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WELCOME

IT'S NEVER TOO EARLY – or too late – to start planning for your dream retirement.

Whether you have several decades to go or you are in your last few months of work, our feature on pages 9-14 explores what you need to do to get the retirement lifestyle you want.

It could be a good starting point for this month's Investment Doctor patient who asks on page 50 if, at the age of 45, it's still worth him starting a pension.

Meanwhile, if you're planning your summer holiday you may want to read our feature on pages 46-49 first on the cheapest ways to spend money abroad, from the cards with the lowest fees to the other tricks that may help cut costs.

Closer to home, have you considered hiring a professional declutterer? You may be able to make your money back – and more – and enjoy the objectivity of an outsider when trying to streamline some of your belongings. See property editor Hannah Nemeth's feature on pages 66-68.

Meanwhile, on pages 69-71 we reveal how your job title can bag you a bigger mortgage – and why some professionals are given special deals.

Investing is full of jargon that makes fairly simple ideas seem much more complicated than they need be. Special projects editor Rachel Lacey has put together a jargon buster of the investment sector – an invaluable guide for a beginner investor (pages 57-61).

More seasoned investors may be interested in our feature on investing in old banknotes. We reveal the most valuable notes and if there is really money to be made from collecting.

Solar energy has produced some excellent returns for some households, but changes that come into force could make it less profitable. We look at what's going on and what the future may hold for household solar power (pages 42-44).

We also investigate another change this month – a new voluntary code for banks that could finally offer some hope for scam victims. See our feature on pages 35-37.

And finally, for a picturesque minibreak with free tickets to Castle Howard in North Yorkshire, enter our competition on page 24.

As always, we love to hear from you – whether you have a question for one of our experts (see pages 30-33), a Money Lesson you would like to share (see page 23), a consumer issue you need sorting (page 28) or comments and ideas you'd like to share on our letters pages (pages 26-27).

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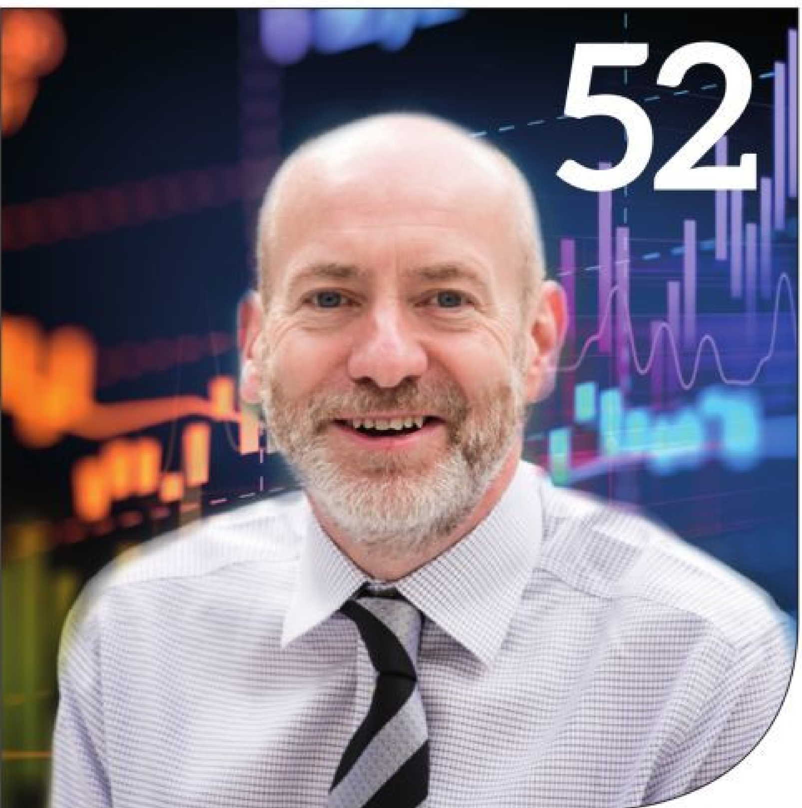

