index of large- and medium-sized companies from more than 12 developed countries, including the UK.

OCF: 0.12%
ISIN – Inc: GB00BP8RYB62
Acc: GB00BJS8SJ34

L&G International Index Trust I Inc or Acc

Tracking performance of the FTSE World (ex UK) Index, which has a

broad spread of company shares from developed and emerging markets globally (excluding UK companies). Note that it includes emerging markets countries, so it might be a bit riskier than the Fidelity Fund.

OCF: 0.13%
ISIN – Inc: GB00B2Q6HX78
Acc: GB00B2Q6HW61

Vanguard FTSE Developed Europe ex-UK Equity Index Inc or Acc

Good for instant exposure to developed countries in Europe, excluding the UK. Its main exposure is to French, German and Swiss companies.

OCF: 0.12%
ISIN – Inc: GB00B5B74N55
Acc: GB00B5B71H80

HIGHER-RISK OVERSEAS SHARES

Vanguard Global Small Cap Index Fund Inc or Acc

It tracks performance of the MSCI World Small Cap Index of smaller companies in developed countries.

OCF: 0.38%
ISIN – Inc: IE00B3X1LS57
Acc: IE00B3X1NT05

Fidelity Index Emerging Markets P Inc or Acc

It aims to achieve long-term capital growth by closely matching performance of the MSCI Emerging Markets Index of rapidly developing economies.

OCF: 0.2%
ISIN – Inc: GB00BP8RYT47
Acc: GB00BHZK8D21

> A cheap one-stop solution for access to the US equity market

US SHARES

HSBC American Index C Inc or Acc

Seeking long-term capital growth, it matches the return of the S&P 500 Index of 500 large companies listed on the New York Stock Exchange or NASDAQ (another American stock exchange).

OCF: 0.06%
ISIN – Inc: GB00B80QG490
Acc: GB00B80QG615

Vanguard US Equity Index Fund Inc or Acc

This is a very cheap one-stop solution for access to the whole US equity market. It tracks performance of the S&P Total Market index, which has nearly 3,800 constituents; and holds smaller companies as well as large and medium-size companies.

OCF: 0.1%
ISIN – Inc: GB00B5B74S01
Acc: GB00B5B71Q71

JAPAN SHARES

HSBC Japan Index Fund Inc or Acc

This seeks to track the FTSE Japan index by investing in all 494 large and medium-size companies in the index.

OCF: 0.21%
ISIN – Inc: GB00B80QGM70
Acc: GB00B80QGN87

BONDS

Vanguard UK Government Bond Index Inc or Acc

This fund can be used to achieve lower-risk diversity from an equity portfolio. It seeks to provide returns consistent with the performance of a market-weighted bond index of UK government fixed-income securities denominated in sterling.

OCF 0.15%
ISIN – Inc: IE00B1S75820
Acc: IE00B1S75374

NEW

Vanguard UK Investment Grade Bond Index Fund

This open-ended investment company tracks the Bloomberg Barclays UK Government Float Adjusted Bond index. It invests in 62% of the index's 64 UK government bond issues, and 34% of the fund's assets are invested in issues with a duration of more than 25 years.

OCF: 0.12%
ISIN – Inc: IE00B1S74W91
Acc: IE00B1S74Q32

iShares Overseas Corporate Bond Tracker Fund D Inc or Acc

This fund gives you exposure to corporate bonds worldwide and sits nicely alongside the L&G Short Dated Sterling Corporate Bond fund. It provides exposure to the global market of investment-grade corporate bonds excluding those issued in sterling.

OCF: 0.16%
ISIN – Inc: GB00BNB74B95
Acc: GB00B58YKH53

Vanguard Global Bond Index GBP Hedged Inc or Acc

This highly diversified fund gives exposure to more than 7,300 bonds, with the US, Japan, Canada, France and Germany being the highest weighted countries. Investors can use it as a 'one-stop shop' for developed market investment-grade-rated, fixed-income exposure.

The fund is currency hedged into sterling, which takes out the currency volatility for UK investors, which we think is a good feature for a beginner.

OCF: 0.15%
ISIN – Inc: IE00B2RHVP93
Acc: IE00B50W2R13

GOLD

iShares Physical Gold ETC (SGLN)

Gold tends to make a good diversifier in a portfolio as it behaves differently to other asset classes and tends to rally while other assets are falling. This fund is an exchange traded commodity (ETC) rather than a traditional index tracker fund. But it is traded on the London Stock Exchange and you can buy it through most investment platforms.

Think of it as being like buying gold bars without the hassle of having to store your gold.

The fund provides investors with the performance of the daily spot price of gold and physically invests in the metal in the same proportion of the value of the ETC. It does not provide an income.

OCF: 0.25%
ISIN – IE00B4ND3602

20 ACTIVES TO ADD VALUE

UK STOCK MARKET INCOME

Franklin UK Rising Dividends W Acc

This fund aims to beat the FTSE All-Share index over the long term by investing in businesses that can consistently grow their dividends. The fund has a concentrated portfolio, typically of 40 to 50 names and focuses on firms that have increased their dividends in at least eight of the past 10 years and have not cut their dividends over that period.

OCF: 0.55%
ISIN – Inc: GB00BT6STC53
Acc: GB00B5MJ5601

MI Chelverton UK Equity Income B Inc or Acc

By investing in predominantly medium-size companies, it aims to deliver a high and growing quarterly dividend and the prospect of good long-term capital growth. It has been a standout performer over the long term, but can be more volatile than other equity income funds.

OCF: 0.86%
ISIN – GB00B1FD6467
Acc: GB00B1Y9J570

UK STOCK MARKET GROWTH

Merian UK Mid Cap R Inc or Acc

Formerly called Old Mutual, its aim is to provide capital growth by investing primarily in a portfolio of medium-size UK companies.

OCF: 0.85%
ISIN – Inc: GB00B8FC6L92
Acc: GB00B1XG9482

This fund aims to provide a 'fund for all seasons'

TB Amati UK Smaller Companies B

NEW

This diversified smaller companies fund aims to provide a 'fund for all seasons' by favouring companies it can back over the long term. The portfolio is around 70 companies that have a track record of success, a lot of intellectual property and an ability to commercialise it. The fund maintains a cash buffer of 10% to fund redemptions and invests one-fifth of assets in companies worth more than £1.4 billion to counter liquidity issues with investing in smaller companies.

OCF: 0.92%
ISIN – Acc: GB00B2NG4R39
Inc: Unavailable

Liontrust Special Situations I Inc

An attractive offering for investors seeking an unconstrained UK equity fund, this fund has a distinct process looking for UK companies with a strong defendable business franchise. It invests in all sizes of companies in a relatively concentrated portfolio with low turnover. Acc class is not available.

OCF: 0.87%
ISIN – GB00B57H4F11

GLOBAL STOCK MARKET

Fundsmith Equity I Inc or Acc

Managed by Terry Smith, it invests in equities on a global basis for the long term. It will not adopt short-term trading strategies.

OCF: 0.95%
ISIN – Inc: GB00B4MR8G82
Acc: GB00B41YBW71

For more detailed factsheets on each fund, visit **Moneywise.co.uk/first-50-funds**

Lindsell Train Global Equity B Inc

Managers Nick Train, Michael Lindsell and James Bullock want to achieve long-term income and capital growth by constructing a concentrated portfolio of 20 to 35 'exceptional' companies from around the world. Acc class is not available.

OCF: 0.72%
ISIN – Inc: IE00B3NS4D25

Artemis Global Income I Inc or Acc

The fund is better diversified than some global equity income funds, using its full global remit to exploit income opportunities and keeping its

UK content relatively low.
OCF: 0.82%
ISIN – Inc: GB00B5N99561
Acc: GB00B5ZX1M70

SPECIALIST OVERSEAS SHARES

M&G North American Dividend I

This fund's steady performance makes it well suited to equity investors looking for a relatively smooth ride. Unlike many other funds in this asset group, it is not chock-full of the FAANGS (Facebook, Apple, Amazon, Netflix and Alphabet's Google) that have driven the US market higher. It usually holds 40 to 50 stocks, of which more than half are in mega-caps.
OCF: 0.70%
ISIN – Acc: GB00B7565G26
Inc: GB00B7F5Y731

Man GLG Continental European Growth C Professional Acc

This fund aims to achieve above average long-term capital growth through investing in shares of companies listed on European Stock Exchanges. The manager invests in companies that enjoy a firm leadership position that gives them excellent prospects, plus companies that are emerging winners already enjoying clear competitive advantages. Inc class is not available.
OCF: 0.9%
ISIN - Acc: GB00B0119487

Baillie Gifford Japanese Inc or Acc

Japan is a major developed market, and this is a sound choice for getting core Japanese equity exposure into your portfolio. The fund seeks to identify typically 50 to 60 companies with potential to grow over the long term. It is managed by a very experienced Japanese equities team and has a low ongoing charge, compared to rival funds.
OCF: 0.63%
ISIN - Inc: GB0006010945
Acc: GB0006011133

Stewart Investors Asia Pacific Leaders B Acc

Its goal is to achieve long-term capital growth from a portfolio of large and medium-sized companies in the Asia Pacific region (excluding Japan, but including Australasia).
OCF: 0.88%
ISIN – Inc: GB00B57S0V20
Acc: GB0033874768

Baillie Gifford Emerging Markets Growth B Inc or Acc

This fund's objective is to produce attractive returns over the long term through investment in emerging markets worldwide. China is the largest weighting at almost 30%, followed by India, South Korea and Brazil.
OCF: 0.78%
ISIN – Inc: GB0006020530
Acc: GB0006020647

BONDS

GAM Star Credit Opportunities BP Inst

Aims to provide investors with a high income, paid annually, from high-quality bonds. Lends to investment-grade companies, ideally for 10 years or more. A strong yield of 4.2% in 2019.
OCF: 1.13%
ISIN – Inc: IE00B54L8Q54
Acc: IE00B510J173

Jupiter Strategic Bond I Inc or Acc

A flexible 'go anywhere' bond fund that aims for a high income and capital growth by seeking out the best fixed-income opportunities around the world.
OCF: 0.73%
ISIN – Inc: GB00B544HM32
Acc: GB00B4T6SD53

Royal London Global Bond Opportunities Z Inc or Acc

This well-diversified fund offers a high level of income as well as the opportunity for capital growth. It focuses predominantly on credit markets internationally.
OCF: 0.5%
ISIN – Inc: IE00BYTYX230
Acc: IE00BD0NHJ71

WHY WE DROPPED THESE EIGHT FUNDS FROM THE FIRST 50 LIST

L&G UK Index Trust C Dist or I Acc: Its replacement, Fidelity Index UK P, is a similar offering, but is cheaper at 0.06% versus 0.1%.

Legal & General Short Dated Sterling Corporate Bond Index I Inc or Acc: Has been dropped from *Money Observer's* Rated Funds list.

Marlborough UK Micro-Cap Growth Fund P Acc: Has been dropped from *MO's* Rated Funds list due to concerns over its size given the small and micro firms it invests in. It has assets of around £1 billion.

Fidelity American Special Situations W Acc: Has lost its *MO* Rated Fund status as *MO* has lost conviction after a prolonged period of underperformance. Morningstar also stripped it of its bronze rating in 2019.

BlackRock Corporate Bond D Inc or Acc: Was cut by MO as its 2.3% yield last year was the weakest pure corporate bond fund in its selection.

Fidelity Global Property W: Was replaced by *MO* with Schroder Global Cities Real Estate, which it sees as a more compelling proposition.

BMO Global Smaller Companies (BGSC): Its replacement Edinburgh Worldwide IT has performed better in recent years and is a *MO* Rated Fund 2020.

Picton Property Income (PCTN): Converted to a real estate investment trust and gave up its membership of the Association of Investment Companies.

It focuses on the property prospects of strong global cities

Marlborough Global Bond P Inc or Acc

A very diversified portfolio of bonds from around the world, including the UK. A good way to diversify bond exposure. It has almost 50 holdings – more than most comparable funds.

OCF: 0.44%
ISIN – Inc: GB00B8H7D001
Acc: GB00B6ZDFJ91

ETHICAL AND SOCIALLY RESPONSIBLE INVESTMENT

Royal London Sustainable World Trust C Inc or Acc

The core aim of this fund is to invest in innovative companies having a positive impact on society. It also invests in companies showing leadership in environmental, social and governance (ESG) management. There tends to be a bias towards the US and developed markets because that is where the manager tends to find innovation and companies with the strongest ESG standards.

OCF: 0.77%
ISIN – Inc: GB00B8GG6326
Acc: GB00B882H241

Rathbone Ethical Bond

It has a higher income target than other bond funds and has a very good performance record. The fund excludes investments in companies that are involved with: mining, arms, gambling, pornography, animal testing, nuclear power, alcohol or tobacco. All its investments must have at least one positive environmental, social or corporate governance quality.

OCF: 0.67%
ISIN – Inc: GB00B7FQJT36
Acc: GB00B77DQT14

PROPERTY

Schroder Global Cities Real Estate Z

This fund focuses on the property prospects of strong global cities. It invests in real estate investment trusts and the shares of real estate companies worldwide. It aims to deliver 3% above UK inflation over three to five years. The lion's share of assets is in the US (56% at the end of 2019), followed by Japan (11%).

OCF: 0.92%
ISIN – Inc: GB00B1VPTW51
Acc: GB00B1VPTY75

10 INVESTMENT TRUSTS FOR BEGINNERS

You may feel that investment trusts are not for you, as they are traded like stocks and shares on the London Stock Exchange, and therefore their prices can go up and down depending on investor sentiment.

However, many investors love investment trusts for their tendency to perform better than actively managed open-ended funds over the long term – five years or more.

Investment trusts are identified by their TIDM (which stands for Tradeable Instrument Display Mnemonics), a short, unique code that is used to identify UK-listed shares (shown in brackets). We've also included the annual ongoing charges figure (OCF) for each trust.

To get you started, here are 10 investment trusts to consider buying and stashing away for the long term.

UK STOCK MARKET INCOME

City of London Investment Trust (CTY)

A core holding for investors looking for long-term growth in income and capital from companies listed on the London Stock Exchange, it has very low charges and a lower-risk, cautious investment style. The dividend has risen every year for 50 years.

OCF: 0.39%

Finsbury Growth and Income (FGT)

Its aim is to provide income and growth by investing primarily in UK-listed companies. Manager Nick Train's long-term patience and deep understanding of his companies sets him apart from his peers.

OCF: 0.66%

UK STOCK MARKET GROWTH

Henderson Smaller Companies (HSL)

Seeking to maximise shareholder total returns by investing mainly in UK smaller companies, its manager, Neil Hermon, has built up an impressive record of capital growth and dividend increases.

OCF: 0.42%

GLOBAL STOCK MARKET GROWTH

Scottish Mortgage (SMT)

Aims to maximise total return, while also generating real dividend growth, from a focused and actively managed global portfolio, with a focus on the theme of technological change.

OCF: 0.37%

Edinburgh Worldwide IT (EWI)

This trust focuses on companies that are very early-stage disruptors within their industry. Managers take a very long-term approach to investment and spread risk through diversification.

OCF: 0.75%

Witan Investment Trust (WTAN)

A good core portfolio holding, it invests in global equities and is managed via a multi-manager strategy, which means it invests in other funds.

OCF: 0.39%

European Opportunities Trust (JEO)

Fund manager Alexander Darwall has proved to be an exceptional stock-picker. He invests in a focused portfolio of around 40 stocks and favours high-quality European businesses.

OCF: 0.9%

GLOBAL STOCK MARKET INCOME

Murray International (MYI)

Its goal is to achieve income and capital growth through investments predominantly in worldwide equities. Fund manager Bruce Stout is a 'contrarian' investor, which means he buys companies that others are selling.

OCF: 0.61%

PROPERTY

TR Property IT (TRY)

The only trust listed by the Association of Investment Companies that invests mainly in the shares of property companies, rather than physical property. Most holdings are in Europe including the UK.

OCF: 0.59%

BMO Commercial Property Trust BCPT

Investing in a diversified UK commercial property portfolio, it aims to provide an attractive level of income together with the potential for capital and income growth.

OCF: 1.8%

EXPERT INVESTMENT TIPS FOR BEGINNERS

Investing can be an effective way of achieving your financial goals. Taking your first steps into the investment world can appear overwhelming, so here are a few ideas to help you get started

BY BREAN HORNE

In every issue of *Moneywise*, we speak to a fund manager at the helm of one of our First 50 Funds for Beginners and ask them to share their wisdom.

This month, we round up the top investment tips from over the years to help you get your investment journey on the right track.

"Invest in a fund, rather than pick one or two firms"

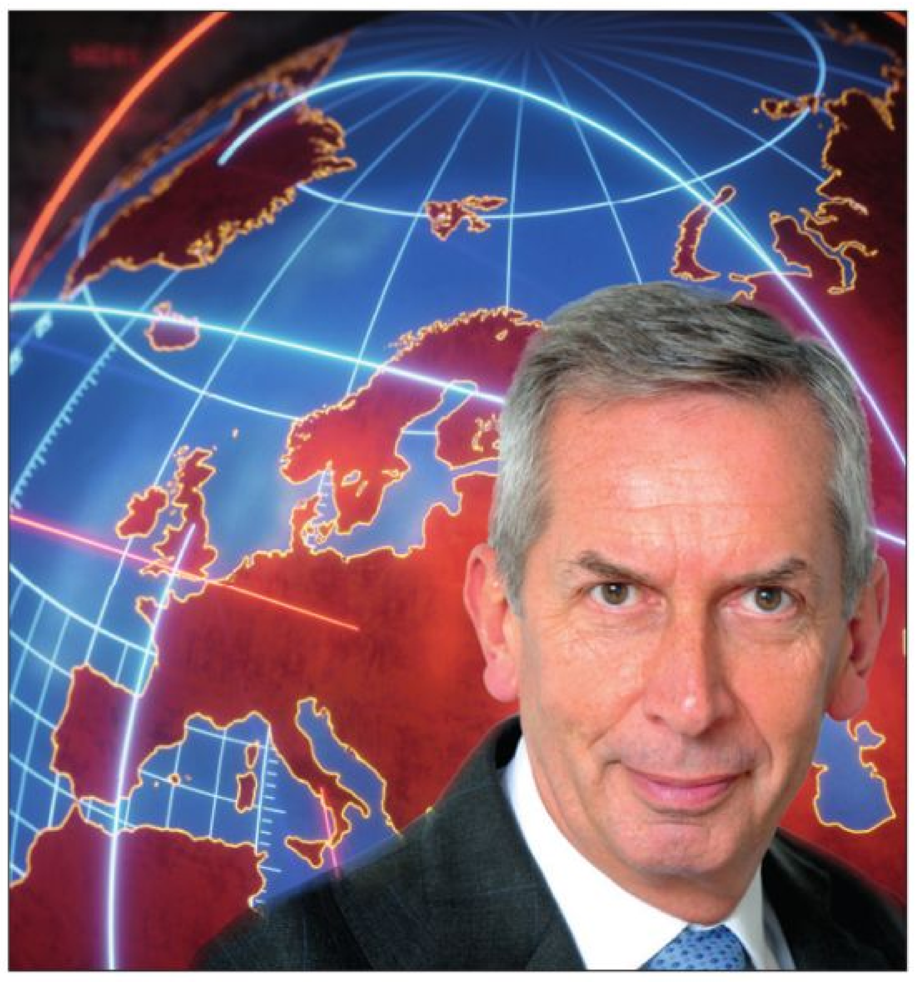
1 DO YOUR RESEARCH

Richard Watts, fund manager, Old Mutual UK Mid Cap, Old Mutual

"Do your research and try to understand what you are buying."

