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Fidelity European Values PLC Share Price	**19.3%**	**-4.3%**	**25.9%**	**6.8%**	**12.5%**
FTSE World Europe ex-UK Index	**7.0%**	**-3.9%**	**28.8%**	**7.4%**	**2.5%**

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WELCOME

ARE YOU A RISK TAKER? The word 'risk' often conjures up images of recklessness or danger or adrenaline-driven sports such as skydiving.

The thought of bungee jumping may fill you with absolute dread, but in the context of investing, risk has a very different meaning. In fact, *not* taking any risk can be one of most reckless things you can do with your money.

In our cover story, which starts on page 9, we delve into what investment risk means, how to work out how much risk you're comfortable taking and what the rewards could be. If you're one of millions of savers who have suffered over a decade of low rates but are worried about the risks involved with investing, this is a good read for you.

Meanwhile, on page 58 we look into star fund managers and whether they are worth investing with. We investigate where the trend of star fund managers came from, and how they can lose their sparkle.

Our complete guide to renting begins on page 68. Tenants have new rights from this year, including a cap on deposits that landlords can ask for and a crackdown on fees. We explain what tenants need to know – and the lowdown for landlords looking to brush up on the latest legislation.

We look at the pros and cons of taking voluntary redundancy on page 49 and what you need to consider if you're made an offer. We also speak to Richard Frost who decided to take voluntary redundancy in 2016, booked a week-long furniture course and now is enjoying a new career as a furniture designer.

On page 40, we investigate childcare costs once children start school. There has been a great deal of attention on the free childcare initiative offered for parents of three-and-four-year-olds. But what happens when a previously funded child goes to school? A vastly overlooked provision is before-and-after school childcare, which impacts on parents for a much longer period.

Before you go off on your summer holiday, make sure that you read our 10 top tips to save on car hire. It's easy to book a rental car online only to find that you're asked to pay for endless extras when you go to pick it up or you drop it off at the end of your holiday. We show you how to avoid these pitfalls.

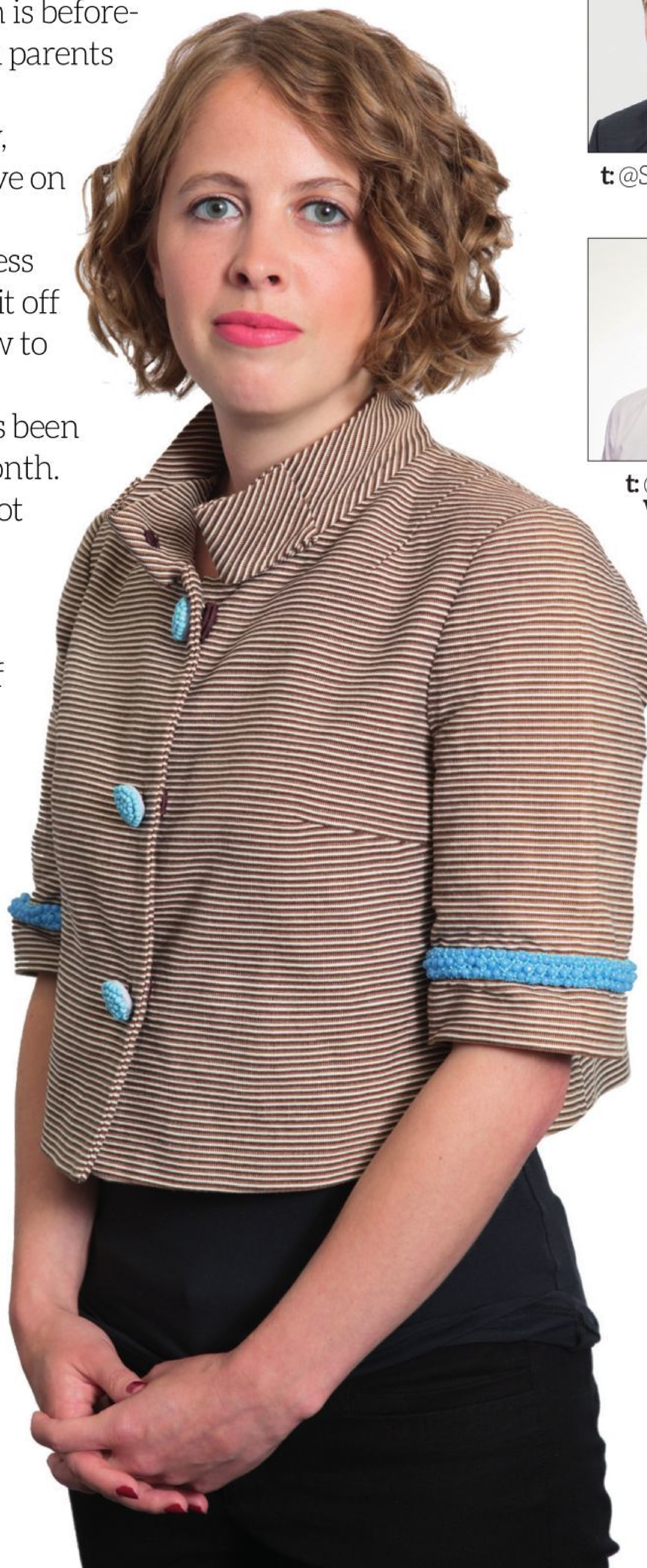
Our consumer champion, Simon Read, has been working hard to stand up for readers this month. Read on page 30 about the €648 refund he got for one reader and the £30,000 plus interest another reader had repaid by NatWest after they fell victim to a scammer.

This month, on page 27, our columnist Jeff Prestridge reveals why at different times in his life he's had the nicknames Ginger Jeff, J Squared, and these days – Divi Jeff.

And see page 26 for a chance to win a luxury spa break for two in Scotland.

As always, we love to hear your views, money-saving tips and what you'd like to read more about – so do stay in touch.

Rachel



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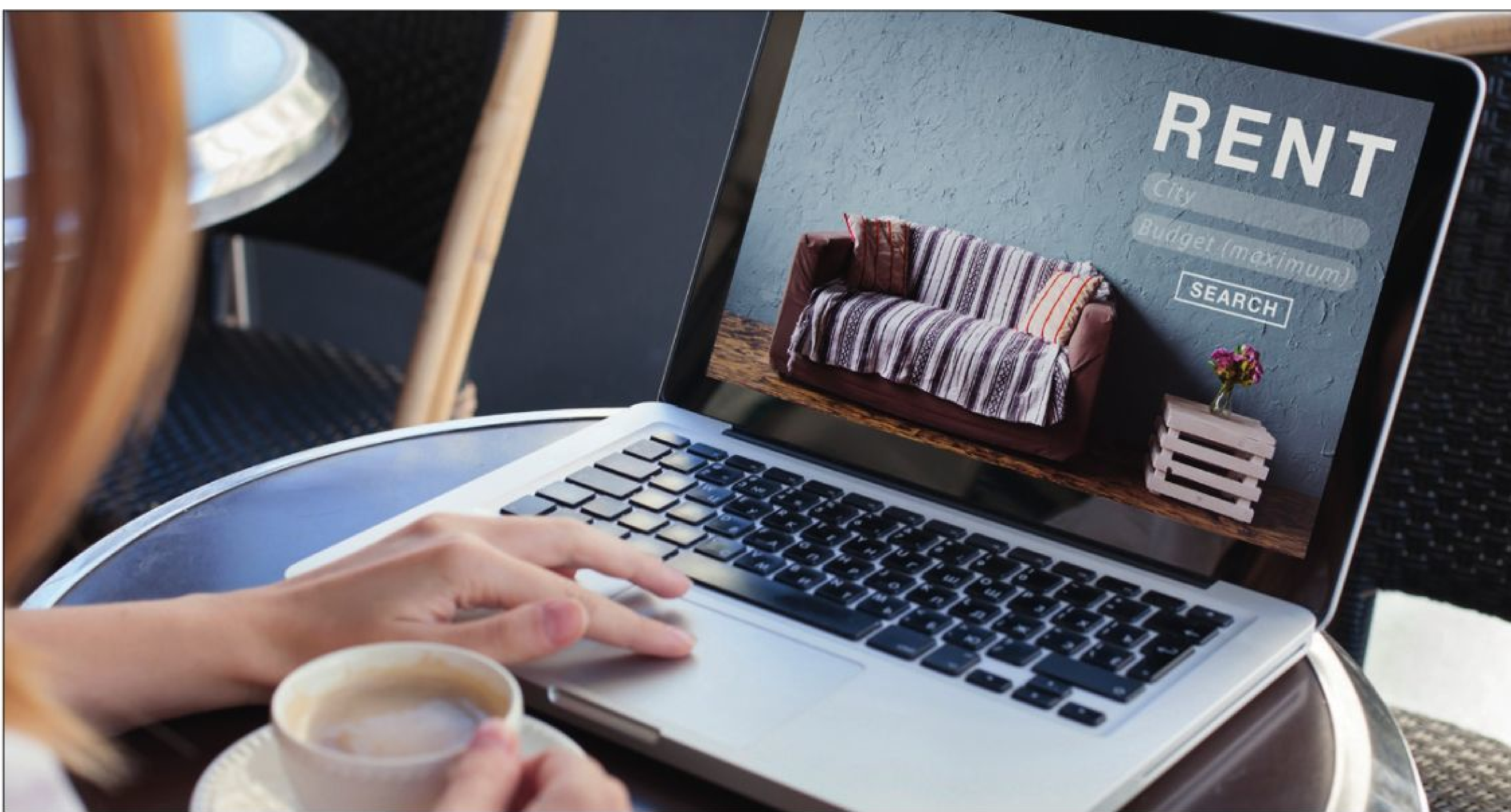

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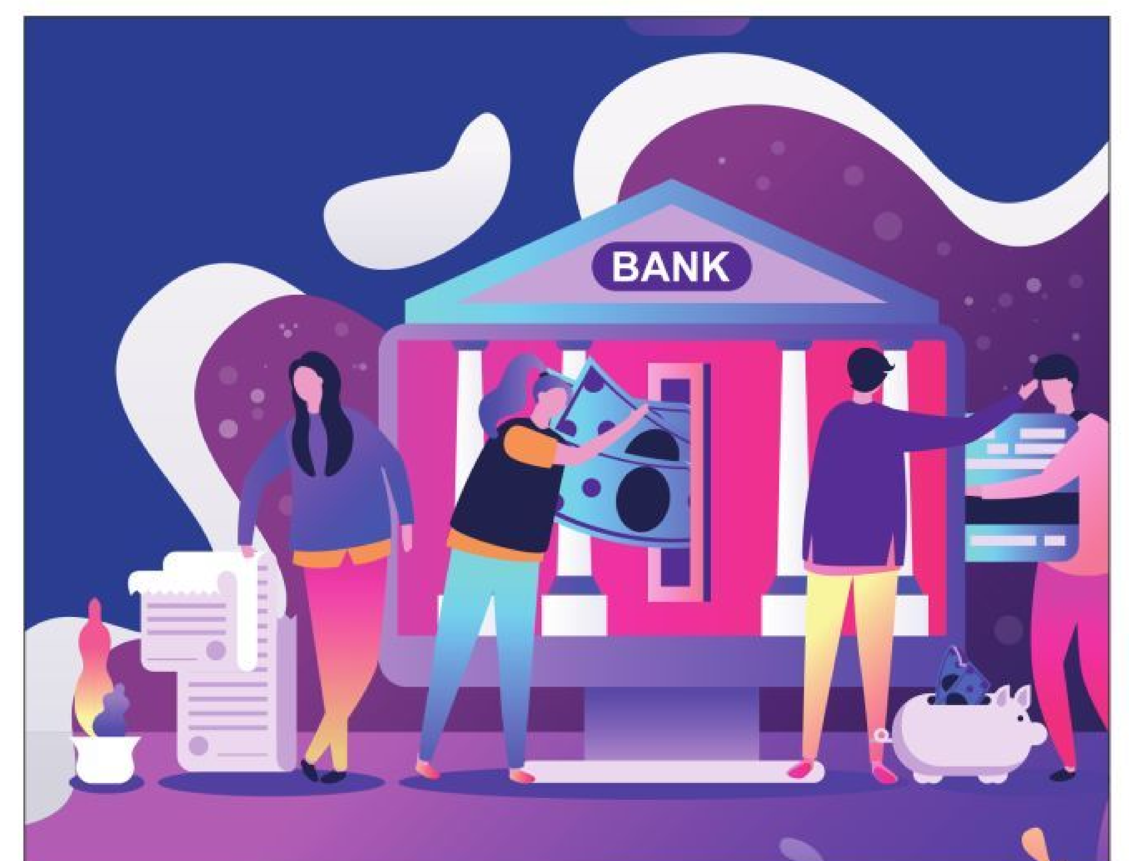

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IA Mixed Investment 40%–85% Shares Sector Average	10.6%	-2.9%	17.1%	1.5%	4.3%

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Just because you don't fancy skydiving or swimming with sharks, it doesn't mean you shouldn't take any risk with your money. We take a closer look at investment risk and explain why not taking any chances could be the riskiest strategy of all

ARE YOU READY TO TAKE A RISK?

BY RUTH JACKSON

When it comes to savings, we all wish we could get a better return. But, despite more than a decade of relentlessly low interest rates, most of us still keep our money in traditional savings accounts where it stagnates. One reason for this is the fear that we will lose money by doing anything more risky with it.

This is in part why Premium Bonds are the nation's most popular savings product – they are perceived to be risk-free. Your money is held by NS&I, which is government backed so it is 100% safe. But in return for that safety, you will receive no interest on your cash. Your only chance of a return is if you win something in a monthly prize draw – and your chances of winning big are slim. Someone holding £5,000 worth of Premium Bonds, for example, has a one in 656,303 chance of winning the £1 million jackpot every month.

The story isn't any better when you look at the rest of the cash savings market. Rates on most savings accounts don't beat inflation. For example, if someone put £1,000 into the average easy-access account paying 0.7% in June 2009, they would have ended up with £1,072 a decade later. However, after inflation is taken into account it has the buying power of £789 in 2019, according to analysis by Hargreaves Lansdown.

It is all very depressing for savers, but there is a solution. If you took some of your money out of cash savings and took on some investment risk, you could boost your returns considerably. Hargreaves Lansdown gives the example of an investor who put £1,000 in the L&G UK Index Tracker in June 2009. Over a decade, their £1,000 would have turned into £2,450, which after inflation has the

Risk

ASSESS YOUR RISK PROFILE

Here are three questions that will start to give you an idea of your risk profile:

How would your friends describe you?

A A risk taker
B Steady Eddie
C A cautious soul

How long are you investing for?

A The long term – I won't need this money for 20 years.
B The medium term – this money will be left untouched for 10 years.
C The short term – I want to use this cash in five years' time

What are you investing for?

A I don't need this money for anything specific.
B This money is my pension.
C I am investing for a specific goal such as a house or to pay for my child's university fees.

If you answered mostly As – You are comfortable taking risks and are investing for the long term. You may be happy to take more risk with your money in order to maximise the gains. Over the long term, your money will have more chance to recover from any short-term losses.

If you answered mostly Bs – You are happy to take some risk with your money in order to improve your returns. But you have a plan for the cash and can't afford to risk it all on anything too adventurous.

If you answered mostly Cs – You have a very low appetite for risk and aren't prepared to put your capital on the line in order to chase big returns. You also probably aren't investing your money for long enough for it to be able to recover from a big dip. You may be safer sticking to cash.

buying power of £1,803 in 2019.

So why aren't we all putting our money into the stock market rather than Premium Bonds or savings accounts? Fear of losing our money puts millions of us off investing. But take the time to understand what investment risk is, assess your own appetite for risk, and invest accordingly, and you could enjoy bigger returns without losing sleep.

What is investment risk?

"Investment risk is the probability that you will lose money if you buy a particular stock or fund," explains Emma Wall, head of investment analysis at Hargreaves Lansdown.

"Different investments have different risk profiles. For example, it is considered more likely that you may lose money investing in companies listed in China or Turkey, known as emerging markets, rather than UK or US companies. Smaller company investments are considered riskier than shares in larger companies, as smaller firms tend to be less established, with less scope to turn fortunes around if they hit bad times."

> "Decide your own personal risk appetite: do you have nerves of steel?"

To put this in real terms, investing in a big established British company, such as BT, carries less risk than buying shares in a Turkish start-up business because it is a lot less likely that BT will collapse.

"If you can understand what risk is really about in respect to investing and can identify your own attitude to risk, then you will be in a better place to create a portfolio that includes risk at a level that is appropriate for you and you are comfortable with," says Patrick Connolly, a certified financial planner at Chase de Vere.

In order to work out your attitude to risk, you will also need to consider what you are saving for and when you will need the money. The longer you have to save, for example, the more risk you should be able to take as you will have more time to recoup any short-term losses.

"Your personal risk appetite, your financial goals, and – most importantly – the deadline for these goals, should determine the type of investments in your portfolio," says Ms Wall.

"Are you the type of person who worries about uncertainty or do you have nerves of steel? Are you looking to buy a house in the next five years or saving for retirement in 2053?"

You can work out your risk profile using online tools such as Standard Life's Risk Assessment calculator or Fidelity's Risk Assessor to help you understand how your personal investment goals and your own personality will affect how much risk you should take with your capital.

"It is important to be honest when completing these questionnaires,"

says Ms Wall. "We all like to think of ourselves as spontaneous and carefree, but there is a big difference between your appetite for skiing off-piste versus taking risks with your wealth."

Once you understand your risk profile, you can invest accordingly. Some investment firms will offer you a managed portfolio that matches your risk level. For example, Nutmeg offers portfolios with differing risk levels from 'cautious', which invests mainly in bonds, through 'steady', 'balanced' and 'growth' to 'high', which is almost entirely in equities.

Alternatively, you can go it alone and build your own investment portfolio containing a selection of asset types – for example, fixed-interest investments such as corporate bonds, alongside equity-based funds to reflect your own goals and the level of risk you are prepared to take on.

"Skiing off-piste is very different to taking risks with your wealth"

This can be achieved by opening a Stocks and Shares Isa that has an online platform, such as AJ Bell or interactive investor (*Moneywise*'s parent company).

How to minimise risk

"Moira O'Neill, head of personal finance at interactive investor, says: "The key to reducing risk is to have a balanced, diversified fund or investment trust that spreads your risk around the world. F&C Investment Trust, which has been delivering returns to shareholders for over 150 years, is an example.

"Another way to spread risk is to consider a multi-asset fund, which spreads risk across not just different countries, but assets classes too. There are three Vanguard LifeStrategy funds that we like, with different equity-to-bond weightings, that can suit a variety of risk profiles."

These include:

• Vanguard LifeStrategy 20% Equity (for shorter-term goals of three to five years – lower risk, but lower expected returns over the long term)
• Vanguard LifeStrategy 60% Equity (medium- to longer-term goals of five-plus years – a level of risk over the medium to long term to achieve potential for growth)
• Vanguard LifeStrategy 80% Equity (longer-term goals of 10 plus years – a higher level of risk in the pursuit of higher expected gains)

She adds: "You may think of yourself as a high-risk personality, but this doesn't necessarily translate to being comfortable taking high risks with your money. But even investors who consider themselves high risk

can rethink their definitions when they are challenged.

"Truly understanding risk as a concept is simply a cornerstone of successful long-term investment management," says Tom Kieldsen, a financial adviser at Nutmeg. No single asset class can be relied upon to produce safe, reliable and consistent returns."

Even cash carries an inflation risk – if your interest rate isn't higher than the inflation rate, your money is shrinking in real terms. It also carries the risk that your money will not grow fast enough to achieve your goals.

The answer is to diversify your investments. By spreading your money across different investment types, geographic regions and companies, you can minimise the chance of one event putting a huge dent in your capital.

"A diversified portfolio – with an appropriate proportion of cash, equities, bonds, commodities and alternative asset classes for your goals and risk tolerance – is a better way to maintain and build wealth over the long term," adds Mr Kieldsen.

Reassess your risk

You also need to keep an eye on your investments and remember to reassess your risk from time to time.

"You should rebalance your investments regularly to ensure you don't end up taking too much or too little risk," says Mr Connolly. This involves reallocating your gains in your most profitable holdings to return to your original asset allocation.

This is also a good time to review your attitude to risk. Think about whether your investment objectives have changed and whether you are on track to achieve them.

If your risk profile has changed, adjust your portfolio accordingly. For example, as you draw closer to the date that you will need your money, it may make sense to lock in your gains by lowering the risk of your overall portfolio. Alternatively, if time is on your side, you may decide to increase your overall risk a little.

If you are not meeting your current investment goals, consider increasing the sum you are investing or change your time frame, as well as whether to move some of your portfolio into higher-risk investments.

Check whether your funds are keeping pace with others in the sector. If you find that they are consistently underperforming, you may want to switch.

Understand investment risk and you could build a portfolio that won't keep you awake at night. mw

"I am quite risk-averse by nature"

It was the risk of inflation eroding her savings that convinced Agnieszka Madurska, 30, (right) to start investing. As soon as she was earning enough in her career as a software engineer Agnieszka started saving.

"After some time, I noticed that most of the savings accounts offered interest rates below inflation. This meant that the money I was putting away was effectively losing value. This was a big problem as I was saving for a house. London house prices were rising quicker than I was able to save."

Agnieszka did her research and realised there were alternatives to keeping her money in the bank that offered bigger returns.

"I am well aware of investment risk and did my homework. I am quite risk-averse by nature, so I spend a lot of time researching before I ever invest in anything. I also do back-of-the envelope calculations to understand what the return might be in the best-case scenario, worst and on average."

By spreading her investments and diversifying her portfolio, Agnieska says that she is able to manage her risk.

"I invest in property, cash savings, managed portfolios, individual stocks and small start-ups. Typically, the higher the risk, the smaller the investment I make, to make sure I don't lose too big a proportion of my savings if anything goes wrong."

RUTH JACKSON is a personal finance writer for publications such as *The Times* and *MoneyWeek*, and website LoveMoney

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Is your old banger a future classic?

One of the most enjoyable ways to see your money grow is to combine investing with a hobby. Find out which of today's cars could be worth a mint tomorrow. And if you're not driving a future classic yet, read our expert buying tips

BY CHRIS MENON

A rusty 1936 Bentley, which had been locked away in a Stockport garage for 30 years, recently sold at auction for £450,250. While you're unlikely to have anything similar hidden away, you could potentially own a future classic car.

Alternatively, if you wish to buy a car that will actually appreciate in value you might like to consider buying a future classic.

But what attributes make a classic car and which models are likely to become future classics?

The Historic Automobile Group International (HAGI) has created the iconic HAGI Top Index, which tracks the 50 most investible cars in the world. These include cars such as Ferraris, Bugattis and even two Aston Martins. A left-hand-drive version of the DB5 — the car that first appeared in the James Bond film, *Goldfinger* — can trade at more than $1 million now, which is approximately six times what it sold for 10 years ago, for example.

Dietrich Hatlapa, the founder of HAGI, explalins what makes a car a classic.

"It is a combination of the following: rarity and type – a convertible or a race car is more likely to be collectible than a limousine – originality, documentation, provenance, technical condition and accessories," he says.

Of course, this index represents the absolute top end of the classic car market. Yet, with the index showing more than 12.5% annual growth over the long term, it provides an indication of how good an investment the higher-value segments of this market can be.

Graham Eason has been hiring out classic cars as a business for 12 years and also collects them (see box on page 16). He believes that what makes a classic car of the future is "heritage, rarity, desirability and innate capability".

Commenting on his list of future classics, he says: "The DB7 has the right badge, while the XJS is all of these things plus a car that is fundamentally very useable. The Golf is a part of many people's youth and, unlike later models, is very capable. Rarity comes into play at different stages – there were a lot of Golf GTIs and XJ6s, but very few remain in good and unmolested condition."

In terms of car marques, he argues that Jaguar is the undisputed 'gold' of classic cars.

“People reach a certain age, have money to spend and want a car they can enjoy – a convertible delivers that”

Modern classics? Aston Martin DB7 (above) and MK2 Golf GTI (below)

TOP 10 FUTURE CLASSICS

from Graham Eason at Escape Cars

- Aston Martin DB7
- Jaguar XJS V12
- Ford Focus ST170
- MG ZT V8
- MGF ZT V8
- Ford Mondeo ST200
- Alfa Romeo GTV V6
- MK2 Golf GTI
- Ford Mondeo ST200

“These are the cars people want to drive. MG is also popular for the same reason.

“Sports cars, particularly convertibles, are also strong contenders. People reach a certain age, have some money to spend and want a car they can enjoy. A convertible delivers that, hence why I think the MGF will eventually take off, like the MGB,” he adds.

For anyone thinking of buying a car in the hope that it will appreciate in value and become a future classic, Peter Gascoigne, a director at auctioneers Barons, has a word of advice: “A classic car is something that the original owner bought as a pleasure to drive, not as something to get from A to B.”

Asked to pick a car produced in the past 20 years that is likely to achieve classic status, Mr Gascoigne suggests the Peugeot 406 Coupe.

“You can buy them for a couple of grand, styled by Pininfarina in Italy; it has all the bells and whistles and drives really nicely,” he explains. “Unfortunately, it says Peugeot on the front. At the moment, it is going

HPI’S LIST OF FUTURE CLASSICS

Jeremy Yea, senior valuations editor at HPI, says: “With this selection of future classics we’ve identified 10 models that not only perform well but also represent excellent value for money, making them a hot prospect for motorists looking to gain a healthy return on their investment.”

- Range Rover Sport SVR
- Alfa Romeo Stelvio Speciale
- BMW 1M Coupe
- Honda CR-Z
- Ford Fiesta ST200 (16-17)
- BMW Alpina 5 Series 18
- Ferrari F430 coupe (05-10)
- Audi TT Coupe Quattro 3.2 V6 (99-06)
- Toyota IQ 1.33 VVTi (98)
- Volkswagen Phaeton W12

TOP 5 FUTURE CLASSICS

from Will Daniels, a consultant at auctioneers Brightwells

- BMW E31 series 840 and 850
- BMW M3 E46
- TVR Cerbera
- Renaultsport Clio 182 Cup
- Mercedes C43 from late 1990s

"'Fast Ford' is a relatively reliable future classic"

Graham Eason, who runs classic car-hire firm Classic Cars, bought a Ford Mondeo ST200 for £800 just over a year ago.

"I had several Mondeos in the 1990s as company cars – they followed a Sierra and were a total revelation. I've never forgotten just how good they are and always wanted to drive one again. That is really why I started looking at the ST200, not because I saw an investment opportunity," he reveals.

Nevertheless, he does believe it will be a future classic. "It is a 'Fast Ford' – all quick Fords go through a value curve because so many are made. This means that for a while they are common and therefore not valued" he says.

"Eventually most get scrapped, leaving a small number – and there is then increasing demand for that small pool of cars. In recent years, the Ford Capri, Sierra Cosworth, XR2 and XR3 all went from being sub-£1,000 cars to now being five figures and beyond. There are no guarantees, but a good Fast Ford is a relatively reliable future classic.

"I think it takes about 20 years for a Fast Ford to begin to appreciate – Capris were sub-£1,000 until 10 years ago. They began picking up in this decade, and now they are £10,000 or more for average condition," he adds.

In the meantime, he feels free to enjoy it but is careful with the mileage.

"It will need restoring over the next few years as its value increases, but for now I don't have to treat it with kid gloves. I also garage it and it is maintained in my own workshop."

almost for nothing but eventually someone will want one and will pay a lot of money for one, as they're very pretty and there will be none left."

Over at Brightwells auctioneers in Herefordshire, consultant Will Daniels explains that the company looks for a few key characteristics in a modern classic.

"Essentially, is it interesting? Is it a rare or high-power version, low mileage, with unique spec, colour or history? And do we think it might have legs for future growth in value and desirability," he asks.

Mr Daniels advises buyers to do their research and understand the difference between models because that is a crucial factor that makes one car more collectable than another and will also ensure buyers don't overpay.

He explains: "For example, a standard BMW 3-series is much less likely to become a modern classic than, say, the M3 version, or a 330Ci Clubsport, a rare higher performance version of the standard car, which was built in fewer numbers."

How to buy?

There are various ways to buy one of the future classics mentioned above. The safest way is probably to buy from a franchised dealer although that is also likely to be the most expensive.

If buying elsewhere, check the car out for issues, such as rust and mechanical problems, and ensure any paperwork proves that it is what it purports to be. Ideally, the car will have a full service history but failing that, some evidence that it has been well looked after, such as repair bills.

Buying privately is probably the cheapest way to own one as you won't pay dealer or auctioneer fees. That said, you will need to do more online research to find a bargain.

Mr Gascoigne argues there are bargains to be had at auctions but advises that you do take the time to check out any car before the auction begins: "You need to look at the car beforehand and decide if it is worth buying, as if you buy from auction there is no comeback."

If you don't have a friend who is a mechanic, the AA and RAC both offer pre-purchase inspections. Prices start from £128 at the AA, which will inspect vehicles up to eight years old. With an RAC basic inspection (from £99), the vehicle age limit is 10 years, while RAC's comprehensive (from £189) or advanced inspection (from £239) has no age limit.

While the services of a competent mechanic are useful, you will also need to ensure that you look after your car, regularly servicing it and taking care of the bodywork. Ideally, you would have a garage to keep it in, but it may be going too far to wrap it in blankets and hide it away without driving it.

As Mr Eason explains: "The advantage of an appreciating classic is that you have something you love and enjoy, which has the potential to pay you back at the end. You also have something that other people increasingly want and admire." mw

> "If you buy from auction, there is no going back"

CHRIS MENON is a freelance journalist and runs the Safestocks blog

Teachers who bring money lessons alive

When I first met the secondary school winner of our Personal Finance Teacher of the Year Awards 2019, I felt as if I knew her already.

After all, I'd read Helen Westwood's bar tab for her wedding, an only very slightly censored copy of her payslip, and the budget from her 2008 trip to New Zealand.

This is because Helen, who teaches financial studies at Caroline Chisholm School in Northampton, brings her lessons to life by sharing real-life examples and making them practical.

Last week, we invited Helen and seven other shortlisted teachers to a black-tie dinner in London, where the winners of the competition were revealed and big cheques given out, courtesy of *Moneywise*'s parent company interactive investor, which sponsored the awards.

It was a privilege to be able to recognise the teachers' hard work and ingenuity as well as raise the profile of great finance education.

Whether you spent your school years snogging behind the bike sheds or asking for extra homework, all of us will remember the feeling of knowing a teacher who was able to bring clarity, insight and humour to complicated subjects.

At *Moneywise* we believe that good money management lessons in schools is crucial and we champion those who are leading the way.

Teachers came from very different types of schools and from up and down the country.

But they shared one thing in common: an absolute dedication to teaching young people about money and finding innovative ways of bringing lessons to life.

Sian Bentley, the winner of the primary school category, has launched a currency at her school, called Purple Pounds. Older students there can look on the job vacancies board to find a role they are qualified for, apply for it and attend an interview, and if successful, do the job and get paid in Purple Pounds. They can save these in the bank for future treats or spend them in the Purple Pound Emporium.

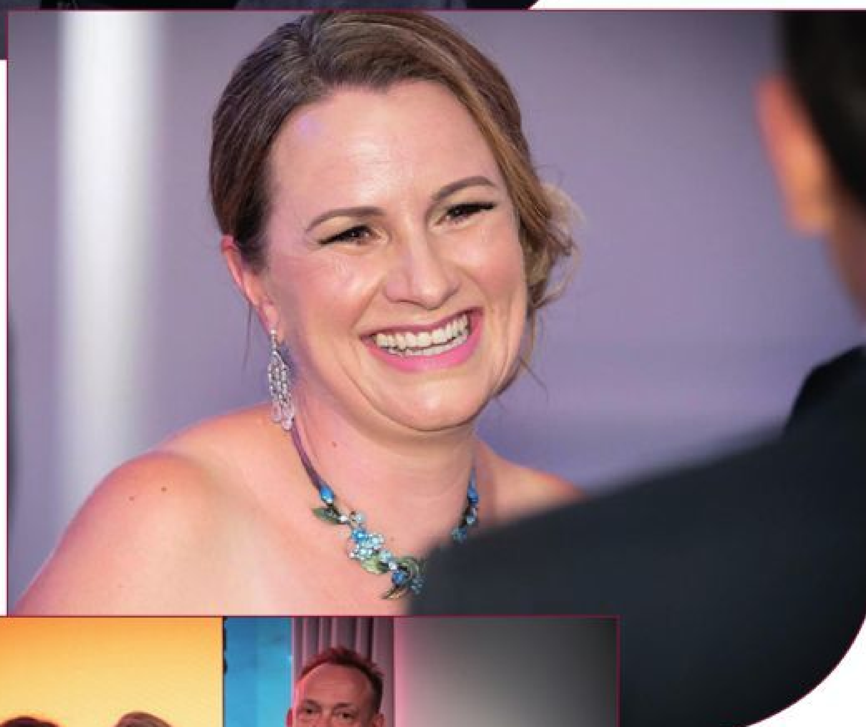
For example, an 11-year-old student could apply for a job as a Homework Club Support, helping younger children with their homework. The role takes up two lunchtimes a week and pays two Purple Pounds, which can be spent on things like pencil cases or a popcorn and film event at school.