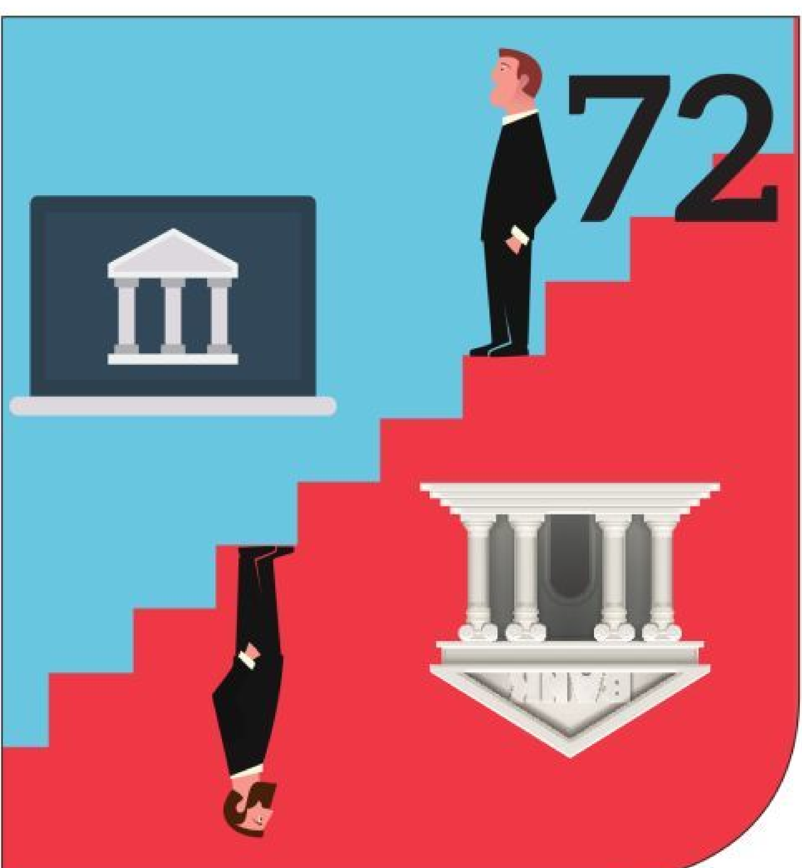

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One in 10 households in the UK has a smart speaker – and it's taking notes

FINSBURY
GROWTH &
INCOME TRUST PLC

Nick Train,
Portfolio Manager
Finsbury Growth
& Income Trust PLC

Personal View

I recently read a thrilling book about investment called "100 To 1 in the Stock Market", by a US stock broker Thomas Phelps. It's an evergreen classic, written as long ago as 1972. Here are three quotes from it that nicely sum up Phelps' message, but go a long way to introducing our approach too.

"It would be hard to find a worse slogan than 'You'll never go broke taking a profit.'"

"Every sale is a confession of error."

"In Alice in Wonderland one had to run fast in order to stand still. In the stock market, the evidence suggests, one who buys right must stand still in order to run fast."

You can deduce from this that Phelps was a proponent of a "buy and hold" investment approach – as are we. Now, you may have noted I described the book as "thrilling" and be wondering why such an apparently soporific approach – doing next to nothing – deserves this adjective. It's thrilling because Phelps lists the surprising number of US quoted companies that have gone up in value 100-fold, admittedly over long periods. Think about that – up 100-fold turns £10,000 into £1,000,000. He gives hundreds of examples – many substantive or household-name companies. Of course the gains didn't come overnight. But consider, even if it takes a quarter of a century – 1 to 100 over 25 years is still an annualised return of over 20%. Enough to set the pulse racing?