Noelle Cazalis, fund manager, High Quality Bond Fund, Rathbone (pictured below)

"Keep looking at the bigger picture of the underlying investments and how they interact with each other. It is also important to understand how much you can afford to lose and think about whether you should change your asset allocation."



Terry Smith, chief executive, Fundsmith (pictured above)

"My advice would be to understand what you are investing in. If you have a scintilla of doubt about whether you understand it, you don't. If you don't, then opt for a low-cost index tracker fund."

Anthony Cross, fund manager, Special Situations Fund, Liontrust

"They always say that past performance isn't a guide to future performance and that is very true, but you need to look at managers' long-term numbers and see how they have done during value periods, growth periods and financial crises."

2 INVEST IN THINGS YOU UNDERSTAND

Matthew Brett, fund manager, Japanese Fund, Baille Gifford

"I would encourage people to keep things simple and to be aware of the importance of understanding how they are managed. Have an eye on costs and be long term in your thinking."

David Taylor, fund manager, MI Chelverton UK Equity Income Fund, Chelverton

"Understand the risk you are taking. Where I think a lot of investors go wrong is they can see the big reward, but they don't appreciate the risk they are taking. In a lot of cases, shooting for a much lower reward, but taking much less risk, is the most appropriate way forward.

"Invest in something you know. And if you haven't got enough money to have a spread and diversification of individual companies, you should be looking at investing in a fund. Because just to pick up on one or two companies, however great you might think those businesses are, is quite a dangerous thing to do."

3 DIVERSIFY YOUR PORTFOLIO

Andrew Bell, chief executive, Witan Investment Trust (pictured below)

"It is important to keep your first investment simple. Look for a sensible, diversified fund that is

well managed and, ideally, where the manager has a significant investment as well so that their interests are aligned with yours.

"Concentrating your investment in one stock or asset can be very risky. If that company goes bust, you will lose all the money you put in. People can often be tempted into investing when they hear someone bragging about making big returns on a particular stock, but it is vital that your first investment lays down a foundation. Once that gets going and you are happy with its performance, then you can start looking at specialist stocks."

Peter Ewins, fund manager, BMO Global Asset Management (below)

"Build a diversified portfolio, with funds run by teams with a track record of deliverability and competitive fees. If you are a beginner, build it up over time – regular saving cuts the risk of buying at the top of the market."

Ben Edwards, lead fund manager, BlackRock Corporate Bond Fund (below)

"Build balanced portfolios and be long term; the timeline is the most important thing to consider. An individual investor can actually do this better than a professional. They can set out a good, long-term mixture of investments and stick with those until the facts change, without worrying about short-term market swings."

Rory Powe, lead portfolio manager, Man GLG Continental European Growth Fund

"Don't take tips, particularly stock tips. If you want to invest in single stocks, do your research and take a long-term approach, as the rewards from equity investing principally come from compounding. Otherwise, invest in funds run by a manager with a good track record and a disciplined approach."

4 THINK LONG TERM

Sashi Reddy, fund manager, Stewart Investors Asia Pacific Leaders Fund

"Try to take a long-term view, and choose your companies very carefully – for every good company, there are at least nine bad – and pick managers carefully. Do your research into which companies you are giving your money to."

Mike Fox, head of sustainable investments, Royal London Asset Management (below)

"Patience is everything; the money is made in the waiting not in the doing. Leaving your investments alone is the hardest thing to do but it is where you get the compounding effect."

Hugh Yarrow, lead portfolio manager, Evenlode Income Fund

"Share prices do wobble a lot in the short term, so if you invest in shares you should always do this with a long-term view of five years or more."

"Don't panic when markets are volatile"

Rachid Semaoune, credit fund manager, Royal London Asset Management (above)

"I have been through many crises in my career: the Dotcom crisis, the financial crisis and the European crisis in 2011. Don't panic when markets are volatile. Don't let that volatility change your strategy or drive your investment decisions. I think that is very important."

Neil Hermon, manager of Henderson smaller companies

"Good companies tend to remain good companies. Always reflect on your investments – but taking a long-term approach to investing and trying to find buy-and-hold-forever stocks is the best thing you can do."

Dirk Philippa, portfolio manager, Fidelity Global Property Fund

"Invest in areas that you understand. You don't need to fully understand them, but you do need to have an idea. You need to know your exit moments and doing that successfully over time is typically very difficult if you don't know the underlying business." mw

Female fund managers share their stories

March 8 is International Women's Day and the theme for 2020 is a gender-equal world.

Diversity has been a focus for businesses and professional investors for nearly a decade: the 30% Club was launched in the UK in 2010, for example, and its intended target of a minimum of 30% women on FTSE 350 boards by 2020, was reached in September 2019.

But while diversity is a subject that fund managers now regularly engage in with businesses, they themselves are still lagging behind. If you have an Isa or a pension, the chances are it is being managed by a man. There are more funds run by men named David than there are female fund managers, according to Morningstar. Of 1,496 UK-listed open-ended funds, 108 are run by managers named David (7.2%), but just 105 have a woman at the helm.

There is no logical reason why there should be so few women as the role itself is very egalitarian: investment performance is completely transparent, so if you are able to deliver solid and repeatable performance, you will likely succeed whether you are a man or a woman.

I spoke to three female fund managers about how they came to be in the job and where they invest their own money.

Claudia Calich, manager, M&G Emerging Markets Bond

"Growing up in Brazil, I experienced various economic crises, including hyperinflation, recessions, currency devaluations and political instability. While those were difficult periods on a personal level, living through those troubled times was fascinating. It inspired me to study economics and focus my Masters' thesis on the Latin American debt problem. Then I started my career in investment with research positions in economics and debt research.

"My best investment so far has been Ukrainian bonds. In 2015, tensions between Ukraine and Russia caused a huge sell-off of Ukrainian assets. The economy was in a deep recession; the currency had collapsed and bonds were trading at less than 40 cents on the Dollar.

"I went to Kiev on holiday: flights and accommodation were cheap as no one wanted to go there, even though it was perfectly safe. That made sense as an investment opportunity. Bonds looked very cheap, so on my return I decided to step in – they more than doubled in value within six months.

"My personal investments follow a similar approach to how I run my funds. Diversification between asset classes and regions remains paramount. I pay particular attention to factors such as growth, inflation, monetary policy and geopolitical risks. As such, I am invested in US, European, Japanese and emerging market equities, as well as emerging market debt."

"My best financial decision was to listen to my father"

Amanda Sillars, co-manager, Jupiter Merlin Growth

"A friend actually suggested I should think about a career in equities. I hadn't even considered it: my degree, and passion, was Art History. But he was right: companies, markets, politics, economics – they all fascinate me. So I embarked on early alarm calls, eight years of professional exams and a challenging, demanding, but hugely worthwhile career.

"My best financial decision was to listen to my father. When I left school, he organised a bank account and credit card for me, but promised me that he would never, ever, pay off any overdraft I incurred. I was on my own. He explained how compound interest worked and used credit card debt as an example. I have strived to do the same with my children.

"My own money usually goes into the Jupiter Merlin Growth Portfolio. But if I had to choose another investment, it would probably be the RIT Capital Partners investment trust. It has a growth bias while aspiring to protect on the downside, it is multi asset so can capture the best investments and best underlying managers, and is tax efficient – in other words, a one-stop shop. It is also managed by a very strong team of people who really care about and focus on the trust, day in, day out."

Chisako Hardie, manager, AXA Framlington Japan

"I was born and brought up in Japan and never dreamt of becoming a fund manager until I came to the UK. After graduating with a degree in sociology, I worked in Tokyo for a few years. When I finally settled in Edinburgh, I looked around for a job that utilised my one differentiating asset – being Japanese – and was offered quite different positions by three financial institutions. I made my choice and joined as a trainee investment analyst.

"I continue to be positive about Japanese equities. While most global investors only look at Japan from a macroeconomic point of view, they do not see the individual opportunities that exist. I am in regular contact with many exciting Japanese growth businesses, which are seriously undervalued today." mw

DARIUS McDERMOTT is managing director at Chelsea Financial Services and FundCalibre

Fund briefing

CAUTIOUS INVESTING

In these times of political and economic uncertainty, it is no wonder that investors will be a little nervous. Here, we review your options if you want a decent return – but you need to decide how much risk you are prepared to take

Is a cautious approach right for me?

Consider investing if…

- You are worried how international issues will affect your portfolio
- You cannot afford to lose significant sums of money
- You want exposure to a spread of assets

BY ROB GRIFFIN

There are plenty of reasons why investors may be feeling anxious. US President Donald Trump's air strikes on Iran, the spread of the coronavirus around the world, and the ramifications surrounding Brexit have combined to create a backdrop of uncertainty.

Such international events suggest 2020 could be a year of unknowns and illustrates the importance of protecting your downside to avoid losses, suggests Tom Rosser, investment research analyst at The Share Centre.

"The cardinal rule of investing is to protect and preserve your principal, as a steep fall can eat into your investment and affect the ability of the portfolio to grow in the future," he explains.

"This is particularly relevant for those without time to make up the losses."

The traditional haven for cautious investors were bank accounts, when they paid decent amounts of interest. However, with the Bank of England's base rate still at a miserly 0.75%, your money is unlikely to earn enough to counter the rate of inflation.

Although the savings market enjoyed a boost last year from challenger bank competition and the aftermath of the Bank of England base rate rise, it did not last long, points out Rachel Springall, finance expert at Moneyfacts.co.uk.

"Fixed rates have notably plummeted," she says. "This area of the market may have experienced the biggest cuts because providers just don't want to offer such lucrative rates over a time period where interest rates could be cut."

So what are the options if you want a decent return? Well, first you need to accept you will be taking on additional risk by moving from cash to any type of investment product, warns Martin Bamford, a chartered financial planner at Informed Choice.

"You should only have exposure to additional risk if you need the potential for higher returns to satisfy a specific financial goal," he says. "If you want to sleep at night as a cautious investor, cash is a good place to stay."

> "If you want to sleep at night as a cautious investor, cash is good"

Bamford suggests the two main ways to reduce investment risk, as a cautious investor, are to diversify across different investment types, and to keep the money invested for as long as possible.

"Time and diversification, especially when combined, are two very effective risk reducers," he says. "A cautious investor might consider a portfolio made up of cash, gilts, investment grade corporate bonds, blue chip UK equities, and a small exposure to global companies."

However, even so-called cautious products appear risky. "Gilts and investment grade corporate bonds are traditionally viewed as low-risk investments, but with historically low interest rates there's a danger of significant capital loss when interest rates rise," he says.

Therefore, 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, according to Patrick Connolly, a chartered financial planner at Chase de Vere.

"The best way to manage investment risk is by adopting a multi-asset approach," he says. "This means investing in a range of different types of investments in order to spread risks, such as shares, fixed interest, property and cash."

Rhys Petheram and Alastair Gunn

Getting this mix of investments right is vital.

"You are likely to be taking greater risks if you invest more in shares – but they also have strong growth potential, so you need to strike a balance between capital growth and capital protection," he explains.

Connolly warns against choosing investments based on their position in the performance tables. He advises the more cautious investor to avoid higher-risk or more specialist funds, such as those investing in just one sector or country.

"You should also consider making monthly payments into your investments rather than putting in a lump sum," he adds.

"This negates the risk of market timing because if the stock market goes down then you simply buy at a cheaper price the following month."

Darius McDermott, managing director of Chelsea Financial Services, believes the main options for cautious investors are bonds, equities or property, as they all yield an income, even though there are risks attached to each of them.

"Bonds are usually the lower risk of the three," he says. "However, as government bond yields around the developed world are very low (not much higher than cash), investors need to consider corporate or high-yield bonds, which carry more risk."

Of course, one route is choosing a fund that combines these asset classes on your behalf, rather than having to buy individual portfolios.

"I'd probably suggest a cautious multi-asset fund that produces an income," adds McDermott. "In that way, investors get some nice diversification and are not dependent on one asset class doing well. It can also result in a lower overall risk profile." mw

ROB GRIFFIN writes for *The Independent*, *The Sunday Telegraph* and *Daily Express*

JUPITER DISTRIBUTION ACC

Value of £100 invested in the fund over five years

Year	2015	2016	2017	2018	2019
Fund movement in year (%)	6.77	3.91	-5.64	8.58	7.04
Value of £100*	110.07	117.52	122.12	115.23	125.11

** The £100 was invested on 01/01/14. Source: Moneywise.co.uk*

Managers	Alastair Gunn and Rhys Petheram
Launch date	4 March 2002
Fund size	£704 million
Minimum initial investment	£500
Minimum additional investment	£250
Initial charge/Ongoing charges	0%/1.36%
Performance fee	0%
Contact details for retail investors	0800 561 4000

Jupiter Distribution

The fund aims to provide a sustainable level of income and the prospect of long-term capital growth by investing in a balanced portfolio of bonds and mainly UK shares.

It can invest up to 35% in shares, with the remainder in bonds, although the exact level of exposure can change depending on market conditions.

The bond part of the portfolio is managed by Rhys Petheram, while the equities are looked after by Alastair Gunn.

Petheram focuses on detailed research that is based on analysing broad economic trends and assessing the creditworthiness of individual companies.

Gunn, meanwhile, has exposure to companies with genuine potential for capital growth and increasing the amount of profit returned to shareholders in dividends.

At present, financials has the largest sector allocation of 6.2%, followed by healthcare with 4.1%, and oil & gas on 4%.

Other sectors include consumer services, industrials, consumer goods, technology, basic materials, telecommunications and utilities.

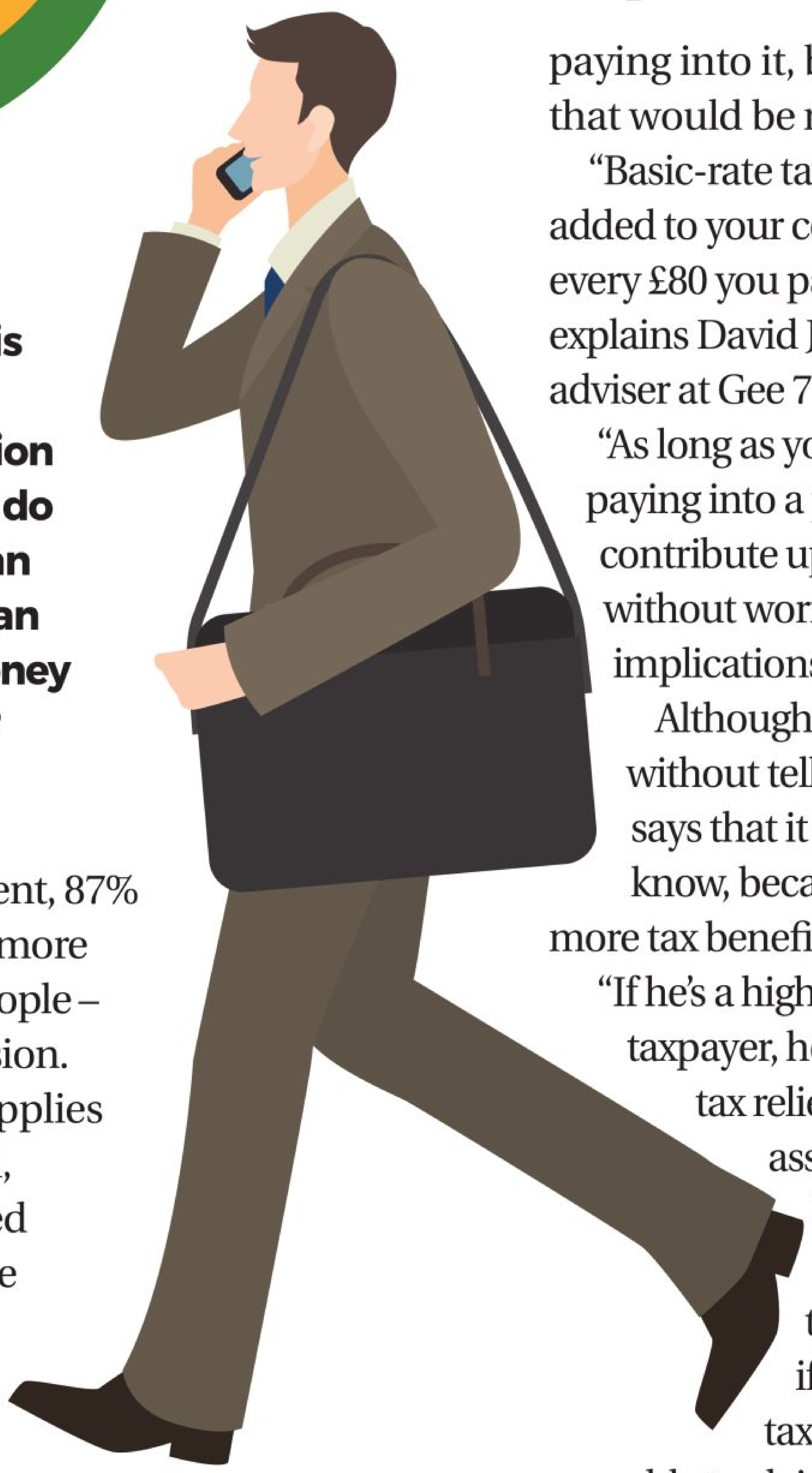
From a credit rating perspective, AAA rated bonds have a 26.9% share, while those rated BBB account for 23.9%.

McDermott, managing director of Chelsea Financial Services, highlights the fund's focus on risk control and capital preservation.

"We really like the fact that the two managers who run the equity and bond portions attend company meetings together and decide not only whether or not to invest, but if the investment would be best made via the company's equity or debt," he says.

CAN I SET UP A PENSION FOR MY SON?

A mother wants to help his self-employed son. What are the best options for buying a pension for him?



BY ROB GRIFFIN

My 44-year-old son is self-employed and investing his income into his business. I would like to start a pension for him. What can I do and do I have to tell him? As I am an additional-rate taxpayer can I claim tax relief on the money that I put into his pension?

Initial diagnosis

Thanks to automatic enrolment, 87% of employees – equivalent to more than 10 million additional people – are now saving toward a pension.

Sadly, this initiative only applies to people who are employed, as Patrick Connolly, chartered financial planner at Chase de Vere, explains: "Many self-employed people are focused on their own businesses and neglect their personal finances, including saving into a pension. This is a shame as pensions are a really tax-efficient way to save for retirement."

Investments into pensions benefit from initial tax relief, tax-free growth and, from age 55, you can take 25% of the pot as a tax-free lump sum. The earlier someone starts a pension, the longer it has to grow and the easier it is to build up enough to fund retirement.

"Ideally, by age 44, your son should already be saving into a pension," adds Connolly. "However, it's better that he starts now than does nothing, and it's great that you're willing to help him."

Treatment plan

There is nothing to stop you setting up a pension for your son and paying into it, but it is his tax status that would be relevant.

"Basic-rate tax relief would be added to your contributions, turning every £80 you pay in into £100," explains David Jamieson, financial adviser at Gee 7 Wealth Management.