How much more memorable doing it practically than simply learning the theory in the classroom of jobs, currencies, and working for your community.

The award applications we received show that similarly engaging and innovative lessons are happening in classrooms across the country.

The success of these teachers suggests that a large component of great money lessons is about bringing the subject to life.

In a classroom this may have to be simulated: case studies of homebuyers to learn about mortgages, an invented party to plan for to learn about budgeting.



But at home, it's just real life. For those wondering how to help children understand money, that can be a great place to start. It doesn't have to be about text books and theory, but instead comparing prices at the supermarket, or working out a good deal on currency for a summer holiday together.

From Top: Helen Westwood and Sian Bentley receive their awards from host Konnie Huq and chief executive of interactive investor, Richard Wilson

When I talk to people about the teachers who won our awards and their smart strategies to get kids thinking about money, the first thing most say is "I wish I'd learnt all these things at school".

It's mind-boggling to think how different our lives might be if we'd had a better understanding of money and attitude towards it from school age.

We may have made very different choices about debt, spending habits, investing and planning our money.

The work of these brilliant teachers is changing lives for decades to come. mw

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Thousands given wrong state pension forecasts

BY TOM BAILEY

Guy Opperman, the pensions minister, has been forced to admit that hundreds of thousands of people have received wrong state pension forecast figures.

Around 3% of 12 million state pension forecasts issued since 2016 are incorrect, according to the government pensions minister.

In a letter to Royal London's policy director Steve Webb, Mr Opperman admitted that there had been "significant" problems with incorrect state pension forecasts.

The government's faulty forecasts were communicated to 350,000 pensioners who, as a consequence, may have been planning their retirement using the wrong figures.

The issue first came to light following several reports in the press from members of the public claiming to have received incorrect or inconsistent forecasts.

Some of the forecasts were £1,500 higher than they had previously expected, causing confusion for those attempting to work out how much income they would have to live on in retirement.

When Mr Webb first flagged up the issue, the Department for Work and Pensions claimed that the faulty forecasts were isolated errors.

According to Mr Opperman, accuracy rates are improving, and the minister says more work will now be done to try to improve accuracy.

Commenting on the findings, Mr Webb says: "Now that the government is aware of the scale of the problem, it must put an urgent stop to the issuing of incorrect statements.

"Individuals need to have confidence that the information that they receive from the government is accurate and they should not have to live with the uncertainty."

Social care will take the lion's share of council tax revenue

BY STEPHEN LITTLE

Social care funding is likely to result in significant cuts to other services across the next 15 years unless the government acts, the Institute for Fiscal Studies (IFS) has warned.

The think tank says that with annual increases to council tax of 3%, rising costs and demands mean that adult social care could require 60% of local tax revenues within 15 years, up from 38% now.

The IFS says that without additional funding, this would mean cuts to other services, many of which have already seen cuts of more than 40%.

Even if council tax was increased by 4.7% every year (the average increase this year) adult social care could amount to 50% of local tax revenues, the report says.

The report warns that revenues coming from council tax and business are unlikely to keep pace with rising costs and demands.

David Phillips, associate director at the IFS, says that central government must either provide councils with additional revenues to meet demand or accept that a lower standard of services will be provided as a consequence.

He says: "Current plans for councils to rely on council tax and business rates for the vast bulk of their funding don't look compatible with our expectations of what councils should provide.

"A proper national debate on how much we are willing to pay and what we expect of councils is therefore needed." mw

"A proper national debate on social care funding and what we expect to pay is needed"

Watchdog imposes new rules on peer-to-peer investing

BY TOM BAILEY

Retail investors will be restricted to having just 10% of their investments in peer-to-peer (P2P) loans, following new rules by the Financial Conduct Authority (FCA).

Following a consultation, the City watchdog has introduced new rules intended to protect investors in P2P.

The most notable change is the FCA's new 10% limit on investments in P2P. Retail investors new to the sector will be allowed just 10% of their investible assets in P2P loans.

But this will not apply to those who have received financial advice.

Industry figures have argued that the cap would require customers to reveal information about their wealth, which would be "intrusive and offputting in an online context".

The FCA has also announced other measures to protect P2P investors, such as P2P providers being required to assess investors' understanding of P2P before they invest.

The regulator is also imposing new rules for marketing, requiring providers to clearly spell out potential risks involved.

Is it time up for cash?

BY EDMUND GREAVES

The use of cash in the UK declined by 16% in 2018, with more than five million people not using it at all.

Cash was used in less than one in three (28%) transactions in 2018, the latest figures from financial industry body UK Finance show.

The report, which looks at the spending habits and methods of the UK public, found that half of people (48%) now use mobile banking, up from just 41% in 2017.

The number of payments made online or by mobile grew from 1.6 billion to two billion.

Debit cards account for nearly 40% of all payments, while contactless payments have increased 31% year-on-year. Older card users are now fully adopting contactless, with three-fifths (61%) reporting that they now use the technology.

Extraordinarily, however, nearly one in 10 of us, around 5.4 million people, never use cash any more.

Stephen Jones, chief executive of UK Finance, comments: "The same pick 'n' mix approach that people now take when it comes to music, television or the news is expanding into payments, as consumers take advantage of new technologies in order to pay in a way that suits them.

"This rapid rate of technological change is set to continue over the coming decade, as people embrace the ever-widening number of ways to pay and manage their finances, depending on their needs and lifestyle."

The end of cash

The latest figures on the collapse of cash usage are eye-opening. With so many people turning away from the payment method, questions over its future are increasingly being asked.

After the Spring Statement in 2018, the Treasury suggested 1p and 2p coins might be phased out, and launched a consultation. However, cold water was quickly poured on the proposal and the government said the coins are here to stay.

Louis Lines, business consultant at Accounts and Legal, comments: "There is a lot of motivation behind making cash disappear and that comes from the top down through bodies like HMRC as it protects against financial oversight and provides a more accountable record of money moving through businesses.

"I think we'll see cash disappear incrementally through a few different sectors. For example, retail is likely to be cash-free quite quickly, and that's including restaurants.

> With so many people turning away from cash, questions about its future are being asked

"On the other hand, I'd imagine the transition to being cash-free in other sectors will be slower, particularly where there can be a business benefit to using cash – think used car sales and similar trades.

"Overall, I think the penetration of a cashless society will be higher in more urban areas and lower in rural areas due to differing levels of exposure to things like the technology used in cash-free transactions."

Access to cash, particularly in rural areas, is a growing problem. Changes to the availability of cash could possibly be forcing a cashless society upon the public, rather than it being a conscious decision to adopt new technologies.

A study from the consumer group Which? recently showed the number of free-to-use cash machines was plummeting – almost 1,700 gone in the first three months of 2019.

John Howells, chief executive of cash machine payments network provider LINK, says: "The sharp drop in cash usage of 16% a year means that it is vital now to reform how cash is distributed to maintain broad, free access for all consumers. LINK is determined to deliver this with the support of industry and regulators."

Bank branches, and the cash machine access that comes with them, are disappearing too, with banks becoming ever more reliant on provision of services through the Post Office.

A recent report from the Parliamentary Treasury Committee cautioned big banks against forcing customers to become reliant on these services, an effective taxpayer bailout.

Indeed, the Post Office network itself was recently the focus of a warning from the National Federation of Sub-postmasters, which pointed out that the network was underfunded and was under threat of collapse.

Mr Jones adds: "Technology is not for everyone and cash remains a payment method that is valued and preferred by many, so maintaining access to cash will be vital to ensure no customer is left behind." mw

Pupils learn how to be – or not to be – good at budgeting

BY RACHEL LACEY

A class of year-nine pupils at St James' Catholic High School in Colindale, north London, were last week shown that saving for a rainy day doesn't have to be boring as part of an innovative personal finance workshop by the Shakespeare Schools Foundation to mark the start of My Money Week (10 to 16 June).

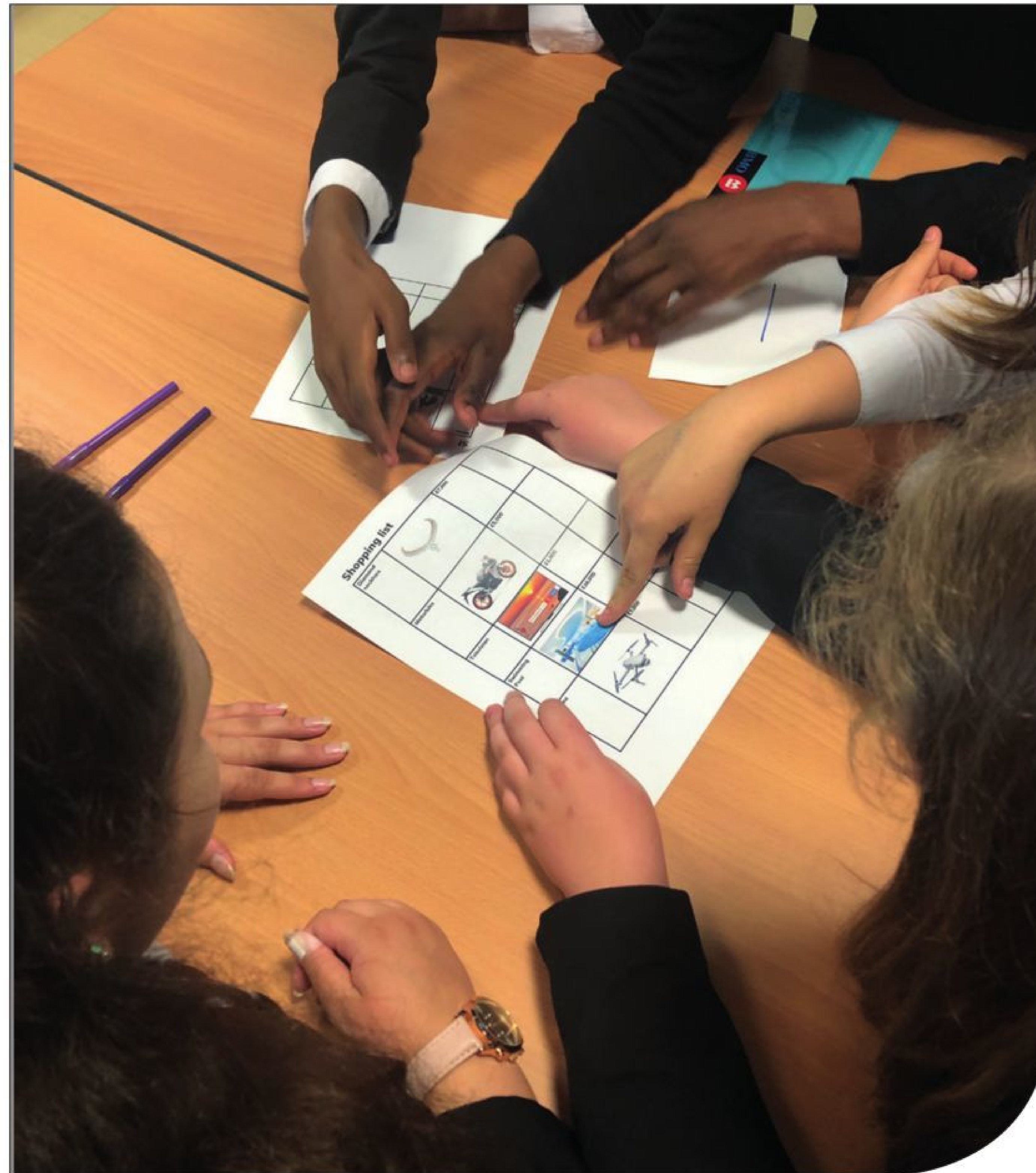
Usually charged with bringing William Shakespeare's works to life for schoolchildren, the charity's trainers were challenged to bring the same energy to personal finance education by asset manager BMO.

The session centred on a game where teams were given £20,000 to spend over a year. With this money, they were allowed to splurge on luxury items, from iPhones to designer trainers. A throw of a dice decided whether certain life events, from home repairs to weddings and last-minute holiday plans, would throw their budgets awry. One team learnt the hard way that if you spend all your money as soon as you get it, you'll end up in hot water when unexpected expenses come along.

The teams were also encouraged to save money and had to decide between the low, but guaranteed, returns of a cash account and the potentially higher returns of a stock market investment.

Those who put money in cash got a (relatively speaking) attractive 2%, but those who plumped to put some or all their spare readies in the stock market got to spin a wheel to determine their returns. Some came out with big gains, while others learnt that the value of their savings may fall and recognised that the best approach is often to spread their money to boost their overall returns.

At the start of the session the group had talked about the best places to keep their money, with many favouring keeping it at home for ready access. However, by the end of the session they had learnt that by failing to save their money in a designated savings account that pays interest, they were effectively turning down free money.



Jenny Whelan, school chaplain and runner-up in last year's *Moneywise* Personal Finance Teacher of the Year Awards, says that they had a brilliant afternoon.

"Students were introduced to both Cash and Stocks and Shares Isas as a tax-efficient way of saving, and the associated risks with investing in the stock market," she explains.

"Students also looked at the consequences of buying large purchases, thus having no back-up savings. The Shakespeare Schools Foundation simulated possible expenditure such as a car breaking down and the problems associated with not having money stored away for a rainy day.

"This was a real eye-opener for some students, as many spend everything that they earn each week."

'It was good fun learning about money saving'

The session was a hit with the students too, some of whom had never heard of Isas.

Janina, one of the students who took part in the workshop, says: "I thought they made it really good fun, helping us learn more about money saving. I also learnt that there were other accounts that I haven't even heard about. It made me want to find out more."

My Money Week is an initiative by financial education charity Young Enterprise to encourage primary and secondary schools to teach children about personal finance. It provides them with the necessary resources, including videos and ready-to-teach lesson plans.

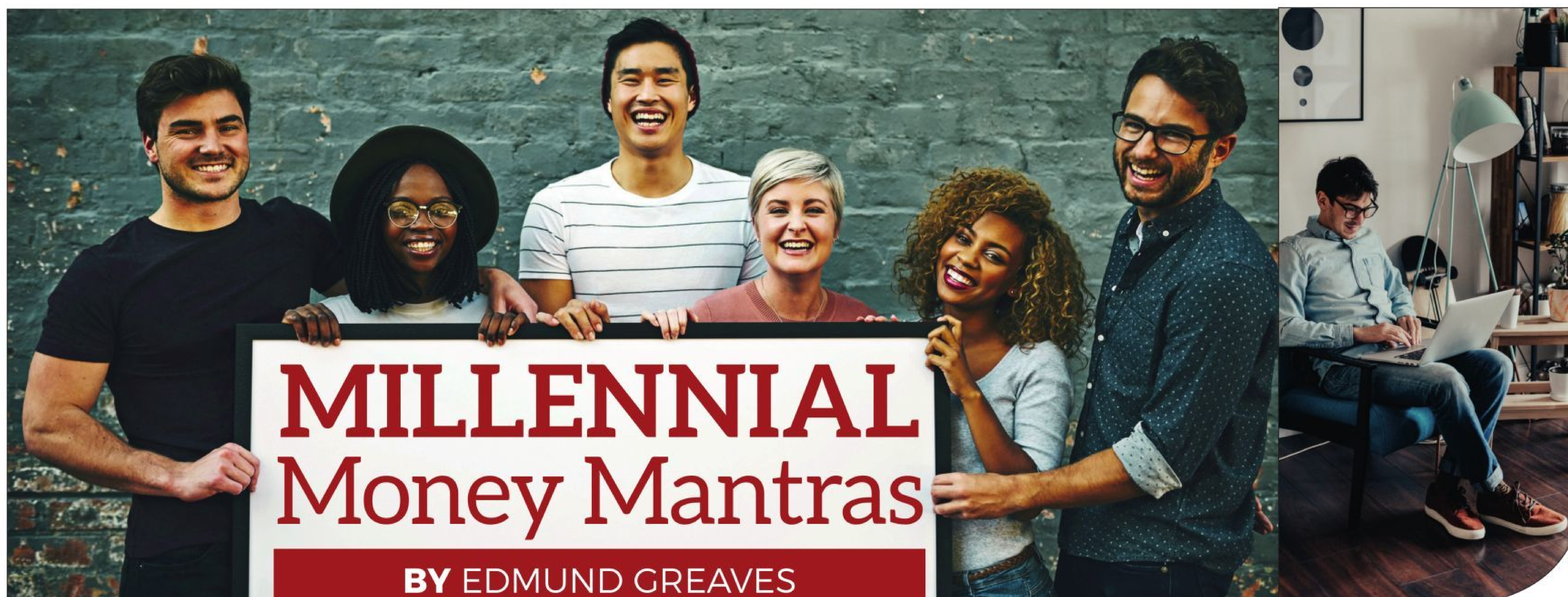
This year, primary school pupils will focus on attitudes to spending and saving, while secondary school students are encouraged to think about borrowing, peer pressure and getting value for money.

Research from BMO suggests that among 16- to 21-year-olds, nine out of 10 want more help with their personal finances. What is more, over a third say they would be encouraged to save money if they could be taught how to do so at school.

Half wanted help knowing where to invest money, while 47% wanted to learn about different saving methods. Just under 40% wanted to know more about buying and selling property; 34% said they needed help understanding financial jargon; and 22% wanted to know how to get out of debt.

This was certainly the view of Kofi, another of the students at the school. He thinks that it is really important that teenagers learn about personal finance.

"We are going to be adults soon and we need to know how to manage our money," he says. mw



Edmund Greaves embraces the idea of working four days a week

A four-day week could be more productive than five

The way we work is changing fast. The quicker we embrace it, the happier we'll be.

Work time, as my father considers it, is a very political issue. Once upon a time it conjured images of the EU 48-hour working time directive, and reminders from France that they worked half as hard as us and achieved just as much.

But during the few years that I've lived in London and participated in its great unholy rat race, the more I've noticed a shift.

More of my friends work 'flexibly', and more (*Moneywise* included) have moved into so-called flexible co-working spaces such as WeWork.

My housemate, for instance, works for a major insurance firm in the City of London. He works from home one day a week. It actually has nothing to do with his work/life balance, but more to do with the firm's office. The company only has seats for about 80% of its employees. This, I am told, is common among major banks too.

It is largely a cost-saving measure on the firm's part, but if my housemate is capable of doing his job from our sofa on his laptop, with *Good Morning Britain* in the background, then great!

Although truth be told I wonder how much work actually gets done. A cursory search on Amazon, and you'll find a tech product called a 'mouse jiggler'. This is a piece of USB tech designed to plug into your work laptop, so it stays continuously awake, giving the impression that you are doing something. Why else would such a product exist but to subvert your boss while working from home?

My housemate's story is a small piece of a bigger puzzle that Britain has an issue with today – that is, the 'productivity puzzle'.

Productivity has barely moved a jot since the financial crisis. It is measured as the amount of work produced per working hour. Simply put, we're not getting better at our jobs.

It is well known countries such as Germany and France produce in four days what takes us slovenly Brits five.

Recently, Brexit has shouldered some of the blame. Employment figures keep pushing higher. This is supposedly because it is cheaper (and less risky during periods of uncertainty) for firms to hire more employees (who can then subsequently be discarded in a downturn) than it is to invest in new equipment, technology or training for existing employees.

This has a negative effect. Automated car washes have been around for a long time. But go to an out-of-town Tesco car park and you'll find a gang of lads offering hand car washes. While they've got work, which is great, it is also an inefficient use of their time compared to a machine that just needs occasional maintenance.

Politicians don't seem to have much of an idea of how to solve this either. But in fact, a small, left-leaning think tank called Autonomy came out with an eye-catching proposal recently – the four-day working week.

While it isn't official Labour Party policy (yet), it is backed by Shadow Chancellor John McDonnell. And one *Moneywise* columnist/deputy editor. And, according to jobsite Indeed, a staggering three-quarters of the public.

The report from Autonomy found that countries such as Norway, the Netherlands and Germany have the shortest working hours in Europe, and the highest levels of productivity.

The Indeed research found that 74% of workers believed they could do their jobs in four days instead of five. This rose to 79% among millennials.

"If most of us can do our jobs in four days instead of five, what do we do with the extra day off?"

So if the vast majority of us can do our jobs in four days instead of five (therefore theoretically leaving no loss of overall output), the question is: what do we all do with the extra day off?

This is the beauty of having an extra day – it gives people more freedom to do what they like with their lives.

I have friends who would love to set up side-hustle businesses alongside their full-time jobs. That might even help boost the economy.

I know people who would clamour for the extra day to look after their kids and save money on childcare. It would even help people save one-fifth of their commuting costs, and free up public transport. Even an extra day to pursue a hobby or sit on the sofa and do nothing. The choice is yours.

This idea is appreciably quite idealistic, and many will guffaw at the implications of more play time over work time. But to me it seems an idea with lots of small mercies attached to it.

An increase in flexible working culture is great up to a point, but there seems an element of "prisoner in your own home" about it. And I question how productive one can truly be.

After all, why else would such a thing as a 'mouse jiggler' exist? Let's all aim for four productive days at work instead of a five-day botch. mw

Boost your child's pension with this tax trick

BY STEPHEN LITTLE

Parents with spare cash can help boost their child's retirement prospects by putting money into their son or daughter's pension pot – even if they are adults.

This could be topped up by tax relief and also earn their child a tax refund if they are higher-rate taxpayers. It could even reduce the hit they face if they are a higher earner receiving child benefit.

Millions of younger workers have been newly enrolled into a workplace pension but are only making modest contributions. An additional contribution from a parent early in their working life, benefiting from compound interest, could help boost their retirement pot.

A little-known feature of the pensions system, however, is that a parental contribution is treated as if it had been made by the child.

Give £800 and it will be worth £1,000

This means that child immediately gets a 25% uplift on the contribution in the form of basic-rate tax relief.

So if a parent pays £800 into their child's personal pension, the recipient will get basic-rate tax relief on the contribution, taking the amount in the pot up to £1,000.

If the child is a higher-rate taxpayer, they can also claim higher rate relief on the contribution made by the parent through the annual tax return process.

Steve Webb, director of policy at Royal London, says: "It is a little-known fact that a parent who puts money into their child's pension could be doing them a favour three times over.

"First, the recipient will get a boost to their retirement pot, including tax relief at the basic rate.

"Second, recipients who are higher-rate taxpayers can claim higher-rate tax relief on their parents' contributions, which will increase their disposable income.

"And third, recipients affected by the high-income child benefit charge can see this penalty reduced because of their parents' generosity."

Ban on banks charging rip-off overdraft fees

BY STEPHEN LITTLE

Fixed fees for overdrafts will be banned under radical new plans unveiled by the financial watchdog.

The Financial Conduct Authority (FCA) says these changes will make overdrafts simpler, fairer, and easier to manage.

Banks and building societies will be banned from charging fixed fees for borrowing through an overdraft – calling an end to fixed daily or monthly charges, and fees for having an overdraft facility.

They will also stop banks and building societies from charging higher prices for unarranged overdrafts than for arranged overdrafts.

The FCA says it is introducing the reforms to fix a "dysfunctional overdraft market".

The new rules will come into force on 6 April 2020

Crackdown on funeral firms' 'shameful' selling tactics

BY STEPHEN LITTLE

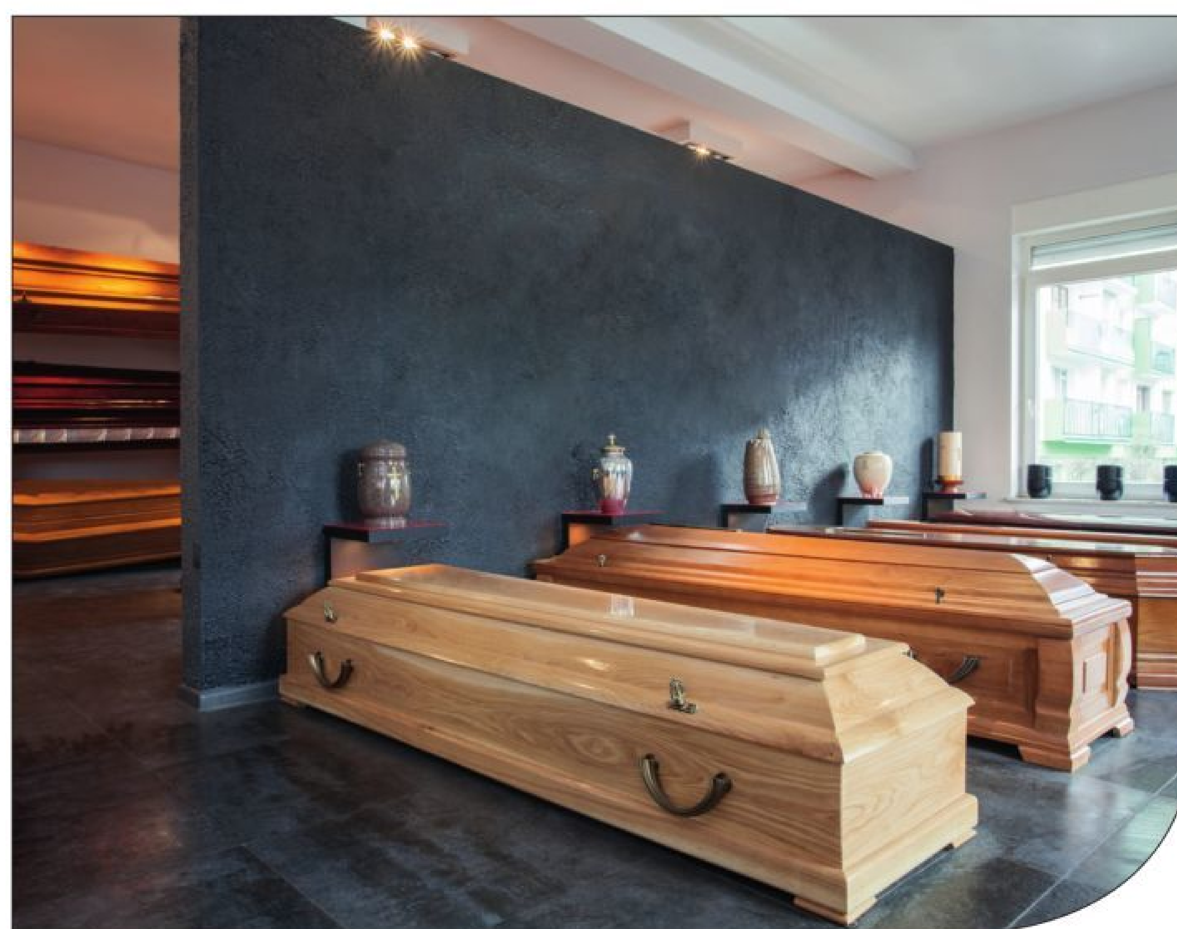
The government is cracking down on unscrupulous funeral-planning firms that use "shameful" tactics to pressure customers into buying pre-paid plans.

Under the proposed changes, funeral firms that mislead and use high-pressure sales methods could face fines and criminal charges.

The regulation of the sector will now be overseen by the Financial Conduct Authority (FCA), which will design a new framework of regulation to ensure that providers are clear and fair in their treatment of customers.

This will also offer people access to the Financial Ombudsman Service, giving consumers more protection.

The move comes after a call for evidence last year showed widespread concerns over the conduct of funeral plan providers, with some employing high pressure and misleading sales tactics in order to get customers to sign up to plans.



Firms that mislead could face criminal charges

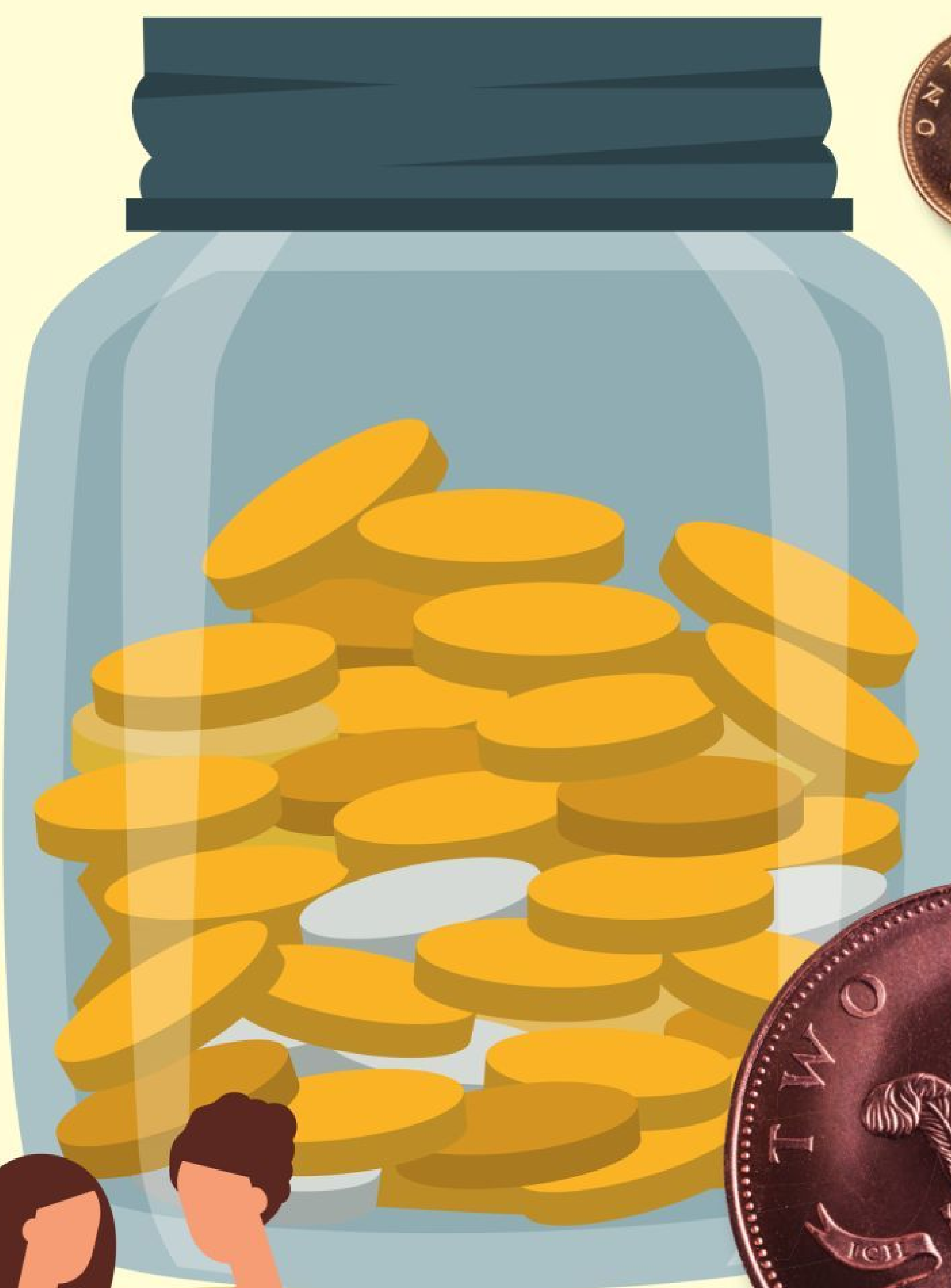
City minister John Glen MP says: "Planning for your funeral can be a difficult experience, but one that many of us will need to go through at some point in our lives.

"It's shameful that there are those out there who look to prey on people when they are in this often emotional and vulnerable state.

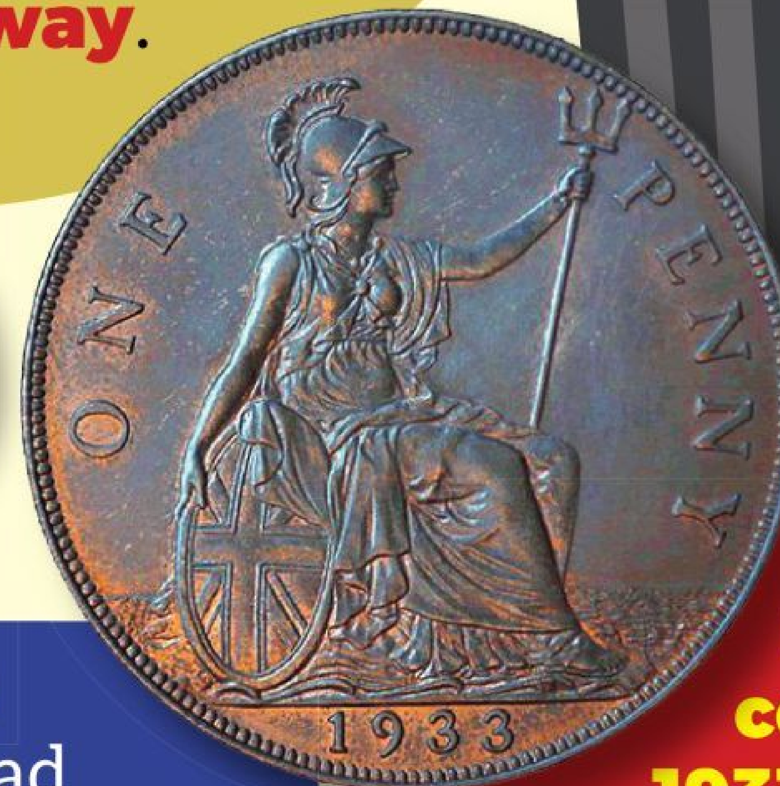
"That's why I've taken the decision to regulate pre-paid funeral plans, so people can have more confidence in the products they're being offered and peace of mind that their affairs will be handled correctly." mw

WHAT DO YOU KNOW ABOUT THE PENNIES IN YOUR POCKET?