Now, so far as we can tell, there are only about a dozen among the UK's biggest 350 companies that have gone up a 100-fold at any point over the last 30 years. Maybe they're just rarer in the UK. But if we moderate our ambitions, we find nearly half the current 350 have made a 10x gain at some stage since the mid-1980s. And even "10 baggers" are not to be sniffed at – that's a near 10%pa compound return over 25 years. Truth is, we regard it as our job to find and hold wonderful companies in the hope and expectation that they will go up many, many times over the period of our ownership.

Of course I'm onto a hiding if you expect me to nominate some companies that might go up 100-fold from here. But let me put it this way – we see prospects for strong growth all round the world and for many decades to come for a number of great British brands. For instance, Burberry, Guinness, Johnnie Walker, Tanqueray (the drinks all owned by Diageo) and Manchester United. All these brands are well over a century old, but it seems to us that they're really only just getting started in fulfilling their global potential. If the past is anything to go by that growth will drive tremendous returns for patient investors.

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REPLY NUMBER 1815

START PLANNING NOW FOR YOUR DREAM RETIREMENT

The sooner you start planning for later life, the more likely you'll be able to afford the lifestyle you want. Find out the steps to take whether you have decades or just months to go

BY DANIELLE LEVY

Starting at 30 or more years before your target retirement date and counting down to your final 12 months in work, we run through the main considerations and actions to take at each stage to ensure you are retirement-ready.

30 OR MORE YEARS TO GO...

It is never too early to think about the life you would like to lead in retirement.

While it may feel like a long way off, the sooner you start saving the better off you will eventually be.

The first step is to make a plan: work out how much you are able to save, the returns you want from your investments and how you will make use of pensions and Isas to save.

Get into the habit of making regular payments and make sure you increase contributions whenever you get a pay rise – before you get used to having the extra money.

This may be easier said than done, as you may still be paying off your student loan, saving for your first home or struggling with high living costs. However, it is well worth saving even small sums as actions taken 30

2019 2049

THE SOONER YOU START SAVING, THE BETTER...

What happens if someone with average earnings of £28,000 is hoping to retire at 65? The table below shows how much they and their employer need to contribute either to reach a £300,000 pension pot or to generate a total income (including state pension) of two thirds of pre-retirement earnings. The table compares what happens if they start at the age of 25 versus 35 versus 45.

HOW YOUR STARTING AGE AFFECTS PENSION GROWTH

	Contribution required for different starting ages Shown as a monetary sum per month and as a % of salary		
	Age 25	**Age 35**	**Age 45**
Targeting a fund at retirement with an equivalent value of £300,000 today	£430/18%	£630/27%	£1,050/45%
Targeting a fund at retirement to offer a 67% income replacement*	£370/16%	£550/23%	£900/39%

*Notes: * This includes the value of the state pension – for example, 67% replacement of £28,000 income is £18,700. State pension is £8,500, so you need to fund £10,200 a year from your accumulated pot. Source: Royal London, March 2019*

years out from retirement will have a huge impact on the size of your pension and when you will be able to retire.

One of the biggest advantages of saving early is the power of compounding interest. This effectively means earning 'interest on interest' and turbocharges the speed at which your savings grow over the years.

In fact, someone who starts saving at 21 and stops at 30 would end up with a bigger pension pot than someone who starts at 30 and stops at 70, according to research company CLSA. This assumes both savers enjoy the same returns of 7% every year.

As a starting point, make sure you are signed up to your workplace pension. Under auto-enrolment rules, eligible employees will be automatically signed up to their workplace pension. Although you can opt out, this rarely makes sense.

Roland Jones, a chartered wealth manager at Harpsden Wealth Management, says: "Even if you only pay the minimum, join so you can benefit from the company contributions as well."

From April 2019, employers are legally required to pay a minimum contribution level of 3% into a pension, while employees must pay in at least 5%. Some employers may contribute more.

"It is a good way of building money up without thinking too much about it," says Graeme Mitchell, managing director of financial advice firm Lowland Financial. However, he stresses that while it provides a foundation it can't be relied upon on solely to provide the nest egg required for retirement.