"As long as your son isn't already paying into a pension, you can contribute up to £240 a month without worrying about any tax implications."

Although you could do it without telling him, Connolly says that it is worth letting him know, because there may be more tax benefits.

"If he's a higher- or additional-rate taxpayer, he can claim further tax relief through his self-assessment tax return," he explains.

For example, using the £80 example above, if he is a higher-rate taxpayer, he would be able to claim a further £20 back through his tax return or £25 if he is an additional-rate taxpayer.

> "Many of the self-employed neglect their personal finances"

Picking your prescription

Once you have decided you want to start a pension for your son, you will need to select a suitable one.

Connolly says: "There are a number of personal pensions, or self-invested personal pensions (Sipps), which have competitive charges and give you access to a wide range of investment options. Providers such as Standard Life, Aviva, Royal London and Fidelity FundsNetwork have decent products."

While these pensions offer plenty of choice on the investment front, if you just want to pick a fund and leave it, Jamieson recommends the Vanguard LifeStrategy 80% Equity Fund.

"As you're likely to be investing for 20-plus years, investing in a fund that holds 80% of its portfolio in equities is sensible," he explains. "Over that length of time, equities are likely to result in inflation-beating growth."

Alternative therapies

Rather than – or in addition to – setting up a pension in your son's name, Jeannie Boyle, director and chartered financial planner at EQ Investors, says that you might want to consider paying into your own pension and leaving it for him to inherit.

"You can choose not to use the pension and nominate him as the beneficiary," she explains. This triggers another tax benefit as there is no inheritance tax to pay on pension funds. If you are under 75 on death, your beneficiaries can take it tax-free but if you are over 75, anything they take from the pension will be treated as income from a tax perspective.

Potential side-effects

The downside of using your own pension is that your son will have to wait to inherit it, which hopefully will not be for many years.

However, doing this could be advantageous for your own tax position, especially as you earn between £100,000 and £125,000.

There is a nasty tax trap for people with earnings in this region when your personal income tax allowance is at the rate of £1 for every £2 over £100,000. Paying into a pension could lessen some of this pain.

"Any contribution you make to your pension is grossed up and deducted from your overall income to give you your 'net adjusted income'," Boyle explains "This will give you some of your personal allowance back." mw

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

ROB GRIFFIN writes for *The Independent, The Sunday Telegraph* and *Daily Express*

REPOSSESSIONS: HOW TO BAG A PROPERTY BARGAIN

The number of homes that lenders have repossessed has been rising over the past two years. But someone else's misfortune could give you a break if you're struggling to get on to the property ladder or move up it. Here's how it works

Would-be buyers have the opportunity to step in and potentially land a great deal

BY JOHN FITZSIMONS

'Location, location, location' may be the mantra when it comes to determining the ideal property, but the price will always be the ultimate decider in whether you end up buying it or not.

And with prices continuing to creep up – annual house price growth reached 2.2% in the year to November 2019, according to the Office for National Statistics – it is important to be on your toes in order to land a property bargain.

One often-overlooked option is buying a property that has been repossessed. But where do you find them? And how can the process be different from buying from another homeowner?

A rise in repossessions

There has been a spike in properties being repossessed by mortgage lenders of late, according to figures from the banking trade body UK Finance.

In the third quarter of 2019, 1,330 homes with a residential mortgage were repossessed by lenders, a jump of 19% on the same period the year before. The same period saw 800 buy-to-let properties repossessed, a rise of 40% on the previous year.

While these remain well below the levels seen between 2009 and 2014, they are still the highest repossession figures in some time, presenting would-be buyers with the opportunity to step in and potentially land a great deal.

Where can I buy a repossessed property?

Repossessed properties tend to be sold in two ways.

Generally, lenders or receivers, as they are known in these cases, will enlist the services of an estate agent and sell them in the same way as a traditional homeowner. When this happens, the buying process is generally quite similar to any other home purchase.

However, repossessions are sometimes sold via a property auction. And this is where the process can be rather different.

Going, going, gone!

Property auctions are conducted both in person, as you might see on shows like *Homes Under The Hammer*, but also over the internet, giving the chance to pick up your dream home without having to leave your sofa.

Either way, a catalogue of the properties up for auction is published about a month before the auction takes place. This provides you with an opportunity to do your homework. It is wise to take a look around, get a feel for the place and assess what improvements and repairs will be necessary.

Some buyers opt to pay for a survey at this point, so they are in a more informed position about exactly what they are buying and what it might cost to put right.

You will also be able to look through the legal pack for the property, which will include information such as Land Registry searches and any special conditions of sale. It is really important to go through this carefully, and perhaps get your solicitor to cast their eye over it too.

Of course, there is a very real chance that even after spending this money, you won't end up buying the property.

Get the finances in place early

If you are able to fight off competition from rival bidders, you will generally have to pay an initial deposit of 10% on the day.

You will then have 28 days to hand over the rest of the purchase price. This is an extremely tight turnaround which may be beyond most high-street mortgage lenders.

As a result, if you don't have the cash at your disposal, you could investigate auction finance. This is a form of bridging loan or short-term property finance deal to cover you for the purchase of the property, giving you time to find the right remortgage deal a month or so down the line.

David Hollingworth, director of mortgage broker London & Country, says it is important to fully understand your budget before heading to the auction so you don't get caught up in the moment and overstretch yourself, and that you ensure "you will be able to secure the necessary mortgage in time".

While some auction finance lenders offer funds directly to borrowers, others only lend through mortgage intermediaries. A broker will not only be well placed to help you find the best rates, but will also be able to guide you on which lenders are the most reliable in delivering the funds on time.

How can I spot a repossession?

Estate agents often do not highlight that the property they are selling has been repossessed.

However, there are some telltale signs from how the property is listed. For example, repossessed properties may be in fairly rough shape inside – the previous residents may have stripped out some of the appliances, or left it in a disorderly state. As a result, some agents only use photos of the outside of the property.

The way in which the agent talks about the vendor may be another clue – for example, if they refer to them as a 'corporate client'. Any listing that warns that no viewings of the interior are available should also jump out as a potential repossession.

Finally, be sure to check the Land Registry's website, as there may be a notice for the property confirming that it has been repossessed. The Land Registry will provide a title register and title plan for a property, proving ownership, for £23.94 including VAT.

I've been gazumped!

One problem all house buyers potentially face is gazumping. This is where you have a price agreed with the vendor, only for a rival bidder to step in with a higher bid at some point in the process before you exchange contracts.

> Receivers are very keen to get the property sold as quickly as possible

In 2019, a study by home-mover website Move IQ highlighted that, in some regions, as many as a third of buyers had lost out on a home due to being gazumped, with TV property expert Phil Spencer, co-founder of Move IQ, declaring that the practice was "alive and well".

Being a victim of gazumping can be costly as well as frustrating, with thousands wasted on property searches and surveys, only for you to miss out on the purchase.

However, Trevor Abrahmsohn, founder of estate agent Glentree, argues that this is less likely to happen if you buy a repossessed property through an agent.

This is because the receivers are usually pragmatists – while they are legally required to get the best price possible for the property, they are also very keen to get the property sold as quickly as possible.

As a result, there is a good chance, Abrahmsohn says, that "they will grant you an exclusivity period, which means the money you spend on due diligence until exchange of contracts will not be wasted".

This pragmatism also means that you are not dealing with the unpredictable whims of a homeowner selling the property.

Abrahmsohn explains: "There is no emotion involved. If you can convince the agent that you have cash

and your offer is real, you stand a better chance of competing against the other bidders."

Speed is of the essence

This can be a double-edged sword, though. Receivers want to sell the property quickly, so they will want to complete with any buyer within a short time-frame.

As a result, being able to move quickly will be a real advantage if you want to stand out from any other interested parties.

Abrahmsohn suggests that other people looking to buy a repossessed property are often cash buyers, so have the additional selling point of not having a chain to worry about.

To beat them to the house, you may need to be in a similar position, where the purchase is not reliant on the sale of an existing property.

However, you could have an advantage if you are looking to buy for yourself, rather than as an investment, as you may not need to be quite so preoccupied with getting the lowest possible price.

Abrahmsohn notes that you will likely be competing against property 'dealers' who will only buy if they can turn the property for a profit.

He adds: "They need to make headroom for a big chunk of stamp duty, which gives the end-user a substantial price advantage."

JOHN FITZSIMONS writes for publications including *The Sunday Times, Forbes, Mortgage Solutions* and Mirror.co.uk

"I'VE BOUGHT MORE THAN 200 REPOSSESSED PROPERTIES"

Property investor Mark Homer (above) has witnessed first-hand the opportunities offered by picking up a property that has been repossessed, having invested in more than 200 such homes, mainly in the Peterborough area, in Cambridgeshire.

"Repossessed properties often have some damage – there may be a loss of furniture, or be a bit dirty. There may have been a bit of a protest when the person leaves, so they strip some things out, all of which puts off buyers. But it gives you the chance to refurbish the property and add a bit of value," he says.

Mark emphasises that while repossessed homes have an obvious appeal to investors, they can represent an excellent option for home-buyers too.

"They can be good for first-time buyers who want to go and do a bit of work. And as they are not part of a chain at either end, that is a positive for both the vendor and the first-time buyer.

However, Mark argues that it is important that buyers do not assume that simply because a property is a repossession, it will automatically be underpriced, as strong interest from a handful of parties can mean they "go for more than they are worth".

"Just because it's a repossession, doesn't mean it's cheap. The best ones are not marketed that well. They may be sold by an agent from outside the area or who is not that good at marketing."

WIN £24,000 of prizes for schools with our Personal Finance Teacher of the Year Awards 2020

moneywise PRESENTS PERSONAL FINANCE TEACHER OF THE YEAR AWARDS 2020

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Has a teacher inspired your kids to be financially savvy? Then nominate them for one of our prestigious awards

Above left: Sian Bentley, deputy head of Queensmead Primary Academy and one of the two 2019 personal finance teacher of the year winners. Above right: 2019 winner Helen Westwood with a *Moneywise* display board Top: Principal Liz Latham and Sian Bentley next to a *Moneywise* display board

At *Moneywise*, we believe it is never too soon for young people to learn about their finances. By mastering money basics early on in life, they can grow up to be the most financially savvy generation yet.

We have teamed up with our parent company, interactive investor, to offer schools with the best personal finance teachers a share of £24,000 to spend on equipment. Teachers at both primary and secondary level in UK schools are eligible for the competition.

We will make separate awards to teachers at primary and secondary school level, splitting the £24,000 between the winners and runners-up in several categories.

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 their pupils.

To put forward your nominations, please email editor@moneywise.co.uk with the name of the teacher(s) and the name and address of the school(s), plus why you are nominating them.

Teachers can also enter the awards directly. For an entry form, please email editor@moneywise.co.uk.

Moneywise will then contact teachers who have entered the competition, inviting them to submit their entry, including at least one personal finance lesson.

See Moneywise.co.uk/teacher for full terms and conditions. mw

What **EVERY WOMAN** needs to know about her pension

While younger women may feel that they have bigger calls on their cash, such as paying off student debt or saving for a first home, there has never been a better time to start saving into a pension. Read our guide to pensions and retirement planning to find out why

BY JO THORNHILL

Not starting a pension sooner is the biggest financial regret for older women. So whether you are single, in a relationship or married, it is vital you take charge of your own retirement saving if you want to reduce the risk of retiring stressed and worried about money.

The Great British Retirement Survey (GBRS) of 10,000 consumers of all ages, conducted by interactive investor (*Moneywise*'s parent company) and *Moneywise*, found more than a third (36%) of non-retired women regret not saving enough and 33% have no idea what their income will be in retirement.

This compares to 28% of non-retired men regretting not saving enough and 19% unsure of income levels once they give up work. Overall, not starting a pension sooner is the biggest financial regret.

Moira O'Neill, head of personal finance at interactive investor (ii), says the findings reflect the issues women face during their working lives.

She says: "Women are mindful they might need more ready cash because the gender pay gap often means they have fewer financial assets than men. Although efforts have been made to allow parents to share childcare, in many cases it is women who take on the bulk of this work. They end up bearing the consequences of the 'motherhood penalty' in pay progression and retirement savings. Whatever the reason, it is important for women not to let their retirement savings fall by the wayside."

Why is the pensions system failing women?

The gender pensions gap is a staggering 40%, according to consultancy firm Mercer, and the main problem is the gender pay gap, which still stands at about 9% for women working full-time. The pay gap is even wider (15%) for workers aged over 50, according to figures from the Office of National Statistics (ONS).

High-profile cases, such as that of Samira Ahmed, the broadcaster who recently won an equal pay case against the BBC, are putting pressure on employers and policy-makers. But while the pay gap remains, women will save significantly less in their pensions.

Auto-enrolment has boosted pension take-up, with 87% of workers now in a company scheme, compared to 55% in 2012, according to the ONS. Yet one in 10 younger women opts out. Plus, experts say the minimum savings level is too low.

Analysis of auto-enrolment schemes by insurer and pension provider Royal London shows a spike in opt-outs by younger women (aged 22 to 29) at almost 11%, compared to 8% for young men. This is most likely driven by women facing other costs, such as childcare or saving for a home.

Steve Webb, former pensions minister and partner at pensions consultancy Lane, Clark and Peacock, says auto-enrolment is a good start but he fears the minimum savings levels will not lead to a comfortable retirement. He would like to see eligibility widened to include younger and lower-paid workers, and employers forced to pay in more.

"The worry is employees see they are in the pension and feel that is 'job done', they can forget about it," says Webb. "But even at market returns of 5% for those who are on average earnings, this won't add up to a big pension and will mean a large drop in income at retirement. Add in the fact that many women will take time out of the workplace to have a family and this further dents savings levels."

Many women will have gaps during their working life to raise children or to care for elderly parents. The Insuring Women's Futures programme, run by the Chartered Insurance Institute, says women face many challenges in the workplace – and outside – in terms of the pay gap, flexible and part-time working, divorce, childcare costs and low pay.

Jane Portas, co-founder of Insuring Women's Futures, says: "There is a big case for change. If you make the changes to help women save and be financially independent, it is a win-win situation."

She adds: "The large pension deficit for women is a big risk for future governments and the economy."

What can women do to redress the balance?

Engage

How do you want your retirement to look and how much do you need to save to get there? Independent financial planner Susie Hill, based in St Albans, Hertfordshire, says the first step is to realise you must take charge of your own financial arrangements and take action.

"The state pension has changed, so women need to build up an entitlement in their own right. And you can't rely on a partner," she points out. "If you are in a couple, are your long-term savings equal? How would you manage in old age if there was divorce, ill health or your partner died?"

When returning to work after children, for example, negotiate the best pay and focus on pension saving as a priority. If you are in work, ask your employer for a pay review to ensure you are being paid fairly. When you receive a pay rise or bonus, consider putting any increase straight into your pension.

Talk to your partner

One third of couples only discuss money once a month, according to findings in the GBRS. But communication between partners is vital,

PENSIONS – WHERE DO YOU START?

Pensions can seem boring and technical: more than one-third of women in the GBRS described money management as a chore, compared to 15% of men. But in reality, a pension is simply a wrapper around your long-term savings. Pensions get the added benefit of tax relief, which is an instant boost to your pot (see box on tax relief on page 70). Unlike other savings accounts or investments, with pensions, cash is locked up – usually until you are 55 – removing the temptation to spend it.

For employees, the first interaction with pension saving is usually automatic enrolment into a scheme at work.

Auto-enrolment into workplace pensions began in 2012, and now all employers are legally required to provide a pension scheme for any staff member aged over 22 and earning at least £10,000 a year. You can opt out of the scheme but, with employers obliged to pay contributions too, it is effectively turning down free cash.

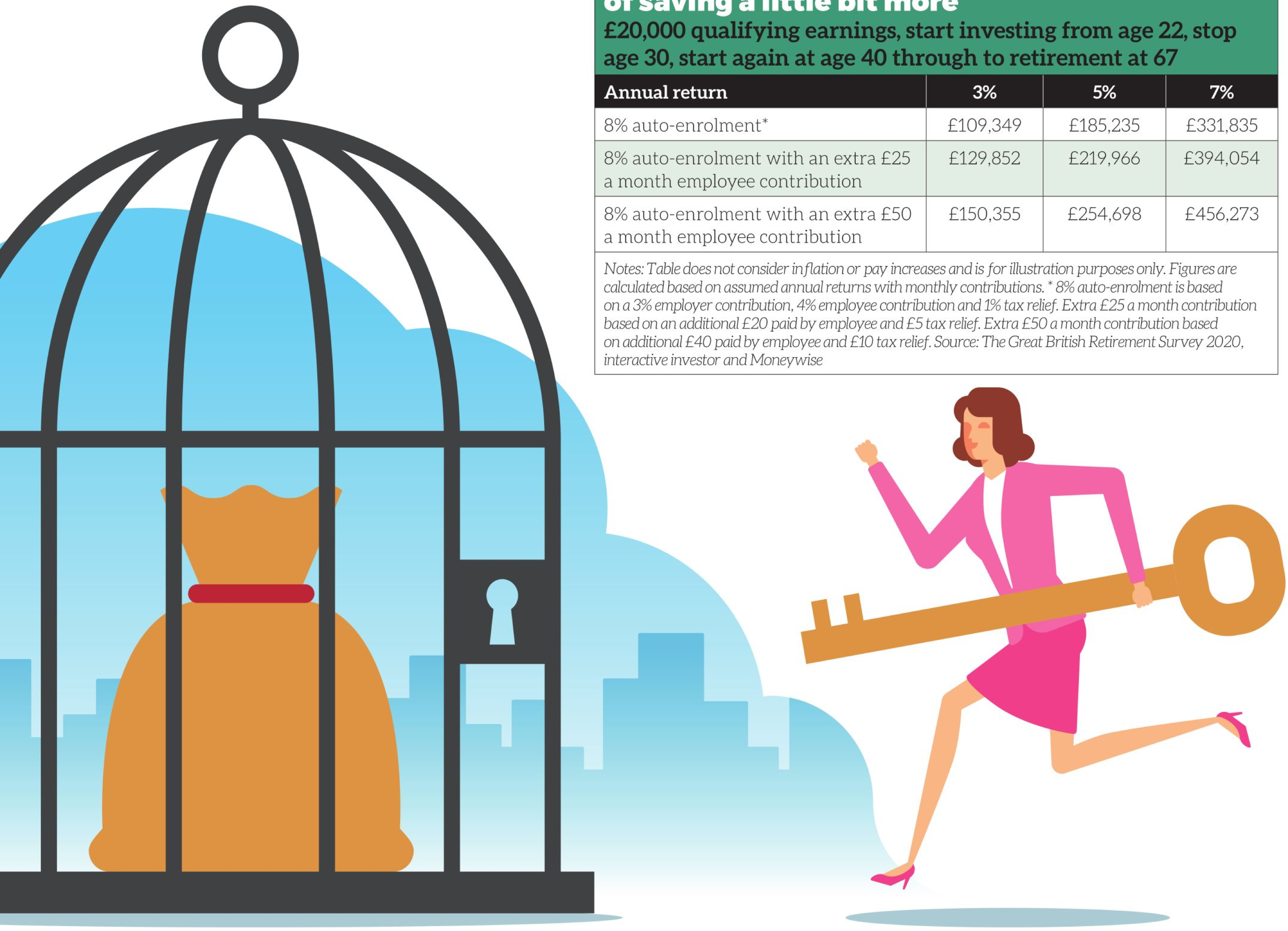
Under auto-enrolment, you pay 4% of your earnings into the pension and your employer pays in 3%; tax relief is then added at 1%, giving a total of 8%. You can contribute more if you wish. The money is invested in stock market-linked funds, bonds and

Can you spare £25 a month? The benefits of saving a little bit more

£20,000 qualifying earnings, start investing from age 22, stop age 30, start again at age 40 through to retirement at 67

Annual return	3%	5%	7%
8% auto-enrolment*	£109,349	£185,235	£331,835
8% auto-enrolment with an extra £25 a month employee contribution	£129,852	£219,966	£394,054
8% auto-enrolment with an extra £50 a month employee contribution	£150,355	£254,698	£456,273

*Notes: Table does not consider inflation or pay increases and is for illustration purposes only. Figures are calculated based on assumed annual returns with monthly contributions. * 8% auto-enrolment is based on a 3% employer contribution, 4% employee contribution and 1% tax relief. Extra £25 a month contribution based on an additional £20 paid by employee and £5 tax relief. Extra £50 a month contribution based on additional £40 paid by employee and £10 tax relief. Source: The Great British Retirement Survey 2020, interactive investor and Moneywise*



other assets, and should grow over time. Some employers will be more generous, so talk to HR to find out what you are getting.