The Royal Mint has to produce 500 million 1p and 2p coins every year just to replace the coins that disappear from circulation every year. But in the era of digital transactions do we really still need all these bits of metal?



In the normal course of the cash cycle, many coins fall out of circulation altogether, kept at home in savings jars. Surveys suggest that **3 in 5 1p and 2p coins** are used in a transaction once before they leave the cash cycle – stockpiled in piggy banks or, in **8%** of cases, **thrown away**.



Over half of all consumers who relied predominantly on cash during 2016 had total household incomes of less than **£15,000 a year**. Whilst reliance on cash is far more aikely to be determined by household income than any other demographic, it also varies with age, with only **2% of those aged 55-64** rarely using cash, compared to **11% of those aged 25-34**

One of the **rarest British coins** is the **1933 penny**. There was no demand to strike British pennies in 1933 as there were plenty already in circulation. However, due to a tradition to bury coins in the foundation stones of important new buildings, three were struck for buildings erected that year. The Royal Mint Museum and The British Museum were also given coins to keep. It is estimated that **no more than six or seven were struck in total!**

RARE

The London 2012 Aquatics 50p coin you may have seen features a swimmer in cap and goggles gliding through the water. The water passes above and beneath the athlete's head, leaving the Olympian's face clear. However, this is not the only version of the design. A small amount of coins were issued which show waves of water passing directly over the swimmer's face as in the image above. The withdrawal of these coins makes them the rarest of the London 2012 50p pieces.

COMMON

Source: The Royal Mint, 2019

Bank of Mum and Dad expands its lending portfolio

BY RACHEL LACEY

Young adults aren't just turning to their parents for help with buying their first home, they are also calling on them for help setting up businesses.

More than one in 10 entrepreneurs over the past year have asked their parents or other family members to help fund their start-up, according to new research from Worldpay.

The research reveals that under-35s are also more than twice as likely than older generations to ask family members for financial support.

Government figures show that since 2001, the number of self-employed young people has doubled, while separate research from F&C Investment Trust claims that 30% of millennials aspire to run their own business.

Over a third of the respondents in the Worldpay survey say that they believe starting a business is a better investment than going to university – a figure that rises to 43% among millennials.

Jack Button is one such young entrepreneur. He runs a café called Jack's Jetty Snacks located in Norfolk.

"I've always had an entrepreneurial drive, so for me, setting up a business made more sense than going to university.

"Instead, I worked to build multiple sources of income, ranging from an office job to renovating a flat, and moved in with my parents to save money," he says. "This hard work meant that I had the funds to start my business. My parents and family were a huge part of this, helping me to decorate the café, serve customers, and lend a helping hand where needed – not to mention putting me up when I was saving.

"Having the support of my parents and family has been a major factor in the success of my business."

WARNING
SCAM WATCH

Scammers will find it harder to use fake tax helplines

BY STEVEN LITTLE

HMRC has introduced new controls to stop fraudsters spoofing the tax authority's most recognisable helpline numbers.

There has been an increase in fraudsters mimicking legitimate HMRC helpline numbers to dupe people of their cash, with more than 100,000 phone scams reported in the past year.

Taxpayers have been receiving calls from fake HMRC numbers that appear to be genuine after being checked online.

HMRC says that it has reduced the number of phone scams spoofing genuine inbound numbers "to zero" since the controls were introduced in April of this year.

HMRC will only ever call you asking for payment on a debt that you are already aware of, either having received a letter about it, or after you have told them you owe some tax, for example through a self-assessment return.

If you are in doubt about who you are speaking to, check the number and end the call. You can contact HMRC using one of the helpline numbers or online services available from Gov.uk.

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

The scam

Fraudsters have been cloning phone numbers used by HMRC so that it appears as if the phone calls are genuine.

They claim to be from HMRC and say that an arrest warrant has been made because of unpaid taxes or outstanding debts.

The automated message asks people to press a button on their phone to speak to someone, warning that if they don't they could face serious legal consequences.

As well as cold calling, fraudsters also leave voicemails and use text messages asking victims to call back on the number provided.

When victims do call back, they are told that there is a case being built against them for an outstanding debt and they must pay immediately.

What you can do to guard against the fraudsters

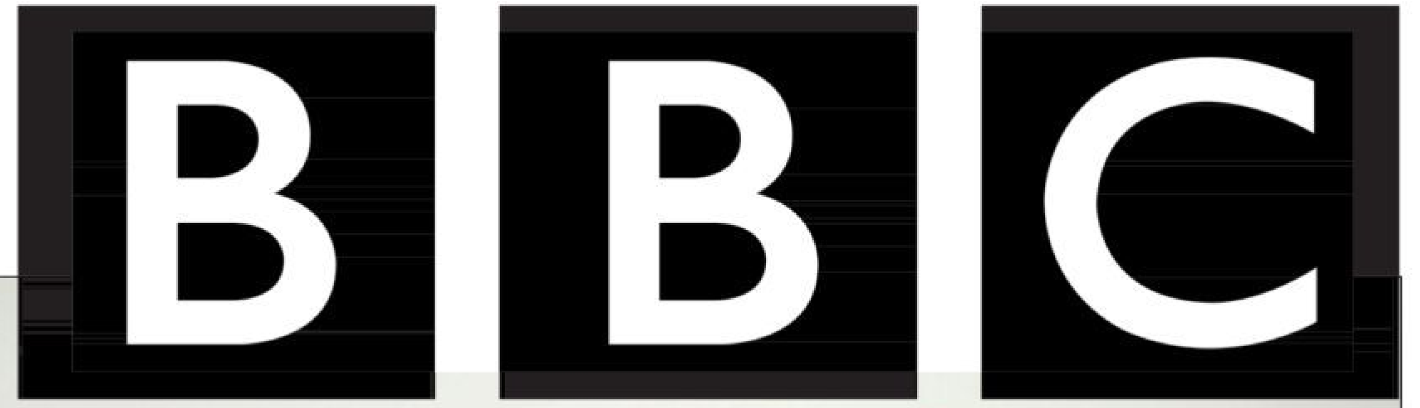
1. Recognise the signs – Genuine organisations, such as banks and HMRC, will never contact you out of the blue to ask for your PIN, password or bank details.

2. Stay safe – Do not give out private information, reply to text messages, download attachments or click on links in emails you weren't expecting.

3. Take action – forward suspicious emails claiming to be from HMRC to phishing@hmrc.gsi.gov.uk and texts to 60599, or contact Action Fraud on 0300 123 2040 to report any suspicious calls or use its online fraud reporting tool.

4. Check Gov.uk for information on how to avoid and report scams and recognise genuine HMRC contact. mw

BBC to scrap free TV licences for over-75s



BY EDMUND GREAVES

Some 3.7 million pensioners will have to stump up the annual fee from next year.

However, anyone over the age of 75 in receipt of pension credit will be able to continue to receive a free licence from June 2020. This new scheme will cost the BBC around £250 million by 2021/22.

The BBC says the current scheme is "untenable" and would have cost the corporation £745 million a year – equivalent to around one fifth of its budget.

The current licence fee costs £154.50 for a colour licence and £52 for a black and white licence.

The BBC says that up to 1.5 million households could still receive a free TV licence if the household has at least one over-75 person. However, only 900,000 households are currently in receipt of pension credit, so those who are eligible but don't receive it would need to apply before getting a free TV licence.

Over-75s will have to self-verify that they are in receipt of pension credit in order to qualify. The BBC says this method is "used widely by the public and private sector."

Those over-75s who become eligible to pay the licence fee will be given the option of a payment plan, which the BBC says will make it easier for them to meet the cost in future. The BBC will set out further details of this "shortly".

Steve Webb, director of policy at Royal London and former pensions minister, says means-testing the TV licence using the pension credit system will create a "cliff edge" for those earning just £1 more than the threshold.

"Limiting free TV licences to those on pension credit creates a cliff edge where those with incomes just £1 above benefit levels lose all help with their TV licence. Many of those who have worked hard and built up modest pensions but who are by no means well off will be hard hit," he says.

BBC director-general Tony Hall says: "This has not been an easy decision. While we know that pensioner incomes have improved since 2000, we also know that, for some, the TV licence is a lot of money. I believe we have reached the fairest judgement after weighing up all the different arguments. It would not be right simply to abolish all free licences."

The BBC says that the decision means its income will now rise in line with inflation and provide a "measure of protection" for its services.

But Mr Webb says: "Other options for reducing the cost of TV licences would have included increasing the age of eligibility to 80. This would have focused on a generally poorer group of pensioners and a group which spends more time at home watching television, but would have avoided some of the problems of a means-tested solution." mw

> "Those who are £1 above benefit levels will lose all help with their TV licence"

HOW TO CLAIM PENSION CREDIT

To claim pension credit, your weekly income must be less than £167.25 if you're single or £255.25 if you are a couple.

To qualify, you must live in England, Scotland or Wales.

You can claim any time after you reach state pension age, but your claim can only be backdated for three months.

When you apply, the government will look at all your income, including your additional state pension, other income from pensions, savings, income from jobs, and investments above £10,000.

The quickest way to apply for pension credit is to call the pension service on 0800 991234. Alternatively, you can check your eligibility online at Gov.uk/pension-credit.

You can use a paper application if you're unable to make a claim by phone.

When you claim, you will need:

- Your national insurance number;
- Information about your income, savings and investments; and
- Your bank account details.

WIN a luxury spa break for two in Scotland

ONE LUCKY READER and their guest can enjoy a two-night spa break in the Scottish Lowlands

HOW TO WIN Simply answer the following question:

THE MACDONALD INCHYRA HOTEL & SPA IS LOCATED CLOSE TO WHICH SCOTTISH FIRTH?

A) The Firth of Forth B) Moray Firth C) Cromarty Firth

For your chance to win, send your answer on the reader reply card at the front of the magazine to arrive by 31 July 2019 or enter your answer online at Moneywise.co.uk/competitions by the same date.

The winner and their guest will enjoy a two-night break at the four-star Macdonald Inchyra Hotel & Spa in Falkirk, from where they can explore the best of Scotland's lowlands.

The Macdonald Inchyra Hotel & Spa is an impressive traditional Scottish manor set in 44 acres of gardens. The hotel has an award-winning Scottish Steakhouse and a state-of-the-art spa and pool.

The winner and their guest can enjoy a two-night stay with breakfast on both days and dinner with a bottle of wine on one evening.

The Inchyra Hotel lies half way between Glasgow and Edinburgh.

The hotel sits near to the Forth of Firth and is a short drive from the spectacular Loch Lomond & The Trossachs National Park.

Edinburgh is a stone's throw away, where the winner and their guest can enjoy the elegant Georgian New Town or the cosy medieval Old Town at their leisure.

To the west is Glasgow, a hub of culture, museums and famed architecture.

A visit to The Kelpies in Falkirk is a must for anyone visiting the area and is perfect for people of all ages, while nearby Callendar House provides a stunning backdrop for a picnic and hosts regular tours throughout the peak months.

For more information about the hotel, please visit: **Macdonaldhotels.co.uk/inchyra** mw

TERMS & CONDITIONS: Two nights' accommodation in a deluxe twin or double bedroom based on two people sharing. Offer includes one bottle of wine and one dinner for two on the first evening and breakfast on both mornings. The dates are subject to availability at the hotel. The prize must be redeemed by 31 December 2019. Entrants must be aged over 18. The prize is not transferable and cannot be exchanged for a cash value. The judge's decision is final. No correspondence will be entered into. Moneywise Publishing Limited shall pass information on the winner to Macdonald Inchyra Hotel. We may also wish to tell entrants about other products and services.

COLUMNIST JEFF PRESTRIDGE

I'm called 'Divi Jeff' for a very good reason

There was a time when my friends used to call me either Ginger Jeff – on account of my extraordinary hair colour – or J Squared because of my initials (Jeffrey John, for those who are interested).

But age has turned the hair more akin to strawberry blond, rendering Ginger redundant and Strawberry Blond technically correct, but a little inappropriate.

On the J Squared front, nobody has called me it for more than 40 years, since my rugby coach (a bellicose and fearsome Welshman called Hamilton Jones) used to scream at me during matches: 'J Squared. Get down that wing. Now!' Invariably, much to Hamilton Jones's displeasure, I would respond by instantly dropping the ball.

Yet with creeping age, I have assumed a new title. Among friends, I am now referred to as 'Divi Jeff' in light of my predilection to rant and rave about the personal finance case for dividends, the income that many stock market-listed companies – the likes of AstraZeneca, BP and HSBC – pay shareholders for supporting them.

Whether it's at a dinner party I am hosting, a barbecue I am cooking for friends, or just a quiet drink down at the local hostelry with mates, I just can't help myself. Dividends always come into the conversation, even if all the chat prior to my 'divi' intervention has been about other more pressing issues – for example, the hiatus at the top of the Conservative Party, Aston Villa's deserved promotion to the Premier League, or a discussion about the latest book we are all reading (Jane Harper's quite brilliant *The Lost Man*).

"Divi Jeff, give it a rest," they urge. Sometimes I relent, sometimes I carry on like a force of nature (by coincidence, *Force of Nature* is the title of Jane Harper's second book, her first being *The Dry*). Divis, divis, divis.

My love of the dividend as part of managing wealth is long standing

My love of the dividend as part of good wealth management is long-standing. But in the past 10 or so years, I think the dividend has become even more mainstream. It's a personal finance tool that many people, young and old, are now using almost as a matter of routine. Either to help build wealth in the case of the young – through its automatic reinvestment – or to supplement the income of those in part or full retirement mode.

The case for dividends has been made stronger by the low interest rate economy that has prevailed since the dreadful days of 2007 and 2008, when financial chaos was the order of the day. Although base rate, at 0.75%, is higher than it was (0.25% in the wake of the vote to leave the European Union in June 2016), savings rates remain pitifully low. If you have savings with a mainstream bank, you will be lucky to earn more than 0.2% or 0.3% interest a year on your money – a return that's far less than the prevailing rate of inflation that continues to hover obstinately above 2%. In other words, your savings are slowly but surely being eroded by inflation.

By way of contrast, dividends from companies listed on the UK stock market are on average providing shareholders with annual income in excess of 4% – with the possibility of income growth in the future.

Of course, there are risks involved. In pursuing dividends, you expose your wealth's value to the gyrations of the stock market, so you need to be prepared to invest long term (10 years and more).

There is also no guarantee that the annual income of 4% plus currently available from the UK stock market will be maintained in the near future. Dividends can only be paid by companies if they are profitable and are generating sufficient cash from their operations. As we all know from the news, the outlook for the UK economy and wider world economy is uncertain at best.

And companies do, from time to time, cut their dividend payments, even ones such as Vodafone that have previously been known for being shareholder friendly. It reduced its dividend for its financial year just gone by some 40% – this is after a two-decade streak of rising payments.

If you are happy to accept these risks, the best way to tap into this divi story is through an equity income investment fund or investment trust that has exposure to a portfolio of dividend-friendly companies. If you don't want to take the income immediately, you can arrange for it to be reinvested instead – buying you yet more funds or trusts.

interactive investor, the parent company of *Moneywise*, has put together some model portfolios of income funds ('active' income and 'low-cost' income), details of which you can find at: ii.co.uk/model-portfolios.

The Association of Investment Companies also has a wealth of information on income investing at: theaic.co.uk. This includes trusts with long-term dividend records, in some instances going back more than 50 years.

Move over Ginger. 'Divi Jeff' forever. mw

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

YOUR SHOUT

We have to make up for care fees shortfall

I have just read your article on long-term care (June 2019) and would like to point out one aspect of paying for care that I have never seen covered in any article.

My mother went into long-term care almost a year ago. As her assets were below £23,250 she was eligible for care funding by her local authority. However, the cheapest care home place available at the time was £650 a week and the maximum funding by the local authority was £100 less than this. This shortfall must be made up by a third party – in other words, a family member.

In addition, although my mother's total assets are below £23,250, they are also considered in terms of what she pays the authority to reduce its contribution. All her monthly income (state pension and very modest private pension) goes to the local authority as well as an additional £30 a week from her savings, meaning that her savings will be eroded over time.

I think it is important that all the facts on long-term care funding are discussed, not just those that affect those lucky enough to have reasonable financial assets.

EB/VIA EMAIL

> "The facts on long-term care funding must be discussed"

Don't pay too much tax on flights for your kids

Many airline passengers may be unaware of the Air Passenger Duty (APD) that is charged on some tickets by some airlines. This tax is applied to some tickets even when the passenger is not liable to pay this tax – notably for 12- to 15-year-olds.

Some airlines still charge this tax, with passengers then having to claim it back after their flight. As with many tax refund processes, this is not always a simple claim to make successfully.

Airline passengers, especially those with family members between 12 and 15 years old, should always check whether APD has been deducted from the cost of flight tickets.

KL/VIA EMAIL

The digital banking revolution is here

Alongside Moneywise's feature on the usage of digital banking apps (p64-67), many readers have written in to us to express their views:

Most of the major banks have online apps (I am with Nationwide) and, so far, none of the online-only banks have offered any incentive for me to consider switching. Some of them look to be fairly basic and I would be concerned that they were not able to offer the full range of banking services online, as Nationwide and Smile both do (I have Smile as a secondary bank account).

CR/VIA COMMENTS

Blog of the month: Watch out for two common scams

BY MARK WHITE

The big banks have finally introduced a new code increasing customers' protection from authorised bank fraud, such as when customers are duped into making payment to a fraudster.

It remains to be seen how much protection the new code will give, but with only 20% of such losses being refunded last year, everybody still needs to be very careful.

Until we know how good the new protection is, it is more important than ever that we all stay wise to the latest frauds and scams doing the rounds and keep safe.

The fraudsters' favourite 'hook' recently has been refunds. Several of the well-known scams that always seem to be in circulation have reappeared in a slightly altered form promising refunds. Most of these refund emails have a standard format with the words "Claim your refund" or "Get your refund" very prominent in the email.

Of course, all the victim needs to do is to click on a link and enter their credit card details for an immediate refund, and at this stage victims have given their personal and financial details to fraudsters and are consequently very vulnerable.

The old giveaways of misspelling and bad grammar have almost disappeared as very convincing fake emails have been circulating purporting to be from TalkTalk, Eon, HMRC and TV Licensing, among others.

At Reassura, we have analysed a lot of the websites that you are taken to if you click on the suggested link. But please note, NEVER to do this as it is dangerous – many of these sites are riddled with malware that allows criminals access to your devices.

It's a common scam because the fraudsters know that everybody loves a refund and being given the chance to apply for an immediate one is very hard to pass up.

There has also been a continuous stream of social media posts, texts and emails promising free shopping vouchers, coffees and even iPhones just for completing a survey or filling in a form, which quite often involves asking for your passwords.

Suffice to say that regardless of whether it appears to come from Costa Coffee, Sainsbury's or Tesco, to just name a few that we have seen recently, these are fake and just another way to steal your personal information – so please avoid.

Golden rules

The golden rules to use to stay safe from such scams are as follows:

From who? Although this email looked as if it came from the HMRC or TalkTalk, etc, if you click on the address you can usually see it is from somewhere else

To whom? Unless the email addresses you by name, please ignore it. Most of these fake emails either avoid a personal greeting or use

WRITE TO US

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For all the latest news and updates from the Moneywise team, follow us on Twitter: @moneywiseonline

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The simple reason why app-based accounts have minimal appeal: such an account requires a smartphone.

The expectation that walking around with kit in your pocket often valued at more than £500 is a potty concept. I'm much more at ease with having something worth £3.50 in my pocket.

If I lose the phone (as I did two years ago), it's no great hassle. I don't need a computer in my pocket. If I'm out, I'm out, and I interact with the surroundings, and computer activity gets left at home where I want it.

RN/VIA COMMENTS

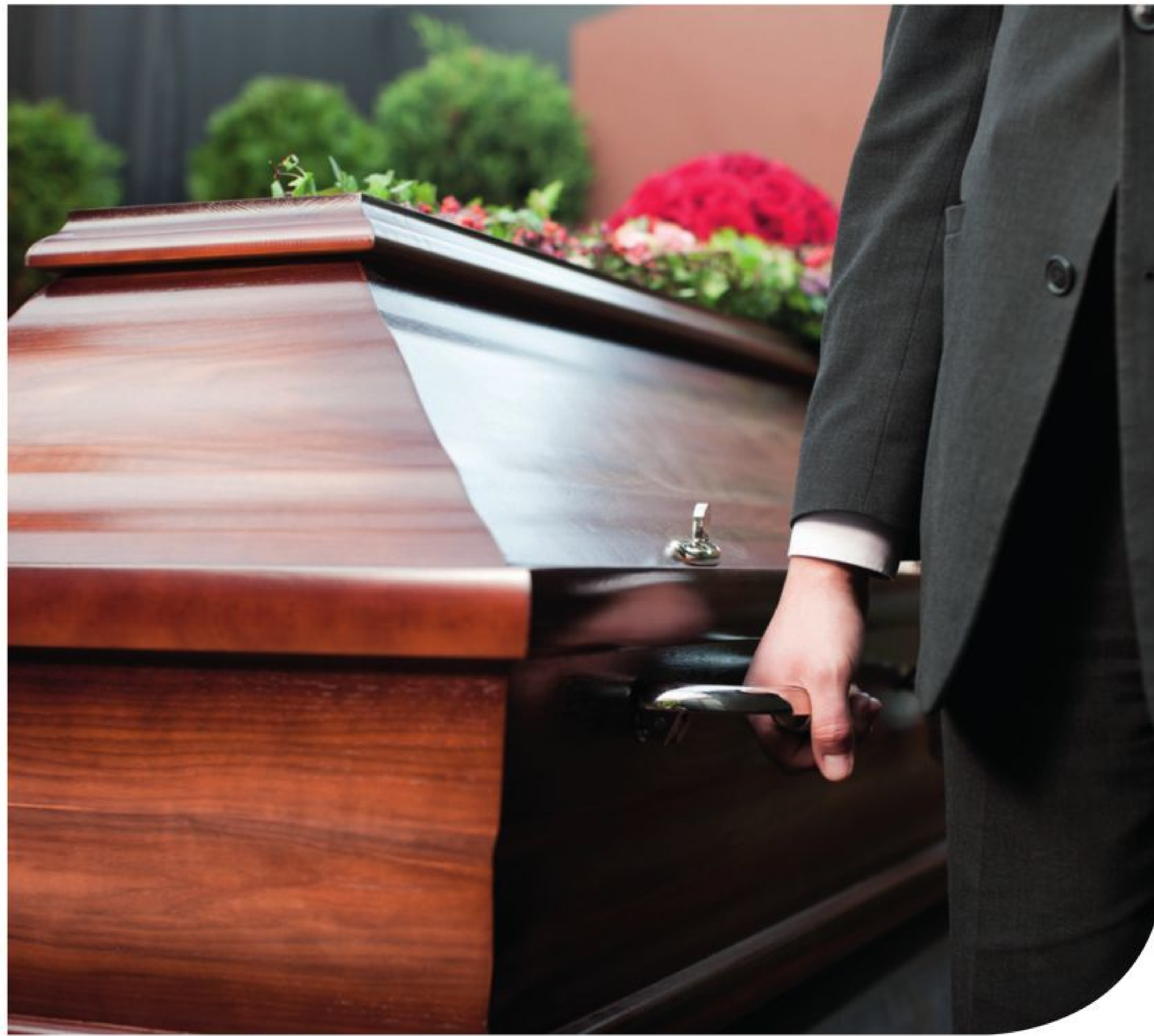
Funeral plans get the thumbs-down

At the beginning of June, the government launched a crackdown on funeral-planning firms that use 'shameful' selling tactics. Two readers applaud this:

I've told my mother not to take out one of these policies despite funeral-planning firms trying to worry her about whether her family would be able to afford it.

I and my brothers can certainly find the money if need be, so she shouldn't worry, and as I've pointed out to her we can get access to her estate (assuming there's anything left after potential care costs) without having to wait for probate to pay funeral expenses anyway.

RK/VIA COMMENTS



"I've told my mother not to take out a funeral plan"

In the afternoon, at a time when many pensioners are probably watching TV, it really annoys me being bombarded with constant messages telling me that it is nearing my time to die, and that I should get ready for it.

NI/VIA COMMENTS

20-second book review

Money Lessons: How to manage your finances to get the life you want

By Lisa Conway-Hughes. Penguin Life £12.99, paperback

Most of us have life ambitions. But to turn these dreams into plans and then into reality often requires a financial strategy to support them.

In this practical guide, financial adviser Lisa Conway-Hughes helps you to get savvy and plan for what you want at every stage of your life.

The book covers topics such as how to get out of debt, fund a big trip, finance a career move, pay for a mortgage and retire comfortably.

It may not only help you to overhaul your money management, but also enhance your wellbeing in the process.

To win one of 10 copies go to Moneywise.co.uk/competitions and enter your name and address by 31 July 2019.

"Dear Client" or "Customer" – this is a big red flag. It should be noted that due to some of the big data breaches over the past couple of years, some fake emails do include names these days and so we still need to be vigilant.

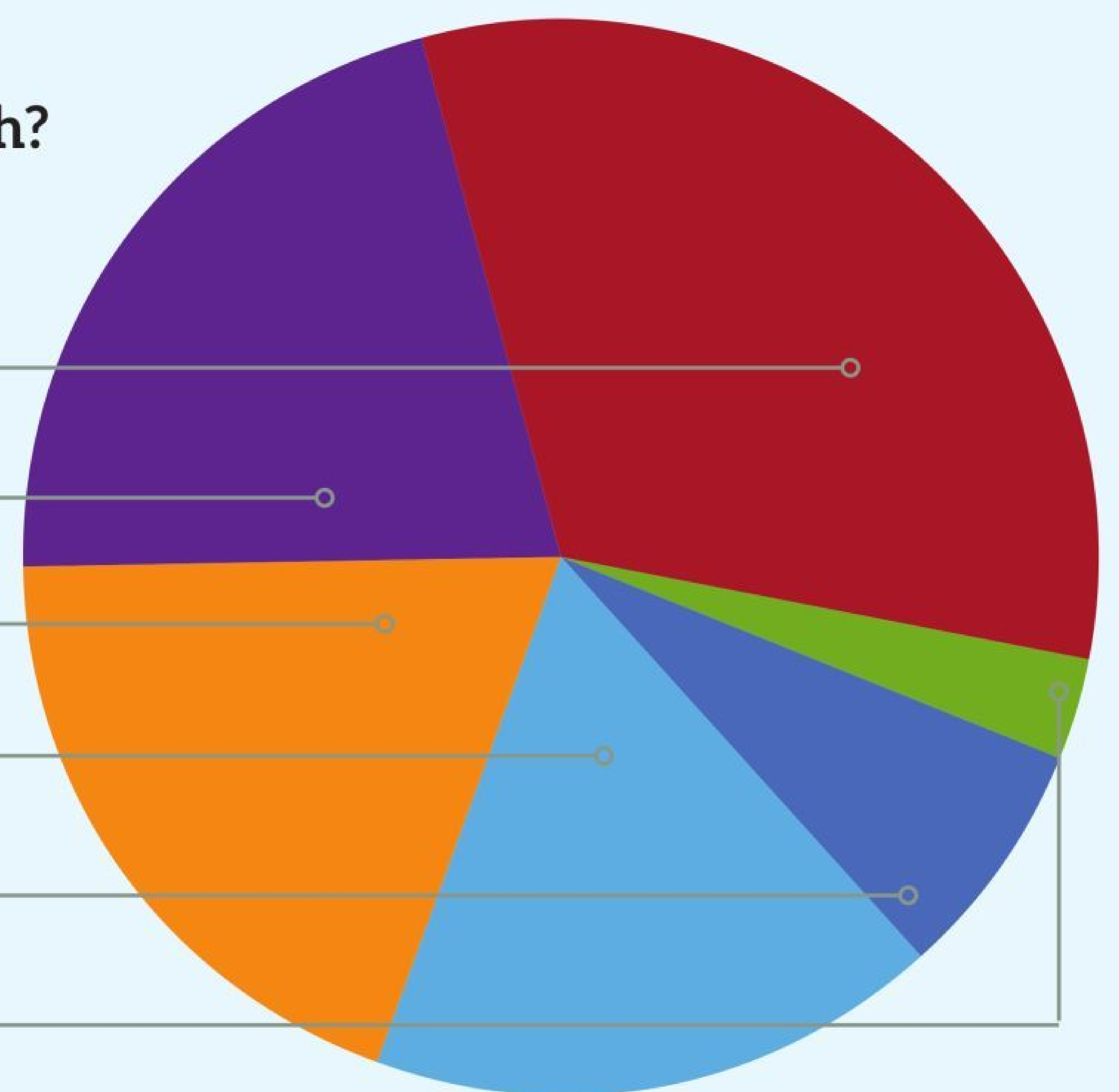
Don't click! Never click on any links or attachments. It is much safer to go separately to your HMRC, TalkTalk or other relevant account and see if there are any action items.

Call them to check: it may sound a bit old-fashioned but picking up the phone and calling a customer support number that you obtain independently is the right thing to do. The HMRC helpline is currently 0300 200 3300 – have your National Insurance number ready when you call; TalkTalk is 0345 172 0088; TV Licensing is 0300 790 6131; and Eon is 0345 052 0000.

Mark White is chief executive of scams prevention service Reassura

WEB POLL:

Have you lost your local bank branch?



Based on 1,493 votes between 27 May and 7 June 2019. Figures don't add up to 100% due to rounding.

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moneywise fights for

ARE YOU STRUGGLING to resolve a dispute with a company? We promise to do whatever it takes to get to the bottom of your problem. If you've been treated unfairly by a firm or are owed compensation for shoddy service, send your complaint to Moneywise's Fight for Your Rights and we will take up the fight for you.

Write to us (including your name, address and phone number) at: **Fightback, Moneywise Publishing, 8 Devonshire Square, Office O3W112, London EC2M 4PL.**

Or email us at **fightback@moneywise.co.uk.** Due to the high volume of emails Fight for your Rights receives, we cannot guarantee to answer every query personally.

"I'm upset with my favourite hotel over extra fee"

OUTCOME: Reader is refunded €648 fee

When a *Moneywise* reader booked to go to the Riu Arecas Hotel in Tenerife earlier this year, it was set to be an emotional trip.

VO of Leicester had spent several happy holidays there with her husband of 60 years, who sadly died last year.

It was to be her first holiday without him, so family members agreed to fly out to keep her company at different points during the three-week trip.

VO booked accommodation for two people and emailed the hotel with the names of the family members who would be joining her. The first week went well, but when her daughter tried to check in for the second week, she was told that she couldn't stay in the hotel because the booking was in the name of the first guest for the entire three weeks.

VO's daughter was only allowed to stay if VO paid another €648 (£577) for the booking, which was described by the hotel as a 'walk-in fee'.

VO's grandson told me: "We think this is unfair and the hotel is exploiting a vulnerable customer. All their guests at this time of year are elderly people.

"It's not about the money – it's more the principle. We've tried to complain, and it has offered points to use in the hotel in future, which is not helpful as she won't be going there again."

When I contacted the hotel, it responded: "We would like to point out that our guests are the most important to us.

"We strive every day to give them our best service. We can assure you that our hotel team always follows the established protocol, rules and company's regulations."

In other words, it didn't seem to think its staff had done anything wrong. This sort of attitude from big companies really angers me. Yes, it had not broken any rules, but it hadn't shown any customer care.

> While the hotel still defended its staff's actions, its stance softened

I told the firm: "I'm sure your hotel team followed established protocol, rules and regulations, but they showed no understanding and compassion for my reader's grief and situation.

"At the very least, I would have thought you would have wanted to refund the needless extra charges."

I then pointed out that I would warn *Moneywise* readers that the hotel chain appeared to be a company that puts profits before customer happiness, which is not a good look for a hospitality business.

That worked.

While the hotel still defended its staff's actions, its stance then softened. On the basis that there was "a misinterpretation or misunderstanding" by VO, the company said that it would refund the €648 reservation fee charge as a gesture of goodwill.

I'm glad that the hotel finally saw sense and I hope that it tries to be more understanding with loyal customers in the future.

Missing Next delivery means I can't get a mortgage

OUTCOME: Reader turns to the FOS in case against Next

I can't get a mortgage because I refused to pay for a Next order that never arrived.

I ordered £2,700 worth of clothes from Next in 2017. The parcel was apparently delivered and signed for by someone named Scott, but it never arrived at my home.

I have had a lot of rows with Next over the issue as I refused to pay for something that I didn't receive.