"Auto-enrolment is just a piece of the puzzle – it is not the whole puzzle," Darren Lloyd Thomas, a chartered financial planner at Thomas and Thomas Finance, adds.

He suggests paying as much into your scheme as you can, especially if your employer is able to match your contributions.

If you don't have access to a workplace pension, you can start your own pension. If you are self-employed, you can set up a simple defined contribution pension via the National Employment Savings Trust (Nest). Alternatively, you may wish to set up a self-invested personal pension (Sipp) via an online investment platform, such as Hargreaves Lansdown or interactive investor (*Moneywise*'s parent company), where you will get a wider choice of investment options. Consider costs and charges, as these can have a significant impact on your returns.

Pensions will also benefit from tax relief – effectively a refund of the tax you paid on your earnings and means that basic-rate taxpayers – who receive 20% relief – only need to pay £80 to invest £100 into their pension. Higher-rate taxpayers receive tax relief of 40% and additional-rate taxpayers get 45%.

This tax relief means pensions are usually better for building your retirement savings than an Isa. However, as you don't pay tax when you take money out of your Isa the latter can still be a useful complement to pension income in retirement.

Isas are also good for tax-free saving and are accessible should you need

them before the age at which you can access pensions (55 at the moment and 57 from 2028).

Mr Thomas suggests taking considerable risk with your retirement savings, given that it is still a long way off. Higher risk increases the likelihood of greater returns, and you have time for your investments to recover if they take a hit. This could involve having a large allocation to global equities, specifically growth stocks, and a lower exposure to cash and bonds.

The key is to invest regularly into the stock market because this can average out the peaks and troughs associated with investing over time, known as 'pound cost averaging'. You can ask your workplace pension provider how your savings are invested and most will provide different options.

With 30 years to go, you may wish to work with a financial adviser or wealth manager to devise an investment strategy. Alternatively, you could select a growth-oriented, ready-made multi-manager fund or portfolio via an investment platform.

20 YEARS TO GO...

At this stage, the key focus should be on building and increasing contributions to your pension, as well as making the most of your annual Isa allowance.

Mr Thomas acknowledges that this can be tricky as some parents face the double whammy of a big mortgage and education costs, but recommends trying to pay in as much possible to reap the benefits later on.

> The key is to invest regularly in the stock market

He also suggests thinking about reorganising any debt you have to provide some breathing space during your so-called 'golden' years. This refers to the period ahead of retirement, when your earnings are high and you have fewer financial obligations. For example, paying off your mortgage five to 10 years ahead of retirement could enable you to step up pension contributions. Ultimately, this could mean that you are able to retire earlier than planned or work part-time in the run-up to retirement.

At this point, Mr Jones says a higher-rate taxpayer should consider a salary-sacrifice arrangement with their employer. if they haven't already. This involves paying pension contributions from your gross salary, so the employee and employer pay less in national insurance contributions, ultimately providing a boost to pension contributions.

Mr Thomas suggests leaving the underlying strategy unchanged with a focus on stocks and shares, specifically growth companies.

"You have got to be prepared to tolerate the volatility of the markets and remember you are able to exploit pound cost averaging. Even if markets crash, you can buy in at cheap levels – so it is worth keeping risk and volatility up," he explains.

15 YEARS TO GO...

At this point, it is important to review your retirement plan with your partner if you have one – and if you haven't made a plan yet, make sure you put one in place and start saving as much as you possibly can.

"I encourage people to sit down as a couple and consider: if you retired tomorrow, how much income you'd want," says Steve Wilson, a director at Alan Steel Asset Management.

This provides you with a chance to work out whether the assumed growth rate of your pension, savings and planned pension contributions can deliver the income you desire.

Toby Alcock, a chartered financial planner at Lockhart Capital Management, says this process

HOW CAN A FINANCIAL ADVISER HELP?