If you are self-employed or do not meet eligibility criteria for auto-enrolment, you will need to consider other options. Private pensions are offered by investment, pension and life insurance companies, and you can start with contributions of as little as as £10, £30 or £50 a month. Although you don't get the benefit of employer contributions, your money will still be topped up by tax relief.

As pensions are long-term savings, the money is typically invested in stock market-linked investments. Again, the money in a pension is locked up until at least the age of 55.

If you want to take a more proactive role in deciding where to invest your money, a self-invested personal pension (known as a Sipp) may be suitable. These offer the greatest selection of investments including funds, investment trusts and often shares, and can be set up with traditional pension providers as well as online investment platforms such as Bestinvest, Fidelity, Hargreaves Lansdown or interactive investor.

Anyone can save in a pension – and you don't have to be earning or paying tax to benefit. Non-taxpayers can save up to £2,880 in a pension each year and receive tax relief on the contributions, which increase savings up to a maximum of £3,600 a year.

Lifetime Isas (Lisas), available for those aged 18 to 39, can also be used for retirement savings as well as buying a first home. Lisas allow you to save up to £4,000 a year, receiving a 25% annual bonus, until the age of 50. You can access the funds in your Lisa from age 60.

For more information, visit Moneyadviceservice.org.uk and Pensionsadvisoryservice.org.uk.

> Younger women, who may take time out, should try to save harder in the early years

particularly if income and earnings are not equal, to ensure that long-term savings are fair.

"Women who have taken time out of the workplace are often anxious about their savings," says Alice Douglass, financial adviser at Grosvenor Consultancy in Bristol. "Couples should discuss their retirement plans and ensure savings are spread as equally as possible. Could some of the household budget be put into a Lisa for the woman, for example?"

Make small changes

Figures in the GBRS show that even small extra savings each month add up to a big difference over the life of a pension. Younger women, who think they may take time out of the workplace to have a family, should try to save harder in the early years of their career. This can go some way to compensating for lost years of saving (see table above).

O'Neill says: "Even relatively modest additional contributions really add up. A woman who starts

Pensions can be split or shared so women – and in most cases it is the man who has the larger pension pot – don't lose out

When can you claim the state pension?

Date of birth	Age state pension age is reached
6 October 1954 - 5 April 1960	66th birthday
6 April 1960 - 5 March 1961	66-plus (plus between one month and 11 months)
6 March 1961 - 5 April 1977	67
6 April 1977 - 5 April 1978	67-plus (plus between one month up to 11 months)
6 April 1978 onwards	68th birthday

Source: Department for Work and Pensions

making pension contributions from age 22, stops them at 30 – the average age of a first-time mum – then resumes a decade later at 40, could be almost £35,000 better off at retirement had an extra £25 a month been paid in during the period she worked."

Know your rights during divorce

Divorce can have a devastating impact on a woman's finances. Pensions should always be taken into account in a financial settlement, but often women

TAX RELIEF ON PENSIONS

Savers in any kind of pension get tax relief on their contributions. This is 'money back' from the Government to reward you for saving. The tax relief is paid at your highest rate of income tax.

Basic-rate taxpayers get 20% tax relief. Higher-rate taxpayers get 40% and additional-rate taxpayers get 45%.

So, if you are a basic-rate taxpayer and you were to contribute £100 into your pension pot, it would only cost you £80. This is because the Government adds the £20 on top – only £80 comes out of your pay.

You can pay up to 100% of your earnings into a pension and receive tax relief on the full amount up to an annual limit of £40,000.

Tax relief is usually added automatically for basic-rate taxpayers – for both workplace and private schemes. Higher- and additional-rate taxpayers may need to claim the extra tax relief through a self-assessment tax return.

Income tax rates and pensions tax relief is different in Scotland. Go to Gov.uk/scottish-income-tax to find out more.

The state pension is still the bedrock of most people's retirement income

overlook the value of a partner's pension – as they tend to prioritise keeping the family home.

Pensions can be split or shared so women (and in the majority of cases it is the man who tends to have the larger pension pot) don't lose out.

State pension

The state pension (worth up to £168.60 a week) is still the bedrock of most people's retirement income. Its value is highlighted by the campaign of the so-called Waspi women (Women Against State Pension Inequality) who have been hardest hit by the equalisation of the state pension age – now 65 for both men and women.

Women born in the 1950s had expected to claim at age 60 but this has been gradually increased so that it is now age 65, and will be increased to age 66 by October 2020.

Changes to the state pension and when you can claim mean younger women need to think about their national insurance (NI) record. Women can no longer use the NI record of a spouse for their own state pension, for example; and NI qualifying years if you take time out of the workplace to raise children are only applied up until children reach 12 (down from age 16). You need a minimum of 10 years of NI contributions to claim some state pension and at least 35 years to get the full rate. Find out your NI record at Yourpension.gov.uk. mw

JO THORNHILL is a freelance personal finance journalist and writes for *the Guardian*, *Daily Mail* and *This is Money*

"MY PENSION POTS ARE SMALL, BUT HOPEFULLY I HAVE TIME TO CATCH UP"

Caitlin Banks (above), who is 36, says if she could advise her younger self she would say: "Save hard in a pension before you have children." Marketing executive Caitlin, who lives in Surrey with husband, Stuart, and their two daughters Tilly, 10, and Isabelle, seven, regrets that her long-term saving stalled while she was focusing on caring for her girls.

Although Caitlin is now working part-time for a company in West London and has been enrolled in the firm's pension scheme, she worries about her pension saving to date.

"Saving was never a priority when I was younger," she says. "I did start a couple of pensions in previous jobs, but I lived abroad and then I had children. It means my pension pots are small."

Caitlin decided to freelance when she returned to work. But as this was part-time, it also meant a dip in income compared to her previous job so there was little money to save. She went back into the workplace in 2017.

"At that point it was a priority to start saving in the pension scheme. I have started at the minimum level, but my plan is to increase this," she says.

"One of the benefits for me is that I had my daughters young, so I have time and hopefully my earnings will increase. I'm not ignoring my retirement planning any more."

INSIDE THE CLASSROOM of a top personal finance teacher

We spend a morning at Lancaster Royal Grammar, learning how the school's students have benefitted from his passion for investing

BY BREAN HORNE

"If there's one thing I've learnt during my time investing, it's the importance of compounding."

It is 9am on a Thursday in February, and Russell Wareing begins giving his lesson on personal finance to his form class.

"Einstein once said that compounding is the eighth wonder of the world, that's why it's best to start investing early in your life," he tells the group of sixth-formers.

Wareing's introduction to the world of investing brings his year-13 class to life.

When he asks them whether he should invest in Luckin Coffee – a new Chinese coffee company pegged to challenge Starbucks – they share valuable insight.

"It might be better to invest in coffee as an industry rather than the single company, to spread your risk," one student suggests.

"Coffee is a personal choice, so Luckin may not be able to sway as many customers as you think. Maybe hold off buying shares for now," says another.

Wareing has worked as head of economics and business at Lancaster Royal Grammar School (LRGS) for 13 years.

His top priority has been to help students relate their business and economics studies to their own lives, something his students find invaluable.

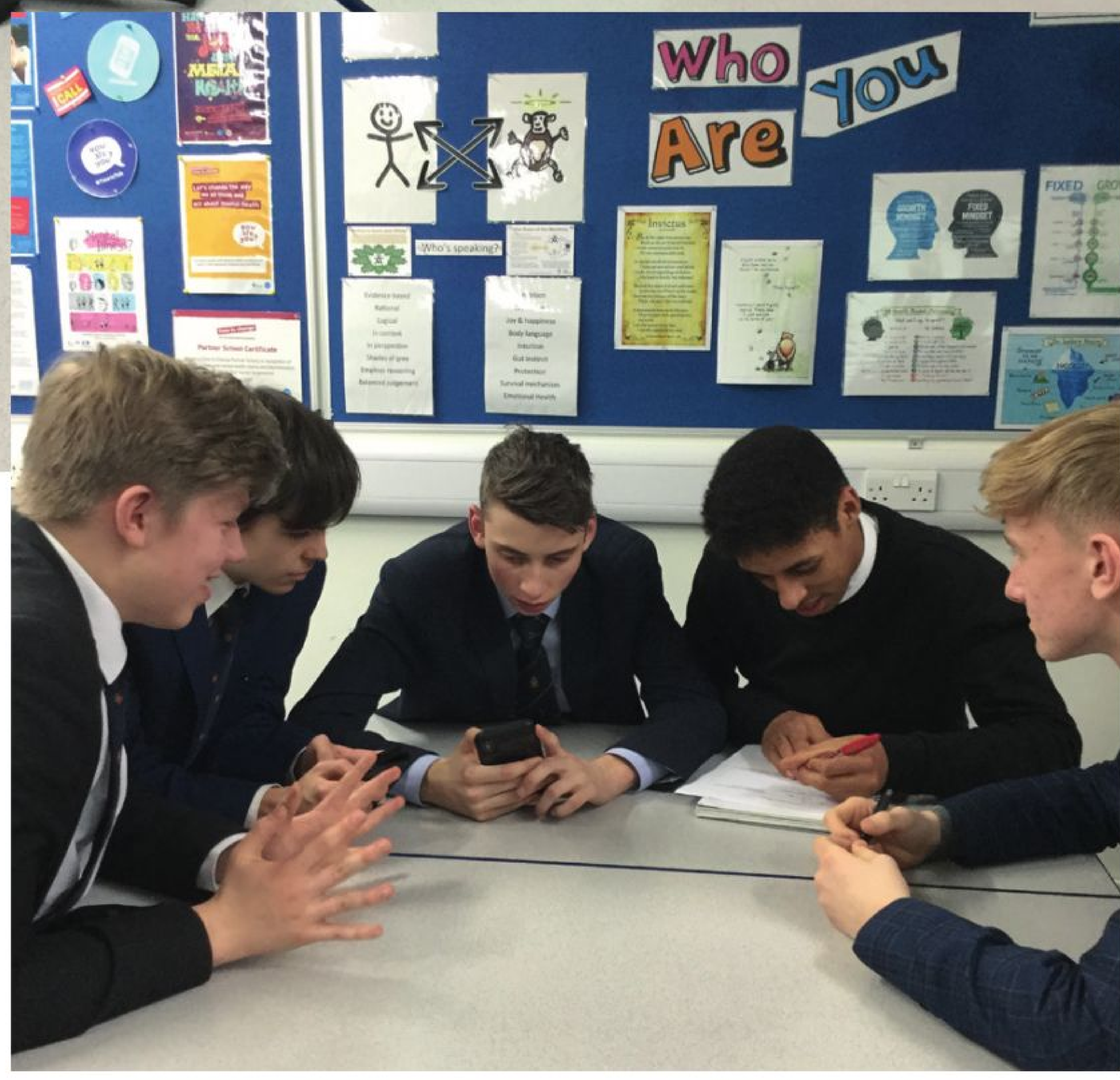
"Mr Wareing makes it easy to understand and shows us how investing works in everyday life," says Cai, a year-13 student. "One of my highlights has been following his investment journey.

"He always shares updates about his favourite stocks and new companies that have caught his eye. It helps us put investing into context."

Taking investing to the next level

Wareing is keen for his students to experience investing and he encourages them to explore it outside of the classroom.

Each year LRGS students take part



in the London Institute of Banking and Finance Student Investor competition, in which teams from schools across the UK compete to see who can best invest a virtual sum of £100,000.

Year-12 students also compete in the Shares4Schools competition, through which they invest £2,000 of real money into the stock market and compete against other schools.

Cai's lessons in the classroom and participation in the competitions have inspired him to start investing himself.

"I'm quite early on in my personal investment journey," he says. "I've recently started my first job and I'm trying to find the best option to save my money.

"In the future I hope to hold a well-diversified portfolio of investments."

Leading in personal finance

Although investing was the topic of today's class, Wareing teaches a variety of personal finance subjects ranging from exchange rates and holiday destinations to interest rates and mortgages.

He has spent the past two years developing a personal finance programme with schools from Cyprus, Finland and Italy through Erasmus +.

The project aims to teach students aged 14 and over the basics of personal finance topics in the UK and across Europe. Topics covered include bank accounts, tax and budgeting.

He is committed to ensuring that students are able to access key information that could help shape their financial futures.

Empowering students with tangible financial knowledge forms part of the ethos at LRGS.

"We strive to lay the bedrock of our students' financial futures. We want to help them make more informed financial decisions through their lives," says Chris Pyle, headteacher at LRGS.

"Personal finance lessons are really important"

The students at LRGS show great enthusiasm for the extensive personal finance curriculum covered at the school.

"I think that our personal finance lessons are really important," says Kang, a year-12 student at the school.

"Finance affects our everyday lives, so we really do need to understand how it all works..

"For example, learning how to plan and manage an effective budget is a must. As we become more financially independent over time, we will need to understand how to make sure we have enough money to live on," he says.

For Kang, a solid understanding of the basics of personal finance unlocks opportunities to start building financial stability in the future too.

"Once you have the foundations in place, you can start thinking about how to grow your money," he continues.

"You can start looking at options such as saving and investing."

Personal Finance Teacher of the Year Award winner

After being prompted by a colleague, Wareing decided to nominate himself for the *Moneywise* Personal Finance Teacher of the Year Awards 2019.

"The application process was quite simple," he says. "I submitted a statement along with a presentation and one of the videos we made about mortgages."

In recognition of his dedication to investment education, he was awarded £1,500 to spend on personal finance at the school.

"I was honoured to be shortlisted for an award and extremely delighted to actually win. Personal finance is so important, and we've found that pupils are really interested in learning about it. Simply giving them the opportunity to do it could be life changing," he says.

Top: Kang shares the importance of personal finance education

Above: Students discuss budgets for the Prince's Trust Money Makers competition

Opposite: Russell Wareing, Louise Wareing (far left) and year-12 students

The prize will be used to fund new equipment at the school to help enhance the teaching of personal finance, business and economics.

This includes converting a social space in the school into a new enterprise hub. This will be equipped with resources to help facilitate the teaching and learning of personal finance, investing and entrepreneurship.

"I would encourage anyone who teaches some element of personal finance to apply for this award. It's spurred us on to do even greater things for our students," he says.

The future of personal finance at LRSG

LRSG plans to expand personal finance teaching at the school.

Louise Wareing, a history teacher at the school, and married to Russell, is spearheading a new project with him that they have called Entrecomp.

Right: Discussing ideas and group roles for the Prince's Trust Money Makers competition

They have worked with schools from Cyprus, Italy, Romania and France to create the programme, which aims to help students develop entrepreneurial competencies to take them throughout life.

A two-year pilot for Entrecomp will run from 2021.

The couple hope it will encourage other schools to teach students about financial and economic literacy.

As part of the Entrecomp programme, students can take part in extracurricular activities, such as the Prince's Trust Money Makers programme.

The scheme, which is being piloted, challenges students to come up with a business idea that turns £100 into £2,000 in three months.

The Money Makers scheme is voluntary, so students at LSRG dedicate free time in their timetables to take part.

Eighteen students are working together in three teams with the aim of developing concepts that could help them secure funding from the Prince's Trust.

From organising themed events to opening a tuck shop, the students came up with an abundance of ideas to research and develop for a business pitch.

Nominate a great personal finance teacher

You're never too young to learn about personal finance, and at *Moneywise* we understand the importance of getting to grips with the basics.

That's why we created the *Moneywise* Personal Finance Teacher of the Year Awards.

There is £24,000 worth of cash prizes from our parent company, interactive investor, to be won this year.

The competition is open to both primary and secondary schools, and winners could be awarded up to £5,000 for their amazing work.

We are now accepting entries for 2020, so if you teach personal finance at a school or know someone who does, it is time to get nominating. mw

How to enter the awards

Nominations for the *Moneywise* Personal Finance Teacher of the Year awards can be made by anyone (including parents, guardians and pupils) who is resident in the UK.

Nominations made on behalf of someone else, should be emailed to editor@moneywise.co.uk before 17:00 on Thursday 9 April with the teacher's name, and the name and address of the school.

Teachers will then be contacted and asked to submit at least one plan for a personal finance lesson and a supporting statement by 17:00 on Thursday 23 April 2020.

Teachers can also nominate themselves by sending at least one personal finance lesson plan and a supporting statement to editor@moneywise.co.uk by the above date, along with their name, the name and address of the school and their email address and telephone number.

The first 250 teachers who submit an entry for themselves will each receive a £50 Amazon voucher.

Only one entry may be submitted by any person.

The winners will be selected by a panel of judges appointed by *Moneywise* during May 2020. Judging will be on the basis of the lesson plans and supporting statements supplied alongside nominations.

Winners will be notified via mail, telephone or in person once the judges have made their final decision.

Prizes will be awarded at *Moneywise*'s glittering Customer Service Awards ceremony, which will take place in London on 4 June 2020.

See Moneywise.co.uk/teacher for full terms and conditions.

EPIC FOR INCOME

If you're looking for monthly income, you want it to be built on firm foundations. At Ediston, we take that seriously – and literally. All of our investments are in properties we know inside out and from top to bottom.

This in-depth understanding of our investments assures us that the income we provide to our investors is as solid and secure as it can be. That's why we're able to pay a highly competitive dividend in monthly instalments – allowing our investors to rely on a steady income stream to cover everyday expenses.

CALUM BRUCE Fund Manager of the **Ediston Property Investment Company plc** and is also responsible for sourcing suitable investment opportunities

A GROWING DIVIDEND

Ediston currently offers a 6.4%* annual yield. Our income payments stem from a diversified portfolio of properties, helping the sustainability of the overall dividend. We have maintained the dividend since the inception of the fund, and we expect it to grow in future. The dividend is also well covered – meaning there's something in reserve if underlying earnings fluctuate.

**as at 31 December 2019*

A WEALTH OF EXPERIENCE

The strongest support for our dividend comes from the expertise of our team. We live and breathe property. While the Ediston Property Investment Company listed on the London Stock Exchange (LSE: EPIC) in 2014, the broader Ediston business has been operating in the UK market since 2004. On average, each member of our team has more than 20 years' experience in property investment and development.