The case has been reopened twice but on both occasions Next has closed it saying I owe them the money and it will affect my credit rating if I don't pay it.

When I checked my Equifax account, I saw that the 'debt' is destroying my credit rating – despite me having agreed to pay £5 a month until I could get it sorted.

My husband and I want to buy our first property next year after saving up for our deposit, but Next has ruined our chances because of the hit to my credit file.

I'm distraught and have now made the decision to reopen this case. Why I just accepted the fact I had to pay it I will never know.

ZS/Nottingham

This is not a standard complaint about a lost delivery but something that has escalated to become a major problem for your hopes to buy your own home.

You highlighted inconsistencies with the statements that the delivery driver made, which back up your claims that the items were never delivered to you – but then you rashly agreed to repay the money that Next said you owed it at a fiver a month. While you did that in an effort to protect your credit rating, that action proved fruitless when you decided to stop making repayments to the company because you thought it was unfair.

But agreeing to repay the money in small instalments has hit your case against Next.

Effectively, Next has evidence that you were repaying a 'debt' – and now that you've stopped, that information has been added to your credit report as a black mark.

You told me: "Due to the situation, I have now been unable to get a mortgage with high street banks because of this on my credit file. It's had a huge impact."

Next told you to take your complaint to the Financial Ombudsman Service (FOS) if you were still unhappy with its response, and this is something you have done.

I contacted Next to see if we could sort things out but the company told me:

"The matter is now in the hands of the FOS, to which Next will make a written submission, robustly defending its position that the goods were delivered to the customer in April 2017.

"The company is therefore unable to comment further at this stage."

Therefore, I can only wish you all the best in your dealings with the Ombudsman and warn other readers not to enter into any financial agreements – such as agreeing to repay a disputed debt – without considering the impact on the rest of your finances.

If you're unsure of your rights, contact your local Citizens Advice for help. mw

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

CASE UPDATE:

More hope for bank fraud victims

Regular readers will recall the story of JS of Basingstoke who was tricked into transferring £30,000 out of his account to fraudsters. It was a sophisticated push-payment fraud, which started with a bogus phone call from a crook posing as a member of NatWest's fraud team.

The caller knew JS's address, his date of birth, his mother's maiden name and his wife's name, and warned that his account had been breached and he needed to take action.

It's no surprise to me that people fall victim to this alarming scam – however, NatWest seemed to believe that it was JS's fault for not taking necessary precautions.

Despite my appeals, it refused to help JS, so I advised him to take his case to the Financial Ombudsman Service.

He's just heard back and it's great news – the FOS forced the bank to play fair with JS and has refunded all his cash, plus 8% interest for the time it was out of his account, as well as handing him £300 compensation.

He's understandably chuffed at the result, and I hope it encourages NatWest to take a more reasonable approach to future victims of the scam.

It was one of the banks that has signed up to a new code of conduct that came into force at the end of May, which is designed to make it easier for victims to get their money back.

It doesn't mean that victims will automatically get their money back. But it does mean banks will have to prove that people who fall prey to the fraud acted carelessly.

For instance, if you ignore warnings when setting up a new payee, then the bank will accuse you of being 'careless' and won't repay your losses.

I suspect NatWest will be looking closely for evidence of carelessness!

OUTCOME: NatWest repays £30,000 plus interest

Ask the experts

Illustration: Gary Neill

THIS MONTH'S STAR QUESTION

Help! The firm I invested in has gone bust

Q I have been investing since 2006, and during 2018 for the first time ever, one of the companies I had invested in entered administration. I have recently received a letter which states:

"I write to advise you that the shares have been confirmed as having negligible value for the purposes of a claim under S24(2) Taxation of Chargeable Gains Act 1992, as declared on the HMRC Negligible Value List."

What does this mean for me?

MS/Wolverhampton

PATRICK CONNOLLY Certified financial planner at Chase de Vere

Shareholders are the owners of listed companies. Holders of ordinary shares have the right to a share in the profits of a company and to attend and vote at company meetings. However, they are the last to be paid out if the company fails. This typically means that if a company goes into administration, its shareholders get very little, if any, money back because other creditors are paid first.

Because of this, investing in individual shares is high risk. For most people it makes more sense to buy investment funds rather than individual shares, as funds invest in a number of shares, which helps to diversify risk. If a share held in a fund goes into administration, this shouldn't have a major impact. Whereas if you hold the share directly, it can affect your portfolio value significantly unless you hold shares in a large number of companies.

HMRC provides a list of shares with negligible value. This means that they have very little, if any, value. The only good news here is that you may be able to offset the loss you've made on the failed share against gains you've made on other investments, which could mean that you pay less tax.

Moneywise says: Check out the Moneywise First 50 funds for beginner investors for ideas on what you could consider investing in at: moneywise.co.uk/moneywise-first-50-funds

Funds invest in a number of shares, which helps to diversify risk

Will I pay tax on my share of my son's house?

Q My son and daughter-in-law bought a house five years ago. As their salaries were not sufficient to get a mortgage at the time, I was added to the mortgage. This means the house deeds are in all three names. The mortgage deal is coming to an end, and my son and daughter-in-law are remortgaging. I need to come off the mortgage and gift my share in the house to them so that they can get a long-term mortgage.

Will they have to pay stamp duty again because of the change in ownership? As I am gifting my share of the house, am I liable for any capital gains tax?

AN/Ruislip

FRANCIS KLONOWSKI is principal of financial planner Klonowski & Co

Stamp duty – or stamp duty land tax to use its full name – is a tax that you pay to HMRC when you buy a property. How much is paid depends on where the property is located (rates are different across England,

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

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

Scotland, Wales and Northern Ireland); how much you are paying for it; and whether or not it is your only property.

In this case, it is a change of ownership rather than an outright purchase, so stamp duty would not apply. You would be liable for capital gains tax on any increase in the value of your share from the date of the original purchase. You could offset against this your share of any costs that you may incur in arranging the transaction, such as legal fees; and you have a personal capital gains tax allowance of £12,000 for the 2019/20 tax year.

There is another potential tax to be aware of, and that is inheritance tax (IHT).

The gift of your share of the property would be classed as a potentially exempt transfer (PET) for IHT purposes. If you died within seven years of making the gift, it would still be counted as part of your estate and may be liable for IHT, depending on the size of your remaining estate.

The total gift could be reduced by your annual gift allowance of £3,000 if you have not already used it this tax year. If you did not use your annual allowance in the previous tax year, you may bring that forward, reducing your gift by £6,000 in total.

If you don't pay into a Lisa before you turn 40, it must be closed

Will I lose my Lisa entitlement?

Q I have an important issue with my Lifetime Isa (Lisa). I was 40 in November 2018 and before my birthday I managed to open a Lisa. I waited until March of this year to make a £4,000 transfer into the account, within the 2018/2019 tax year.

My Lisa provider claims it has to close my account because my first payment was made after I turned 40. I have done some research and found guidance that says I don't have to make my first payment before I am 40, it says it has to be done within the tax year before I am 40.

I would be grateful if you could clarify this situation, as otherwise I will not be able to keep my Lisa.

DMC/London

PATRICK CONNOLLY
Certified financial planner at Chase de Vere

The Lifetime Isa can play a valuable role for many people, particularly those who are trying to get on the housing ladder or for lower earners who don't have access to a company pension.

It is not surprising that you are confused by the Lisa rules. Much of the guidance is unclear, simply stating that you can open an account between age 18 and 40.

However, to be eligible to open a Lisa you need to be a UK resident, aged between 18 and 39 and, importantly, to make your first contribution into your Lifetime Isa before your 40th birthday, even if this contribution is just £1. Simply opening an account before the age of 40 isn't enough.

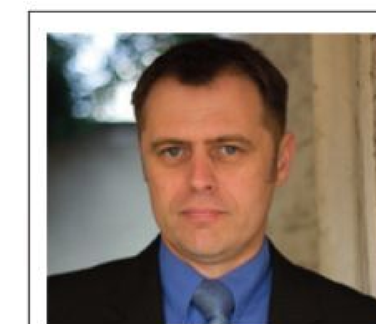
The tax year is relevant in terms of how much you can invest each year but isn't relevant in terms of your eligibility to take out a Lisa in the first place.

Unfortunately, your product provider is absolutely correct in this case. If you don't pay into a Lifetime Isa before your 40th birthday, HM Revenue & Customs (HMRC) states that the account must be closed.

Can I give money to my wife tax-free?

Q I would like to give my wife £50,000, so that she can invest it. Can I do this without having to pay inheritance tax?

CB/Stockport



RAY BLACK
Independent financial adviser at Money Minder

Yes, you can. There are no problems with IHT at all, as gifts between spouses or civil partners (as long as they live in the UK permanently) are exempt. You can give them as much as you like, as often as you like.

In addition, if your wife invests the money in Isas and was to die before you, you would also be able to inherit her Isa money and keep it tax-free. Under current Isa rules, you would be able to claim the Additional Permitted Subscription (APS) allowance as her spouse. This is a one-off Isa allowance that is equal to the value of the Isa at the date of the original investor's death.

It won't be counted against your own normal Isa annual subscription limit. Instead, it will

Ask the experts

be added on to the survivor's own annual Isa limit.

Can my husband cut the capital gains tax owed on his property?

Q My husband is selling a property that he bought and lived in before we married. It is solely in his name and has been let out for the past 10 years. Is there anything that we can do to reduce the capital gains tax from this sale?
CI/Dunfermline

FRANCIS KLONOWSKI is principal of Klonowski & Co in Leeds

Possibly. Your husband may be entitled to some private residence relief, which helps to reduce the amount of capital gains tax. The first thing is to work out when he lived in the property as his main home, and what proportion of the total ownership period this represents. He may then get private residence relief for the following:

a. the time he lived in it as his main home; and

b. the last 18 months he owned the property before the sale,

There's a very good capital gains tax calculator on the HMRC website, Gov.uk/tax-sell-home/work-out-your-gain. Through a series of questions about when you sold, when you lived there etc, it will guide you through the process of confirming whether your husband is eligible for the relief mentioned above, and how much the reduced taxable gain is likely to be.

Remember also that he is entitled to a personal capital gains tax allowance to set against the resulting gain, which is £12,000 for the 2019/2020 tax year.

BEST CASH ISA RATES

Type	Provider	Interest Rate	Notes
Instant access Isa	Coventry Building Society	1.5%	Online only. Isa transfers accepted
One-year account	Aldermore Bank	1.6%	Online only. Transfers accepted. £1,000 minimum
Two-year account	AA	1.8%	Online only. Transfers accepted £500 minimum
Three-year account	Aldermore Bank	1.9%	Online only. Transfers accepted. £1,000 minimum
Five-year account	Metro Bank	2.1%	Online, branch, telephone

Source: Moneyfacts, 14 June 2019

Can you have both a Cash and Help to Buy Isa?

Q My 18-year-old daughter has a Help to Buy (HTB) Isa and a Cash Isa with two different providers. This year she will continue paying into the HTB Isa. She does not want to pay any new money into her Cash Isa. The interest rate on the Cash Isa is low. Can she open a new Cash Isa with a better interest rate and transfer the existing Cash Isa money into that new account, while also paying into her HTB Isa?
CG/London

You can only deposit new funds into one Cash Isa each tax year

ANNA BOWES Founder and director at Savings Champion

The short answer is yes – but I want to make sure that your daughter hasn't flouted the rules to date. A HTB Isa is actually a Cash Isa, so hopefully she has not been paying into both the Cash and the HTB Isas within the same tax year, with two different providers, because this is not allowed.

The rules state that you can only deposit new funds into one Cash Isa each tax year – and in your daughter's case that means either the HTB Isa or the Cash Isa, not both.

Assuming she has only been paying into one of them, then she can continue to pay into her HTB Isa – but also transfer her old Cash

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

Isa to a new provider.

However, there are strict rules to follow when transferring an Isa to make sure that she doesn't lose the Isa wrapper around the money that she has deposited into her Cash Isa so far.

She needs to approach the new Isa provider and complete an application and transfer form. They will then send the transfer form to her old provider, who will send the funds to the new provider. Your daughter will not have to handle the money at all – it will be transferred from old to new. As this is cash from a previous tax year, it will not be considered new money, so she can continue to pay into her HTB Isa as well as transferring the Cash Isa to earn a better rate of interest.

Can I mix and match how I use my pension pots?

Q I have four different workplace pensions. I understand the pros and cons of combining them, but I wondered whether you could pick and mix your options? For example, can I draw down from one while taking a cash lump sum from another?

RB/Urmston

HELEN MORRISSEY
Pension specialist at Royal London

You should be able to mix and match these options across your different pensions, as you say, but there are issues you will need to consider.

First of all, you must ask yourself whether you need to use all these pots at once. While it could be tempting to make decisions on all of your pensions at the same time, it might be worth leaving some as they are in case your circumstances change.

Second, if you want to access all your pensions at once, it is worth thinking about how much tax you will pay. If you are already taking an income from your pension, then taking a large lump sum from another pension may push you into a higher tax bracket and leave you with an unexpected bill.

You will also need to check if any of your pensions contain valuable features, such as guarantees, which may be lost if you combine them with other pensions. In addition, some older pensions may charge you exit penalties if you transfer out of them early.

Finally, if you take taxable cash from a pension then this reduces the amount you can continue to contribute to your pensions every year (from £40,000 to £4,000), so you need to take this into account.

An independent financial adviser could help you navigate your way through all these issues. To find one in your area, visit Unbiased.co.uk. mw

Our son has learning difficulties. How do we protect him in our will?

Q Both my husband and I are in our 60s. We would like an outline of the steps we need to take to ensure our son, who lives with us and has mild learning difficulties, is protected financially when we are no longer around.

We haven't made a will yet. Do we get financial advice first before making a will? Would it be a good idea to set up some form of trust for him and how do we do this? Our son is partially dependent on us, he works part-time and does not receive any benefits. Would a trust cause problems for him if he had to claim benefits in the future?

LR/East Yorkshire

IAN SMART
Product architect at Royal London

Making a will is a sensible step for anyone, irrespective of their circumstances because it makes sure that your wishes regarding who should benefit from your estate are fulfilled rather than relying on the law to decide.

In your circumstances, it is definitely worth getting advice on making a will to make sure your son's needs are met.

When doing this, it is important to take into account your future need to be able to access your savings as well as your desire to look after your son. If you feel your son wouldn't be capable of handling his financial affairs, a trust may be appropriate. You should discuss whether to incorporate this into your will so that it only takes effect after your death, or to set it up now potentially reducing any inheritance tax payable after your death.

For most people, an inheritance could affect their ability to claim means-tested benefits, but non-means-tested benefits are not affected. There is a special kind of trust for people with disabilities that protects the capital from means testing, known as a disabled person's trust.

Even though your son may not be claiming benefits currently, I would recommend getting professional advice to find out whether he would be eligible for such a trust, because this could make a big difference to the benefits and tax treatment of his inheritance.

10 TIPS TO SAVE ON CAR HIRE

When hiring a car on holiday, there are pitfalls to be aware of. Here's how to make your renting experience a happy one

BY ESTHER SHAW

Many holidaymakers who are heading abroad over the next few months will be hiring a car for their trip.

But drivers need to be on their guard, as car rental firms may hook you in with a low headline price, only to then try and get you to hand over more money with all sorts of unnecessary extras – such as ridiculous repair bills or expensive add-ons.

Problems persist despite investigations by the Competition and Markets Authority (see box on opposite page).

Here, we take a look at some of the common car rental pitfalls.

Costly policies sold by rental desks can turn a bargain price into a rip-off

1 The 'collect full, return empty' fuel policy trick

A lot of car-hire companies will tell motorists they have to pay upfront for a full tank of petrol and that they can return the vehicle empty. The issue is that you will get charged an inflated price for the petrol at the outset and can end up paying for fuel you haven't used at the end, as it is almost impossible to return a car with no petrol in the tank.

What can you do?

Online broker Rentalcars.com recommends opting for a rental firm that offers a 'full-to-full' policy. This is where you pick up the car with a full tank and return it with a full tank.

Nigel Wolstenholme, head of consumer brand at Rentalcars.com, says: "It's considerably cheaper for you to buy the fuel yourself, rather than have the car-hire firm top up the tank."

But be sure to follow the refuelling requirements to the letter, or you could risk being charged 'refuelling fees'.

2 The 'limited mileage' hazard

Car-hire firms will sometimes place a limit on how far you can drive and will then charge you for excess mileage.

If firms add a charge per kilometre for exceeding a set daily limit, costs can quickly rack up.

What can you do?

In reply to this, Mr Wolstenholme says: "If you want to drive without limitations while on holiday, opting for unlimited mileage will be your best bet."

3 Being pressured into buying costly add-on insurance

When you hire a car, the vehicle comes with cover for accidental damage or theft, but you will still be liable to pay an excess.

To cover this cost, you can purchase car-hire excess cover, in order to waive the excess liability.

But even if you've bought a standalone policy in the UK prior to your holiday, you need to remain on your guard, as you could get hoodwinked into taking additional insurance from the car hire company.

Emma Coulthurst, consumer advocate for TravelSupermarket, says: "Pushy sales tactics are used by staff at the arrivals desk to sell damage waiver excess cover and super theft waiver – and potentially also a separate tyre and windscreen excess.

"The ludicrously expensive policies sold by the rental desks can turn a bargain car-hire price into a rip-off. The rental desk will often charge around £20-plus a day for this cover. Over a week, the total can end up being more than the cost of car hire itself."

What can you do?

Shop around in the UK to find a decently priced standalone excess insurance policy costing just a few pounds a day. Don't get tricked into buying extra cover you don't need at the collection desk. Also choose your rental company carefully, as some car hire specialists, such as Zest Car Rental, will offer excess protection cover as standard within the price that you are quoted.

4 Unwanted upgrade

Be on your guard if staff at the rental desk say you are being upgraded to a more expensive class of car.

Rory Sexton from car hire specialist Zest Car Rental, says: "While getting a 'better' car than you were expecting may seem like a win, this won't be the case when you find out that it's not actually a free upgrade, and that you will be charged extra."

What can you do?

If the car you booked is not available, stand your ground. Insist on either being offered a higher category car for no extra cost or a lower one with the appropriate refund.

5 An offer to pay in sterling

Your car-hire company may offer you the chance to pay for your car hire in pounds, which may sound appealing, but there's a catch.

When paying in sterling abroad, the rental firm can use its own conversion rate and this could be uncompetitive, so you end up paying over the odds.

WHAT IS BEING DONE TO PROTECT CONSUMERS?

The Competition and Markets Authority (CMA) has spent the past few years trying to drive up standards in the car-hire sector.

In March this year, Europe's five biggest car-hire firms – Avis Budget, Enterprise, Hertz, Sixt and Europcar – were forced to change the way in which they display charges and other key information on their websites, following intervention by the CMA.

George Lusty, senior director for consumer protection at the CMA, says: "No one should be misled or caught out by hidden fees when renting a car. The big five told us in 2015 they would update their practices, but we've found they weren't doing all that they'd committed to. Following our further intervention, the charges people see on the big five's websites will be clear, prominent and accurate, allowing customers to choose the best possible deal for them."

The hope is that this will allow customers to know exactly what they are paying upfront – giving them more confidence.

The CMA has also taken separate action against two Spanish car hire companies – Centauro Rent-A-Car and Record Go Alquiler Vacacional – following concerns that UK holidaymakers were being misled by their practices.

The firms have agreed to improve the way they display information on their websites, ensuring they include all compulsory charges upfront.

When you pick up your vehicle, be sure to inspect it thoroughly. Don't let the hire firm rush you

What can you do?
Be aware that firms are legally required to give customers a choice on the currency they pay.

Always insist on paying in the local currency. Check carefully before entering your PIN.

6 Being charged for 'extras' such as child seats

Research from TravelSupermarket shows that more than one in 10 Brits who hired a car say they have been charged for extras that they could have brought themselves if they had known they would incur an extra fee.

Ms Coulthurst says: "Hertz charges £73.80 for a child seat, whereas you could buy a new booster seat in the UK from around £10. Europcar charges from £14 a day for satnav."

What can you do?
Save money by taking your own child seat with you. Many airlines allow you to take a child seat for free.

Save further by taking your own satnav, using your smartphone, or buying a road map.

7 Failing to book in advance

If you aren't organised and end up waiting until you get to the arrivals hall to hire a car, you could end up paying highly inflated 'walk-in' prices at the car-hire counter.

Ms Coulthurst says: "You could find yourself paying as much as three times the price – or even more – compared with booking in advance online."

What can you do?
Compare prices and arrange your car hire online in advance. It will always be cheaper than the price in the arrivals hall,and also means you have a wider pool of cars to choose from.

8 Being charged heavily for 'pre-existing damage'

Here, drivers get home from their holiday to find a letter on their doormat saying they are being billed for dents and scratches they feel sure they didn't cause.

What can you do?
When you go to pick up your vehicle, make sure you inspect the car thoroughly – including the tyres, glass, roof and underside of the car – and don't let the hire firm rush you.

Make sure every tiny scratch is marked on the rental contract before you drive away.

Take pictures of the damage while you're still in the car park – ideally ones that will help you prove the date.

If the vehicle cannot be checked in when you return it, make sure you take lots of photographs of it from different angles.

If you do receive a letter saying that repairs are required, you should be sent clear evidence of how costs were calculated.

If you think repair costs are excessive, complain. The European Car Rental Conciliation Service (Ecrcs.eu) can help get refunds for incorrect or excessive charges – but only if complaints relate to its member companies.

"WE HAD TO STUMP UP AN EXTRA £134 TO TAKE THE CAR"

Matt Bowling from Greater Manchester was hit with an unexpected charge of £134 when he hired a car from Spanish firm Drivalia Car Rental, at Girona airport in June last year for a two-week family break.

He was on holiday at the time with his mum, brother, his brother's partner, and his 18-month-old nephew.

"At the collection desk, the firm said we needed to leave a security deposit on a credit card before they would hand over the keys to the Kia Carens we had hired – to cover against any damage done to the vehicle, or in case it was stolen," says Matt.

"The firm also said it had to be a credit card in my mum's name, as it was her name on the original booking. But we were unable to provide this, as Mum had travelled to Spain on an earlier flight, and by then was already 300 miles away.

"I offered my credit card, but the firm would not accept this. They said the only option was for us to pay a £134 non-refundable deposit."

The request took Matt and his family completely by surprise, as they thought they had taken a real 'belts-and-braces' approach when it came to organising car hire.

Matt says: "We had booked early to take advantage of a low headline price, and had paid for insurance from the firm before we left the UK. We thought we had taken out every possible add-on to ensure there would be no extra charges at the collection desk. We even had standalone car-hire excess cover from a UK insurer.

"Despite all this, the car-hire company's staff told us we wouldn't be able to take the car unless we could provide Mum's credit card."

As Matt had only paid £90 for the actual car hire for the two-week trip, he was reluctant to fork out another £134 at the collection desk, and decided to look at other options.

But when he went online to check out quotes from other rental firms at the airport, they all turned out to more expensive.

Matt was left with no choice but to pay the £134 charge.

"It was extremely frustrating and upsetting having to pay this," he says. "I don't recall it stating anywhere in the Ts&Cs that we would be required to pay a security deposit if we didn't have a credit card in the name of the person who made the car-hire booking."

9 The 'damaged door lock' pitfall

This is relatively new and involves firms sending out bills for repair for a damaged car lock on a vehicle with remote locking.

Mr Sexton says: "Unless you make a point of trying the keys in the locks during your holiday, you may be unaware of pre-existing damage. You will also struggle to prove that the locks worked perfectly when you returned the car. Once you're home, this is difficult to contest."

What can you do?

Take the time to check the door locks before you drive away at the start of your holiday.

Mr Sexton adds: "If you find a problem, ask for a different car. If that's not a possibility, make sure the faulty lock is recorded on the documentation.

"When you return the car, ask for it to be checked in your presence and signed off as 'returned in good condition' by a rental company rep. If you can't do this, take a video on your phone of you using the door locks with the key, so you can later prove the locks were working when you left the car."

10 Cleaning charges

This sting involves car rental firms including a cleaning fee as part of the deposit if the vehicle is not returned in what the company regards as an 'acceptable condition'. You could face a bill of around £40.

What can you do?

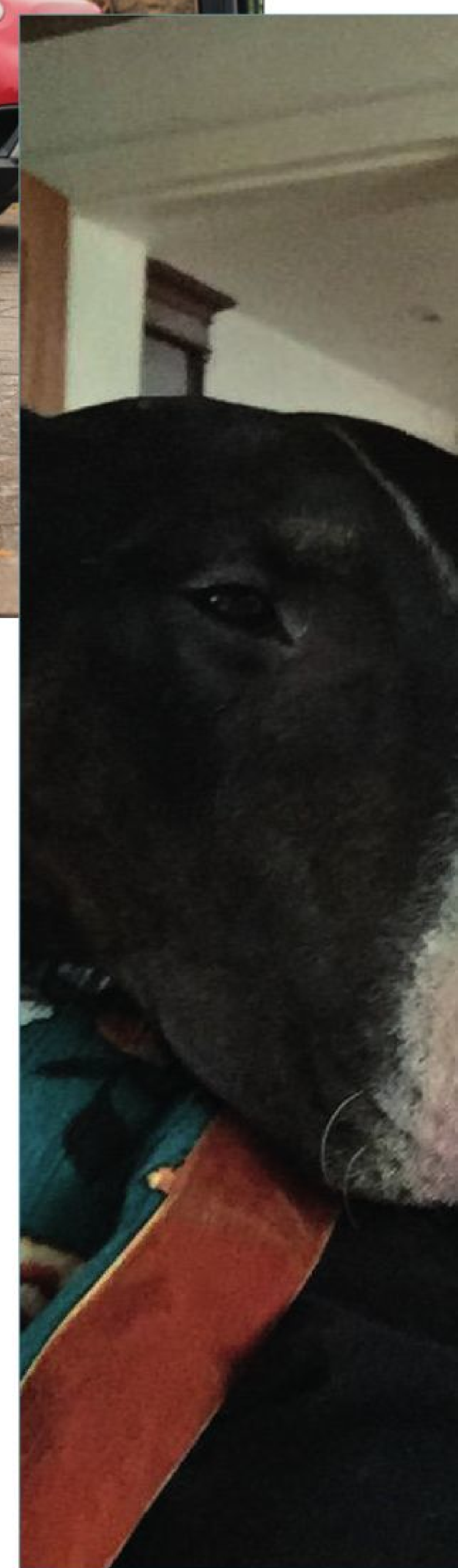
Clean the car thoroughly before handing back the keys. If there is a spillage, clear it up yourself.

You could even look into getting the vehicle valeted at a local garage if you're worried about the state that it's in. mw

ESTHER SHAW is a freelance journalist who writes for publications such as the *Daily Express* and *moneysupermarket.com*

CARE COSTS BEYOND THE SCHOOL GATES

A lack of childcare for school-age children is forcing parents to put their careers on hold or fork out for private providers. Moneywise investigates



BY LILY CANTER

The government initiative to roll out 30 hours of free childcare for three- and four-year-olds has received great attention since its launch in September 2018. The scheme, which aims to support parents back to work, is said to be saving parents thousands of pounds a year.

But what happens when a previously funded child goes to school? A vastly overlooked provision is before- and after-school childcare, which impacts on parents for a much longer period.

"It is the Cinderella area of policy," says Catherine Wrench, director of the Out of School Alliance, which offers help and support to out-of-school clubs.

According to the latest survey by charity Coram Family and Childcare, only a third of local authorities in England have enough childcare for five- to 11-year-olds after school, and this drops to 15% for 12- to 14-year-olds.

"A lot of parents think it will be easier when their kids start school"

This often means that one parent has to work part-time to fit around the school day or parents end up paying higher rates for childcare because there is more demand than supply.

In some instances, parents' childcare bills increase by more than 200% when their child goes to school because they lose the 30 hours of free childcare but still need around 20 hours of wraparound care a week if they work full-time.

Across Britain, the average price of an after-school club is nearly £2,200 a year and almost £2,500 for a childminder during term time.

Lack of affordable childcare has a significant financial impact on parents and yet there is no government policy to tackle the issue.

Is it a common problem?

Only a quarter of parents say they do not struggle with after-school care, according to a survey by support network Workingmums.co.uk. And of those mothers currently not working, 56% say childcare costs are making it difficult for them to return to work.

"A lot of parents think it will be easier when their children go to school because it is free. But there is not enough flexible childcare around and parents have to work it out on their own. It feels like a punishment for having children," says Mandy Garner, editor of Workingmums.co.uk.

It costs parents £57.36 a week for a place in an after-school club or £65.70 for a childminder for 15 hours a week, according to the latest Coram report – compared with £60.60 for the average weekly household spend on food and non-alcoholic drinks.

"Childcare is every bit as vital as schools, healthcare or transport. It

Lucy Dixon and son George

"MY CAREER IS ON HOLD WHILE MY SON IS IN SCHOOL"

When her son was at nursery, writer Lucy Dixon worked full-time for an online publisher in Norwich.

But once George started school, she felt she had to go freelance so she could work flexible hours from home and do the school run.

"The village school has nothing, and I haven't been able to find a childminder or nursery who can pick up from there. This means I can only work between 9am and 2.45pm. I did consider moving him to a different school but what if I did and then it withdrew the school club?"

Lucy says she would be happy to pay for childcare but it just isn't an option where she lives.

"It was a lot easier to hold down a job when George was in nursery than it is now, even though it cost a bomb. The lack of childcare impacts on where you can work and on which company you can work for. There are not many jobs out there that are between the hours of 9.30am and 2.30pm, and commutable from school."

She says her career is now stuck in limbo until her son can get to and from school and is old enough to be left at home on his own.

"My income has definitely suffered. But it is more that I feel like I can never progress, and this is it for me now. My career is on pause because of childcare. I also feel as if I'm always working as I work evenings and weekends, due to the short working day."

supports parents to work, provides our economy with a reliable workforce and boosts children's outcomes. But too many parents remain locked out of work by high childcare costs and low availability," says Megan Jarvie, head of Coram.

Postcode lottery

Significant regional differences, mean parents also face a postcode lottery in terms of price and availability.

Although the average weekly cost of an after-school club for five- to 11-year olds in Britain is £57.36 or £65.70 for a childminder, families in the West Midlands are having to stump up £69.34 for a place at after-school club. In Yorkshire and Humberside, the average cost is much lower at £55.10 for an after-school club and £58.55 for a childminder.

In inner London, parents pay a competitive £57.75 a week for an after-school club but if they need to use a childminder, rates skyrocket to £110.49 a week.

These costs are also just for care after school. Many parents working nine to five will also need a breakfast club at school or a childminder to do the school run, ramping up costs even further.

"When I worked in London, there was much better provision and it was subsidised," adds

> "The local nursery does school pick-ups – at £16 per child"

Charu Verma with her daughter, Tvisha, and her son, Reyaansh

"I HAD TO TAKE TIME OFF WORK TO CARE FOR MY SON AFTER SCHOOL"

Despite starting her hunt for childcare seven months before her daughter Tvisha started school, Charu Verma found that all of the local providers were booked up.

She contacted childminders and out-of-school clubs, including the one attached to her daughter's new school in Market Harborough, Leicestershire, but was told she would have to go on a waiting list for three to six months.

At the time she was on maternity leave with her younger son Reyaansh and was looking to return to work as an IT test manager. She managed to get cover for three days but was still short of after-school childcare for two days.

"My husband and I work full-time; he is a doctor and I'm in a management position, so there was no other option than full-time work. I had to negotiate with my employer and asked to work at home for two days a week. My employer agreed in principle as they wanted me back."

For the next four months the couple juggled working from home, taking 15 days' annual leave and shuffling work rotas.

"Every weekend, the topic of discussion was who is filling in this week. It was very challenging."

Eventually, they were able to secure wraparound care for the week when they got to the top of the out-of-school club waiting list.

"In other areas, people are waiting up to a year. What do you do? You can't give up your life for a year. These are parents who are willing to pay and want to continue with their career and now one parent has to step back."

mother-of-four Ms Garner. "Now we live in a village and the childminders are oversubscribed. The local nursery does pick-ups, but it is £16 per child."

In Wales, there is also a greater shortage of after-school care for 12- to 14-year-olds, with just 5% of local authorities stating that they have enough provision.

This also fluctuates in England, with 55% of councils in the North East saying they have enough childcare for five- to 11-year-olds compared to just 17% in the South East.

Why is there a shortfall?

Government austerity measures are being blamed for the wraparound childcare crisis due to the lack of funds to support new providers.

In the past, out-of-school clubs, usually run on school premises, could apply for grants to help cover the staff and rental costs for the first year.

"When I started my own after-school club in 2008, the local authorities provided really good support to out-of-school clubs, but now most have got rid of their play work departments," says Ms Wrench.

There is also great uncertainty if an external provider sets up an after-school club at a school because they

"Childminder numbers have gone down by 30% in the past six years"

are renting a space, which could be revoked at any time.

"Lots of schools have shortfalls in funding and are taking [childcare] provision in-house but they soon realise it is not a cash cow. They do it for the short term but then stop and close," adds Ms Wrench.