A professional can help you navigate the complex world of retirement planning by:

- Setting up a pension
- Investing a pension and monitoring it on an ongoing basis
- Planning how much money you need to save and how to achieve your goals
- Making the best use of your pension allowance and tax relief
- Deciding whether to buy an annuity or draw down your pension
- Understanding when to make withdrawals from your pension and potential tax implications
- Managing a pension in drawdown

TACKLE MULTIPLE WORKPLACE PENSIONS

Steve Webb, former pensions minister and director of policy at Royal London, shares his tips:

- **Keep your paperwork somewhere safe.** Throughout your working life you could end up with many different pensions. A good filing system is essential to keep track.
- **Notify your old pension schemes of your contact details** – especially if you've moved house – or they could lose track of you.
- **Update your records.** Make sure all your old pensions will go to the person you want to receive them if you die. Your preference may have changed.
- **Stay updated.** If you can't remember what happened to an old pension, you can use the government's free Pension Tracing Service (Gov.uk/find-pension-contact-details).
- **Check the charges**. Consider consolidating pensions, but work out whether it will be worthwhile and charges you might incur.

will help you work out whether your objectives are realistic. Once expectations have been adjusted, he says you can "start to build a track to run on". This plan can be updated each year, in line with life's twists and turns.

Financial advisers typically use cash-flow modelling tools to illustrate how much your savings will need to grow to deliver the income you require, as well as the amount of risk you will need to take.

You can access these tools via apps, such as 7Imagine from Seven Investment Management or through your workplace pension or personal pension provider.

Also check the value of your state pension to find out how much it is likely to be once you retire on Gov.uk/check-state-pension.

Carl Drummond, a senior wealth planner at Sanlam Wealthsmiths, suggests requesting a state pension forecast every five years so that you can make any contributions to get back on track.

It is also worth obtaining up-to-date valuations from all of your private pensions to build a picture of the savings you have accrued.

At this stage – when your earnings are likely to be around their peak and your mortgage and any children hopefully less of a financial strain than they were – it is important to pay as much into your pension as you can.

> Request a state pension forecast every five years

"It is about understanding what you are able to put in because the pension landscape changes. At the moment, you have an annual allowance of up to £40,000, but for those who earn more than £150,000 that annual allowance tapers down," Mr Alcock explains.

"For high earners, it is really important that they understand what they are able to put in each year and whether they are in a position to maximise that," he adds.

Alongside your annual pension contributions, consider using your annual Isa allowance. Any pension income you have could be subject to income tax, so money in Isas can provide a handy source of tax-free income or lump sums once you retire.

At this point, you should ensure you have completed an expression of wishes form, outlining whom you would like to leave your pension to in the event of death. This is particularly important because pensions will not be covered by your will but can be passed on to your beneficiary of choice, free of inheritance tax.

10 YEARS TO GO...

With around a decade to go, you should review any legacy pensions to assess whether it would be beneficial to consolidate them. By the time you reach your 50s and 60s, you may have a handful of pensions from previous jobs – covering defined contribution, defined benefit or personal pensions – some of which may not have been touched for years.

A financial adviser can help you to review your pension arrangements, providing insight into the pensions that are worth keeping and those that should be combined. If you do this yourself, take a look at the charges on each pension and the impact they are having on your pot, any potential penalties, the benefits on offer and the investment strategy that is being employed.

In some cases, consolidating pensions can reduce the overall level of charges within your pot. "But even more importantly, it means we can control the level of risk properly within the pension," Mr Drummond adds.

Confessions of a value investor: fallen angels or just the deeply unloved?

Renowned value investor Alastair Mundy provides insight into how he categorises the companies he selects for the Temple Bar Investment Trust

Having managed the Temple Bar portfolio since 2002, I have had to contend with myriad market conditions in my quest to provide investors with growing income and capital from UK equities. With an attractive long-term performance track record, Temple Bar is one of only a small number of investment trusts that have increased their dividend for over 30 consecutive years, as recognised by the Association of Investment Companies.