BEYOND BRICKS AND MORTAR

When we consider any investment, our focus is always on cash flow. We want to be sure that our properties are not just paying for themselves but also paying out sustainable income for our investors.

To do this, we look well beyond the physical buildings themselves to understand how the properties 'live and breathe' – how they fit into their location and their economic environment. We go to great lengths to ensure that risks to the cash flow are minimised and that occupancy rates and tenant satisfaction are maximised.

We have a profound understanding of all aspects of managing real estate for the benefit of our tenants and investors. This spans the range from change-of-use applications, through to refurbishment and redevelopment, to tenant liaison, lease negotiations and rent reviews. Each of these aspects offers opportunities for improving the income stream available from property.

INTENSIVE, ENTREPRENEURIAL AND UNCONSTRAINED

Our approach to property investment is intensive and entrepreneurial. No holding in our portfolio is left to look after itself. We sweat the small stuff, and we do it at every level of the process – from developing new properties to ensuring that existing tenants are satisfied and that no potential for improvement is missed. And with no benchmark, we're free to focus on the areas where we see the greatest potential for sustainable income and capital growth.

We're confident that our record of steady income is compelling. So, if you need a regular income stream from actively managed investments, we've got you (and your dividend) covered.

ediston

Stephen Little has hunted through the mass of financial products and data to give you the lowdown on best-buy Sharia-compliant accounts, reward credit cards and remortgaging products. For more best buys, updated weekly, go to **Moneywise.co.uk/best-buys**

Should you consider saving in a Sharia-compliant account?

Savings rates have plummeted in the past year, so hunting out the best paying accounts is more important than ever.

Sharia-compliant accounts are consistently at the top of the best buy tables.

Anyone can open a Sharia-compliant account with an Islamic bank – it does not matter what your religious beliefs are.

Anna Bowes, co-founder of Savings Champion, says: "Part of the savings landscape for many years now, Sharia-compliant savings accounts have been pretty competitive and therefore far more visible in the past few years.

"And as long as you understand the slight difference, there is no reason not to use one of these accounts if they are offering the best rates."

Most savings and Cash Isa accounts offer an Annual Equivalent Rate (AER), which gives you a guaranteed rate of interest.

However, Sharia accounts are not allowed to charge or pay interest. In order to comply with religious beliefs, they offer an Expected Profit Rate (EPR). This is because under Islamic law, it is forbidden to generate money from money – like interest.

Instead, the EPR is generated from profits made from investing in ethically selected companies.

The main difference for customers is that EPR is not guaranteed, although in practice they rarely pay below the advertised rate.

As Sharia accounts have an EPR, this might put some savers off. However, Al Rayan and Gatehouse Bank both say they have always achieved the rates quoted to their customers.

Maisam Fazal, chief commercial officer at Al Rayan Bank, says: "As the return is expected profit rather than guaranteed interest, there is a small element of risk, which is shared between the customer and the bank. However, since Al Rayan Bank was founded in 2004 we have always paid the profit rate quoted to our customers and in some instances the bank has even paid more."

"We have always paid the profit rate quoted"

Is your money safe?

Another worry for consumers can be the safety of their money. However, both Al Rayan and Gatehouse Bank are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority.

The banks are also members of the Financial Services Compensation Scheme, so your money is safe up to £85,000.

Best buys

Al Rayan is the top-rated easy-access Cash Isa at 1.36%, followed by Virgin Bank at 1.31% and Leeds Building Society at 1.3%. It is also the highest paying two-year fixed Cash Isa at 1.5%.

When it comes to fixed-term savings bonds, Gatehouse Bank comes for the three-year account at 1.82% and the five-year account at 2.1%.

Bowes says: "While Sharia-compliant accounts are primarily designed for those people who would like to get a return on their savings without compromising their faith, they are available to any saver.

"Because of the different way that the return is calculated, this makes them a little different – but that's not a reason to ignore them."

FEATURED PRODUCT

Gatehouse Bank three-year fixed term deposit, 1.82% EPR

You can open this account from Gatehouse Bank online with an initial deposit of £1,000. The account has an EPR of 1.82% and you cannot withdraw funds from your account before the maturity date.

WITH **STEPHEN LITTLE**

moneywise BEST BUYS

SAVINGS: Moneywise.co.uk/best-savings-rates

Product and provider	Type	Headline rate	Minimum and maximum balance	Open account	Notes	Change
Marcus by Goldman Sachs	Easy Access	1.35%	£1 to £250,000	Online only		↓
Moneybox 95 Day Savings Account	Notice account	1.65%	£1 to £85,000	Mobile only	95 days' notice required	=
Gatehouse Bank Fixed Term Deposit	One-year fixed rate	1.7%	£1,000 to £1 million	Online only	Offers EPR not interest	=
Gatehouse Bank Fixed Term Deposit	Two-year fixed rate	1.8%	£1,000 to £1 million	Online only	Offers EPR not interest	↓
Gatehouse Bank Fixed Term Deposit	Three-year fixed rate	1.9%	£1,000 to £1 million	Online only	Offers EPR not interest	↓
Gatehouse Bank Fixed Term Deposit	Five-year fixed rate	2.1%	£1,000 to £1 million	Online only	Offers EPR not interest	↓
First Direct Regular Saver	Regular Saver	2.75%	Up to £300 a month	Online only	Open to current account holders only	=
Halifax Kids' Regular Saver	Children's Savings	4.5%	£10 to £100 a month	Branch only	Max age 15, no early access	=

Note: EPR is the 'Expected Profit Rate' offered by Sharia savings accounts. Rates correct as of 11/02/20

FEATURED PRODUCT
Savings
Marcus by Goldman Sachs offering 1.35%. This account can be opened online with a minimum investment of £1.

moneywise BEST BUYS

CASH ISAS: Moneywise.co.uk/best-cash-isa-rates

Product and provider	Type	Headline rate	Minimum and maximum balance	Open account	Notes	Change
Al Rayan Instant Access Cash Isa	Easy Access	1.36%	£50 upwards	Branch, online, phone or post	Offers EPR not interest	=
Paragon 120 Day Notice Cash Isa	Notice account	1.31%	£500 upwards	Online only	Subject to 120 days' loss of interest on any amounts withdrawn.	↑
OakNorth Bank 12 Month Fixed Rate Cash Isa	One-year fixed rate	1.41%	£1 upwards	Online only	Early access subject to 90 days' loss of interest	↑
Al Rayan Bank Fixed Term Deposit Cash Isa	Two-year fixed rate	1.5%	£1,000 upwards	Branch, online, phone or post	Offers EPR not interest	↓
Aldermore 3 Year Fixed rate Cash Isa	Three-year fixed rate	1.55%	£1,000 upwards	Online only		↓
Coventry Building Society Fixed Rate Cash Isa	Five-year fixed rate	1.75%	£1 upwards	Branch, online, phone or post		↓
Coventry Building Society Junior Isa	Junior Isa	3.6%	£1 upwards	Branch, online, phone or post	Yearly Junior Isa limit of £4,368, must be under 18	=
Newcastle Building Society Cash Lifetime Isa	Lifetime Isa	1.1%	Up to £4,000 a year	Online only	Must be saving for a first home or retirement and aged 18-39	=

Note: EPR is the 'Expected Profit Rate' offered by Sharia savings accounts. Rates correct as of 14/02/20

FEATURED PRODUCT
Cash ISA
Aldermore 3 Year Fixed rate Cash Isa is offering 1.55%. Open this account online with a deposit of £1,000.

More about our *Moneywise* savings and Cash Isa Best Buys

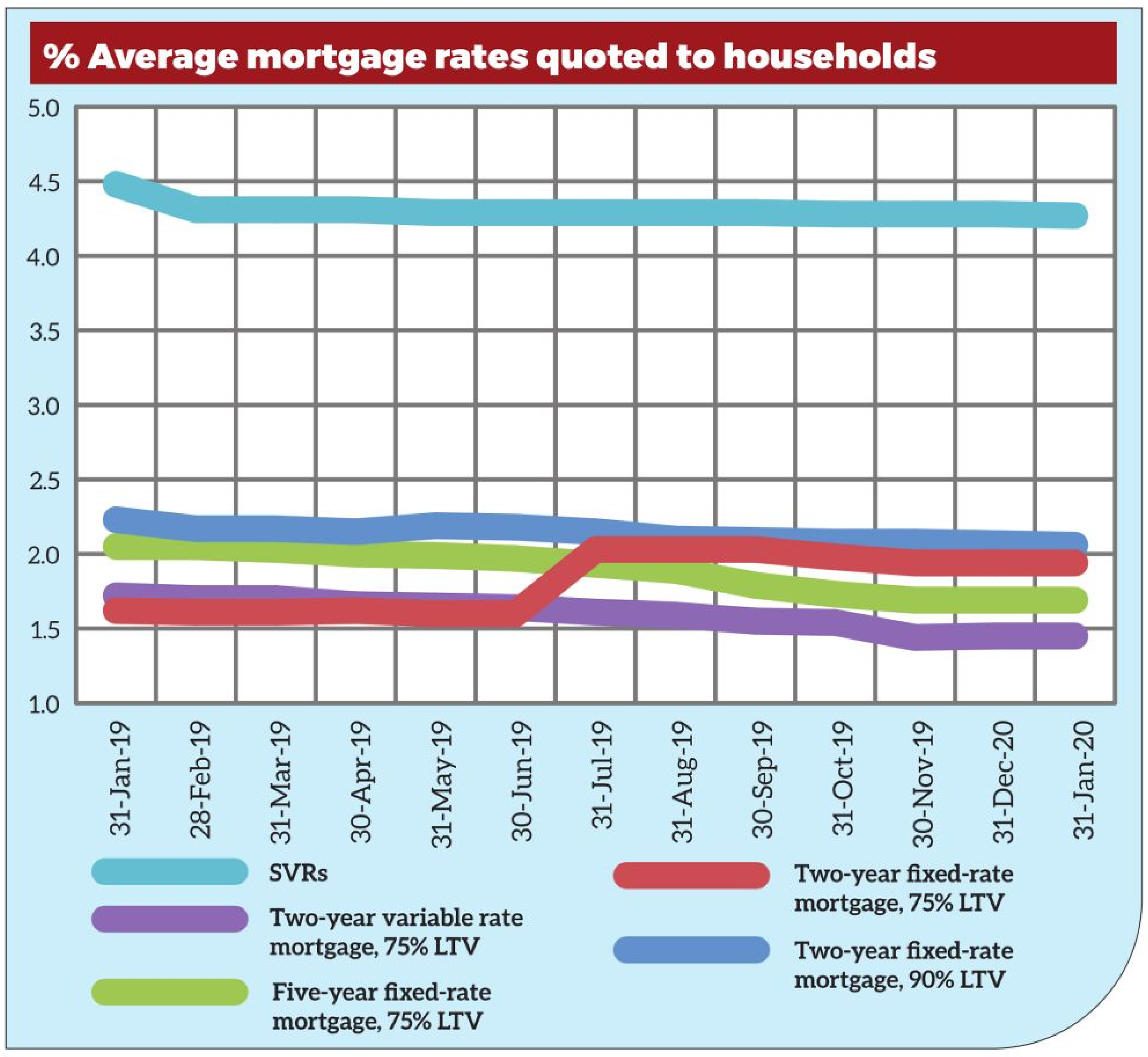
We prioritise products that are widely and easily available. We aim to pick products that are available until the publication of our next issue, but this is subject to factors outside our control.

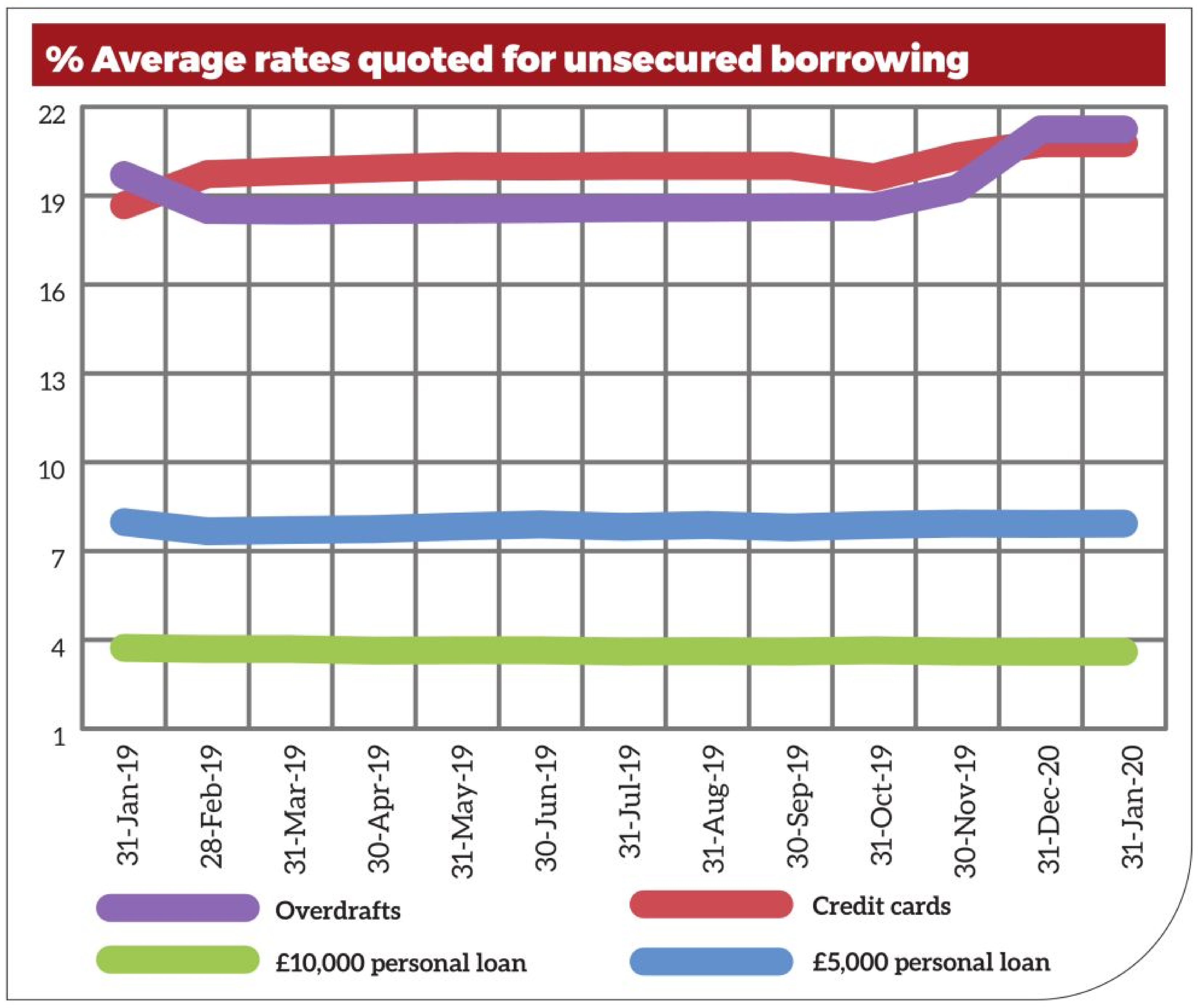
With each of our Best Buy savings accounts, you can earn £1,000 tax-free each year if you're a basic-rate taxpayer or £500 if you pay the higher rate of tax. If you are an additional-rate taxpayer, then you do not get a personal allowance and you should consider a Cash Isa. All the interest earned in these accounts is tax free and you can save up to £20,000 in the 2019/2020 tax year.

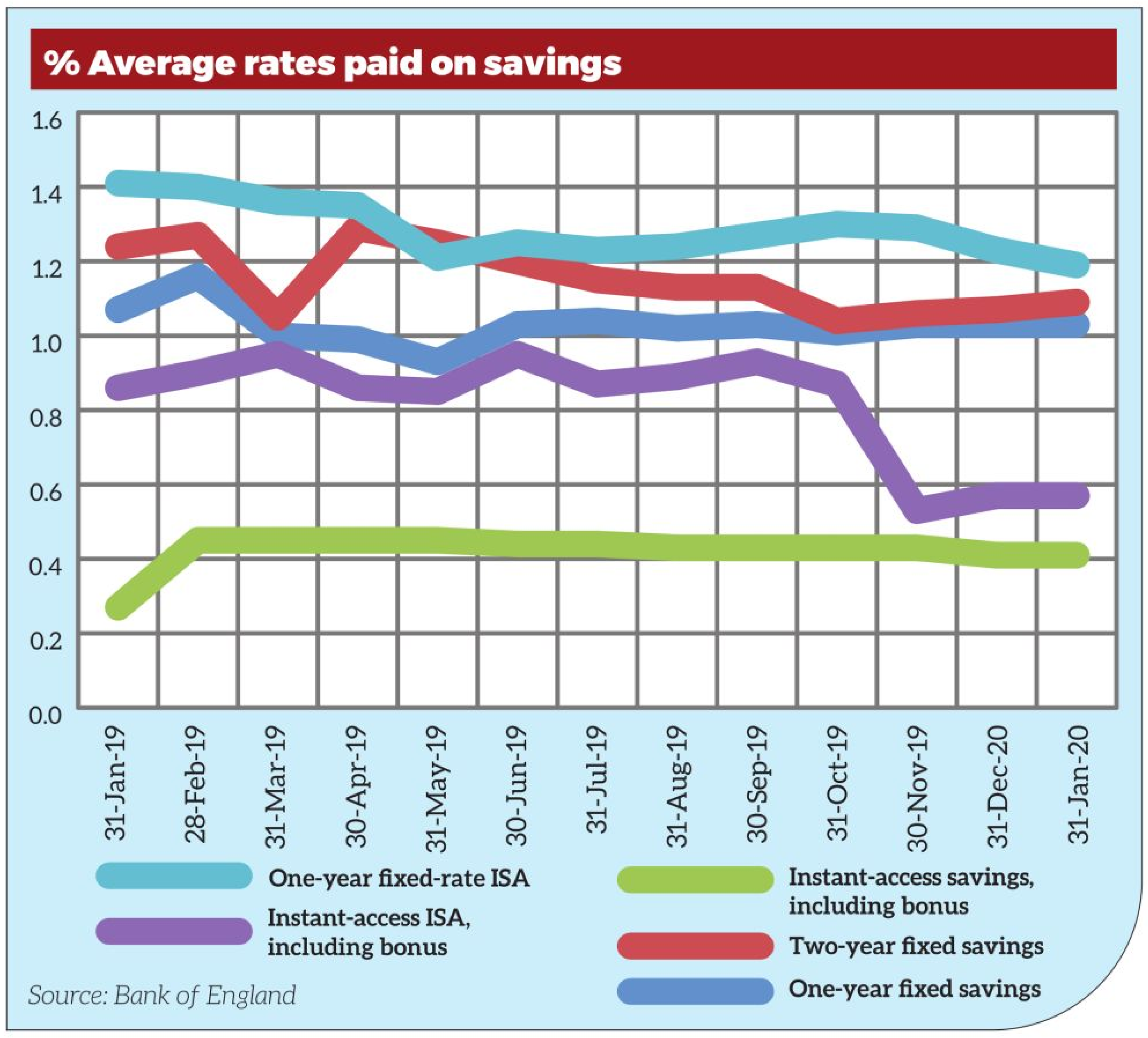
Unless otherwise specified, all these providers are individually licensed by the Financial Conduct Authority, so your savings will be covered by the Financial Services Compensation Scheme (FSCS) up to £85,000. All interest rates are AER – the annual equivalent rate.