Added to this is the massive shortfall in childminders, with the loss of 1,000 in the last quarter of 2018 alone. This coincides with the scrapping of the Childcare Business Grant Scheme and free training previously available to new childminders in March 2019.

"Childminder numbers have gone down by 30% over the past six years. They are now the same level as in the late 1970s. It's a really worrying situation, yet wraparound childcare is not given enough attention by government and policy makers.

"It is because maternal employee rates in the UK are behind Europe and a lot of countries," says Susanna Kalitowski, policy and research manager at the Professional Association for Childcare and Early Years, a charity supporting anyone working in childcare.

Along with the reduction in out-of-school clubs and childminders, nurseries providing wraparound care are also closing or putting up their prices to stay afloat.

The Early Years Alliance says that the new scheme for 30 free hours of childcare is inadequately funded, causing nurseries to increase fees or to bring in additional charges. The rate care providers receive for funded hours is frozen for five years until 2020, despite rises in the National Living Wage, which means childcare providers are having to pay out more in wages, as well as the extra cost of workplace pension schemes.

Is anything being done to tackle the issue?

Parents have the right to request that their school establish wraparound care, but this has had limited impact since the guidance was established in 2017.

Working parents can receive financial support via the tax-free childcare system, which is replacing the childcare voucher scheme.

Eligible families can claim up to £2,000 a year towards childcare costs through the scheme.

The Department for Education (DoE) is also investing £26 million into a breakfast club programme, using funds from Soft Drinks Industry Levy revenues.

"This money will kick-start or improve breakfast clubs in over 1,700 schools and will be targeted at the most disadvantaged areas of the country to help make sure every child gets the best start in life. This builds on our previous £1.1 million investment in a breakfast club programme, which ended in March 2016," says a DoE spokesperson.

But although this scheme tackles poverty and nourishment, it fails to deal with the wider childcare shortfall issue, says Ms Kalitowski.

"The government has put a lot of money into childcare and it hasn't solved any problems. It makes it affordable for a year or two, and that's it.

"Schools don't have an obligation to do anything, and wraparound childcare makes such a difference over whether people can work or not. If you have three children, it can affect you for 20 years. Parents needs to lobby schools and government on this issue." mw

LILY CANTER is a freelance journalist who writes on money for publications such as *The Guardian*, *Sun*, *Telegraph*, and *Times*

18+

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REPLY NUMBER 2150

OVER-50s INSURANCE: ALL YOU NEED TO KNOW ABOUT SPECIALIST COVER

Many people find insurance premiums rise as they grow older. We look at insurers that specialise in policies for older customers and ask whether they really offer a better deal

BY STEPHEN LITTLE

Age plays an important factor for insurance companies when calculating premiums. Older customers may find themselves having to shell out more than they used to for motor and travel cover, but less for home insurance.

However, there are companies that specifically target the over-50s, such as Age Co (previously Age UK), the Post Office, RIAS, Saga and Sunlife.

These specialist insurers claim that their underwriting expertise in this market means they are able to offer older customers a better deal than standard providers.

But while over-50s insurers claim to be able to offer customers better terms, it does not necessarily follow that these policies are all they are cracked up to be.

Are over-50s insurers cheaper? We asked comparison site GoCompare to obtain quotes for 65- and 80-year olds across home, motor and travel insurance to find out how much the cheapest over-50s insurers charge. Matt Oliver, insurance expert at

GoCompare, says: "They can be cheaper in certain circumstances because that is their target market.

"However, there is no guarantee that simply because you are over 50, a specialist firm would be the cheapest insurer for you.

"You could still find that there is a wider array of standard providers out there who would give you a competitive rate."

CAR INSURANCE

Younger drivers typically pay the most for motor insurance, with premiums falling as drivers becoming more experienced, and with drivers over 40 considered to be the safest.

However, once drivers turn 70 they may start to see their premiums rising again. While they may statistically be among the safest drivers in the country, older drivers are more likely to have health issues, such as problems with their eyesight.

Once you reach 70 you will have to renew your driving licence, which you will then be required to do every three years. You will also have to confirm that your eyesight meets the minimum standard and notify the DVLA and your insurer about any medical conditions.

For car insurance, we looked at quotes for a 65-year-old man driving a 2015 Ford Focus with five years' no-claims bonus in Eastbourne.

The cheapest quote we obtatained was £256 from standard insurer LV=, with specialist Saga, coming in at £111 a year more, at £345.

For an 80-year-old, standard insurers once again came out top, with LV= quoting £256.54. Saga was the next best quote at £345, followed by City Insurance at £465 and Coverbox at £485.

Remember, when buying car insurance, the cheapest policy is not always the best one and that going fully comprehensive may give you the best deal.

TRAVEL INSURANCE

Travel insurance is another area where costs are likely to increase with age. This is because older travellers are more likely to fall ill while overseas.

However, again our research showed that older holidaymakers could get a cheaper deal with standard insurers.

For two 65-year-olds who are spending a week in Spain with no previous medical conditions, the lowest priced policy was £13 from Puffin Bronze.

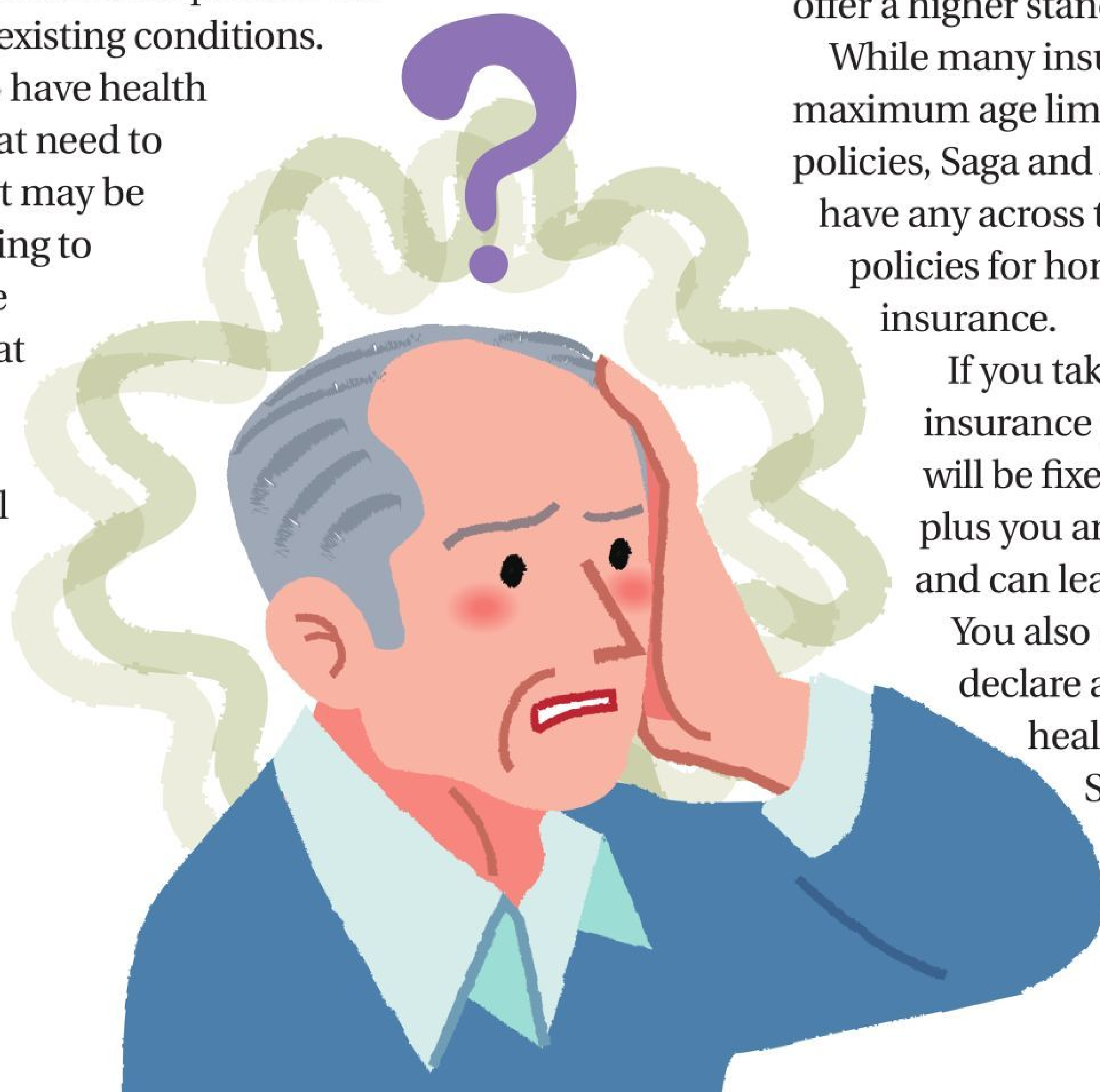
Travel insurance with Saga was three times more expensive than the lowest price from a standard insurer, coming in at £39.

It was a similar story for two 80-year-olds staying in Spain, with standard insurers once again beating insurers that specialise for the over-50s on price.

The cheapest deal on offer was from Holiday Extra, charging £48, ahead of the Post Office at £55 and Saga at £82.

Saga says that while its travel insurance policies were more expensive they offered a higher level of cover compared to their competitors.

Most travel insurance policies will exclude pre-existing conditions. But if you do have health problems that need to be covered, it may be worth speaking to an insurance company that specialises in people with medical complaints.



We found all the top home insurance policies beat the over-50s insurers hands down

HOME INSURANCE

One policy that gets cheaper the older you get is home insurance. This is because as people get older they are statistically less likely to make a claim, and when they do, the average cost is less so there is a good chance you will get a better deal.

It is not just the cost of cover that can be cheaper, the terms and conditions that apply can also be more generous.

People who are over 50 are more likely to get higher cover for buildings and contents insurance. This is because older people are more likely to live in a larger home as a result of having a family.

In our example for contents-only home insurance we used a married 65-year-old from Eastbourne, living in a three-bed bungalow.

Our investigation found that all the top home insurance policies beat the over-50s insurers hands down.

The cheapest policy quoted was from Swinton Essentials at £42, with policies from Admiral, Home Smart and Swiftcover all coming in at under £50.

When it came to insurers for the over-50s, the cheapest was the Post Office at £54, with RIAS coming in at £66 and Saga charging £70.

DO OVER-50S INSURERS OFFER BETTER COVER?

Although specialist insurance companies don't seem to be winning the price war so far, do they offer a higher standard of cover?

While many insurers set maximum age limits on their policies, Saga and Age Co do not have any across their range of policies for home, car and travel insurance.

If you take out a car insurance policy with Saga it will be fixed for three years, plus you are not tied to it and can leave at renewal.

You also do not have to declare any medical or health conditions with Saga as long as the DVLA have not restricted or

removed your driving licence.

Alex Cross, product and proposition director at Saga, says: "Many of our customers are on fixed incomes, so they really value the certainty of knowing what their insurance will be over the next three years, and they can budget accordingly.

"Another feature on our motor product that stands out is accident and healthcare," he continues. "If our customers are involved in a car accident, we will cover the cost of private medical treatment."

Policies with other insurance companiess also come with some good features.

If you take out an over-50s' car insurance policy with RIAS, you will get £25 million worth of cover for liability and you are provided with a courtesy car as standard.

The Post Office also offers mis-fuelling cover as well as a refund on the cost of any excess you pay if you are involved in an accident.

When it comes to travel insurance, most standard insurers will often exclude people who have existing medical conditions.

While some companies such as Saga, RIAS and Age Co that specifically cater for the over-50s do offer cover for some pre-existing medical conditions, it is always advisable to check the terms and conditions before buying.

When it comes to home insurance, companies that specialise in the over-50s market tend not to come out too differently on cover from standard providers.

However, Saga does offer a three-year fixed-price promise as well as cover on loaned medical equipment and extended garden cover up to £5,000. RIAS also protects against loss and damage to your garden and has the added bonus of personal accident cover up to £30,000.

Some specialist insurers will also cover an empty home for longer than standard policies – for example, up to six weeks or more – because they recognise that retirees may be more likely to take longer holidays and spend time away.

But Mr Oliver warns that insurers that specialise in products for the over-50s will not necessarily offer a great deal more than standard insurers. He says: "The benefit of going to a specialist insurer for older people is that they are more likely to be on hand to offer help and assistance over the phone rather than online.

"They recognise the fact that older customers are more likely to want to talk to people about any queries and that they need their hand held through the claims process more so than a standard insurer would."

Whether it is car, travel or home insurance it is always worth shopping around

Whether it is car, travel or home insurance it is always worth shopping around in order to find the best deal.

You can use price comparison websites to get quotes. However, always try to get at least three quotes, including one that is not from a comparison website.

If you have complex or special requirements it is probably best to use a broker with a broad knowledge of the market or talk to a number of companies directly.

Before you make your choice, however, do ensure sure you aren't comparing on price alone.

Also, be sure that you know precisely what you are covered for – and, perhaps more importantly, what is not covered. mw

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REPLY NUMBER 2150

VOLUNTEERS NEEDED! COULD IT BE TIME TO QUIT YOUR JOB?

Tempted by the generous redundancy package your employer is offering? Here, we weigh up the pros and cons – from the employee benefits you'll lose to the opportunities you could gain starting afresh and doing something different

BY SAM BARRETT

Seeking volunteers to quit their jobs is a way for employers to avoid going through a more painful redundancy process, so there are often incentives above and beyond a standard redundancy package.

"Expect a package that is worth more than a compulsory redundancy," says Michelle Tudor, employment lawyer and senior associate at Barlow Robbins Solicitors. "Your employer might use a higher multiplier to work out your redundancy pay, remove the caps or enhance it by a set amount."

Additional incentives can also come into play. These might include the removal of any notice period, access to career retraining, or an early retirement package.

However much you receive, the first £30,000 of your redundancy

Redundancy – how much would you get?

If your role is made redundant, there are rules governing minimum statutory redundancy pay. If you are an employee and have been working for your current employer for at least two years, you will be entitled to the following:

- **Half a week's pay for each full year you were under 22 years old**
- **One week's pay for each full year you were aged 22-41**
- **One and a half week's pay for each full year you were 41-plus**

There are several caps in place too for the maximum sums employers are required to pay. Weekly pay is capped at £525; length of service is capped at 20 years; and the maximum statutory redundancy pay you can receive is £15,750.

It's also important to note that some employers will offer more generous redundancy pay, especially if they are seeking voluntary redundancies.

pay will be tax-free, although your employer is required to deduct tax and national insurance from any wages and holiday pay it owes you.

While the package might appear extremely attractive, you will usually be given plenty of time to decide whether it is right for you.

"Employers normally give staff at least six weeks to decide whether they want to volunteer for redundancy," says Vanda Cox, director of chartered financial planner EQ Workplace.

"Use this time to really understand your options. Your employer will have the final say on who goes, but make sure you know exactly how it might affect you before you volunteer."

Financial implications

Your finances should be one of your key considerations. Although you might be in line for a five-figure payoff, your regular pay and any employee benefits will stop.

Right: Richard Frost carved out a new career in fine furniture

"I'd decided to take six months off to work out what to do. To keep busy, I booked a week-long furniture-making course"

"I'D PLANNED TO RETIRE EARLY, BUT I'M REALLY ENJOYING MY NEW CAREER"

When Richard Frost, 50, was offered redundancy in 2016, his first thoughts were of retirement. "I'd been a civil engineer for 27 years, working for the last 17 in the rail industry," he explains. "I had no firm plans but retiring at age 55 seemed like a great idea."

With this in mind, he spoke to his financial adviser, Explore Wealth Management, to see how the figures stacked up. It looked at his finances and confirmed that, with a redundancy payment and by working as a consultant for the next few years, his retirement plans were on track.

But Richard's plans changed dramatically when he stopped working. "I'd decided to take six months off to work out what to do. To keep busy, I booked a week-long furniture-making course," he explains.

Three more woodwork courses and a short break in the Lake District later, and Richard went back to his financial adviser.

"I'd really enjoyed the courses and while I was in the Lakes, my friends and I had been chatting about what we'd do if we had the chance," he says. "When I said that I would have gone into furniture making, I thought 'why don't I do that now?'"

After looking at how such a move would affect his finances, his adviser recommended that he went for it. "He said to me: 'What's the worst that could happen? Give it two years and if it doesn't work, go back to your original plan," says Richard.

With this advice, he used some of his redundancy pay to fund a year's woodwork course at Waters and Acland Fine Furniture School in Cumbria before setting up his own design company, Richard Frost Design (Richardfrostdesign.co.uk), specialising in bespoke fine furniture. "I've already made several pieces to commission; it's very exciting," he says, adding that his age-55 retirement plans are now on hold. "One day I'll retire but, for now, I'm really enjoying my new career."

"Think about your overall financial position," says Sarah Lord, partner in financial planning at accountancy and audit firm Mazars.

"If you're in the final push, it could be an opportunity to take early retirement but if you're early or mid-career, you'll need to assess whether the money will cover your bills until you find a new income stream."

With contributions to your pension stopping, there is also a risk your retirement savings will be derailed. As a result, where your settlement exceeds the £30,000 tax-free pay, Ms Lord suggests diverting some of the excess into your pension.

"Providing you're not close to the lifetime limit (£1.05 million in the 2019/20 tax year) and you have sufficient annual allowance (£40,000) or can carry forward any unused allowance from the previous three tax years, it can be very tax-efficient," she explains.

This diverted redundancy pay would be paid into your pension as an employer contribution, so you wouldn't need to pay any tax on the money until you withdrew it. Then, as well as being able to take 25% of it tax-free, you might also benefit from being in a lower income tax bracket.

Your employer could also enhance this pension contribution with the savings it makes on national insurance.

"If your employer paid this to you as part of your redundancy settlement, it would pay national insurance at 13.8%," explains Ms Cox. "Some employers are also happy to put this into your pension."

Taking voluntary redundancy may also mean replicating some of your employee benefits, especially life insurance and protection policies that are in place to cover your family.

"The cost of replacing benefits such as private medical insurance and life insurance can be high, especially as you get older," says

Helen Richardson, an independent financial adviser at Ascot Lloyd.

Voluntary redundancy can affect other elements of your finances.

Ms Richardson explains: "Protection policies covering unemployment do not pay out in the event of voluntary redundancy. It may be better to seek compulsory redundancy if these policy terms would affect your financial health but consider the figures carefully."

Is it right for you?

Although the deal will be a major factor in your considerations, there are plenty of other things to weigh up. If you want to stay in employment, it is prudent to explore your prospects.

"Speak to a recruitment consultant," says Ms Tudor. "They will be able to give you an opinion on how quickly you could find another job and where you might benefit from additional training."

Bur your future remuneration doesn't necessarily have to come through employment. Voluntary redundancy can often be a springboard for setting up a business or taking early retirement or a combination of these options.

"Portfolio working [freelancing on a number of projects for different organisations] is increasingly common nowadays and if you're over 55, you could take advantage of pension freedoms to supplement your income from your retirement savings," Ms Cox explains.

There is also a bit of a numbers game to play. As well as thinking about the strength of the company, and whether compulsory redundancies with potentially smaller settlements are a possibility, it is also worth looking at the chance of being selected for voluntary redundancy.

Even if you do put your name in the hat, there is no guarantee your employer will select you. For some people, having signalled a desire to leave can make it difficult to remain with the company, so be prepared for this outcome.

Five tips on voluntary redundancy

- Think carefully about what you want to do. Voluntary redundancy can be an opportunity to change career, set up a business or take early retirement.
- Assess your employer's financial strength. If its finances are under pressure, this could be a forerunner to compulsory redundancies with potentially smaller settlements.
- Speak to a recruitment consultant to understand your prospects in the job market and whether you need to retrain.
- Work out the financial implications of quitting your job including how long your redundancy pay migh last and whether there will be additional expenses such as life insurance or replacing a company car.
- Negotiate, negotiate, negotiate. Everything from your mobile phone to the level of redundancy pay you receive is up for grabs, so don't be afraid to ask for extras.

"Ask if you can keep your benefits for an extra six months"

Negotiating a good deal

A set redundancy package may be on the table, but Ms Cox says there is often room for negotiation.

"Just about anything is up for grabs," she explains. "It will often depend on how flexible the employer is, but you might be able to secure training or negotiate part-time work to fit in with your retirement plans."

If a company is cutting staff to save money, consider asking for items such as your laptop, mobile and even your company car. As these items date quickly, they will be of little use to your employer. It may also be possible to negotiate an extension on your employee benefits, which could be useful if you are in the middle of treatment on your company's private medical insurance.

"Emplo yers will sometimes let you keep your benefits for a further six months," says Ms Tudor. "It's always worth asking."

Training can also be up for negotiation. Many employers provide outplacement services to help with career advice but some will also be willing to pay for training, even if it is for a completely different job.

While there is plenty of upheaval associated with voluntary redundancy, it can be a very rewarding choice. mw

This article first appeared in our sister magazine, Money Observer.

SAM BARRETT is a freelance journalist who writes for publications including *Employee Benefits* and *Money Observer*

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moneywise FIRST 50 FUNDS THE Q&A

Fidelity Global Property fund
Dirk Philippa

Dirk Philippa is manager of Fidelity Global Property fund, worth £260m. **Edmund Greaves** talks to him about smart investment choices, potential pitfalls, and tips for absolute beginners

What is Fidelity Global Property?

The Fidelity Global Property fund is focused on global property – meaning Real Estate Investment Trusts (REITs), real estate operating companies and developers. These are all listed companies and stocks, and not individual buildings. It's very important to distinguish that.

Our fund offers daily liquidity [the ability to buy and sell easily] for a relatively illiquid asset class. The stocks are trading around the globe. I typically don't invest in companies with market caps below $1 billion [companies valued below $1 billion].

What do you look for when buying stocks?

I'm a value investor. That means I like companies that are reasonably cheap, or at least companies where the growth is very good and not priced into the stocks [already accounted for in the share price].

I look at management quality. That involves understanding how they think about allocating capital, how they think about increasing or decreasing their gearing [borrowing], starting developments when the cycle is evolving over the years [the value of property is generally cyclical], and disposing of assets where necessary.

Then what sort of projects do they have? What are the assets that are currently in the portfolio? What is the rental growth that these assets bring?

We focus very much on the size of debts and the companies' ability to repay capital. This is because we've seen in the last downturn that companies with too high development exposure and too high debt typically get into trouble. We want to avoid those write-downs at any cost.

Fidelity Global Property

Launch: 5 Sept 2006

Fund size: £260m

OCF: 0.94%

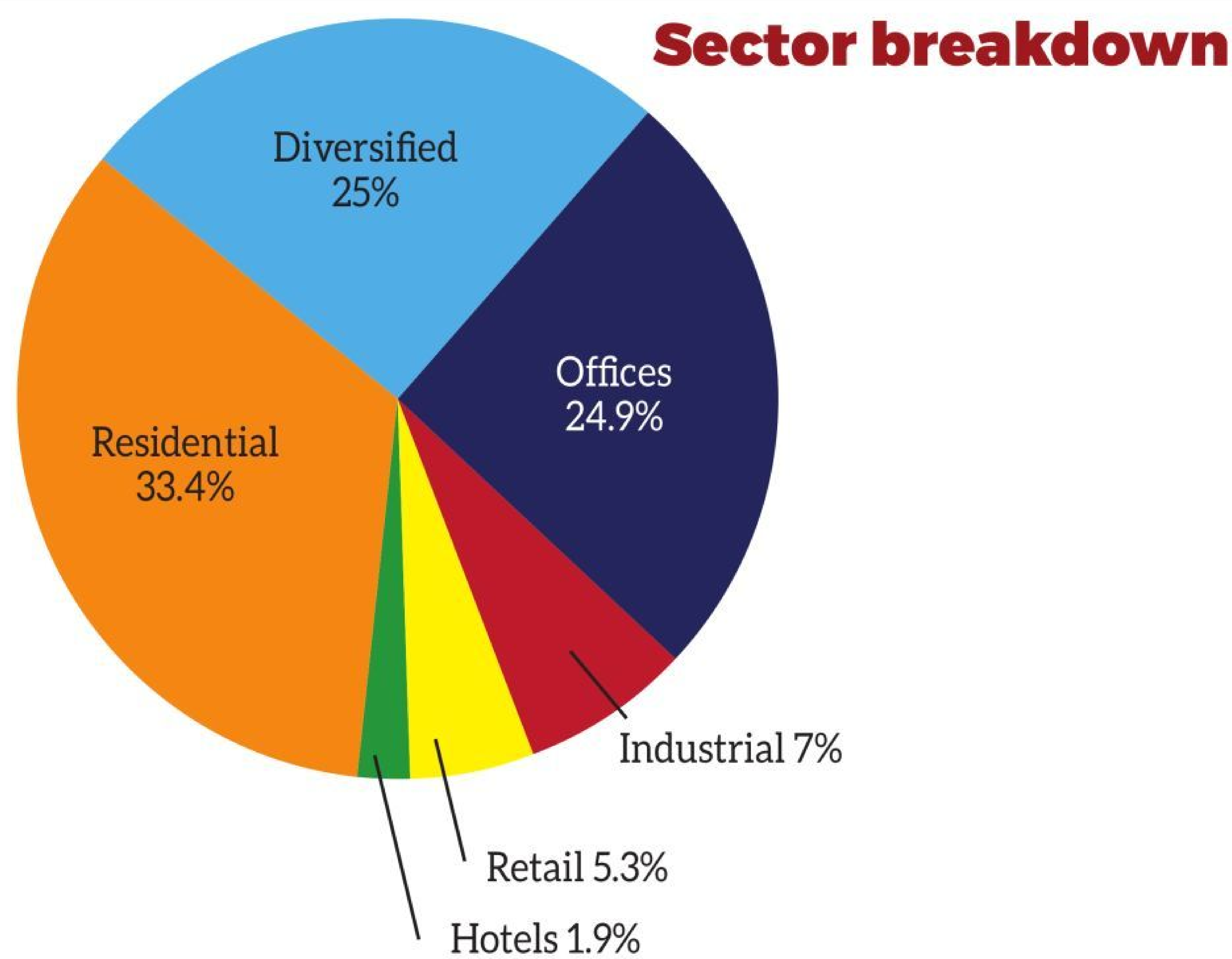
Yield: 1.59%

Source: Fidelity International, May 2019

The manager behind the fund

Dirk Philippa first joined Fidelity International in 2004 as an equity analyst before quickly progressing to become a portfolio manager. After 18 months at a property-focused investment boutique, Dirk rejoined Fidelity. In 2013, Dirk became the portfolio manager for the Fidelity Global Property (OEIC) and Fidelity Funds Global Property fund (SICAV). In March 2014, he took over responsibility for the Fidelity Global REIT Fund. Prior to joining Fidelity, he worked at Salomon Smith Barney where he worked as an analyst and associate. Dirk gained an MA in economics from the University of Amsterdam, followed by an MBA at INSEAD in 2003.

Sector breakdown



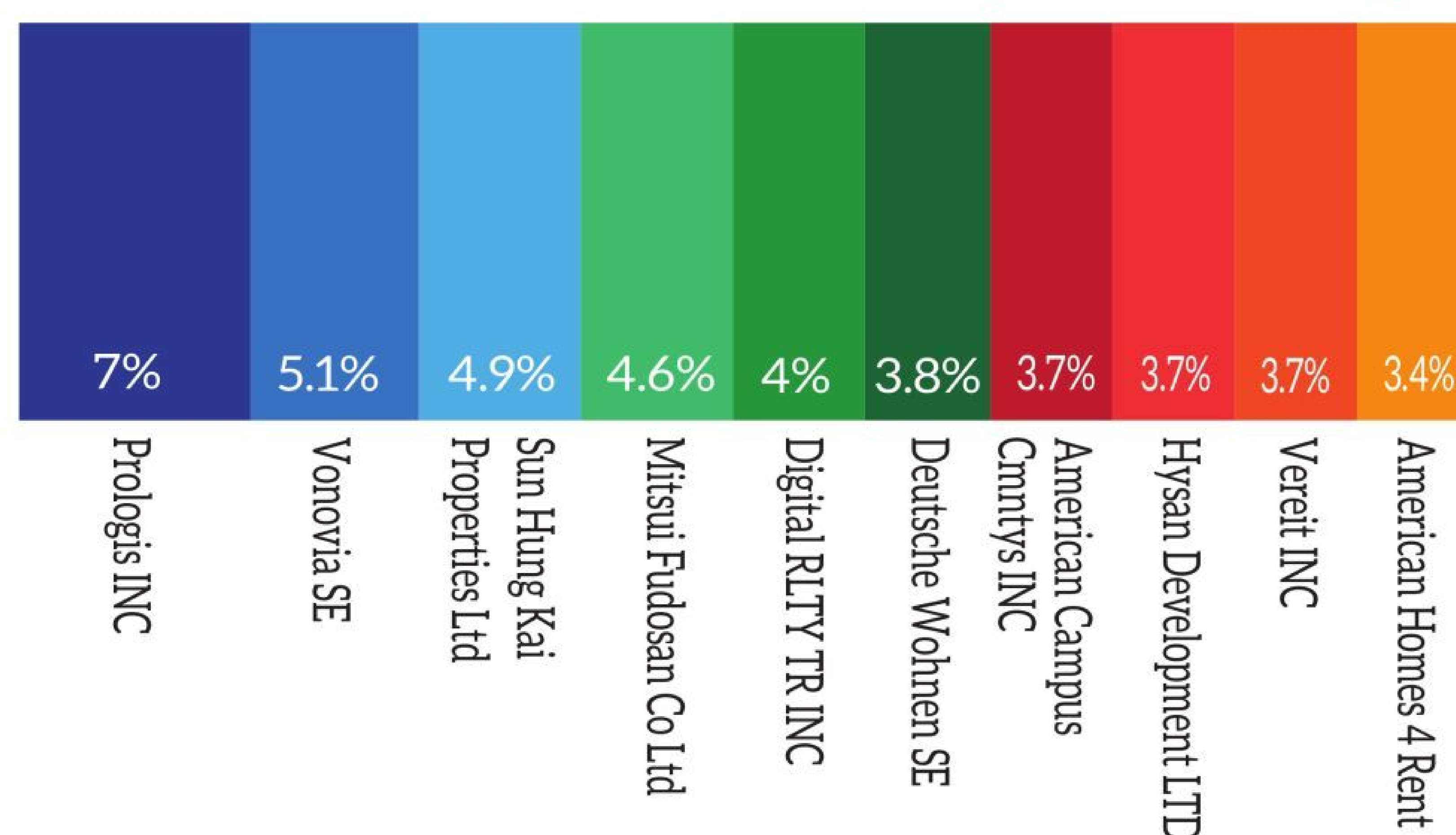
Source: Fidelity International, June 2019

Five-year discrete performance of Fidelity Global Property Fund

Year	0-12 months	12-24 months	24-36 months	36-48 months	48-60 months
FGP W Accumulation Shares	21.7	2.08	18.8	2.96	14.1
FTSE EPRA/NAREIT Developed Index (G)	16.39	9.34	17.27	2.82	14.55

Source: Fidelity International, June 2019

Top 10 holdings



Source: Fidelity International, June 2019

What have you bought recently?

My biggest overweight [higher than average exposure] is in the residential space. Residential used to be equal-weighted up until four or five years ago, then I started to make investments in different residential sub-sectors. One type is 'manufactured housing'. It's a very beautiful name for what are effectively trailer parks.

They tend to be in beautiful locations next to rivers, the sea, warm climates, in the US.

We own two companies: Sun Communities, and Equity Lifestyle Properties (ELS). The great thing is that they don't own the trailers, so in terms of the maintenance, they don't need to spend anything. They pretty much just own the land. They might put in some concrete and a few toilets, but beyond that, there is not much they need to invest in.

What is your best investment decision?

Manufactured housing stocks that I've bought have tripled in the time since I bought them, which is phenomenal. But it's not just that, it's also avoiding some areas, such as retail.

I met some companies three or four years ago. If you listened to the landlords and their optimistic predictions, you realise that was quite different from what the retailers were predicting for their store rollouts.

US Mall REITs got hit hard. It's a major issue in the UK, too.

Many of these companies struggle to survive.

> "You need to know your exit moments"

And the worst?

One of my worst stocks was a company that focused on malls in the US. I bought the company in October 2013. It had some issues but it was also trading at a significant discount. I felt that there was a buffer to buy into the business.

The firm was over-leveraged [indebted], but I had heard positive noises and it seemed that the business understood what had to be done.

Three years later, I realised it was not fundamentally changing. The firm was still doing the same thing, and it bought an additional asset, increasing the leverage. I realised I was wrong. I bought into this business and it was simply a mistake.

I lost 30% from the stock's peak value. Since then, the company has fallen an additional 90% in value.

What is the first thing you invested in?

When I was 16 or 17, I invested in US dollar options. I bought a small amount – around 200 guilders' worth [Dirk is from the Netherlands] – and I doubled my money in less than a month. I thought: "This is great!"

Then the second time I put my profits in and added more, 800 guilders, into the options and it doubled again! Then I thought: "I have just found the gold, this is so easy!"

I took 90% of my money out of my bank account, a few thousand guilders, and I put them all into one trade. The option maturity was only six months because that was cheaper. I didn't have a clue what I was doing but I was making money, so I went ahead.

The exchange rate didn't move for six months, the options expired, and became worthless. That was such a great lesson for me. I was making money, but without a clue of what the real drivers of the exchange rate were. And in terms of the risk, I was putting all my eggs in one basket.

What is your top tip for beginner investors?

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

Is there more than one way to invest in a company?

When it comes to investing in a company, we usually think about buying its shares. But many companies also issue bonds (loans) that investors can 'buy', too.

Shares and bonds are very different in nature, however, and making an investment in one or the other is likely to have very different outcomes. This is why fund managers usually specialise in one or the other. However, some managers will consider both.

Neil Birrell, manager of the Premier Diversified Growth fund, invests directly in the equity and bonds of companies in his portfolio. "The underlying financial strength of a company, and its profitability, is at the core of any decision to invest in any part of a company," he says. "So when thinking about buying a bond or a share in a company, all fund managers will think about the risk and the potential return and make sure it is appropriate for the funds that they manage."

Understanding the business cycle

Rhys Petheram, co-manager of Jupiter Distribution fund, attends company meetings with his co-manager Alastair Dunn, where they decide not only whether or not to invest, but if the investment would be best made via the company's equity or debt.

"Key to our decision about investing in a bond or a share is understanding where the company is in terms of the business cycle, which we split into four phases," says Mr Petheram. "The first phase is 'early-stage growth'. This is when both bond and shareholders can benefit. It could be after a recession or when the company has been through repair of some kind. The company's shares and bonds are likely to be cheaper, therefore more attractive, the balance sheet is likely to be looking in better shape, and the company will be looking to finance its growth.

"Next is 'later-stage', which is more risky for bond investors. Business conditions are likely to be more challenging, management teams may be taking more risk and looking to spend money on mergers or acquisitions – which means they are taking on more debt. The share price could continue to climb for some time though, so equity investors are still positive.

"Then comes recession or a big 'event', not a good stage for shares or bonds. Risk of a company defaulting is higher, and there could also be a sell-off in its shares. Finally, we have the 'repair' stage, which can also be good for both. In 2008-2009 after the global financial crisis, for example, companies – especially the banks – focused on repairing their balance sheets. Risks are more easily identifiable and quantifiable in this stage."

Will Mcintosh-Whyte, assistant fund manager on Rathbone Strategic Growth Portfolio, also cites the financial crisis as a source of new opportunities.

"The whole financial services industry faced increased regulation and had to strengthen balance sheets. It was a regulatory-driven positive environment for bonds."

Dividend cuts are not always bad for bond holders

While dividend cuts are seen as a negative for shareholders, they are not necessarily bad news for bond holders, he says. "You want to know a company will cut its dividend if it needs to – not just pay it regardless of its circumstances. Vodafone, for example, cut its dividend and sold assets to pay off some of its debt."

While M&G Optimal Income is first and foremost a bond fund, it can invest a small amount in equities if manager Richard Woolnough thinks there are strong enough opportunities. In the past decade his weighting to equities – which is limited to 20% of the fund – has been as low as zero and as high as 12%. At the moment the fund holds just under 5% in equities*, with holdings in Daimler, Santander, Adecco and American Airlines.

For Mr Woolnough, it's about looking for the most attractive income stream in a company that he likes. Usually it's the bonds, but if the shares of the firm are providing a higher income than its bonds, and the added risk of investing in the shares is at an acceptable level for the fund, he may consider investing in them instead.

When it comes to investing in a company, there is certainly more to it than meets the eye.

* Source: fund factsheet, April 2019

Past performance is not a reliable guide to future returns. You may not get back the amount originally invested, and tax rules can change over time. Darius's views are his own and do not constitute financial advice. The mention of specific securities is for illustration purposes only and not a recommendation to buy or sell.

DARIUS McDERMOTT is managing director at Chelsea Financial Services and FundCalibre

"YOU'VE DROPPED MY FUND FROM THE FIRST 50 FUNDS LIST. WHAT SHOULD I DO?"

When a fund you've invested in leaves our First 50 Funds, should it be a cause for concern?

BY SAM BARRETT

I started investing this year, using the *Moneywise* First 50 Funds for investment ideas, and I invested in the Fidelity Moneybuilder Income fund. However you've dropped it from your list in favour of the BlackRock Corporate Bond fund. What should I do?

Initial diagnosis

Using *Moneywise*'s First 50 Funds is a great way to choose your investments, especially if you're starting out and the prospect of picking from thousands of funds can seem daunting.

All of the funds that make the list have been selected for their performance, charges and suitability for a novice investor.

Keeping an eye on the list is sensible but Danny Cox, chartered financial planner at Hargreaves Lansdown, says it's not necessary to be a slave to what makes the top 50. "When a fund moves off an investment service's preferred list, it does not necessarily mean it's a sell," he explains. "It's unusual for any investment to turn from a 'buy' to a 'sell' quickly and usually, moving off a list means it becomes a 'hold'. It's usually because there is an alternative fund the service favours more."

Diagnostic tests

It's important to understand why the fund has fallen off the list. In the case of the Fidelity Moneybuilder Income fund, it's because the manager, Ian Spreadbury, retired at the end of 2018 after managing the fund for 25 years.

As fund performance can be affected when a manager leaves, his departure warranted closer inspection. This found that it wasn't performing as well as a similar fund, BlackRock Corporate Bond.

moneywise FIRST 50 FUNDS

While the prospect of higher returns makes the BlackRock fund a good choice for anyone starting out, Patrick Connolly, chartered financial planner at Chase de Vere, says this is only part of the story. "The Fidelity fund takes a defensive approach, with a focus on downside protection. This means it tends to underperform in a stronger market, such as we've seen in the past three to five years. In more difficult times, it is likely to outperform."

> "Funds should be based on how much risk you're willing to accept"

He adds that as both funds have very similar yields and charges, the decision to stay with the Fidelity fund or switch to BlackRock should come down to how you feel the market will perform in the next few years.

Treatment costs

As well as carefully weighing up the investment potential of the two funds, it's also important to consider the cost of switching.

Where the difference in performance is likely to be marginal, any uplift could be lost as a result of the charges you will incur.

Hannah Owen, financial planner at Quilter Private Client Advisers, says that platform charges should always be carefully considered to ensure they suit your style of investing. She explains: "If you're on a platform that charges for fund switches, you should choose funds and stick with them unless there is a really good reason to move, such as extremely poor performance or any concerns about the future of the fund."

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

Treatment plan

If you do decide that the costs and the performance prospects mean a switch is your best option, this is easy to do. "Transferring between funds is very simple," says Mr Connolly. "If your investments are held on a platform you can do it all online and it should only take a few minutes."

If you don't already hold your investments in an Isa, and you have available allowance, transfer them into this tax-efficient wrapper. Mr Cox explains: "The benefit of an Isa is you can switch investments without any tax consequences. Outside of an Isa wrapper, a switch could trigger a capital gains tax charge if you made a significant profit."

Alternative therapy

Rather than switching out of the Fidelity fund, you might decide to leave your money where it is.

"Both of these are good funds – you don't need to switch because it's no longer on the list," says Mr Connolly. "But remember that the funds you hold should be based on your circumstances, what you're trying to achieve and how much risk you're willing and able to accept."

If you do stick, you could simply redirect future payments that were intended for the Fidelity fund to the BlackRock fund. By doing this, you spread your portfolio across funds with different investment styles, and with this diversification helping to reduce risk. mw

SAM BARRETT writes for *Money Observer*, *FTAdviser.com* and *Insurance Post*

Fund Briefing

Your guide to investing in stocks and shares

THIS MONTH: STAR FUND MANAGERS

Everyone wants to hire the best person for the job. If you need a hip operation, your priority will be finding one of the country's best surgeons. If you are extending your house, a builder who comes highly recommended will be more attractive.

BY ROB GRIFFIN

It's the same with fund management. Trusting your savings with someone at the very top of their profession enables you to sleep a little easier. It is why these individuals are hugely popular, with millions of pounds under management.

This is the thinking behind the creation of star fund managers. Fifteen years ago, this culture was at its peak with investment groups turning their best performing managers into household names in the hope of attracting more clients.

The concept made a lot of sense. Hire a superstar manager with an enviable track record and watch the money pour in as investors are seduced by the prospect of top quartile performance and bumper absolute returns. However, there are potential pitfalls.

In many cases, these star tags were awarded on the basis of a strong run of performance combined with savvy marketing and public relations, according to financial adviser Martin Bamford, managing director of Informed Choice.

"The 'star fund manager' trend appears to have faded in recent years, as investors have become better educated and some of the big beasts of the fund management industry have retired," he explains.

The approach that is more favoured today in the world of active fund management is to focus on the broader team behind the portfolio and the process it follows. The latter, of course, helps safeguard the fund should key individuals depart.

"When selecting funds to recommend to our clients, we do consider the track record of the fund manager, but we're looking for consistency and risk-adjusted returns, rather than all-out performance," he adds.

The reality is there are no guarantees with investing. The history books are full of examples of successful funds running into trouble when the manager encounters a bout of underperformance or decides to move jobs.

Star names can also attract a lot of money – but an enviable reputation and previous success doesn't always mean investors should buy into their funds, points out Patrick Connolly, a chartered financial planner with Chase de Vere.

He cites the example of Neil Woodford, who made his name at Invesco Perpetual by studiously avoiding technology stocks in the dot. com boom of the late 1990s – a decision that was vindicated with the bubble burst a few years later.

"He was heavily promoted by execution-only brokers after setting up Woodford Investment Management and the funds he launched proved popular," he says. "However, his performance has been terrible and, with many investors selling out, he has been forced to suspend trading in his flagship Equity Income fund."

Another shocking example was the special situations fund from Solus.

Under the leadership of Nigel Thomas, it became one of the high-flying offerings of the late 1990s.

> "Like football managers, they might not perform in a different company"

From January 1996 until he relinquished control in February 2001, the fund delivered an astonishing return of 355.07%, compared to the 96.99% average.

However, the subsequent two years were abysmal, with the fund producing a miserable loss of 57.55% between 5 March 2001 and 3 March 2003 – considerably worse than the -36.22% sector average.

Mr Connolly favours funds that can provide consistent long-term performance, which he is confident can be replicated. Generally, he will stick with good-quality managers over the longer term – even during dips in performance.

"You need to understand why a

QUICK GUIDE:
Is a star manager right for me?
Consider investing if...

- You want someone that is well-respected in the industry
- You feel comfortable investing with a recognised name
- You believe they have a repeatable investment process

Above: Fallen star, Neil Woodford.

fund is underperforming and then consider if anything might change in the future," he says. "To do this, you need to have a good understanding of the investment manager running the fund and the approach they take."

In addition, you should only follow a fund manager to a different company if you are confident performance will be replicated.

"Much like football managers, they might not be able to perform in a different environment, with different resources or support," he adds.

Adrian Lowcock, head of personal investing at Willis Owen, believes there are only a relative handful of 'star' names.

"New gladiators have entered the ring – and, whether or not they sought star status, they are now among the most famous managers," he says.

He highlights Nick Train of Lindsell Train and Fundsmith's Terry Smith, suggesting their success is driven by a combination of style bias and their simple approach to investing with a long-term focus.

However, that's not to say quality managers are thin on the ground. "There are plenty that would probably warrant the status but because of the asset class they operate in or their personality they don't seek the limelight and are happy to get on with the job," he adds.

FUNDSMITH EQUITY

Value of £100 invested in the fund over five years

Year	2014	2015	2016	2017	2018
Fund movement in year (%)	23.33	15.7	28.16	21.97	2.2
Value of £100*	123.33	142.7	182.88	223.05	227.95

** The £100 was invested on 1 January 2014. Source: Moneywise.co.uk*

Manager	Terry Smith
Launch date	1 November 2010
Total fund size	£17 billion
Minimum initial investment	£1,000 lump sum or £100 per calendar month
Minimum additional investment	£250 lump sum; monthly investments can be increased to any amount above £100
Initial charge	None
Ongoing charge	1.05%
Annual management fee	1%
Contact details for retail investors	Fundsmith.co.uk; 0330 123 1815

Terry Smith

One to watch: Terry Smith of Fundsmith Equity

Terry Smith has an enviable reputation in the fund management industry. He is chief executive and chief investment officer of Fundsmith Partners, which he founded in 2010, and runs a hugely popular fund in the shape of Fundsmith Equity.

Martin Bamford, managing director of Informed Choice, is a fan.

"He's probably the only 'star' manager I would rate today as he has done impressive things with Fundsmith Equity," he says. "However, it's his conviction and methodology I admire, rather than his performance track record."

The aim of Fundsmith Equity is to invest in global equities, with its approach of being a long-term holder of its chosen stocks. Currently, its largest holdings include PayPal, Microsoft, Facebook and Philip Morris.

It suggests these names are 'just a small number' of high-quality, resilient, global growth companies that are good value and intended to be held for a long time.

Mr Smith, who started out at Barclays Bank in the 1970s, joined wealth management firm Collins Stewart in the mid-1990s, becoming chief executive in 2000. He then led the management buyout of Collins Stewart, which was subsequently floated on the London Stock Exchange.

Fundsmith insists rigorous research is central to its business, with the goal being to produce a portfolio of resilient businesses delivering excellent performance. Minimising the costs incurred is also important.

ROB GRIFFIN writes for the *Independent, Sunday Telegraph* and *Daily Express*

HEAD TO HEAD

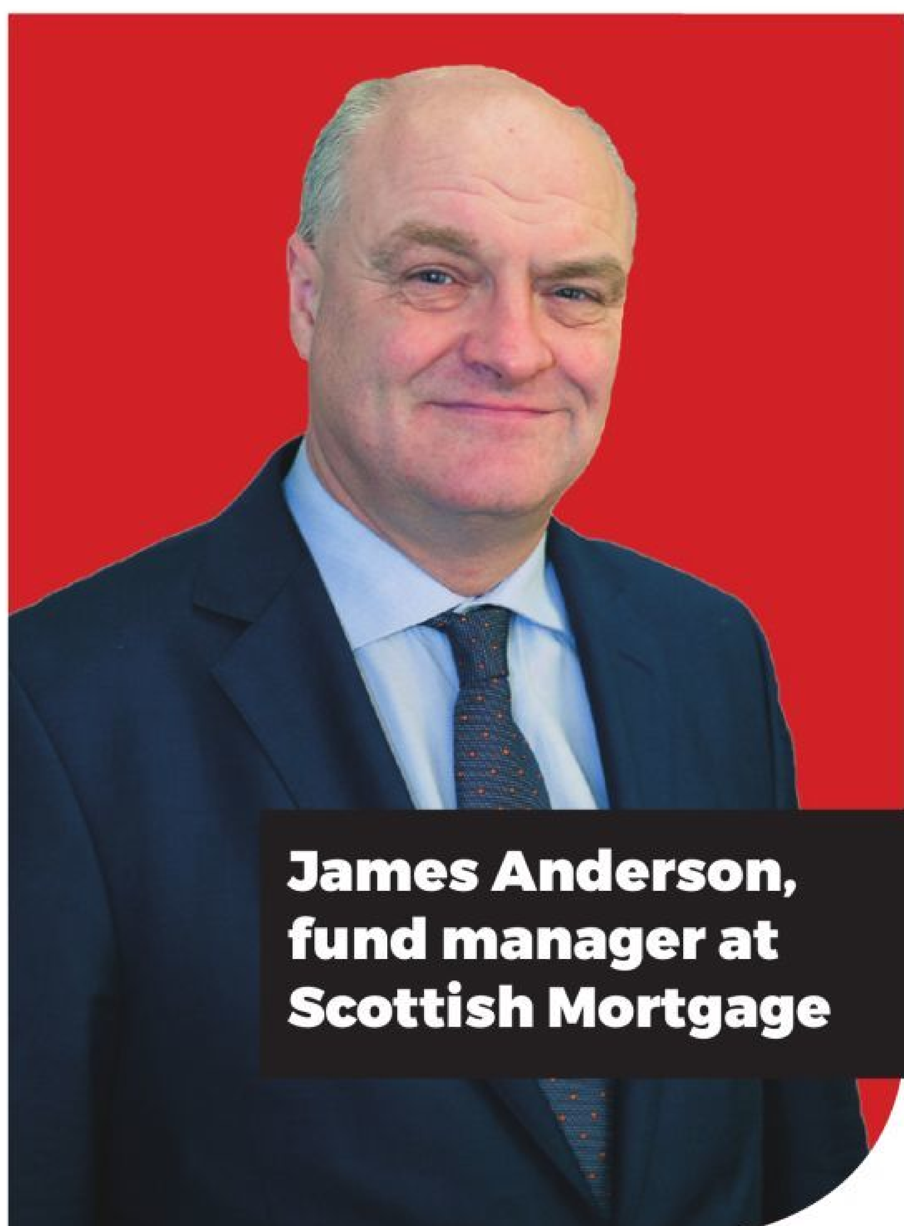
BUY AND HOLD OR SHORT-TERM TRADES?

Managers put the case for their investment philosophy: in the red corner, patient investors James Anderson and Tom Slater of Scottish Mortgage trust – and in the blue corner, Merian's flexible investment fan Ian Heslop

SCOTTISH MORTGAGE

We operate within an impatient industry, which often seems as if it has forgotten its underlying purpose. As managers of Scottish Mortgage Investment Trust, our job is simply to take capital from those who wish to invest and funnel it towards the businesses that can best use it, in the search of profitable returns for all.

We look for strong, well-run and growing companies, public or private, based on the attractiveness of their fundamental operating economics and competitive advantages. We then try to hold such businesses at sufficient scale over time to make a difference for our own shareholders' returns. They can be in any industry and from anywhere in the world, because the best opportunities vary in nature over time. This flexibility allows us to adapt to the structural changes occurring in the world and is inherent to our longevity.


James Anderson, fund manager at Scottish Mortgage

"The best rewards will only come to those who can endure"

Patience is a virtue

Investment requires patience. Any business owner knows that entrepreneurial progress takes time and is rarely a smooth path. We therefore view it as critical to try to support businesses in their extraordinary endeavours and ambitions, especially when the daily news tumult or operational challenges try to blow us off course.

Making judgements on managerial excellence or the potential for sustainable competitive advantage is only worthwhile over a suitably long-term time frame. Anything less is speculation.

A long-term investment horizon is crucial, too, if you are to accrue the benefits of compounding returns. Once we find good companies, we anticipate holding them for many years. Our low average portfolio turnover of under 12% per year is the proof that we actually do this. Our longest investment, Swedish industrial company Atlas Copco, has been held continuously since the 1980s, and more than 60% of the current portfolio has been held for more than five years.

Scottish Mortgage shareholders need to share this patience; the trust is not suited to impatient investors looking for a quick turnaround or smooth path. The best rewards will only come to those who can endure. We try to maximise Scottish Mortgage's own competitive advantages, using the investment company structure to invest in private and public businesses, but

Tom Slater, fund manager at Scottish Mortgage

> “We actively search for stock-specific ‘risk’, then diversify”

also by utilising Scottish Mortgage’s scale to keep the cost of accessing these investments as low as possible for our shareholders.

Academic work on the past 90 years of US stock returns shows that the best-performing 90 companies out of a total of around 26,000 accounted for more than half the excess return from equities over that period. A handful of exceptional companies had an outsized impact, consistent with their persistent dominance in the real world. These findings are consistent with our experience of investing globally.

Compounding growth

They highlight the fundamental attraction of actual investment in companies: the downside is limited to the capital invested. But when companies compound their growth over the long term it is possible to make many times your investment, skewing the balance of risk and reward in the patient investor’s favour. Our portfolio is therefore relatively concentrated, with around 80 holdings. We are unashamedly trying to uncover just that small number of companies and hold them.

The broad global index and its short-run gyrations therefore merit little attention from us. We have distinct feelings of apathy towards our industry’s constant angst over such volatility, which is often mistakenly conflated with ‘risk’. True investment risk is the permanent destruction of capital value where an industry background or a company’s execution/competitive advantage is not what we had imagined. We acknowledge the uncertainty in investing, accepting that not all will come to pass as we hope. We try to minimise the human reality that we will make mistakes. But we do try to ‘beat’ the market and its mood swings. That is a very different task.

We actively search for stock-specific ‘risk’ and then diversify this, through investing in a wide range of businesses. Scottish Mortgage may be best known for its investments in Amazon, Alibaba and Tesla, but there are plenty of other exciting businesses in the portfolio addressing specific and large markets such as the genomics revolution in healthcare (Illumina, Grail); the transformation of financial services (Ant International, TransferWise); digital media (Netflix, Spotify); food consumption and production (Meituan, Grubhub, and Indigo Agriculture); and transportation (NIO, Full Truck Alliance and Lyft).

What all our investments tend to have in common is the fact that they are the companies leading change in their industries, driving progress. Scottish Mortgage aims to help its shareholders share in the benefits of the success of their endeavours.

MERIAN GLOBAL INVESTORS

I admit that for some private investors, buy and hold, or holding on to stocks for a long time, may be a fairly good strategy. It could reduce their trading costs because the number of transactions will be relatively small. It could also help them avoid some behavioural or psychological biases that can detract from return.

The bias of herding, for instance, is when investors thoughtlessly chase short-term market movements: it leads investors to panic and sell after market falls, and to become over-confident and buy at the top of rallies. Herding has recently been evident in markets, which over the past year have become more volatile and changeable than they were previously.

However, there are plenty of reasons for not adopting a buy-and-hold strategy, at least not when running a fund. Sometimes buy and hold is presented as if it were a moral virtue: we are told that a long-term investment horizon is good, and that short-termism is an evil.

This argument is based on a simple confusion between investment horizon and trading strategy – it is perfectly possible to combine a long-term investment horizon with a shorter-term trading strategy.

We all want to optimise our returns over the long term, but that does not necessarily mean we have to hold individual stocks for long periods. More important is to hold the right stocks during the right periods.

Let's look at some reasons why holding stocks for a long time may not always be sensible and why adopting a flexible investment strategy can be beneficial. I shall draw on behavioural finance to explain investors' cognitive and emotional errors.

Behavioural finance

Behavioural finance is a useful corrective to the 'efficient market' hypothesis of traditional economics, which portrays investors as sublimely rational wealth maximisers, and share prices as perfectly and instantaneously reflecting all information.

Recent financial theory has moved beyond the efficient market hypothesis, but you do not need to be a finance expert to see the problems with it, because it flies in the face of common sense. Is anyone you know completely rational all the time? Can they instantaneously process all information? In the real world, investors are driven not only by reason but also by emotion.

By studying how investors actually react, and the way in which real (rather than theoretical) markets behave, we can seek to exploit inefficiencies in market pricing.

One behavioural bias is known as conservatism (with a small 'c'). Under this bias, beliefs are insufficiently revised even when new evidence is presented. What does the buy-and-hold investor do when new evidence emerges against their previous investment case?

A type of conservatism that I believe to be widespread in markets is rigidity of investment style. An example of an investment style is a value style, or buying relatively cheap stocks.

Value investing has outperformed over the past 100 years, attracting academic interest and leading some investors to strongly believe in it as a long-term strategy.

However, this is of scant comfort to those who have suffered from the value style's significant underperformance during the past decade, when cheap stocks have become even cheaper.

Another behavioural bias is the endowment effect. People tend to value something they own more highly than something they do not.

Buy-and-hold investors are in danger of succumbing to this behavioural bias: it can lead them to hold underperforming stocks for too long and could fail to form a fair view of them.

> "There are many reasons for not adopting a buy-and-hold strategy when running a fund"

Ian Heslop, head of global equities, Merian Global Investors

The merits of flexibility

Although stocks are rights to ownership in companies, they can be dominated by market, rather than company-specific, factors. In running funds, my team and I see ourselves as temporary holders of stocks, and we seek to use them to take advantage of changes we observe in the market environment.

We favour a dynamic process, which means responding to market changes by flexing our investment style. We use elements of a value style, for example, when we believe the market conditions are right for it. But we use elements of a growth style (buying shares in faster-growing companies) when we believe the market environment has moved on to favour that style instead. By being style-agnostic, and by flexing our style, we aim to earn better returns across different types of market than we could by buying and holding. mw

This feature first appeared in our sister magazine, Money Observer.

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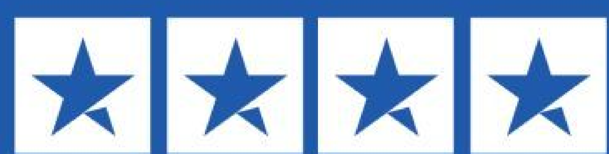
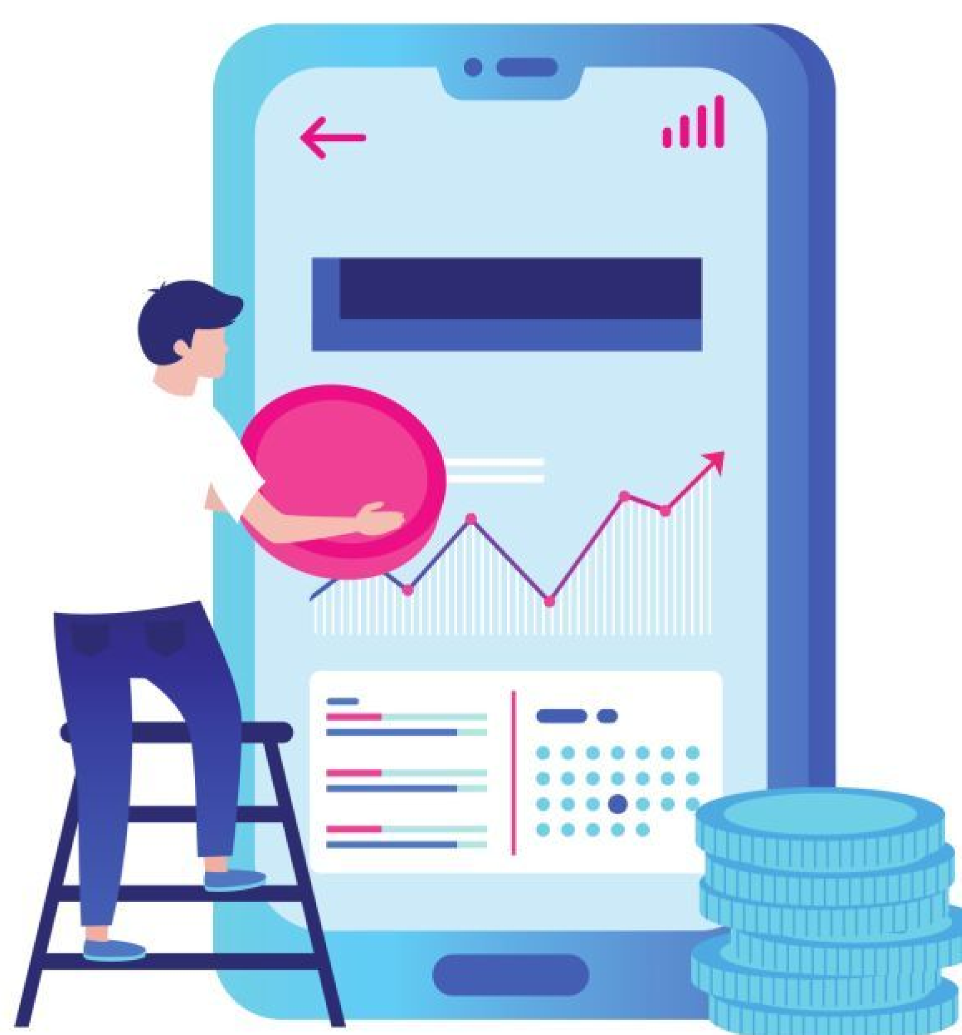


Capital at risk.

REPLY NUMBER 2150

APP-ONLY BANKS: JUST FOR DAILY SPENDING OR FOR ALL YOUR CASH?

The digital banking revolution is here, but few people are putting their salaries into app-only bank accounts. We look at what's holding them back



BY EDMUND GREAVES

Despite a slew of digital-only banks exploding on to the scene, just one in 10 of us (12%) has switched all our banking services to one, according to personal finance comparison site Finder.com.

Furthermore, nearly half (47%) of those who do use them keep less than £1,000 in them.

Two-thirds of banking customers say they plan to convert fully to digital banks in the future, meaning having their salary paid in and direct debits paid out.

Laura Suter, personal finance analyst at investment platform AJ Bell, believes this is because many consumers use these accounts to help analyse their everyday spending.

"Take-up of digital banks has been pretty impressive, but few people are making the full leap to have all of their finances with these app-only banks – users are held back by a mixture of mistrust, apathy and shoeboxing," she says.

"People increasingly see bank accounts as a little pot for a certain area of their life. They will use the likes of Monzo or Starling for their everyday transactions, so they can use the apps to analyse their spending, but they want to keep this data separate from their salary or their council tax bill.

"This 'shoebox mentality' when it comes to accounts can be smart. You can have a savings account that you can forget about and aren't in so much danger of accidentally spending, while you can use a digital bank for your everyday spending and to analyse where your money goes, and then use another account to meet the regular boring bills that come in each month."

So why are people not switching? The fact that Finder.com found digital banking app users were keeping lower amounts of money in their accounts suggest most still use them as piggy banks for short-term spending, rather than for fully-fledged accounting that comes with direct debits and salary payments.

Separate research from ING Bank found that banking customers are still cautious about adopting new technologies. Two in three (63%) have never used fingerprint or voice recognition to log in to their banking app, for instance.

Jessica Exton, behavioural scientist in ING's consumer economic team, says: "Many people are now mobile bankers, using multiple devices to manage their money on the go and across different platforms.

"Yet while a large majority agree that the latest financial technologies should be available to them, when it comes to newer digital ways of managing money we see some reluctance around adoption. Concerns about security, privacy and maintaining control of finances appear to be key barriers."

Ms Exton adds that over time and if new digital approaches are shown to be reliable, useful and socially accepted, it is possible that the uptake of services such as automatically generated advice for budgeting and even investing could be rapid.

"That was the experience with the uptake of mobile banking. Consumers indicate that they want banks and other financial institutions to stay in the lead by developing new ways to help them manage their money, despite any reluctance to accept them immediately" she says.

> "Users are held back by a mixture of apathy and mistrust"

Banking industry in flux

While such digital bank offerings explode on to the scene (let's face it that Monzo 'hot coral' card is ubiquitous already), others appear

to struggle and the industry itself is in flux.

Metro Bank, the original challenger, which popped up in the wake of the financial crisis as a 'new kind of bank' that was open on Sundays and dog-friendly, has been struggling in recent months.

Its share price has taken a huge hit recently, and a swirling false social media rumour led to Northern Rock-esque queues outside branches with people trying to take money out of their accounts.

In May 2019, the Parliamentary Treasury Committee put out a report on access to financial services and criticised mainstream banks for shutting branches and leaving the burden with the Post Office, effectively a taxpayer bailout of the branch network.

The committee said that such Post Office provision amounted to little more than human cash machine services. Meanwhile, free cash machines are also disappearing at a rate of knots, with 1,700 removed in the first three months of 2019 alone.

"Some people feel safer having more than one bank"

The report called for the creation of banking hubs, which would enable multiple banks to provide services with trained staff through Post Office branches.

With the growth of digital-only offerings that mean people never need set foot inside a branch, one would expect this kind of triaging of our retail banking system to be unnecessary.

But in reality, the big banks' withdrawal from physical services has anticipated conversion to digital methods a little early. Many consumers are still very uncertain about adopting online-only provision.

Sarah Coles, personal finance analyst at Hargreaves Lansdown, comments: "You only have to look at the TSB debacle last year to see that things can go wrong with technology. And while companies should have invested in robust back-up plans for every eventuality, some people will feel much more comfortable if they have more than one way to operate an account.

"The more you restrict how you access any service, the more people will rule you out as not meeting their needs."

Crucial goal for banking apps

Getting customers to pay in their salaries is a crucial goal for digital banks such as Monzo, N26 and Starling.

DIGITAL CHALLENGERS – WHICH ARE THE BIG CONTENDERS?

Atom:

Slightly different from the other challengers on this list, Atom Bank doesn't provide a current account service. It does, however, produce routinely competitive (and sometimes best-buy) mortgages and savings accounts through its app-only service.

Claiming to be the first mobile-only bank, Atom was launched in 2014. Major Spanish bank BBVA holds a 40% stake in the firm, but recently declined to exercise an option to buy the whole business.

Monzo:

Monzo is the darling of the digital banking universe. Its creator, Tom Blomfield, has led the app-only bank with the ubiquitous hot-coral cards to more than two million customers in less than three years.

The bank now provides a host of services within its app such as energy switching and access to savings accounts with third parties.

Starling:

Founded by banking industry veteran Anne Boden, Starling Bank has perhaps some of the most interesting propositions of any major challenger. Not only does the bank offer best-buy rates for use abroad, it is also a 'marketplace' of financial products such as insurance, mortgage brokers and savings.