We update our Best Buys every week online and you can find the best deals at **Moneywise.co.uk/best-buys**.

Use these charts to compare your rates against the rest of the market







BEST BUY REWARD CREDIT CARDS

With a reward credit card, when you make a purchase you will earn loyalty points, cashback or air miles from your provider. The card that is best for you will largely depend on where you shop.

The M&S Bank Reward Plus Card offers you a £25 giftcard when you sign up, and comes with a representative 19.9% APR variable. Cardholders get two points for every £1 spent in store during the first year and one point for every £1 after that. Shoppers also earn one point for every £5 spent elsewhere.

With the Tesco Bank Clubcard Credit Card, you get one point for every £4 you spend in Tesco and one point for £8 spent elsewhere. As your Tesco Bank credit card is considered your Clubcard, you don't need to swipe both at the till. It comes with representative APR of 19.9% if you don't pay the card off in full.

With the Sainsbury's Bank Nectar Purchase Credit Card, shoppers get two Nectar points for every £1 spent in Sainsbury's and one point for every £5 spent elsewhere. So if you spend £6,000 on your card in Sainsbury's, you will earn the equivalent of £60 (500 points = £2.50). It comes with a rate of 20.9% APR variable.

John Lewis and Waitrose shoppers who take out a Partnership Card can earn one point per £1 spent in store, plus a point for £2 spent elsewhere. This would earn £60 in vouchers based on a £6,000 yearly spend, an effective 1% return. Representative 18.9% APR variable.

With the Asda Money Cashback Credit Card, you get 1% on shopping at Asda or 0.2% when you shop elsewhere. Once you have accrued £2.50, you can get a voucher to spend in Asda. Spend £6,000 a year in Asda using this card, and you will earn the equivalent of £60 in vouchers. Representative 19.9% APR variable.

BEST BUY REMORTGAGING

If you move to a new mortgage provider, you will have to go through its application process and affordability criteria. By fixing, you will protect yourself from rate rises for the duration of the mortgage term.

Our example mortgage hunter is looking to remortgage on their £200,000 property and will be looking to borrow £100,000 over 15 years – so they would like a 50% loan to value (LTV) deal. Our buyer has decided to pay fees up front to avoid being charged extra interest.

The current best two-year deal is from Barclays. For buyers with a 40% deposit, it comes with a rate of 1.85% and is fixed until 30 April 2022. Monthly payments are £637 for a total annual cost of £7,439. Once the deal is over it reverts to a standard variable rate (SVR) of 4.24%. There are no fees to pay and you get £400 cashback.

It is possible to fix your mortgage repayments cheaply, with the best deals available for well under 3%. However, monthly repayments are often higher than shorter fixes, so they only make sense if you expect rates to rise in the next few years.

If you have a 40% deposit, Barclays has a mortgage at 1.78% that is fixed for five years until 30 April 2025. The monthly repayments are £633 for an annual cost of £7,521. The mortgage reverts to an SVR of 4.24% once the term ends.

Another option is TSB's 2.29% rate, fixed until 31 May 2030. The repayments are £650 a month or £7,883 a year. After the fixed period ends, the rate reverts to an SVR of 2.29%. mw

Our best buy 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 issue, but this is subject to factors outside our control. Our latest recommendations, updated every week, are available at **Moneywise.co.uk/best-buys**. If you find something better, contact us at editorial@moneywise.co.uk.

moneywise FIRST 50 FUNDS

When you start investing, choosing from thousands of funds can seem daunting. To make your choice easier, *Moneywise* has selected our 50 favourite funds for beginners. Index tracker funds can be used to build a low-cost, solid core for your portfolio. Active funds have the potential to perform better, but there is the risk that the fund manager may make the wrong decision. Investment trusts possess unique features that are attractive but make them riskier than active funds. See the performance of the *Moneywise* First 50 Funds below.

Find out more at Moneywise.co.uk/first-50-funds

TRACKERS (ranked in order of three-year returns, as at 16/02/20)

	ISIN Acc	ISIN Inc	Ongoing charges %	Yield %	One-year return %	Quartile	Three years %	Quartile	Five years %	Quartile
Vanguard Global Bond Index Hedged Acc GBP	IE00B50W2R13	IE00B2RHVP93	0.15	1.82	7.29	2	11.01	1	14.68	4
iShares Overseas Corporate Bond Index (UK) D Acc	GB00B58YKH53	GB00BNB74B95	0.11	2.58	8.52	1	11.87	1	39.91	1
Vanguard FTSE UK Equity Income Index A	GB00B59G4H82	GB00B5B74684	0.14	5.55	9.08	3	12.61	3	21.4	4
Vanguard UK Government Bond Index Acc GBP	IE00B1S75374	IE00B1S75820	0.12	1.24	8.6	1	14.89	1	24.68	1
Vanguard UK Investment Grade Bond Index Fund	IE00B1S74Q32	IE00B1574W91	0.12	2.38	8.68	3	15.13	3	24.23	2
Vanguard LifeStrategy 20% Equity A Gross Acc GBP	GB00B4NXY349	GB00B4620290	0.22	1.58	9.58	1	15.94	1	27.68	1
HSBC Japan Index C Acc	GB00B80QGN87	GB00B80QGM70	0.17	2.09	9.31	3	16.24	3	62.55	3
iShares 100 UK Equity Index (UK) D Acc	GB00B7W4GQ69	N/A	0.07	4.41	8.12	4	16.29	3	33.11	3
Fidelity Index UK P Acc	GB00BJS8SF95	GB00BP8RY614	0.06	3.65	9.71	3	17.84	3	35.66	2
Fidelity Index Emerging Markets P Acc	GB00BHZK8D21	GB00BP8RYT47	0.2	2.28	7.23	3	20.52	2	48.08	2
Vanguard Global Small-Cap Index Acc GBP	IE00B3X1NT05	IE00B3X1LS57	0.29	1.47	10.86	4	22	4	71.44	2
Vanguard LifeStrategy 60% Equity A Acc	GB00B3TYHH97	GB00B4R2F348	0.22	1.62	12.46	2	22.67	2	47.14	1
LSE ETFs iShares Physical Gold ETC EUR	IE00B4ND3602	N/A	N/A	N/A	18.21	N/A	22.87	N/A	N/A	N/A
LSE ETFs Vanguard Funds PLC FTSE 250 UCITS ETF	IE00BKX55Q28	N/A	N/A	2.22	18.01	N/A	25.1	N/A	46.26	N/A
Vanguard FTSE Developed Europe ex-UK Equity Index A	GB00B5B71H80	GB00B5B74N55	0.12	2.77	17.1	2	28.33	2	56.18	2
Vanguard LifeStrategy 100% Equity A Acc	GB00B41XG308	GB00B545NX97	0.22	1.96	15.62	3	30.08	3	68.57	3
L&G International Index Trust I Acc	GB00B2Q6HW61	GB00B2Q6HX78	0.13	1.92	18.8	2	35.5	2	83.2	2
Fidelity Index World P	GB00BJS8SJ34	GB00BP8RYB62	0.12	2	18.76	2	35.61	2	82.22	2
Vanguard US Equity Index	GB00B5B71Q71	GB00B5B74S01	0.1	1.5	21.28	2	42.39	2	102.18	2
HSBC American Index C Acc	GB00B80QG615	GB00B80QG490	0.06	1.6	22.24	2	45.39	2	106.43	2

ACTIVES (ranked in order of three-year returns, as at 16/02/20)

	ISIN Acc	ISIN Inc	Ongoing charges %	Yield %	One-year return %	Quartile	Three years %	Quartile	Five years %	Quartile
Artemis Global Income I Acc	GB00B5ZX1M70	GB00B5N99561	0.83	3.08	7.36	N/A	9.99	N/A	42.47	N/A
Marlborough Global Bond P Acc	GB00B6ZDFJ91	GB00B8H7D001	0.43	2.86	8.15	N/A	12.65	N/A	31.32	N/A
Jupiter Strategic Bond I Acc	GB00B4T6SD53	GB00B544HM32	0.74	3.6	8.97	2	12.93	3	22.89	2
Royal London Global Bond Opportunities Z Acc**	IE00BD0NHJ71	IE00BYTYX230	0.5	N/A	8.42	N/A	20.29	N/A	N/A	N/A
Stewart Investors Asia Pacific Leaders B Acc	GB0033874768	GB00B57S0V20	0.88	1.05	5.33	N/A	20.58	N/A	48.38	N/A
Rathbone Ethical Bond Fund I Acc GBP	GB00B77DQT14	GB00B7FQJT36	0.66	3.77	11.91	1	21.29	1	30.8	1
GAM Star Credit Opportunities BP Inst	IE00B510J173	IE00B54L8Q54	1.13	4.28	13.57	1	22.47	1	41.31	1
Franklin UK Rising Dividends W Acc	GB00B5MJ5601	GB00BT6STC53	0.55	3.4	13.22	2	24.03	2	46.91	2
MI Chelverton UK Equity Income B Acc**	GB00B1Y9J570	GB00B1FD6467	0.86	5.09	15.01	1	24.61	1	51.9	1

ACTIVES (continued)

	ISIN Acc	ISIN Inc	Ongoing charges %	Yield %	One-year return %	Quartile	Three years %	Quartile	Five years %	Quartile
Baillie Gifford Japanese B Acc**	GB0006011133	GB0006010945	0.62	1.14	10.2	2	24.66	1	87.71	1
Merian UK Mid Cap R Acc	GB00B1XG9482	GB00B8FC6L92	0.85	1.17	25.04	1	31.17	1	79.09	1
Liontrust Special Situations I Inc	GB00B57H4F11	N/A	0.89	1.83	14.11	2	33.43	1	74.33	1
Schroder Global Cities Real Estate Z	GB00B1VPTY75	GB00B1VPTW51	0.92	1.03	22.16	N/A	36.03	N/A	63.48	N/A
Man GLG Continental European Growth C Professional	GB00B0119487	N/A	0.9	0.49	21.29	1	38.94	1	113.72	1
Baillie Gifford Emerging Markets Growth B Acc**	GB0006020647	GB0006020530	0.77	1.11	15.4	1	45.4	1	78.99	1
M&G North American Dividend I	GB00B7565G26	GB00B7F5Y731	0.7	1.07	18.84	3	45.59	2	105.96	2
Royal London Sustainable World Trust C Acc in	GB00B882H241	GB00B8GG6326	0.77	0.85	25.75	1	53.67	1	92.23	1
TB Amati UK Smaller Companies B	GB00B2NG4R39	N/A	0.92	1.14	24.42	2	54.54	1	131.7	1
Fundsmith Equity I Acc	GB00B41YBW71	GB00B4MR8G82	0.95	0.7	19.67	N/A	60.53	N/A	139.37	N/A
Lindsell Train Global Equity B GBP	N/A	IE00B3NS4D25	0.65	0.86	10.61	4	64.7	1	134.55	1

INVESTMENT TRUSTS (ranked in order of three-year returns, as at 16/02/20)

	Discount/ Premium %	Gearing %	Ongoing charges %	Yield %	One-year return %	Quartile	Three years %	Quartile	Five years %	Quartile
BMO Commercial Property Trust (BCPT)	-17.8	26.8	1.18	5.52	-9.1	4	-9.63	4	-7.58	4
Murray International Trust (MYI)	1.78	10.6	0.61	4.21	6.66	4	17.29	4	45.81	4
The City of London Investment Trust (CTY)	0.98	7.7	0.39	4.39	12.23	3	20.5	2	33.56	3
Witan Investment Trust (WTAN)	-2.24	10.7	0.39	2.33	14.14	3	31	3	63.55	4
Finsbury Growth & Income Trust (FGT)	-0.09	0.54	0.66	1.86	14.13	2	44.13	1	74.17	1
Henderson Smaller Companies Investment Trust (HSL)	-2.45	9.31	0.42	2.2	33.51	2	60.88	2	116.86	2
European Opportunities Trust (JEO)	-3.01	7.09	0.9	0.68	31.02	1	64.41	1	87.67	1
TR Property Investment Trust (TRY)	1.93	0.77	0.59	3.03	28.68	1	80.1	1	84.67	1
Scottish Mortgage Investment Trust (SMT)	0.15	7.38	0.37	0.6	28.54	1	85.29	1	159.32	1
Edinburgh Worldwide Investment Trust (EWI)	2.5	6.73	0.75	N/A	18.67	3	101.5	1	160.05	1

**Name and ticker of trust subject to change due to transfer of management. Source: (i) BlackRock, 16/02/20. (ii) Vanguard, 16/02/20. All other data: FE Analytics, 16/02/20*

HOW TO READ THE FIRST 50 FUND TABLES An International Securities Identification Number (**ISIN**) uniquely identifies a fund and you can use the ISIN to find the fund on a DIY investment platform. **Inc** and **Acc** refer to different share classes of a fund. The income class of a fund (Inc) will pay out your dividends and any other income as cash, directly into your bank or investment account. The accumulation class of a fund (Acc) will hang on to your money and reinvest it directly back into the fund. The **ongoing charges** figure is an overall total annual charge for owning part of a fund and includes management costs and the transaction charges for the buying and selling of investments. **Quartile** rankings are a measure of how well a fund has performed against other funds in its Investment Association or AIC sector. The rankings range from 1 to 4 for all time periods covered. Funds with the highest percentage returns are assigned a quartile of 1, whereas those with the worst returns are assigned a quartile of 4. **Investment trusts data:** Investment trusts can be identified by their TIDM (Tradable Instrument Display Mnemonics) number, a short, unique code used to identify UK-listed shares, shown in brackets next to the investment trusts. The **Discount/ Premium** column shows the percentage difference between the value of a trust's underlying assets and the value of its share price. **Gearing** means borrowing money to buy more assets in the hope the company makes enough profit to pay back the debt and interest and leave something extra for shareholders. Not all investment companies use gearing, and most use relatively low levels of gearing. The majority of investment companies have a gearing range – from no gearing (0%) to 20% gearing in normal market conditions.

Annuities Top three example rates on £50,000 purchase price (as at 03/02/20)

Data supplied by JLT Pension Decision

CONVENTIONAL ANNUITIES (GROSS ANNUAL INCOME)

Age	Level		RPI-linked	
60	£2,204	Legal & General	£1,140	Legal & General
	£2,081	Hodge	£1,072	JUST
	£2,045	Aviva	£1,066	Aviva
65	£2,564	Legal & General	£1,483	Legal & General
	£2,448	Aviva	£1,435	Scottish Widows
	£2,402	Hodge	£1,406	Aviva
70	£3,007	Legal & General	£1,892	Scottish Widows
	£2,889	Scottish Widows	£1,862	Legal & General
	£2,813	Aviva	£1,773	Aviva
75	£3,644	Scottish Widows	£2,597	Scottish Widows
	£3,559	Legal & General	£2,353	Aviva
	£3,421	Aviva	£2,344	Legal & General

ENHANCED ANNUITIES (GROSS ANNUAL INCOME)

Age	Level		RPI-linked	
60	£2,257	Legal & General	£1,222	JUST
	£2,214	JUST	£1,155	Aviva
	£2,129	Aviva	£1,146	Legal & General
65	£2,622	JUST	£1,594	JUST
	£2,613	Legal & General	£1,496	Aviva
	£2,504	Aviva	£1,485	Legal & General
70	£3,052	Legal & General	£1,922	JUST
	£2,951	JUST	£1,892	Scottish Widows
	£2,927	Canada Life	£1,870	Aviva
75	£3,644	Scottish Widows	£2,597	Scottish Widows
	£3,604	Legal & General	£2,478	JUST
	£3,542	Canada Life	£2,405	Canada Life

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: JLT Pension Decision.

The 'joy' of tax

"If you make any money, the Government shoves you in the creek once a year with it in your pockets, and all that don't get wet you can keep."

So said the American comedian Will Rogers. And that comes to mind at this time of year, when we all kid ourselves we are getting one up on the Government by putting extra money into our pensions and Isas and making sure we have given away £3,000 if we were going to (where do we find all this money?) before midnight on 5 April. We are doing our best not to pay any more to the Government than we have to. But somehow, they still get us in the end. Really, a person doesn't know how much she has to be thankful for until she has to pay tax on it.

Making the most of tax-efficient products is still an excellent idea – assuming you actually found enough fivers down the back of the sofa to put into these helpful savers. But as we scramble to keep cash out of the Revenue's pockets, we might wonder momentarily where the tax that we have not managed to wriggle out of actually goes.

Because you need to know where your tax money goes. You are a hard-working taxpayer, so you have a right to know. That's why we are always called 'hard-working taxpayers'. Not shiftless, clock-watching, self-centred, so-called workers who would definitely hide our vast wealth in an offshore account like the rich people do, if we knew how to do it without getting caught (sorry, Jimmy Carr).

We're paying enough of it too. Last year, according to the Adam Smith Institute, 'Tax Freedom Day' (the day when, in effect, all our taxes are paid and whatever we earn after that we get to keep – whoopee!) was 29 May. So for almost five months we were simply working for the Government. After that date, our money is our own to do what we want with: stick it on the dogs, spend it in bars, buy a nuclear deterrent, you name it…

So it is interesting to know that the biggest chunk of our tax money goes into welfare, at £240 billion (including a massive £111 billion spent on pensions, a figure that will only go up while the elderly continue to vote Conservative and the youth continue to vote *Love Island*). This is followed by the NHS at £145 billion, and then £102 billion on education. Surprisingly, the controversial defence spend is a paltry £46 billion in comparison, closely followed by a staggering £39 billion a year in Government debt interest. Who are they borrowing from? Wonga?

As for who should be paying the most tax in this country, that's something that Brits are surprisingly united on. Surveys have found most Brits believe the highest levels of tax should be paid by "someone else".

If "someone else" started paying their dues, the rest of us could keep more of our hard-earned and wouldn't be looking for offshore islands the Revenue hasn't yet heard of.

And that, in a nutshell, is why we have to have taxes. As Oliver Wendell Holmes Jr said: "Taxes are what we pay for a civilized society." No one wants to pay them so governments constantly look for ways to get it off us without argument. Hence the 'joy' of inheritance tax.

Imagine if our taxes were voluntary

Imagine what it would be like if our taxes were voluntary, like charitable payments. What if we could decide whether we really wanted to pay for pensions, or for the shiftless unemployed (the actual bill for them is just £2 billion by the way), or just give the whole lot to dogs homes because, let's face it, dogs are nicer than most people.

We would find ourselves accosted by tax 'chuggers' springing on us in the high street, with a beaming smile, saying "Hi, I wonder if I could have a few minutes of your time to talk about paying for the nations' basic needs, such as infrastructure, hospitals, schools and an independent nuclear deterrent. We'd only take a third of your wages, and then ask you for a lot more whenever you buy anything, or use the roads. Can I count on your support? It would just take five minutes to give me your bank details."

"Well, of course," you would reply. "I'm all right with infrastructure, health and education – but I've got a bit of a problem with financing the whole mutual destruction thing… and then MPs' expenses. Hmm… you might have to give me a while to think about it."