With payment systems built from the ground up, the bank also has some interesting business partners. It provides services such as payment systems to the Department for Work and Pensions, which have been used in the rollout of Universal Credit. It also provides payment services to support new initiatives at RBS/NatWest.

If you want to find out more top digital banking apps, visit **Moneywise.co.uk/ digital-banking-apps.**

Monzo, for instance, recently launched an energy-switching service for customers.

Such a tool is great, especially if it helps people save money, but is essentially useless if the customer is using their Monzo account as a piggy bank while their bills are paid out from a high street account.

The only way that these challengers can truly 'challenge' is by convincing customers to switch because the amount of data insights and potential to earn commissions from third-party financial services providers is crucial if digital banks are to make money.

Jon Ostler, chief executive of Finder.com, says: "Technology has enabled digital-only banks and personal finance apps to offer some amazing features such as spending analytics, automatically investing your spare change and safety features such as being able to instantly freeze and unfreeze your card.

"However, consumers are still hesitant about putting significant amounts of money in these accounts and making them their primary ones.

"Although there are signs that this scepticism will soften over time as the technology and brands becomes better known, it's clear that fintech challengers also have a way to go in convincing consumers that they are a safe, long-term option for their money."

> "People still hesitate to put large amounts of money into these accounts"

But Anthony Morrow, founder of digital advice app OpenMoney, is not convinced.

"Challenger banks aren't a new thing – Smile and First Direct are evidence of that," he says. "Both are subsidiaries of established banks created to meet the demand of a very early non-traditional customer. The problem has always been taking them from two million to 10 million customers. The cost is huge.

"The new challenger banks face this same problem in that you get the first wave of ultra-committed users, but the profit is in the second and third wave. These are the people who don't really care about bank accounts beyond their utility value."

Mr Morrow thinks this problem is compounded because incumbent banks are very quickly catching up.

"Brands such as B for Clydesdale/ Yorkshire Banking Group have 2.5 million users who all have their salary paid into their accounts and use it as the primary account (the holy grail for Monzo and an increasingly mentioned problem). Lloyds has more than nine million users of its digital banking app," he says.

Protected from failure?

Data from Finder.com found that men were maintaining larger average balances (£3,649) in digital banks than women (£2,717). This might reflect different earnings levels but could point to a more cautious approach from women in placing their money with new providers.

Women are more likely to treat digital banks as their secondary accounts

The research also found that women were more likely overall to treat digital-only banks as secondary accounts than men.

Other considerations that might put people off include clarity over Financial Services Compensation Scheme (FSCS) protection.

When *Moneywise* recently looked at six top digital banking apps, it found only two had full FSCS protection while one had protection under the German equivalent and three were covered by different 'e-money' rules and regulations.

We also found it was difficult to ascertain quickly in some cases whether the provider had the protection in place. Such confusion could leave consumers reluctant to put all their faith in new brands that are still untested, and in some cases, not making any profit.

Indeed, since *Moneywise* published its six recommended apps guide, one of those mentioned, Loot, has gone into administration.

In the event, the firm's customers are all protected because cash deposits were in fact held with a third-party provider, Wirecard.

Loot collapsed because it was unprofitable and, after failed talks for more capital funding from investor RBS, it couldn't raise the cash to keep going.

Loot's 250,000-odd customers' money is safe. But the failure of the company is perhaps a bellwether of consumer reluctance to put more faith into unproven banking brands. mw

'I LIKE HAVING PERSONAL ACCESS TO MY BANK'

Vicki Psarias (pictured right), blogger and author at Honestmum.com, likes the physical presence and interactions that come with traditional banking services.

"I like knowing that I have access to managers and cashiers in person in the bank, particularly if there are any online issues or ambiguities there.

"I do use online banking and while it feels safe and is quick, I equally feel contact with someone in person has helped with setting up more accounts, obtaining a credit card, and to action responses more quickly when there have been issues – for example, when I had issues with a bank card that didn't work at the ATM or when bank statements went missing in the post.

"Staff also printed information my accountant required inside the bank and seemed to access phone support quicker too."

YOUR COMPLETE GUIDE TO RENTING

BY HANNAH NEMETH

There was some good news for tenants last month as a law change slashed the costs they will face at the beginning of a new rental agreement. On 1 June 2019, the long-awaited Tenant Fees Act came into effect, banning letting fees paid by tenants in the private rented sector and capping tenancy deposits in England.

Landlords and agents can no longer charge tenants fees for the cost of getting a reference, arranging an inventory or for renewing a tenancy agreement.

If you are plan to rent from a private landlord, the only payments you should be asked to make are:

From the new ban on some of the fees tenants pay to a cap on the sum tenants pay as a deposit, here's the lowdown on what's new and what you need to consider for a stress-free rental

- the rent;
- a refundable deposit, which will be capped at five weeks' rent where the total rent is less than £50,000 a year;
- a refundable holding deposit of no more than one week's rent;
- payments to change the tenancy when requested by the tenant, capped at £50 or at a reasonable charge if costs are higher;
- payments to end a tenancy early, when requested by the tenant;
- payments for utilities such as council tax and broadband; and
- a default fee for late payment of rent or for lost keys if this has been specified in the tenancy agreement.

An end to no-fault evictions?

Tenants may also gain more security and be able to stay in their homes for longer should further government proposals come into force. In April, the government proposed plans to repeal Section 21 of the Housing Act 1988, which currently gives landlords the right to give tenants eight weeks' notice to leave without giving any reason at the end of their tenancy agreement or at any time if tenants are in a 'rolling' tenancy after their original agreement has ended. Should the repeal go through, tenants would be offered longer tenancies of up to three years rather than the standard

> If changes to the law go through, it could be harder for landlords to evict tenants

FIVE TIPS TO AVOID ROGUE LANDLORDS

1 Beware of scammers who break into empty properties and let them out or rent a property and pretend to be the owners. Always ask for the landlord's full name and UK address and consider checking with the Land Registry whether they own the property (see page 71). You can also ask to see their ID.

2 Never hand over money for a property that is advertised online that you (or someone acting on your behalf) has not viewed.

3 Never agree to give cash upfront or to wire over money (via Western Union, for example).

4 Avoid landlords who are prepared to waive the deposit or want to add it on to the rent.

5 Ask to see a draft of the tenancy agreement and check for details of the deposit scheme. Ask for copies of the gas safety certificate, energy performance certificate and the latest version of the government's *How to... Rent* guide before you sign up.

one year in the most common type of tenancy agreement, an Assured Shorthold Tenancy (AST). Unscrupulous landlords would no longer be able to evict tenants simply because they complained about poor maintenance or repairs, for instance.

How do I find a good letting agent?

Top of any tenant's wish list should be finding a decent landlord or letting agent. And this is down to careful vetting rather than good luck. *Bad Tenants, Rogue Landlords* on catch-up TV shows how nasty things can get for both parties when things go wrong.

Look out for letting agents that are members of a recognised trade body, which offers a client money protection scheme to protect your money if the agent goes bust, as well as an independent complaints procedure. Schemes to look out for are:

- ARLA Propertymark (Arla.co.uk)
- Property Redress Scheme (Theprs.co.uk)
- Safeagent (Safeagents.co.uk)
- The Property Ombudsman (Tpos.co.uk)
- UK Association of Letting Agents (Ukala.org.uk)

Online letting agents such as I Am The Agent, LetBritain, OpenRent, and Upad belong to one or more of the regulatory schemes and are free for tenants. These sites may also advertise on property portals such as Rightmove, Zoopla and Prime Location – something landlords cannot do without an agent.

There are also websites that act as property marketplaces rather than letting agents, such as Ezylet (Ezylet.com), Find a Flat (Findaflat.com), Spare Room (Spareroom.co.uk) and The House Shop (Thehouseshop.com). Tenants can join for free, but have to pay if they want 'early bird' viewings of new listings. The websites are just a platform: landlords or their agents will deal with all viewings and contracts and deal with tenants' rent or deposits or belong directly to any regulatory scheme.

For useful information about renting in the UK and local agents, Thetenantsvoice.co.uk offers guides and online forums. You can search for letting agents by postcode, with details of whether they have been approved and vetted by the site or not.

Don't drag your heels when it comes to booking viewings as good properties get snapped up. To make sure you have the best chance for a landlord to pick you over other prospective tenants, you need to be organised.

Make sure you have paperwork, such as your passport (and visa if necessary), proof of employment and bank statements to hand – plus the funds for the deposit and first month's rent.

Drag your heels on viewings and you could miss out on a good property

How do I check the landlord?

There are ways to protect yourself against rogue landlords too – for example, you can ask if the landlord belongs to an accreditation scheme.

Two main schemes are run by the National Landlords Association (NLA – Landlords.org.uk) and Residential Landlords Association (RLA – Rlaas.co.uk). Members of the NLA can show you their membership card while RLA members can display a badge on the windows of their rental property.

If you are looking for a London property, there is also the London Landlord Accreditation Scheme (Londonlandlords.org.uk).

If you want to be sure the landlord is the legal owner of

Edward Lawrence had problems with his letting agents

'Give the property a good once-over – don't assume the agent has done it'

Edward Lawrence, director of client services at Lacuna Productions, rented a three-bedroom house in Bristol with two friends until April 2019 but had problems with the letting agents.

"As soon as we moved in, the shower didn't work despite it being recently fitted. The letting agent arranged for someone to fix it but didn't tell us the date, so we were at work.

"In the end, I had to take a half day's leave to be there for the appointment," he says.

"The shower screen wasn't wide enough, so water dripped down the side of the bath. I noticed that the edge of the bath had started to swell, so I reported it to the letting agents. They arranged for the side of the bath to be replaced but tried to charge us £150 extra because they said we didn't report it in time.

"So far, my experience as a tenant has been expensive. My advice would be to give the property a good once-over and not assume it has been done by the agent. Report any issues immediately while keeping a record of phone calls, emails and all correspondence."

Ed has now moved into a three-bedroom house in the same area through Bunk, a rental app, which tenants and landlords can use without the need for a letting agent.

the property, it only costs £3 to download a copy of the title register from the Land Registry at Eservices.landregistry.gov.uk. This will confirm the owner's name and address, and whether they have a mortgage on the property.

Some councils run accreditation schemes and list approved landlords and agents on their websites. Visit Accreditation Network UK (Anuk.org.uk) for more details.

Meanwhile, don't be embarrassed to have a quiet word with the current tenants if you get the chance.

Have a quiet word with the current tenants if you get the chance

How much will it cost to rent?

Affordable housing should cost no more than 35% of your post-tax income, says the poverty-fighting charity Turn2us.

So, for example, if you earn £25,000 after tax and benefits, you should be spending no more than £729 a month on rent.

In some parts of the country this is not so easy – and expect to pay much more in London.

Private tenants spend 30% of post-tax income on rent on average, according to the latest research by the property portal Zoopla.

If you work from home and can live anywhere, renting in the North is the most affordable it has been for 10 years – for example, rents are up by just 1% in a decade in the North East with the average monthly rent just £452 a month. However, this compares with £1,249 a month in London – an 18% rise since 2007.

Do the rules differ for a lodger?

Not everyone can afford a whole property, so another option is to look for a room in a shared house or to become a lodger.

As a lodger, you won't need to sign an assured tenancy agreement and your deposit won't be protected, but it is sensible to draw up a written agreement regarding notice periods and any other restrictions.

As well as a messaging service where tenants can arrange viewings with landlords or potential room-mates, popular flatshare site Spareroom.co.uk runs 'speed flatmating' events in London and Manchester, where you can meet several potential flatmates in one go. It's free to place a listing, or you can pay extra (from £10.99 a week) for 'early bird' access to listings.

You can also look for a room at Roomgo.co.uk (free for non-premium renters or from £9.99 for a week with access to premium listings) and TheHouseShop.com (free).

If you plan to be away at weekends, you can save money by arranging a rental from Monday to Friday – Fivenights.com and MondaytoFriday.com are both free for lodgers.

Is the property energy efficient?

It is worth checking the property's energy efficiency before you sign up, as you could save hundreds of pounds a year on your energy bills.

Since 1 April 2018, it has been illegal for landlords to let out a property with a poor energy efficiency rating. Properties are graded from A to G for energy performance, and private rental properties need to have a minimum rating of E on the Energy Performance Certificate (EPC) your landlord must provide.

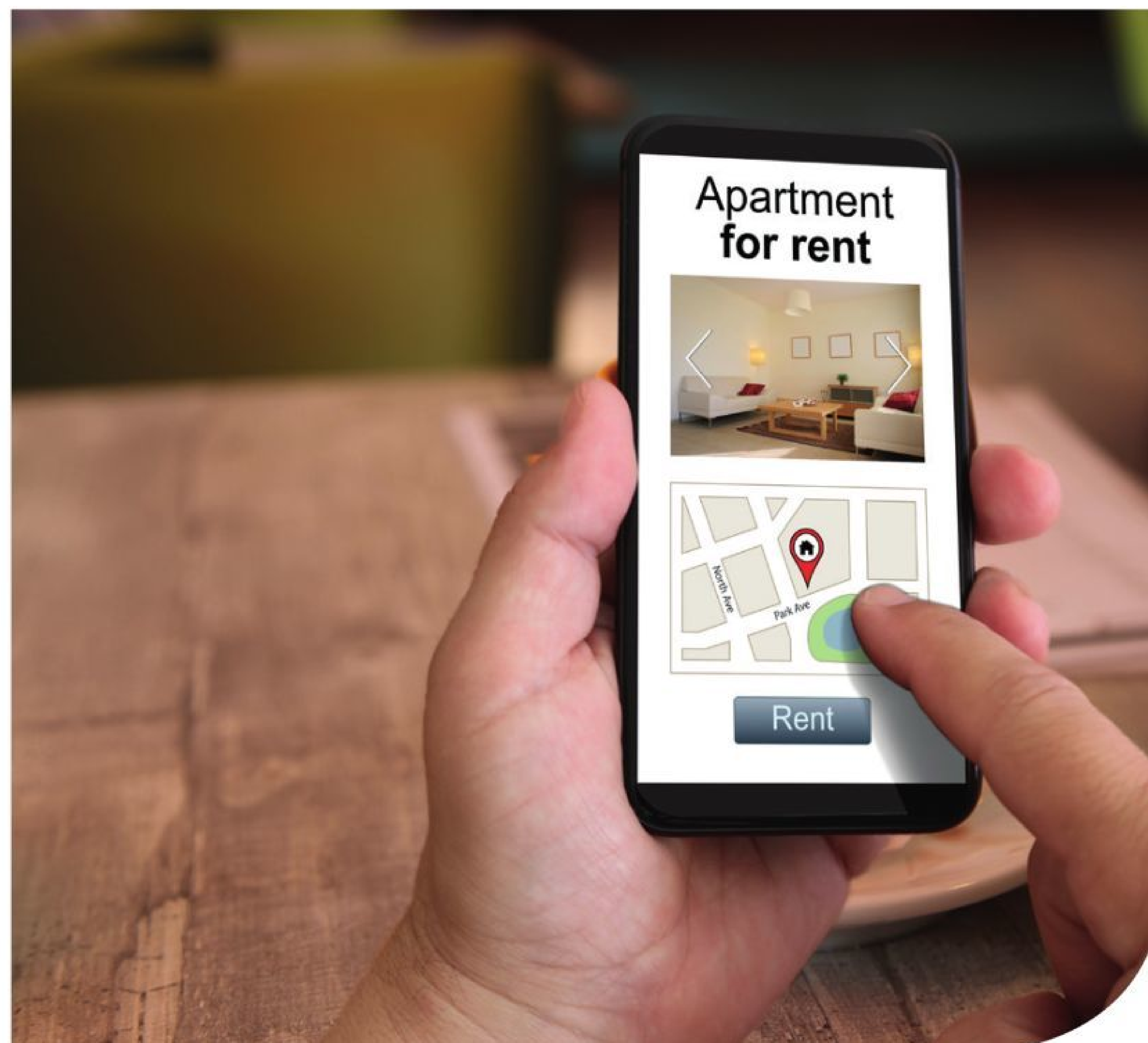
If the property you are considering has a poor energy rating, it is worth discussing any improvements that the landlord can make – such as improving insulation and adding thermostats to radiators, for example. If this is not possible and poor energy efficiency will impact on your household bills, then it may be wise to look for another property.

Do I need a guarantor?

If you are a student or have difficulty proving that you can afford the rent, you may need a parent or close relative to act as a guarantor. They will agree to pay the rent if you don't pay it.

Landlords will expect the guarantor to live in the UK as it is difficult to check affordability or take legal action for unpaid rent if they live abroad.

If you are from overseas and can't find a guarantor in the UK, one way around the problem is to pay six to 12 months' rent in advance. Alternatively, you could pay for a UK guarantor service. Housing Hand (Housinghand.co.uk) charges a one-off fee, which varies depending on the amount of rent and whether you are a student or professional. For example, fees for students work out at between 60% and 95% of the monthly rent, subject to a minimum of £295 and can be paid in instalments.



To cut your bills, make sure your new home will be energy efficient

How do I protect my deposit?

Before signing a tenancy agreement – usually in the form of an assured shorthold agreement – make sure it mentions which government-backed scheme the landlord or letting agent will use to protect your deposit. In England and Wales, there are three authorised schemes: Deposit Protection Service, My Deposits and the Tenancy Deposit Scheme.

Your landlord has 30 days to protect your deposit and to provide you with information about the scheme. At the end of your tenancy, the landlord must return the deposit within 10 days – unless there is a dispute, which the scheme can help mediate.

For more information on this, visit Gov.uk/tenancy-deposit-protection or Gov.scot and Nidirect.gov.uk for schemes in Scotland and Northern Ireland, respectively.

What if I can't afford a deposit?

Given that most tenants will pay £1,000-plus as a deposit, as well as having to cough up the first month's rent, some companies have started to offer deposit-free insurance – but tenants are still liable for damages or unpaid rent at the end of the tenancy.

Instead of paying the deposit upfront, tenants will usually pay one week's rent to the scheme provider, which will cover losses of between six and eight weeks' rent. If there is a dispute with the landlord for damages, then these schemes will take on the job of recovering the money from the tenant.

For more details on this type of product, look at companies that offer a dispute resolution service and are FSCS protected such as Canopy (Canopy.rent), Nil Deposit (Letalliance.co.uk), Reposit (Getreposit.uk) and Zero Deposit (Zerodeposit.com).

But remember, most tenants will receive all of their deposit back: if you can afford to pay upfront, it will probably be cheaper in the long run.

Do I need an inventory?

It is important to get an inventory to record the property's condition at the start of the tenancy so that you can prove that any damage was normal wear and tear or was already there when you moved in. Also take plenty of photos to keep with the report.

Some landlords will conduct the check-in jointly with the tenant – Open Rent (Openrent.co.uk) offers a useful DIY template for you both to sign after the check-in and check-out – while some landlords prefer to pay for an inventory professional to carry out the service, but they will be liable for the cost.

At the time of writing, the Creditworthiness Assessment Bill was awaiting a second reading in Parliament. The Bill says that if tenants pay their rent on time, it should help strengthen their credit histories – as is the case with homeowners making mortgage repayments.

Hopefully, this will come into effect later this year, but if you want to improve your credit score now and are confident that you will not miss a rent payment, then you can sign up to Creditladder.co.uk. Pay your rent by a standing order through the app, and Credit Ladder will tell the credit score company, Experian, that you have paid the rent on time, so it can be added to your credit history.

However, it is worth noting that while many lenders use Experian, financial firms with one of the other agencies may not see your credit history and Credit Ladder is not a member of the Financial Services Compensation Scheme, so your rent money will not be protected. mw

Moneywise reveals its PERSONAL FINANCE TEACHERS OF THE YEAR 2019

Moneywise celebrates the best of personal finance education in Britain, rewarding hard-working teachers who make the difference and go the extra mile for their students

The judging panel discuss the merits of the many excellent nominees for this year's awards.

BY EDMUND GREAVES

This year's contest was sponsored by interactive investor (*Moneywise*'s parent company). Cash prizes were awarded for the teachers to use as they see fit in their schools:

- Winners: £5,000 each
- Runners-up: £2,500 each
- Judges' Award: £1,500 each
- Commended teachers: £500 each

This year saw a record number of nominations for the awards. Submissions were whittled down by the *Moneywise* team to the final shortlists for judging.

This year's judging panel included:

- Alex Kovach, chief commercial officer, interactive investor
- Rachel Lacey, special projects editor, *Moneywise*
- Jeff Prestridge, personal finance editor of the *Mail on Sunday* and columnist for *Moneywise*
- Rachel Rickard Straus, editor, *Moneywise*
- Guy Rigden, chief executive, MyBnk
- Bobby Seagull, TV personality, author, maths teacher and *University Challenge* finalist
- Richard Wilson, chief executive officer, interactive investor
- Russell Winnard, director of programmes and services, Young Enterprise & Young Money

From the two shortlists of four primary and six secondary teachers, the judges awarded points based on:

- Usefulness
- Fun
- Engagement
- Interactivity
- Bonus points

Guy Rigden explains his thought process for judging: "In particular, I looked for whether the content was relevant to the different age groups and how much it dealt with personal finance rather than more general economics or citizenship, which some entries emphasised.

"Bonus points were awarded for evidence of seeking out best practice, bringing in visitors or making visits that brought relevance and context, particularly impressive examples of materials and a whole school approach, and whether the teacher had a plan for the use of an award."

> After a tough session of judging, two winners emerged

After a tough session of judging where the merits of all the teachers were weighed up, two winners emerged. Here are some key comments from the judges as to what they liked from all the finalists.

PRIMARY

Winner: Sian Bentley, deputy principal, Queensmead Primary Academy, Leicester

Sian was crowned winner in her category despite being in a very crowded field of brilliant teachers.

Bobby Seagull explains: "Despite being in a tough school environment, Sian has developed a way of embedding personal finance across the whole curriculum.

"Students learn about the difference between needing and wanting. The school also runs flagship events such

as Enterprise Week and Careers Week, which help to put a spotlight on finance. I am particularly impressed by 'Purple Pounds'."

Sian's Purple Pounds is an enterprise in her school where you can apply for jobs and get paid in 'purple pounds'. These can then be spent in school on treats (such as a film and popcorn afternoon) as well as a range of goodies from shops such as Paper Tiger and others.

Rachel Lacey was also very impressed: "I loved Purple Pounds, and encouraging Year-6 students to get jobs within the school – applying for roles, understanding that better pay is the result of harder work and more responsibility, and so on.

"I wish my kids were getting these opportunities in their school!"

Awards host Konnie Huq (left) and judge and interactive investor chief executive Richard Wilson (centre) present winning teacher Sian Bentley (right) with a cheque for £5,000

Above: Primary school category runners-up Joanne Throssell (right) and Hayley Whitaker (centre) receive certificates from Konnie Huq

Runner-up: Joanne Throssell, deputy headteacher, Ranskill Primary School, Retford

Joanne was highly praised for her work. Of particular note was a foreign currency task, which introduced the concept of money from different parts of the world, exchange rates and how to manage money for travel.

Rachel Rickard Straus says: "I loved the currency tasks, bringing something that kids will have come across already in real life, and looking at it in more depth. Class charters covering their use of resources also really brought to life budgeting and the fact that resources are finite."

Bobby Seagull adds: "It is good that Joanne is taking a lead in making her school a Young Money Centre of Excellence. She thinks a lot about how to break the cycle of poor personal finance in her area."

Runner-up: Hayley Whitaker, KS1 class teacher, Arkholme Church of England Primary School, Arkholme

Jeff Prestridge was impressed by Hayley's focus on the 'core' subjects of personal finance.

"I liked Hayley's simple approach and emphasis on core needs, and the fact that we're living in an age that is increasingly cashless, and I liked her engagement with the usage of coins," he says.

Bobby Seagull says: "Although her headteacher won last year, meaning that she understands the selection process, the simple practicality of the game enables her Year-1 and Year -2 students to understand money in a way that relates to real life.

"It is small-scale, but I get the sense that students would really enjoy this innovative project."

Judges' Award: Tom Raffield, mathematics teacher, St David's School, Purley

Tom's entry was marked out for a Judges' Award owing to his attention to investment and economic education, and his ability to cover sophisticated topics, even at a primary level.

Mr Prestridge comments: "I was really impressed with Tom's attention to detail."

> "Students learn valuable life skill and also enjoy the classes"

Alex Kovach adds: "Tom was my favourite, because his lessons were so engaging, and fun.

"I had to check myself that this was primary and not secondary, it was so sophisticated. "

SECONDARY

Winner: Helen Westwood, teacher of financial studies, Caroline Chisholm School, Northampton

The winner in the secondary category, Helen Westwood, received particular praise from the judges for her honesty and enthusiasm.

Rachel Lacey says: "For the secondary category, Helen Westwood is the stand-out winner – she clearly loves her job and is prepared to go great lengths to get her students to not only understand personal finance and learn valuable life skills but to enjoy the classes too.

"I love how open she is about her own finances, showing students her payslip and sharing her wedding budget spreadsheet."

Mr Prestridge wholeheartedly agrees: "Helen's entry was quite brilliant. I just loved her enthusiasm. It was refreshingly honest too."

Left: Secondary school winner Helen Westwood receives a cheque for £5,000 to benefit Caroline Chisholm School.

Above: Russell Wareing received a Judges' Award and £1,500 for his school, Lancaster Royal Grammer.

Runner-up: Christine Holt, teacher of financial education, Stowmarket High School, Stowmarket

Christine's entry was praised for her use of scenarios that pupils would find relatable and engaging.

Mr Ridgen says: "Christine has shown great teaching progression through age groups. I loved the party planner activity. Lots of interaction, very relevant to her pupils."

Mr Kovach agrees: "I loved Christine's party planning exercise. It dealt with several areas of personal finance and showed in a fantastically succinct way how various financial themes mesh together in a practical way. And what better exercise to get kids excited about personal finance than planning a party?"

Runner-up: Agnelo Mendonça, business teacher, Loxford School, London

Agnelo Mendonça's entry received praise from the judges for the variety of topics that encourage pupils to think about personal finance.

Mr Seagull explains: "In a challenging school environment, Agnelo has created a programme that really encourages his Year 12 and 13 students to think about personal finance. His activities go through the whole life cycle. He has a very clear plan of what he would do with the winnings. He goes beyond the syllabus and exams."

Left: Secondary school runners-up Christine Holt (centre) and Agnelo Mendonça (right) both received £2,500 for their schools.

Mr Kovach liked the content of his courses too: "Agnelo's mortgage application task was fantastic because it set the pupils in a roleplay, instead of just laying out facts. It was both practical and engaging for what can be a highly complex financial product."

Judges' Award: Russell Wareing, head of business and economics, Lancaster Royal Grammar School, Lancaster

Like Tom, Russell was awarded a judges' prize for his exceptional attention to investing education.

Mr Wilson explains his reasons behind this award: "I was so excited to see that teachers like Russell are really tackling important subjects like investments with young people.

"He is clear and concise on the important stuff and explains in brilliant detail the importance of investor concepts such as growth, balanced and income investing. He has also managed to organise trips and speakers from a range of financial firms that shows real dedication to the craft of teaching about investing."

> "It is important for kids to see the financial world in action"

Mr Seagull agrees: "Russell has done very well to enhance the profile of finance. He has taken part in enriching projects that allowed his students to travel domestically and abroad."

Commended: Nicola Butler, teacher of mathematics, finance and Welsh baccalaureate, Ysgol Eirias (Eirias High School), Colwyn Bay.

Mr Prestridge says of Nicola: "I liked the way in which she was prepared to go out and take her classes to the local bank. It's very important for kids to see the financial world in action.

"I loved the 'good vs bad' focus on debt. I was really impressed with her."

Mr Seagull agrees: "She shares her personal experience to make her projects grounded and is willing to really take her students on trips that show finance in action. She has engaged many students across different year groups."

Commended: Jennifer Whelan, St James Catholic High School, London.

Ms Rickard Straus says: "I was really impressed by Jennifer's proactive organisation of trips to the Bank of England for her pupils and how this helped convey esoteric topics such as quantitative easing and inflation."

Mr Wilson adds: "I thought Jennifer's teaching task using England flags was great. Not only did it convey the relevance of supply and demand concepts in a relatable way, it was a novel and engaging use of a popular topic for young people: sport.

"This concept was then applied to the inner workings of the stock market, something which would otherwise be quite abstract for teenagers." mw

moneywise BEST BUYS

Stephen Little has hunted through the mass of financial products and data to bring you this month's best variable rate mortgages, plus top deals for current accounts and regular savings accounts.For more best buys, updated weekly, go to **Moneywise.co.uk/best-buys**

The lowdown on variable rate mortgages

A variable rate mortgage will fluctuate in line with interest rates, so your monthly mortgage repayment can go up as well as down.

The biggest advantage of taking one out is that it will typically start at a lower rate than a fixed-rate mortgage.

As you are taking the risk that the interest rate may go up, your lender will be prepared to offer you a lower rate.

There are three main types of variable rate mortgage – tracker mortgages, standard variable rate (SVR) mortgages and discount rate mortgages.

Tracker mortgages follow the base rate of the Bank of England. It is usually a percentage point or two higher than the base rate and goes up and down in line.

With a discount rate mortgage, the lender will give you a discount off the SVR for a set period of normally two to three years. So if the SVR is 4.5% and the discount is 1.5%, the mortgage rate will be 3%.

The SVR is a fixed rate set by the lender, which can change it any time. While it is not tied to the Bank of England base rate, it will still often go up or down with it.

Should you take out a variable rate mortgage?

While a tracker mortgage could help you save money, if the Bank of England base rate goes up you will find yourself paying more each month, and more overall on your mortgage. Tracker mortgages are therefore best for people who believe the base rate will fall or stay the same, but can also afford higher payments if there is a rise.

Similarly, with a discount mortgage, the lender could change the SVR at any time, so your repayments could become more expensive.

Fixed or variable

Most people take out a fixed-rate mortgage over a two- or five-year term. When it comes to choosing between a fixed or variable rate mortgage, a lot will depend on your individual circumstances.

FEATURED PRODUCT

Leeds Building Society 1.73%

Leeds has the cheapest mortgage available for home movers, charging 1.73% for those with 25% deposit.

With a £180,000 mortgage over 25 years on a property worth £300,000, this would cost £8,802 a year or £734 a month.

The lender could change the rate of a discount mortgage

While you could benefit from a cut in interest rates with a variable rate mortgage, if you are not prepared for rate rises you could face financial hardship.

If you are looking for long-term stability and want to know exactly how much you will be spending, a fixed-rate mortgage might be better for you as if the base rate goes up your repayments will remain the same.

Capped deal

Those who want more security with a variable rate mortgage can opt for a capped deal.

This guarantee that your interest rate won't go above a certain level, but you will also benefit from lower payments if rates go down. They are normally for an introductory period, usually from two to five years.

One of the best deals out there for first-time buyers is from Skipton Building Society, which has an initial rate of 2.32% for two years, which then reverts to the SVR (currently 4.99%).

For a first-time buyer with a 10% deposit looking to buy a £200,000 property over 25 years, the monthly cost is £791 putting the annual cost at £9,495.

For someone looking to remortgage their £200,000 property with £100,000 left on their mortgage over 15 years, Hanley Economic Building Society currently offers the cheapest discount variable rate deal at 2.19% for two years. This mortgage comes with no scheme fees and cashback of £1,000 for an annual cost of £7,327.

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	1.5%	£1 upwards	Online only	Rate includes 0.15% bonus for 12 months	=
Secure Trust Bank 90 Day Notice Account	Notice account	1.91%	£1,000 to £1 million	Online only	90 days' notice required	=
Al Rayan Bank One Year Fixed Term Deposit	One-year fixed rate	2.17%	£1,000 upwards	Branch, online, phone, post	Offers EPR not interest	=
Al Rayan Bank Two Year Fixed Term Deposit	Two-year fixed rate	2.42%	£1,000 upwards	Branch, online, phone, post	Offers EPR not interest	=
Gatehouse Bank Three Year Fixed Term Deposit	Three-year fixed rate	2.55%	£1,000 upwards	Online only	Offers EPR not interest	=
Gatehouse Bank Five Year Fixed Deposit	Five-year fixed rate	2.75%	£1,000 to £1 million	Online only	Offers EPR not interest	=
First Direct Regular Saver	Regular Saver	5%	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	=

Rates correct as of 12 June 2019

FEATURED PRODUCT
Savings
Marcus by Goldman Sachs Online Saver offering 1.5% for 12 months. Note this rate includes a 0.15% bonus in the first year.

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
Coventry BS Easy Access Cash Isa	Easy access	1.5%	£1 upwards	Online only	Rate includes 0.35% bonus until 31/8/2020	=
Kent Reliance Cash Isa - 60 Day Notice - Issue 7	Notice account	1.5%	£1,000 upwards	Online only	Withdrawals are subject to 180 days' loss of interest on the amount withdrawn.	=
Al Rayan Bank One Year Fixed Term Deposit Cash Isa	One-year fixed rate	1.61%	£1,000 upwards	Branch, online, phone, post	Offers EPR not interest	=
Virgin Money 2 Year Fixed Rate Cash E-Isa	Two-year fixed rate	1.82%	£1,000 upwards	Branch, online, phone, post	Offers EPR not interest	↑
Aldermore Three Year Fixed Rate Cash Isa	Three-year fixed rate	1.9%	£1,000 upwards	Online only	Withdrawals are subject to 180 days' loss of interest on the amount withdrawn.	↓
Metro Bank Five Year Fixed Rate Cash Isa	Five-year fixed rate	2.1%	£0 upwards	Online only		↓
Coventry Building Society Junior Isa	Junior Isa	3.6%	£1 upwards	Branch, online, phone or post	Yearly Junior Isa limit of £4,128, 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	=
Barclays Help to Buy Isa	Help to Buy Isa	2.58%	Up to £1,000 and make regular savings of up to £200 pm	Branch, online or phone	Open to first-time buyers only	=

Rates correct as of 12 June 2019

FEATURED PRODUCT
Cash Isa
Metro Bank Five Year Fixed rate Cash Isa. Open this account online for a rate of 2.1%.

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're an additional-rate taxpayer, then you do not receive 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**.

Janus Henderson exists to help you achieve your **long-term** financial goals.

IN PURSUIT OF THE PERFECT BLEND

Investment Trusts, managed by Janus Henderson

The perfect cup of coffee depends on a perfect blend of beans, water and the skill of the barista.

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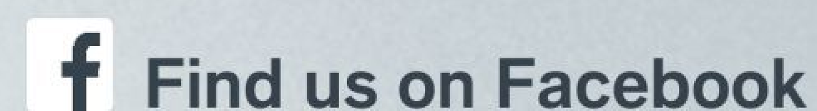

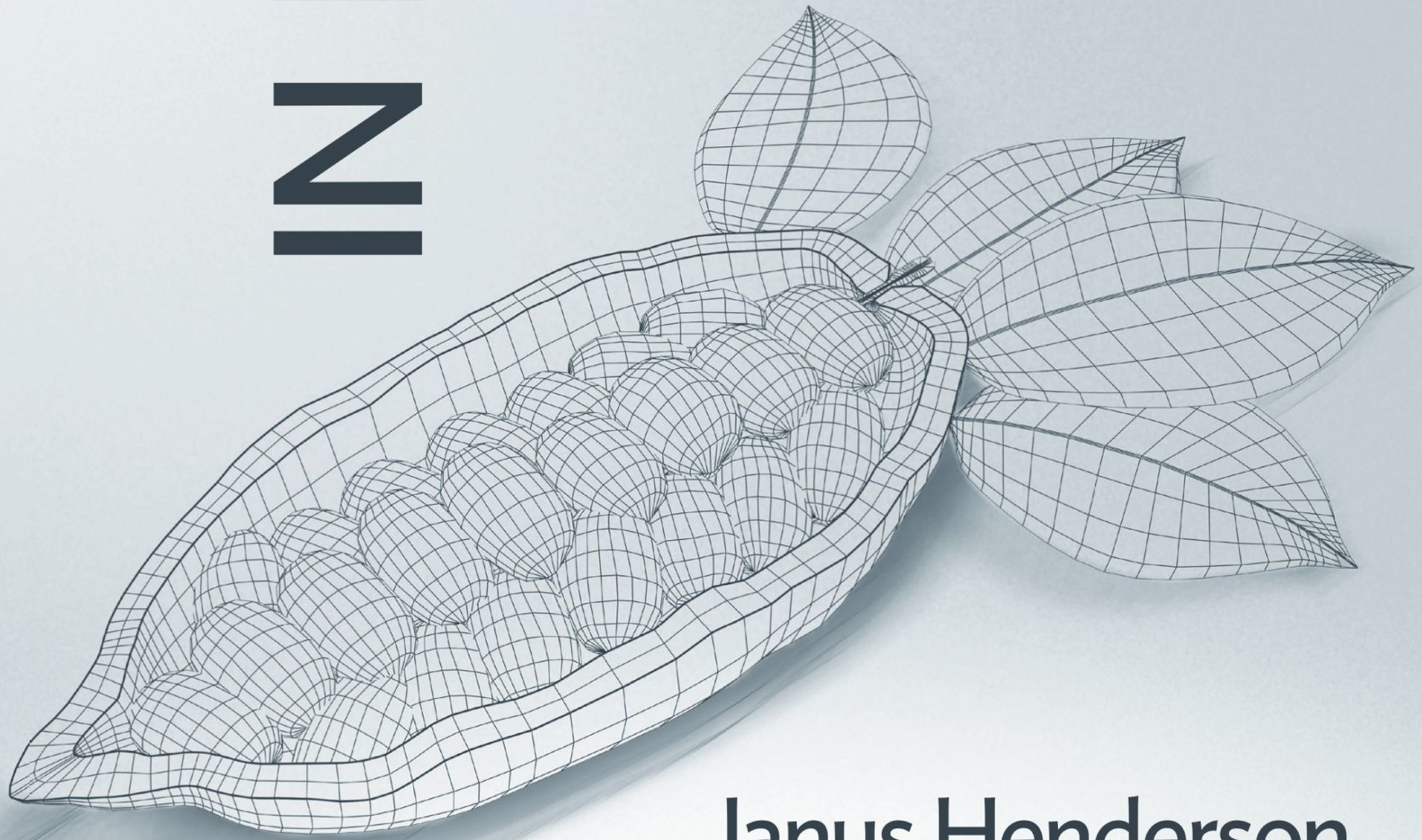

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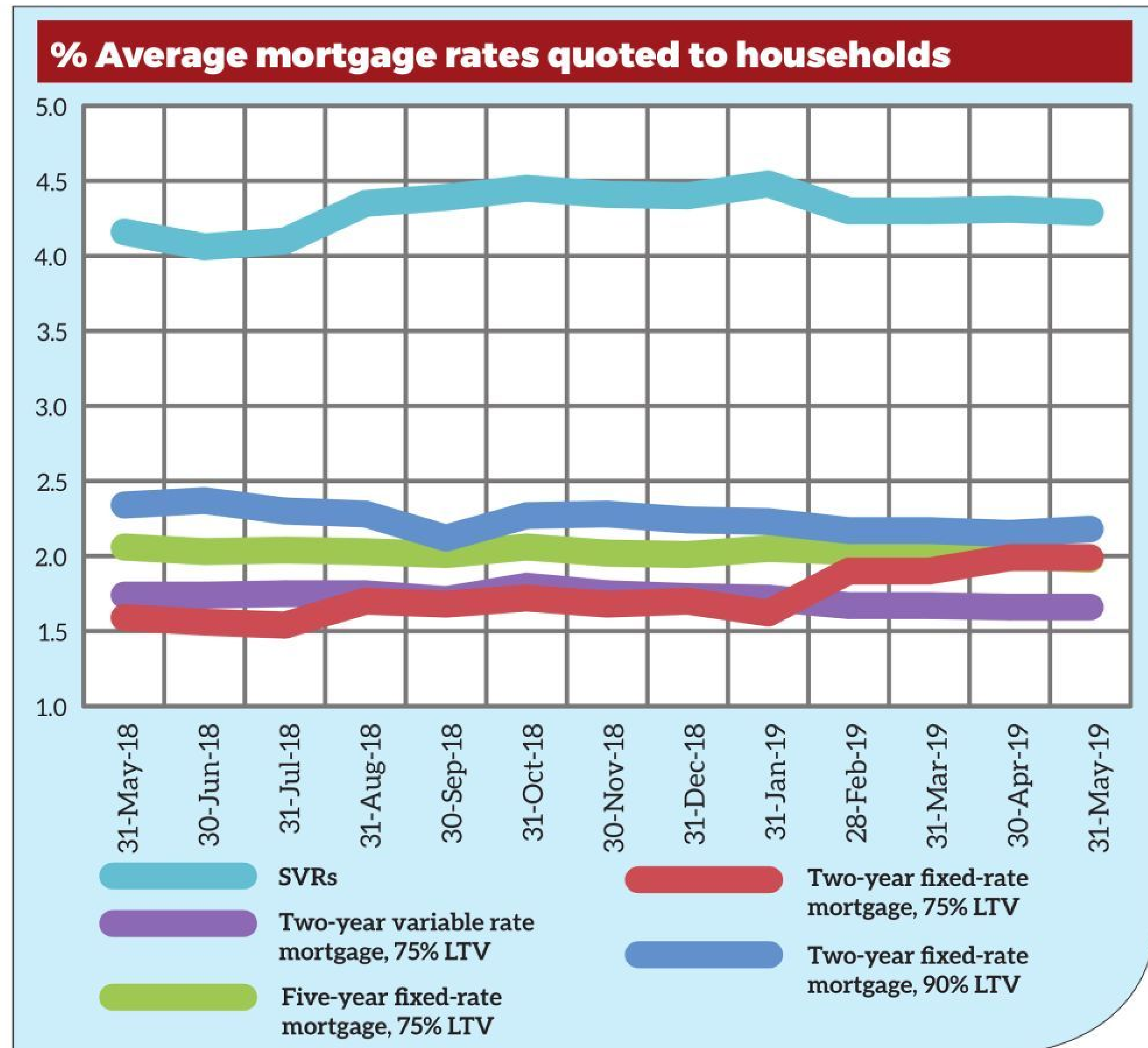
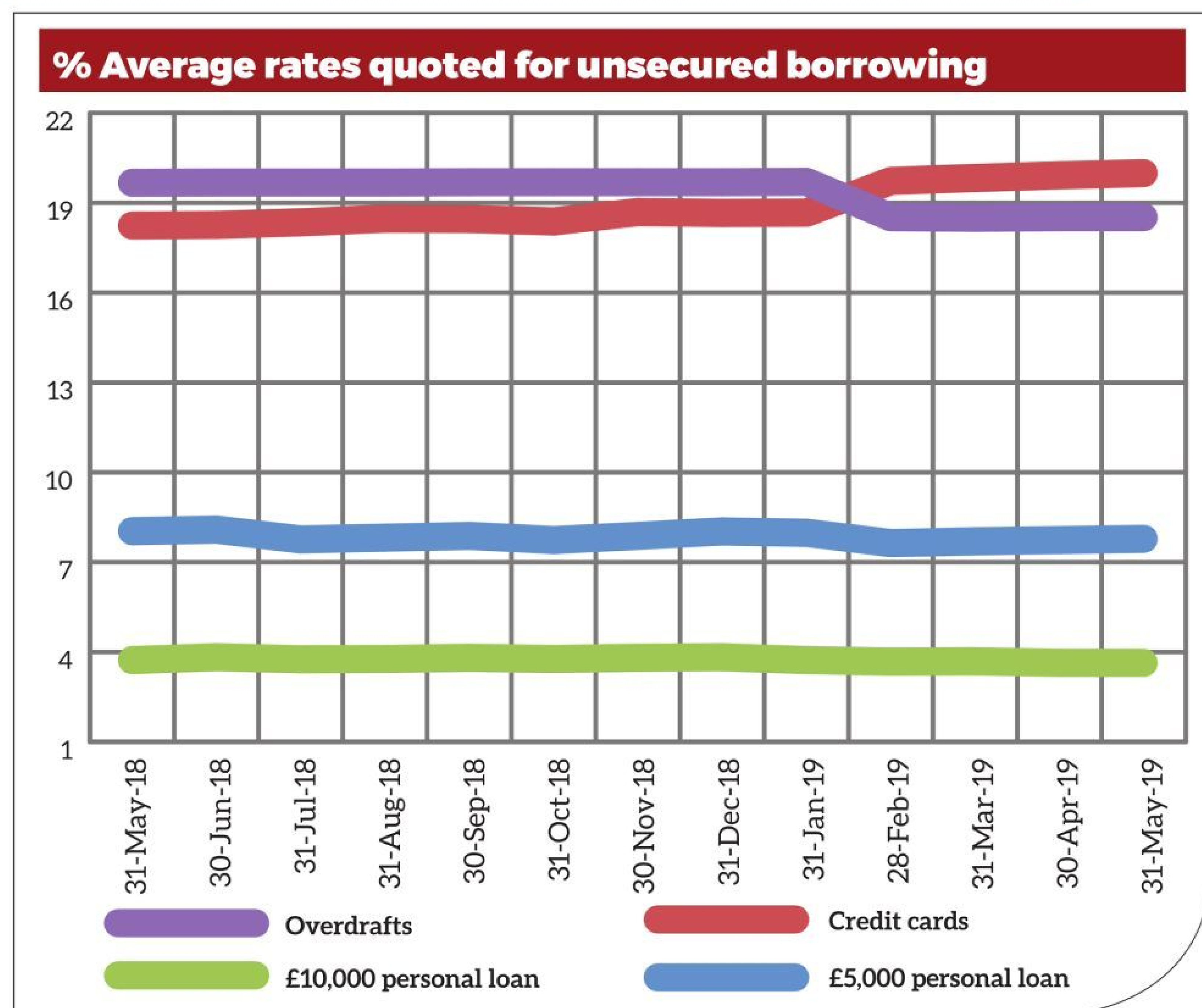
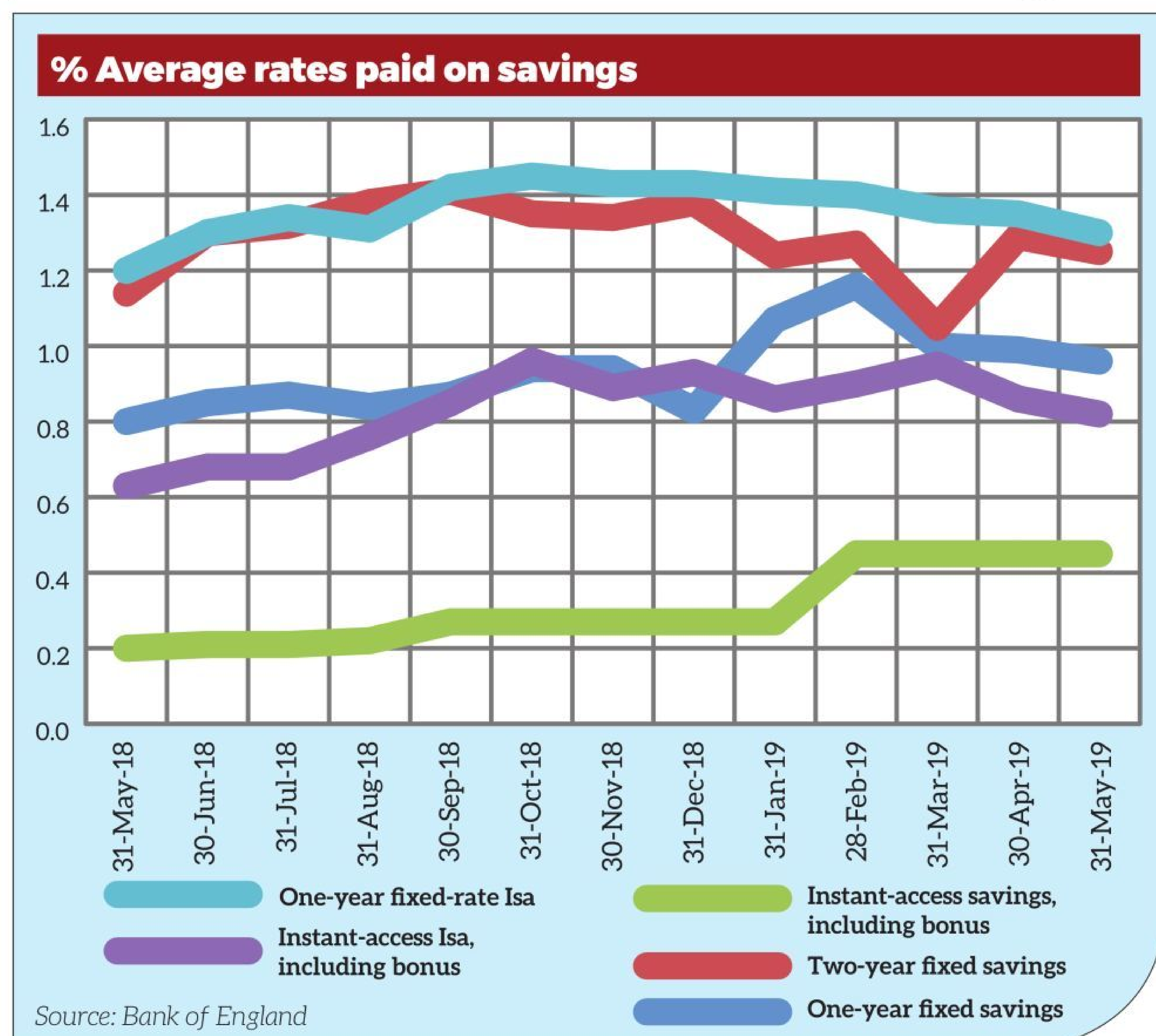
Use these charts to compare your rates against the rest of the market







Source: Bank of England

BEST BUY CURRENT ACCOUNTS

There are several current accounts that offer a rate of interest superior to those available on the best savings accounts. However, they require you to make a minimum payment into the accounts every month.

The best high interest current account out there is the Nationwide FlexDirect, which pays 5% interest on balances up to £2,500 for the first year, but this then drops to 1% after 12 months. There are no monthly fees, but you must pay in a minimum of £1,000 a month. Assuming you pay the maintain the maximum amount over the initial period, you can earn £125 in interest.

The next best buy is the TSB Classic Plus, which offers 3% interest (5% until 2 July 2019) on balances up to £1,500, provided you pay in £500 a month. You will also register for internet banking, opt in for online bank statements and paperless correspondence to get this rate. Unlike the Nationwide account, the rate does not change after 12 months.

The Club Lloyds current account from Lloyds Bank pays 1.5% interest on balances up to £5,000. To earn this rate of interest, you must pay £1,500 into the account every month and have two direct debits set up. Account holders can also get extra benefits such as six cinema tickets, an annual magazine subscription or annual Gourmet Society membership.

Santander offers 1.5% interest on balances up to £20,000 on its 123 Current Account. This account comes with a £5 monthly fee, but also very generous cashback on household and utility bills. It requires £500 monthly minimum pay-in and two active direct debits.

BEST BUY REGULAR SAVINGS ACCOUNTS

If you would like an interest-paying savings account that complements your current account, you might want to opt for a regular savings account.

Offering some of the best rates on the market, they are ideal for someone looking to start saving. However, many of the top-paying regular savings accounts require you to hold a current account with the same provider, while some only offer the headline rate for a year.

Unlike conventional savings accounts, these require you to put something away each month.

Usually you can pay between £10 and £250 every month over the period of a year.

You will be penalised if you fail to make a monthly payment, so you must make sure you have regular money going in.

The First Direct Regular Saver, the HSBC Regular Saver, and the M&S Bank Monthly Saver all pay 5% interest but require a current account to open. The First Direct Regular Saver has the highest monthly pay-in limit at £300 a month, allowing you to save a maximum of £3,600 a year. With all these accounts, the rate is fixed for 12 months, after which it drops.

If you want a regular savings account but don't want a current account from one of these providers your options are more limited. The Virgin Money Regular Saver pays 3% a month, but you can only open the account in branch. You can save between £1 to £250 each month and you can withdraw your money whenever you want.

Alternatively, the Kent Reliance One Year Savings Accounts pay 3%, while the Yorkshire Building Society Monthly Saver pays 2.5%. Both accounts can only be opened in branch. 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.

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 13 June 2019)

	ISIN Acc	ISIN Inc	Ongoing charges %	Yield %	One-year return %	Quartile	Three years %	Quartile	Five years %	Quartile
HSBC American Index C Acc	GB00B80QG615	GB00B80QG490	0.06	1.39	10.91	2	62.24	2	112.23	2
Vanguard US Equity Index A Acc	GB00B5B71Q71	GB00B5B74S01	0.1	1.43	8.84	3	61.82	2	110.12	2
Fidelity Index World P Acc	GB00BJS8SJ34	GB00BP8RYB62	0.12	2	7.08	2	54.13	2	80.6	2
L&G International Index Trust I Acc	GB00B2Q6HW61	GB00B2Q6HX78	0.13	1.9	6.38	2	54.08	2	81.47	2
Fidelity Index Emerging Markets P Acc	GB00BHZK8D21	GB00BP8RYT47	0.2	2.28	-2.77	3	49.94	2	42.07	3
Vanguard LifeStrategy 100% Equity A Acc	GB00B41XG308	GB00B545NX97	0.22	1.96	3.83	3	49.25	2	68.24	3
Vanguard Global Small-Cap Index Acc	IE00B3X1NT05	IE00B3X1LS57	0.38	1.49	-3.28	4	44.46	3	72.75	2
Vanguard FTSE Developed Europe ex-UK Equity Index A	GB00B5B71H80	GB00B5B74N55	0.12	2.57	2.39	1	44.16	1	44.3	2
HSBC Japan Index C Acc	GB00B80QGN87	GB00B80QGM70	0.18	1.7	-4.48	2	38.35	2	68.96	2
iShares 100 UK Equity Index (UK) D Acc	GB00B7W4GQ69	N/A	0.07	4.35	-0.41	1	35.41	1	30.67	2
L&G UK Index Trust I Acc	GB00B0CNGN12	GB00BG0QPH16	0.1	3.89	-1.44	2	33.96	2	32.77	2
Vanguard LifeStrategy 60% Equity A Acc	GB00B3TYHH97	GB00B4R2F348	0.22	1.62	4.89	1	31.51	1	48.68	1
iShares Overseas Corporate Bond Index (UK) D Acc	GB00B58YKH53	GB00BNB74B95	0.16	2.9	11.59	1	23.75	2	45.8	1
LSE ETFs Vanguard FTSE 250 UCITS	IE00BKX55Q28	N/A	N/A	3.69	-7.07	N/A	23.28	N/A	N/A	N/A
Vanguard FTSE UK Equity Income Index A	GB00B59G4H82	GB00B5B74684	0.22	5.16	-4.54	3	20.79	3	16.79	4
Vanguard LifeStrategy 20% Equity A Gross Acc	GB00B4NXY349	GB00B4620290	0.22	1.58	6.11	1	15.69	1	30.2	1
Vanguard UK Government Bond Index Acc	IE00B1S75374	IE00B1S75820	0.15	1.28	6.6	2	10.39	1	33.29	1
L&G Short Dated Sterling Corporate Bond Index I Acc	GB00BKGR3H21	GB00BKGR3G14	0.14	2.12	2.94	4	7.68	4	13.65	4
Vanguard Global Bond Index Hedged Acc	IE00B50W2R13	IE00B2RHVP93	0.15	1.81	5.72	3	4.95	4	15.88	3
LSE ETFs iShares Physical Gold ETC	IE00B4ND3602	N/A	N/A	N/A	7.61	N/A	N/A	N/A	N/A	N/A

ACTIVES (ranked in order of three-year returns, as at 13 June 2019)

	ISIN Acc	ISIN Inc	Ongoing charges %	Yield %	One-year return %	Quartile	Three years %	Quartile	Five years %	Quartile
Lindsell Train Global Equity B Inc	N/A	IE00B3NS4D25	0.74	0.86	18.99	1	98.4	1	171.34	1
Fundsmith Equity I Acc	GB00B41YBW71	GB00B4MR8G82	0.95	0.72	17.55	N/A	79.06	N/A	166.7	N/A
Baillie Gifford Emerging Markets	GB0006020647	GB0006020530	0.78	0.54	4.78	1	78.79	1	71.53	1
Baillie Gifford Japanese B Acc	GB0006011133	GB0006010945	0.63	0.92	-4.92	2	59.77	1	97.83	1
Royal London Sustainable World Trust C Acc	GB00B882H241	GB00B8GG6326	0.77	1.02	9.41	1	57.72	1	87.38	1
Marlborough UK Micro Cap Growth P Acc	GB00B8F8YX59	N/A	0.78	0.54	-2.92	1	50.68	1	69.97	2
Liontrust Special Situations I Inc	GB00B57H4F11	N/A	0.87	1.87	4.46	1	49.58	1	69.57	1
Man GLG Continental European Growth C Professional Acc	GB00B0119487	N/A	0.9	0.67	-2.6	3	46.54	1	101.93	1
Stewart Investors Asia Pacific Leaders B Inc or Acc	GB0033874768	GB00B57S0V20	0.88	1.12	4.99	N/A	41.32	N/A	69.12	N/A
Fidelity Global Property	GB00B7K2NZ09	GB00BJ629381	0.95	1.82	15.15	N/A	39.67	N/A	76.98	N/A

ACTIVES (continued)

	ISIN Acc	ISIN Inc	Ongoing charges %	Yield %	One-year return %	Quartile	Three years %	Quartile	Five years %	Quartile
Fidelity American Special Situations W Acc	GB00B89ST706	N/A	0.92	0.7	6.31	3	38.8	4	91.61	3
Franklin UK Rising Dividends	GB00B5MJ5601	GB00BT6STC53	0.55	3.6	1.31	1	32.06	2	44.97	1
Artemis Global Income I Acc	GB00B5ZX1M70	GB00B5N99561	0.83	3.37	-8.96	N/A	31.03	N/A	44.74	N/A
Merian UK Mid Cap R Acc	GB00B1XG9482	GB00B8FC6L92	0.85	1.32	-14.37	4	30.2	2	70.6	1
MI Chelverton UK Equity Income B Acc	GB00B1Y9J570	GB00B1FD6467	0.87	4.92	-9.81	4	27.07	2	38.56	1
Royal London Global Bond Opportunities	IE00BD0NHJ71	IE00BYTYX230	0.5	5.9(i)	5.39	N/A	21.27	N/A	N/A	N/A
Marlborough Global Bond P Acc	GB00B6ZDFJ91	GB00B8H7D001	0.43	3.22	7.14	N/A	19.59	N/A	34.73	N/A
Rathbone Ethical Bond Inst Acc	GB00B77DQT14	GB00B7FQJT36	0.67	4.15	5.38	3	18.68	1	31.05	1
Blackrock Corporate Bond	GB00B4QC3311	GB00B4T5JV79	0.57	3.02	5.9	2	15.74	1	29.57	1
Jupiter Strategic Bond I Acc	GB00B4T6SD53	GB00B544HM32	0.74	3.97	6.49	1	12.86	2	18.67	2

INVESTMENT TRUSTS (ranked in order of three-year returns, as at 14 May 2019)

	Discount/ Premium %	Gearing %	Ongoing charges %	Yield %	One-year return %	Quartile	Three years %	Quartile	Five years %	Quartile
Scottish Mortgage Investment Trust (SMT)	0.22	8.58	0.37	0.62	-3.97	4	103.07	1	158.8	1
Jupiter European Opportunities (JEO)	-1.58	6.94	0.91	0.88	9.36	1	64.4	1	92.54	1
Finsbury Growth & Income Trust (FGT)	-0.45	1.41	0.67	1.91	11.46	1	61.88	1	88.38	1
Henderson Smaller Companies (HSL)	-9.53	6.13	0.42	2.62	-11.68	3	52.56	2	75.65	2
Witan Investment Trust (WTAN)	-3.63	10.19	0.75	2.34	-3.25	4	50.94	3	61.3	4
Picton Property Income (PCTN)	0.97	35.55	1.18	3.39	9.91	N/A	50.15	N/A	88.92	N/A
Murray International Trust (MYI)	1.09	11.66	0.69	4.5	4.42	3	39.67	4	32.57	4
BMO Global Smaller Companies (BGSC)	-6.02	5.02	0.83	1.23	-5.99	4	36.66	3	61.53	4
The City of London Investment Trust (CTY)	1.07	11.94	0.41	4.36	0.28	1	26.9	2	32.7	2
F&C Commercial Property (FCPT)	-14.58	27.78	1.18	5.17	-16.88	4	4.64	3	16.66	3

(i) Source: Morningstar, 13 June 2019 (ii) All other information provided by FE Analytics, 13 June 2019

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 3 June 2019)

Data supplied by JLT Pension Decision

CONVENTIONAL ANNUITIES (GROSS ANNUAL INCOME)

Age	Level		RPI-linked	
60	£2,366.88	Legal & General	£1,252.08	Legal & General
	£2,196.24	JUST	£1,197.72	Aviva
	£2,195.29	Hodge Lifetime	£1,136.76	JUST
65	£2,720.28	Legal & General	£1,612.32	Legal & General
	£2,649.96	Aviva	£1,596.00	Aviva
	£2,592.24	JUST	£1,501.80	JUST
70	£3,142.80	Legal & General	£1,982.76	Legal & General
	£3,005.52	JUST	£1,924.80	Aviva
	£2,941.56	Aviva	£1,902.96	JUST
75	£3,681.00	Legal & General	£2,530.92	Aviva
	£3,588.12	JUST	£2,475.48	JUST
	£3,570.84	Aviva	£2,474.52	Legal & General

ENHANCED ANNUITIES (GROSS ANNUAL INCOME)

Age	Level		RPI-linked	
60	£2,426.28	Legal & General	£1,320.84	Aviva
	£2,416.92	JUST	£1,302.48	JUST
	£2,308.32	Aviva	£1,261.56	Legal & General
65	£2,852.16	JUST	£1,709.88	JUST
	£2,772.96	Legal & General	£1,694.52	Aviva
	£2,716.68	Aviva	£1,616.40	Legal & General
70	£3,202.68	Legal & General	£2,085.60	Aviva
	£3,171.24	JUST	£2,043.12	JUST
	£3,114.84	Aviva	£1,992.84	Legal & General
75	£3,824.28	JUST	£2,678.04	JUST
	£3,759.72	Legal & General	£2,569.20	Aviva
	£3,610.80	Aviva	£2,500.20	Legal & General

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 property ownership...without the property

They say that home is where the mortgage is, and the average Brit owes £124,000 on their mortgage and should pay it off by the time they're 69. Now, as lenders lift the upper age limit for mortgages to 80 the only way is up.

We really love mortgages in this country. There are more than 11 million of the darling things in Britain which means that many of us are in the jobs we're doing pretty much exclusively to "pay the bloody mortgage".

And yet…such is the lure in Britain of owning your own cost-centre, millions of Millennials and Gen Z'ers are desperate to get on to that treadmill.

So maybe that's why there has been a spate of property-backed investment start-ups recently, set up by said millennials feeling their peers' pain.

Not that investing remotely in property is a new concept. Back in 1960, the first REIT (Real Estate Investment Trust) was introduced in America and gained some traction here, particularly from the property-obsessed 1980s onwards.

Personally I've never particularly been a fan of REITs. These generally-rather-opaque managed funds smell far too strongly to me of layers of fees. REITs allow investors to buy shares in commercial property portfolios (that receive income from a variety of properties (hmm, property management fees, bank fees, legal fees).

To be fair, many REITS have provided a decent, regular income to investors and are worth considering as 'part of a balanced portfolio'. But my feeling, back in the early 1990s when I was considering these investments was: "Why invest in a property fund when you could just invest directly in your own buy to let and control your own fees?"

Why indeed? I did get my own buy to let and found out. It included the joys of a leaking washing machine, a tenant who was making money from 'gentleman callers' and I haven't even started on the redecoration that will be needed next year. Oh the fun.

So I'm realising that there's a lot to be said for investing in property that you don't have to paint. Which is why I have recently become interested in property-backed peer-to-peer platforms that promise regular returns without the blown-up boiler.

Not that I'm going in with my eyes blinded by the brightness of the promised returns. If I see returns of anything over 7% touted for an investment, warning bells tend to start ringing. And that's what happened when I heard about Blend Network, with its average 10% to 12% returns. Is it kidding? Well, it seems not. It makes the money by lending to (very) small developers – people like you and I – with affordable housing projects.

It lends to developers at around 14%, keeps 2% and gives lenders the rest. It sounds like a high rate but I know from tales of woe I've heard from developers who have been charged 20% to 30% for their projects that banks don't want to bother with them. You know what it's like: ask for a couple of million and you're ushered into the manager's office. Ask for a few hundred thousand and you're shown the door.

Yes, it's much riskier than, say, a REIT, but I've dipped my toe in. Having invested £1,000, I am now kindly lending some of my cash to two projects.

Then I got talking to British Pearl, doing something similar but different again. This one is the closest to a REIT – you either invest in the mortgage side for a fixed return of up to 4.4% (which you can hold in an Innovative Finance Isa or IF Isa) or you can buy shares in its property business and receive (it says) up to 11.74% a year. Its minimum investment is £100, so I've had a go.

Many of us are working just to pay off the mortgage

An even newer kid on the block is Isa property platform Propio. This one is for mortgage loans only and it has a cautious fund that gives 3% a year, a medium one offering 5% and its 'adventurous' fund, which gives you 7%.

Yep, you guessed it, I've set up an IF Isa with Propio – the 7% level (3% may be better than the average savings account and 5% even more impressive but "in for a penny, in for as many pounds as I can get" is my motto).

With hundreds of thousands of homes still needed for our burgeoning population, I believe it's likely to be a few years before the property sector gets too saturated to make half-decent returns. At least I won't have to replace the guttering any time soon. mw

Jasmine's views are her own and do not constitute investment advice.

JASMINE BIRTLES is a financial journalist and founder of MoneyMagpie.com. Email her at **columnists@moneywise.co.uk**.

how to retireinstyle

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