And that, of course, is why we have PAYE. Without being forced to work for the Government for the first five months of every year, if we let people decide when they wanted to pay their taxes, they just wouldn't.

If only there was an example in recent history of what happens when a country's population don't pay their taxes, leading to economic meltdown and resulting in fellow EU members having to bail them out several times over, with no prospect of getting any of the money back. Nope, can't think of one – not off the top of my head. MW

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moneywise

EASY ISA GUIDE 2020

INSIDE:

INTRODUCTION

Isa allowance 2019/2020: use it or lose it

Time is running out to take advantage of this year's £20,000 Isa allowance, so make the most of it to help achieve your life goals

BY RACHEL RICKARD STRAUS

The Individual Savings Account (Isa) is a perfect starting place for saving toward many life goals, from a holiday to a comfortable retirement.

It offers flexibility, tax-free saving and other financial advantages, so it is no wonder that Isas hold nest eggs to the tune of £608 billion for UK savers, with more than 10 million accounts subscribed to each year. Last year alone, savers were able to cut their tax bills by a collective £2.9 billion owing to the tax-efficiencies on offer.

Isa rules and limits might have changed over the years, but the fundamentals of the accounts have remained the same since launch: gains on any contributions are shielded from tax.

Once the money is in an Isa, you will not have to pay tax on any interest earned on cash or any capital gains on investments. Dividends are paid tax-free too.

The annual Isa contribution limit has been at £20,000 since 2017. If you keep filling your Isa allowance every year, in time it is possible that you could become an Isa millionaire – and there still would be no tax to pay.

Isas have come a long way over the past decades

While the basics have not changed, Isas have come a long way over the past couple of decades.

At their launch, there were two types: but savers opening a new account can now choose from five types of Isa.

In this guide, we talk through the Isas available, who they might be suitable for, the rules involved and where to start.

The Cash Isa will always be the first port of call for many – and with good reason. This type of Isa offers a great starting point for savers (see pages 5-7).

Much better returns can be achieved by investing in a Stocks and Shares Isa – but this option is not without a degree of risk (pages 10-13).

While more people have Cash Isas, Stocks and Shares Isas account for a greater share of the market value of all Isas (55% versus 44%).

Parents have the option to open a Junior Isa for each of their children – they can save money in cash or take a punt on the stock market on behalf of their child (page 14).

Lifetime Isas (Lisas) can help you save toward your first home, or toward retirement past the age of 60 (pages 8-9). The Lisa's predecessor, the Help To Buy Isa, closed to new applicants last year.

Finally, the Innovative Finance Isa allows you to invest in the higher-risk peer-to-peer sector (page 11).

Isa rules have changed significantly over the past 21 years. Back in 1999 when they were first launched, the maximum you could put into a Cash Isa was £3,000. Even once inflation is considered, the £20,000 maximum today is a huge increase.

Isas are also a lot more flexible today. You can switch your money between Cash and Stocks and Shares Isas and Lifetime Isas, and invest into more than one type of Isa in a single tax year.

But one thing that has stayed the same is the strict Isa deadline. Your annual allowance resets on 6 April 2020, whether or not you have used your full allowance.

Your allowance for the 2019/20 tax year expires on 5 April 2019, so you don't have long to take advantage of it, if you have not already.

Isa allowances cannot be carried over to future years – so now's the time to use up your allowance before it has gone forever, or get started with your first Isa. mw

Have Cash Isas lost their sparkle?

Rates for Cash Isas have been falling over the past year – so here we weigh up whether it is still worth taking one out

BY STEPHEN LITTLE

The past year has been a torrid one for savers, with rates falling across the board.

The average one-year fixed-rate Cash Isa was 1.15% in January, down from 1.45% a year ago, according to data from Moneyfacts.

The average interest rate offered on easy-access cash Isas has also fallen, from 0.94% to 0.85% in the year to January.

These low rates, combined with the availability of better paying alternatives as well as the introduction of the personal savings allowance, mean that Cash Isas have been falling out of favour.

The personal savings allowance, introduced in 2016, means that basic-rate taxpayers do not pay any tax on the first £1,000 of interest they earn. Higher-rate taxpayers do not pay tax on the first £500, while additional-rate taxpayers do not have an allowance.

The allowance means the vast majority of people do not have to pay any tax on interest earned on savings.

Since its tax-free status is the main advantage of a Cash Isa, for many the vehicle is all but redundant.

By using an Isa now, you are protecting your savings from tax

If you are a basic-rate taxpayer, a normal savings account may be even better, because they tend to offer better rates at the moment than Cash Isas.

However, saving into an Isa still has its benefits, especially if you are a higher earner looking to save tax-free above the personal limit. And just because your savings pot is small at the moment it may grow. By using an Isa now, you are protecting your savings from tax both now and in the future.

As a Cash Isa does not count towards your Personal Savings Allowance, you can use it in addition to the £1,000 tax-free interest you get with the allowance.

Transferring your Cash Isa

Some high street banks offer rates that are even lower than the Bank of England's base rate of 0.75%.

MONEYWISE BEST BUY CASH ISAS

Account	Type	Headline rate	Minimum and maximum balance	Open account	Notes
Al Rayan Instant Cash Isa	Easy access	1.36%	£50 upwards	Branch, post, telephone, online	Offers an Expected Profit Rate
Paragon 120 Day Notice Cash Isa	Notice account	1.31%	£500 upwards	Online only	120-day notice or loss
OakNorth Bank 12 Month Fixed Rate Cash Isa	One-year fixed rate	1.41%	£1 upwards	Online only	Earlier access subject to 90-day loss of interest
Al Rayan Fixed Term Cash Isa	Two-year fixed rate	1.5%	£1,000 upwards	Branch, post, telephone, online	Offers an Expected Profit Rate
Aldermore 3 Year Fixed Rate Cash Isa	Three-year fixed rate	1.55%	£1,000	Online only	Earlier access on 180-day loss of interest
Coventry Building Society Fixed Rate Isa	Five-year fixed rate	1.75%	£1 upwards	Branch, post, telephone, online	Matures on 31 May 2025

Source: Moneywise, 14/02/20

The Barclays Instant Cash Isa pays 0.4%, and the NatWest Cash Isa, 0.2%. The Royal Bank of Scotland Instant Access Isa and the Santander Isa both pay 0.35%.

If you are unhappy with your rate, you can transfer your Cash Isa to another provider free of charge.

You can transfer as often as you like, as the £20,000 limit is only for deposits made in the current tax year.

Some providers charge a penalty if you transfer funds, so you will have to weigh up whether this is worth it or not.

Transferring is easy and straightforward. Once you have opened your new Isa, ask your provider for a transfer request form.

Just remember not to withdraw your money first as you will lose your tax-free benefits.

If you're unhappy with your rate, you can transfer your Cash Isa to another provider free of charge

Easy-access accounts

If you want to dip into your savings rather than have them tied up for a year or more, an easy-access account is probably your best option.

But while you will get more flexibility with your money, they tend to pay lower rates than fixed interest accounts.

The current best buy is Al Rayan's Instant Access Cash Isa, paying 1.36%. However, bear in mind this is an 'expected profit rate' rather than an interest rate, as Al Rayan is an Islamic bank (see Best Buys on page 76 for more on Sharia-compliant savings accounts and how they work).

Alternatively, you might want to consider the Virgin Money Double Take E-Isa, which pays a rate of 1.31% to savers putting in at least £1. You must remember that with this account you are limited to two withdrawals a year.

The Isa limit for the 2019/2020 tax year is £20,000. Savers will be hoping for a boost with an extension of the Isa contribution limit in the Budget, later in March.

Remember that you can spread your £20,000 limit across multiple types of Isa – you don't have to just put it all in cash. For example, you could put £10,000 in a Cash Isa and £10,000 in a Stocks and Shares Isa.

Notice accounts

Rates for notice accounts can be higher than those offered by instant access, but if you wish to withdraw money then you will need to inform your bank or building society in advance.

Paragon Bank's 120-day notice Cash Isa is currently on the market with a rate of 1.4%. You can open an account online with £500 but it requires 120 days' notice to withdraw cash.

Fixed accounts

If you are happy to have your cash tied up for longer, you can get a higher rate with a fixed-rate Isa account.

You can spread your £20,000 Isa limit across all the Isa types

With a fixed account, you must lock your money away for the whole term, usually between one and five years. If you access your money early, you will usually be penalised and you will lose some or all of your interest.

Coventry Building Society's Fixed Rate ISA is the top-rated five-year Cash Isa at 1.75%. You can open the account online with an initial sum of £1.

The Cambridge Building Society also has a rate at 1.7%, which you can open with £500.

The best two-year rate on offer is 1.5%, from Al Rayan Bank and OakNorth Bank.

At the time of writing, OakNorth Bank offers the top-paying one-year Cash Isa at 1.41%.

The next best rate is 1.4% from Loughborough Building Society, fixed until 5 April 2021. mw

An Isa to help you buy your first home

Help to Buy Isas (H2B) are now closed to new applicants, leaving Lifetime Isas (Lisas) the only option for savers looking for help to buy a property. So how do Lisas work – and should you transfer your H2B Isa to a Lisa?

BY HANNAH NEMETH AND EMMA LUNN

Latest figures show about 300,000 people have opened a Lisa since they were launched in April 2017.

The Lisa superseded the Help to Buy (H2B) Isa, which has been around since 2015.

Up until 30 November 2019 it was possible to open both types of account – meaning that savers had to make a choice – but it is no longer possible to open a new H2B Isa.

How does a Lisa work?

Both the H2B Isa and Lisa offer free cash to first-time property buyers, but the Lisa has a much more generous bonus structure. It allows a maximum annual contribution of £4,000 with a government bonus of 25% – that is up to £1,000 of free money each year.

You need to be aged between 18 and 39 to open a Lisa but you can add to it – and receive the bonus – until you turn 50. After that, you cannot make any further contributions – however, your savings will continue to earn interest or investment returns.

If you made the maximum contribution each year from the age of 18 to 50, you would receive a total bonus of £32,000. In comparison, the maximum bonus with a H2B Isa is just £3,000.

You can hold cash or stocks and shares in your Lisa, or have a combination of both, up to the £4,000 subscription allowance. In turn, this counts toward the overall Isa subscription limit of £20,000 for the 2020/21 tax year.

You can withdraw the money in a Lisa to put towards a first home with a purchase price of £450,000 or less. Although you can only hold one Lisa, if you are buying a property with someone else you can both receive and use the bonus.

Alternatively, you can access the cash in a Lisa once you are aged 60 or over, or if you become terminally ill. However, if you withdraw your money at any other time, the Government will levy a 25% exit penalty – so you could get back less than you paid in.

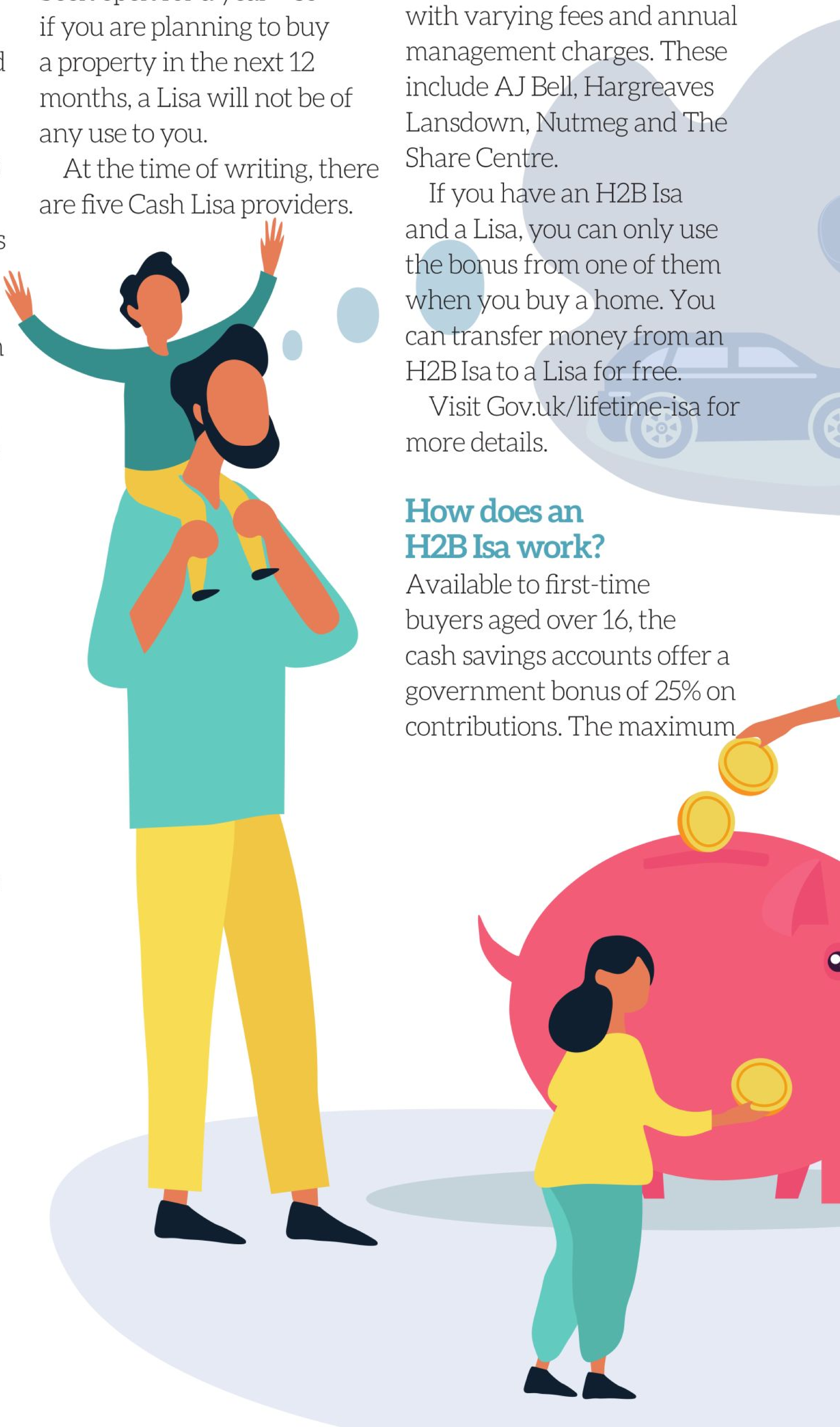
Another drawback is that first-time buyers cannot access their savings or the bonus until their Lisa has been open for a year – so if you are planning to buy a property in the next 12 months, a Lisa will not be of any use to you.

At the time of writing, there are five Cash Lisa providers. Moneybox offers the top rate of 1.4% AER, while Nottingham Building Society offers 1.25%. Paragon Bank offers 1.15%, Newcastle Building Society 1.1%, and Skipton Building Society 1%.

There are more Stocks and Shares Lisa providers with varying fees and annual management charges. These include AJ Bell, Hargreaves Lansdown, Nutmeg and The Share Centre.

If you have an H2B Isa and a Lisa, you can only use the bonus from one of them when you buy a home. You can transfer money from an H2B Isa to a Lisa for free.

Visit Gov.uk/lifetime-isa for more details.



How does an H2B Isa work?

Available to first-time buyers aged over 16, the cash savings accounts offer a government bonus of 25% on contributions. The maximum

bonus that can be claimed is £3,000 on a savings pot of £12,000. To get any bonus at all, savers need to save a minimum of £1,600 (to get a £400 bonus).

Although H2B Isas offer a boost to first-time buyers, there are a few drawbacks. First, the purchase price of the property cannot be more than £250,000 (or £450,000 in London). Controversially, the bonus is only paid when you complete your property transaction – not when you hand over your deposit.

According to latest government figures, since the scheme's launch in December 2015, 256,564 homes have been bought with H2B help and almost 340,000 government bonuses handed out.

H2B Isas closed for new applicants on 30 November 2019, but existing savers can keep saving into their accounts until 30 November 2029 – the bonus must be claimed by 1 December 2030.

Should H2B Isa holders switch to a Lisa?

If you are a potential first-time buyer, opening a Lisa is now your only option. But if you already have a H2B Isa, you might be wondering if you should also open a Lisa and fund both accounts or transfer cash held in your H2B Isa to your Lisa.

Tom Adams, head of research at savings site Savings Champion, says:

A Stocks and Shares Lisa has the edge over the H2B Isa

"For first-time buyers, both the H2B Isa and the Lisa offer a generous bonus. You could use the H2B Isa for your first home and keep your Lisa until you are 60 or over and use the bonus from this to supplement your retirement income.

"The Lisa offers a better proposition for some, as the annual allowance is greater and the bonus is added each month, which means that it will benefit from compounded income or growth. In addition, the maximum price of the property that can be bought is £450,000, regardless of where it is. On the face of it, the Lisa is more generous as larger amounts can be deposited and the potential bonus is greater."

Bear in mind, however, that if you're aged 40 or over, sticking with an existing H2B Isa is your only option.

Another issue with the Lisa is the 25% exit fee if you don't use it to buy your first home or fund your retirement.

Tom Selby, senior analyst at A J Bell, told *Moneywise*: "The exit penalty remains a really unwelcome feature of the Lisa. If the government abolished it, the product would be simpler to understand, more flexible and attractive to savers."

But he thinks that a Stocks and Shares Lisa has the edge over the H2B Isa.

"With an Investment Lisa, you get your bonus added to your fund monthly, so it has the opportunity to grow. The contribution limits are much higher, meaning savers who can afford to can benefit from a much bigger bonus.

"While many prospective first-time buyers will struggle to save £4,000, whatever they can afford is worthwhile given that it is boosted by 25%," he explains.

To protect the tax-free status of your money, you will need to arrange this with the Lisa provider you want to switch to before closing your H2B Isa. The amount transferred in will count against the £4,000 Lisa maximum annual contribution. So if you transfer in £1,000 after 6 April 2020, you will only be able to put £3,000 into your Lisa for the tax year 2020-21.

Should I use a Lisa for retirement savings?

Mr Selby says that a workplace pension should be the first port of call for retirement income as this comes with tax relief and a matched employer contribution, but he suggests that the Lisa is a good haven for extra contributions.

"Basic-rate taxpayers might want to consider a Lisa as the bonus is exactly the same as a pension and 100% of withdrawals are tax-free from age 60 (versus 25% tax-free from a pension at 55). Higher- and additional-rate taxpayers will probably be better off in a pension because they get a bigger savings bonus, although a Lisa could be useful for those who are lucky enough to be pushing up against the pensions annual allowance limit," he says. mw

Should you invest your Isa cash for better returns?

If you have five years or more in which to invest your money and you are prepared to take some risk, then this type of Investment Isa could be the right choice for you

BY RACHEL RICKARD STRAUS

Savers have gradually been turning their backs on Cash Isas and opening Stocks and Shares Isas instead. The number of new Cash Isas opened has fallen each year since 2013-14, according to HMRC. Back then, 10.4 million Cash Isas were opened, but by 2017-18 the number had fallen to just 7.7 million.

Saying that, savers still shovelled as much as £39.8 billion into Cash Isas during the 2017-18 tax year.

Interest paid on Cash Isas rarely beats inflation these days, making it hard to grow your pot. Another factor is that the personal savings allowance (introduced in April 2016) means basic-rate taxpayers can earn up to £1,000 interest a year tax-free, while higher-rate taxpayers £500. This tax break (which is not available to additional-rate taxpayers) could be a reason Cash Isas have become less appealing to savers.

Either way, an increasing number of savers are turning to Stocks and Shares Isas in search of better returns. The number of new accounts opened has been steadily rising since 2015-16, with 246,000 new subscribers in the 2017-18 tax year.

It's best to invest only if you are planning for the long term

Are you ready to invest in the stock market?

A Stocks and Shares Isa is one of the easiest and cheapest ways to invest. Stock market investments tend to go up in value over the long term but can experience volatility where the value rises and falls over the short to medium term.

This is one reason why it is best to invest only if you are planning for the long term – that is, for at least five years.

It also makes sense to build up a cash buffer for life's inevitable emergencies first, before locking up cash in investments. As a rule of thumb, it is wise to have

three months of outgoings held in cash – just in case.

Once you have this in place, you could consider investing.

Why use an Isa?

There are several taxes associated with investing, but a Stocks and Shares Isa shelters your money from all of these.

First, some investments pay interest, such as government and corporate bonds or rental income from some property funds. There is no tax to pay on this income if the investments are held in a Stocks and Shares Isa.

Second, any dividends paid by your investments are tax-free if held in an Isa. The annual dividend allowance for investments not held in an Isa is £2,000. This allowance was cut from £5,000 in the 2017-18 tax year, making it even easier to be hit by the tax if you don't use an Isa.

Third, an Isa shields your investments from capital gains tax (CGT) on your investment growth. CGT is payable on investments that have increased in value when you come to sell, on anything over £12,000.

Money saved in a Stocks and Shares Isa is protected by the Financial Services Compensation Scheme (FSCS) up to £85,000 in the event of an investment product provider going bust. However, it usually does not cover losses from the underlying stock market investments.

Is it very different to a Cash Isa?

Moving from building up a nest egg in a Cash Isa to putting money in a Stocks and Shares Isa can be quite a transition.

With a Cash Isa, you know exactly how much money you have and can expect to have at any one time.

But the value of a Stocks and Shares Isa can change from one day to the next. You can check its value at any time. If you do so regularly, you will see that the value of your investment can go up and down significantly over the short term. But, hopefully, over the long term, your investments will increase in value.

How do you open one?

Opening a Stocks and Shares Isa has never been easier.

You will need to pick an investing platform to buy your Isa from and then decide what investments to put in it. Charges will vary depending on both the platform you choose and the investments or funds you pick.

Experienced investors might opt for a platform where you choose investments – such as equities, bonds, and funds – yourself. Other providers offer ready-made portfolios with different risk levels. In general, the more risk you take, the higher the potential returns. However, there is also a higher chance you will lose money.

Pick a platform that allows you the type of control you are after, offers good customer service, and allows you to buy the range of investments you want.

For beginner investors, *Moneywise* recommends using funds as these allow you to spread your risk – or diversify – across a greater number of holdings.

Many investing platforms have recommended lists of funds, which can be a good starting point. *Moneywise* also has a list of First 50 Funds for Beginners, which we believe can form the basis of a good portfolio for first-time investors (see pages 50 to 55 of *Moneywise* magazine for an updated list).

How much will I pay in fees?

One of the most crucial factors to consider is price. Examples of major platforms include AJ Bell Youinvest, Charles Stanley Direct, Hargreaves Lansdown and interactive investor (*Moneywise*'s parent company). Each charges a platform fee, which is usually a fixed fee or a percentage of your Isa's total value.

On top of that, the company or companies running the funds you pick will charge you a separate fee.

Costs can quickly erode your returns – for example, an extra percentage point paid in fees can cost you tens of thousands over the long term.

Are there other alternatives?

Lifetime Isas are another way of investing, but are only suitable for people saving toward their first home or retirement. Read pages 8-9 of this guide to see how they work.

Innovative Isas are the newest type of Isa and, since 2016, have allowed investors to hold peer-to-peer (P2P) investments within an Isa. These can offer considerably higher returns than Cash Isas, but they also come with greater risk.

Your cash is at risk if the platform goes bust and you are not protected by the FSCS as you would be with a Cash Isa. However, some platforms have their own safeguards and provisions in place.

Last year saw two P2P lenders, FundingSecure and Lendy, collapse and investors lose money. Consequently, the Financial Conduct Authority introduced new P2P lending rules. Investors now cannot place more than 10% of their assets in P2P investments unless they have received financial advice.

However, the cap does not apply to high-net-worth investors. mw

Which are the most recommended funds?

Not sure which funds to pick for your Stocks and Shares Isa? We take a closer look at the funds that are most frequently recommended by nine leading investment platforms.

BY EMMA LUNN

Deciding which investment funds should go in your Stocks and Shares Isa is a tricky business. To help, *Moneywise* has analysed the recommended funds lists published by nine leading investment platforms to see which funds feature the most frequently.

For beginner investors especially, the choice of funds can be overwhelming. Should you be investing in the UK or further afield? In emerging markets or special situations?

For this reason, many investment platforms compile 'selected funds' lists. These will usually be curated by analysts who look at certain criteria based on the typical customers on the firm's platform.

We have cross-referenced these lists to discover which funds are most frequently recommended.

The three most popular funds are recommended by a total of six providers each, while a further eight funds are recommended by five platforms.

It is worth pointing out that all the funds on this list are actively managed. This means a fund manager, or a team of managers, picks the stocks that go into the fund and makes changes where necessary. This tends to mean that the fees for investors – known as the ongoing charges figure or OCF – are usually higher than for a tracker fund.

Moneywise has its own list of 50 funds for beginner investors that consider cost, performance and suitability for less experienced investors.

Seven funds appear on both the *Moneywise* list and the frequently recommended funds list.

Remember, just because a fund is widely recommended doesn't necessarily mean it is right for you.

Here is some more detail on the 11 funds that are recommended by more than half the platforms.

Liontrust Special Situations

Number of platform recommendations: 6/9

OCF: 0.89%

Liontrust Special Situations is managed by Anthony Cross and Julian Fosh, and aims to provide long-term capital growth by investing in FTSE All-Share companies. This means it can invest in any company listed on the UK stock market. It was the third most recommended fund when *Moneywise* completed this same exercise in 2019.

Stewart Investors Asia Pacific Leaders

Number of platform recommendations: 6/9

OCF: 0.88%

This fund aims to invest in Asian companies excluding Japan, but including Australasia. Particular consideration is given to investment in companies that are positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate. Most of the fund's holdings are in large and mid-sized companies. It was the jointly most recommended fund when *Moneywise* compared the most recommended funds in 2019.

BlackRock Continental European Income

Number of platform recommendations: 6/9

OCF: 0.92%

The aim of the BlackRock Continental European Income Fund is to achieve an above average income from its equity investments, compared to the income yield of European equity markets (excluding the UK), without sacrificing long-term capital growth.

Artemis Global Income

Number of platform recommendations: 5/9

OCF: 0.83%

This fund is better diversified than some global equity income funds, using its full global remit to exploit income opportunities while keeping its UK content relatively low. The fund has exposure to the growth prospects of more than 25 countries.

Baillie Gifford Japanese

Number of platform recommendations: 5/9

OCF: 0.62%

Japan is a leading developed market, and this fund can be a sound choice for getting core Japanese equity exposure into your portfolio. Run by Matthew Brett, the fund seeks to identify 50 to 60 Japanese companies with potential to grow over the long term.

Barings Europe Select Trust

Number of platform recommendations: 5/9

OCF: 1.55%

Managed by Nicholas Williams, Colin Riddles and Rosemary Simmonds, this fund employs a proven process exploiting market inefficiencies and mispriced stocks. This fund is currently soft-closed to new investors.

BNY Mellon Global Income

Number of platform recommendations: 5/9

OCF: 0.8%

This fund aims to generate distributions over an annual period together with long-term capital growth from investing predominantly in global securities.

Janus Henderson Strategic Bond

Number of platform recommendations: 5/9

OCF: 0.68%

This fund aims to provide a return by investing in higher yielding assets including high yield bonds, investment grade bonds, government bonds, preference shares and other bonds. The fund may also invest in equities.

RECOMMENDED FUNDS

JP Morgan Emerging Markets Income

Number of platform recommendations: 5/9
OCF: 0.9%

Its goal is to achieve income by investing mainly in equity and equity-linked securities of emerging markets' firms in any economic sector but long-term capital growth is still important.

Man GLG Japan Core Alpha

Number of platform recommendations: 5/9
OCF: 0.90%

This fund aims to achieve capital growth through investing in quoted securities of companies operating in Japan. The fund is predominantly invested in securities of companies listed on Japanese stock markets.

TM Crux European Special Situations

Number of platform recommendations: 5/9
OCF: 0.86%

This fund aims to back around 60 of the best stock ideas in Europe (excluding the UK). It seeks out companies with strategies that have a high barrier to entry, are not highly capital intensive, have quality managers and are attractively priced. mw

FUNDS MOST RECOMMENDED BY NINE LEADING INVESTMENT PLATFORMS

Platform name:	AJ Bell	Bestinvest	Charles Stanley Direct	Chelsea Financial Services	Close Brothers	Fidelity	Hargreaves Lansdown	interactive investor	The Share Centre	
Fund list name:	Favourite Funds	Top Rated Funds	Foundation Fundlist	The Chelsea Selection	The Close 50	The Select 50	Wealth 50	Super 60	Platinum 120	
Total number of recommended funds:	86	119	57	104	50	48	52	60	98	Total
Liontrust Special Situations *	Y	Y	Y		Y			Y	Y	6
Stewart Investors Asia Pacific Leaders *	Y	Y		Y	Y	Y			Y	6
BlackRock Continental European Income	Y	Y	Y	Y		Y			Y	6
Artemis Global Income *		Y	Y	Y			Y	Y		5
Baillie Gifford Japanese *	Y	Y		Y	Y	Y				5
Barings Europe Select Trust	Y	Y		Y	Y		Y			5
BNY Mellon Global Income	Y			Y	Y		Y		Y	5
Janus Henderson Strategic Bond		Y	Y	Y	Y				Y	5
JP Morgan Emerging Markets Income	Y		Y				Y	Y	Y	5
Man GLG Japan Core Alpha	Y		Y	Y		Y	Y			5
TM Crux European Special Situations	Y	Y		Y		Y	Y			5
Artemis Income				Y	Y		Y		Y	4
BlackRock European Dynamic	Y	Y	Y	Y						4
BlackRock Gold & General	Y		Y		Y				Y	4
Fidelity Global Dividend		Y		Y		Y		Y		4
FP CRUX European Special Situations			Y		Y	Y		Y		4
Franklin UK Mid Cap	Y				Y		Y		Y	4
Fundsmith Equity *		Y		Y				Y	Y	4
JP Morgan US Equity Income	Y				Y	Y			Y	4
Jupiter Strategic Bond *				Y		Y	Y	Y		4
Jupiter UK Special Situations	Y	Y		Y		Y				4
M&G Emerging Markets Bond	Y			Y				Y	Y	4
M&G Global Dividend			Y	Y	Y				Y	4
M&G Global Macro Bond	Y				Y		Y	Y		4
Merian North American Equity			Y		Y	Y		Y		4
Rathbone Ethical Bond *		Y	Y					Y	Y	4
Rathbone Global Opportunities				Y		Y	Y		Y	4
Number of funds recommend by platform	15	12	12	17	14	12	11	11	15	

Source: Moneywise aggregating data from nine leading investment platforms, 30/01/2020, excluding Fidelity, which was updated on 11/02/2020.
**Denotes a Moneywise First 50 Fund for beginner investors.*

JUNIOR ISAs

Kick-start your children's savings

Help younger members of the family build a nest egg for their future with a Junior Isa

BY RACHEL LACEY

Individual savings accounts are not just for adults. A Junior Isa (Jisa) can also be a great way to save for children or grandchildren without the worry of tax eating away at their returns.

In the current tax year (2020-21), you can pay a maximum of £4,368 into a Jisa without paying any tax on its growth. This limit is the same as last year and up from £4,260 for the tax year 2018-19.

Another plus for parents is the money cannot be accessed until the child's 18th birthday, giving the cash plenty of time to grow into a meaningful sum.

However, ownership of the money then passes to the child and he or she can spend it as they like – so it is a good idea to have a chat with them about sensible spending.

The Isa itself is just a 'wrapper' that protects your child's savings from tax.

Jisas are becoming more popular; in 2017-18, about 907,000 Jisa accounts were subscribed to, compared to 794,000 the previous year, according to the most recent HMRC Isa statistics. About 57% of the money saved was in cash, while the other 43% was invested in stocks and shares accounts.

Unlike most Cash Isas, rates on Cash Jisas are pretty impressive. At the top of the table for the seventh consecutive year, Coventry Building Society pays 3.6%.

However, Sarah Coles, personal finance analyst at Hargreaves Lansdown, says that parents should not rule out a Stocks and Shares Jisa.

"Parents can struggle to take a risk when it comes to their children's savings. However, the biggest risk for a long-term investment isn't the short-term ups and downs of the stock market, as over an 18-year period there is a decent chance of riding those out. The biggest risk is actually inflation," she says.

"A Stocks and Shares Jisa actually involves less risk than parents think because over 18 years it has far more potential to outstrip inflation."

Take the example of £50 a month being paid into a Cash Jisa, paying 3%. After 10 years it would be worth £6,989, according to Hargreaves Lansdown. That's not a bad return, but had that money been invested into an equity-based fund with an annual return of 6% a year, it would be worth £8,163.

Once the Junior Isa is opened, let other family members know

Moira O'Neill, head of personal finance at interactive investor (*Moneywise*'s parent company), says parents must consider fees and charges when selecting a platform but says that some – including ii – offer fee-free Jisas if their parents already have an account.

She adds: "Our investors are generally investing in the same funds and trusts for their children as they do for themselves, with the perennially popular Fundsmith Equity and Scottish Mortgage Investment Trust making up the top two investments for Junior Isas – both of which top the respective most-bought funds and trusts tables for our adult accounts."

Once the account is opened, O'Neill says it is also worth letting other family members know.

"Can grandparents contribute too? If you all agree to put a small amount of money into a child's Junior Isa every Christmas and birthday, this could amount to thousands of pounds over their childhood," she adds. mw

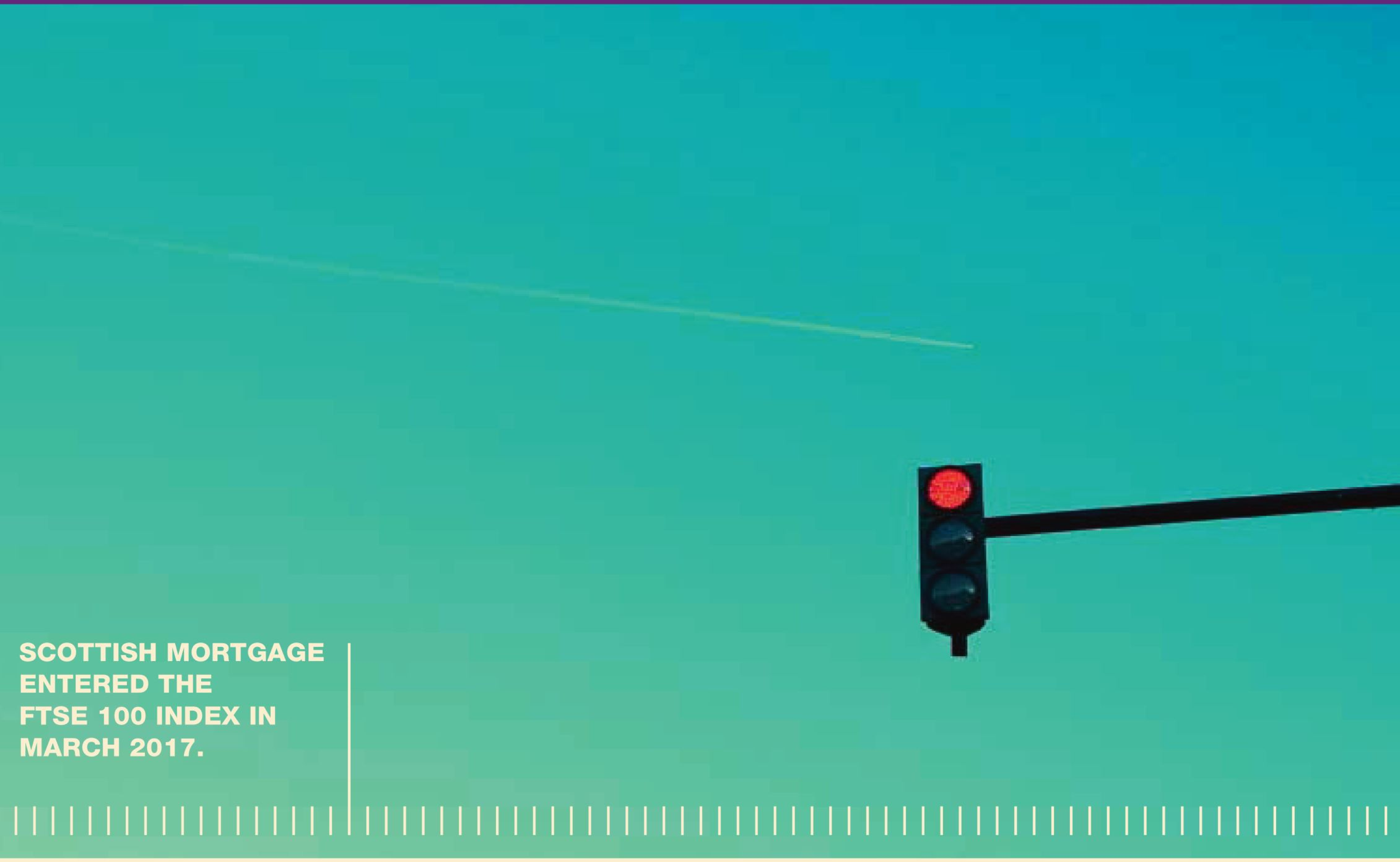
***Moneywise* Children's Savings Awards 2020**

BEST JUNIOR ISA (CASH):

Coventry Building Society. Pays 3.6%, minimum investment £1. Accepts transfers in.

BEST JUNIOR ISA (STOCKS AND SHARES):

Hargreaves Lansdown. Invest from £100 lump sum or from £25 a month into a choice of 2,500-plus funds, shares, investment trusts and ETFs (exchange-traded funds). Platform fee: 0.45%.



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Standardised past performance to 31 December*

	2015	2016	2017	2018	2019
Scottish Mortgage	13.3%	16.5%	41.1%	4.6%	24.8%
AIC Global Sector^	9.1%	23.5%	26.4%	-1.8%	24.5%

^Weighted average.

Money Observer Trust Awards 2019
Global Growth
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*Source: Morningstar, share price, total return as at 31.12.19. **Ongoing charges as at 31.03.19 calculated in accordance with AIC recommendations. Details of other costs can be found in the Key Information Document. Your call may be recorded for training or monitoring purposes. Issued and approved by Baillie Gifford & Co Limited, whose registered address is at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN, United Kingdom. Baillie Gifford & Co Limited is the authorised Alternative Investment Fund Manager and Company Secretary of the Company. Baillie Gifford & Co Limited is authorised and regulated by the Financial Conduct Authority (FCA). The investment trusts managed by Baillie Gifford & Co Limited are listed UK companies and are not authorised and regulated by the Financial Conduct Authority.