Before buying a share, it is often a good exercise to try to understand why another investor is happy to sell it to you. After all, it is very likely that person is a professional investor with access to the same information as you but has reached a diametrically opposed view. Sometimes the reason may have nothing to do with the underlying company – for example, the seller might be desperate to raise cash. More often, there is something else at play.

Over the years, we have found we can put these more meaningful reasons into five separate pots. And each pot has a classic investment cliché we can attach to it.

Firstly, we like to invest in **fallen angels**. These are stocks which were previously adored by investors and viewed as having pre-eminent business models. However, at some point something happened – a large but non-fatal blow – which damaged investors' perceptions to such an extent that they lose hope in the business ever regaining its prime position. Some investors will say: "It used to be a good company, but now competition has caught it up."

Alastair Mundy

"Investors can be too eager to sell a company that can do well"

We often conclude that the company has temporarily lost its way but, despite a share price fall, that its longer-term prospects are fine… and, just as importantly, that investors will return and pay a higher price when the company is back on track.

Secondly, we invest in **cyclical winners**. These companies have perfectly respectable business models but can find themselves buffeted about by issues beyond their control. Perhaps supply has grown significantly ahead of demand in their industry or an economic recession has badly affected demand for their product.

In this case, we hear comments such as "why would I buy ahead of a recession?". The point here is that if the shares have already fallen heavily, they may well already discount such a recession.

Thirdly, we look for **special situation recoveries**. A company may have disappointed because of unsuccessful acquisitions or poor strategic decisions. New management may have been appointed but have made it clear that the issues are complex and, even if solvable, will take some time to correct. "This stock's dead money. I can't see a catalyst," say the naysayers.

Fourthly, we try to find **hidden assets**; those parts of an underperforming business that are still doing well or are simply more valuable in another company's hands. This provides us with some confidence that much of the value of the company is underwritten by the good parts and will hopefully be supported by the more troubled areas if they can be brought back to good health.

Many investors have at this point given up hope and are more likely to believe the last shoe is about to drop: "I'm selling before it gets too embarrassing for me," they explain.

Finally, there are some companies that are simply **deeply unloved** because investors can see no future – only obstacles for the company. They'll exclaim: "It's a poor business." Or worse: "It's in structural decline."

We need to take these claims seriously but often find companies have been driven into the ground by poor management and that a fresh pair of eyes can provide a new perspective for a struggling business.

We hold companies from all these buckets on the Temple Bar portfolio. They will not all prosper, and some may sorely test our patience before recovering, but historically we have found that stocks perhaps too eagerly discarded by other investors can produce good long-term returns.

For more information, visit Templebarinvestments.co.uk.

TEMPLE BAR INVESTMENT TRUST: FIVE-YEAR PERFORMANCE

	31st March 2014 to 31st March 2015	31st March 2015 to 31st March 2016	31st March 2016 to 31st March 2017	31st March 2017 to 31st March 2018	31st March 2018 to 31st March 2019
Net asset value	+2.6	-5.4	+22.7	+0.1	+9.3

Source: Morningstar, as at 31. 03.19

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FIVE YEARS TO GO...

If you have a defined contribution pension, it is important to review how your pot is invested to make sure you are taking appropriate levels of risk to generate the required returns.

Also ensure your portfolio is diversified: avoid taking on too much risk at this stage – the last thing you want to do is jeopardise the gains you have made so far. You can also book a free Pension Wise appointment to get an insight into the next steps to take.

As at 15 and 10 years, you should check your state pension forecasts and get up-to-date valuations from existing pensions to check you are on track.

Around the five-year point, you should also think about whether you would like to convert your pension into an annuity. This is a secure income for life, paid out by an insurance company.

The alternative route is to move your pension into drawdown. This means drawing a variable income directly from your pension, which remains invested in your retirement. While a drawdown strategy can produce a healthier income than an annuity, it is not guaranteed and you could run out of money.

There is no right or wrong answer and much will come down to your priorities. For some individuals, a combination will make sense.

"An individual might want to consider an annuity to provide some guaranteed income for the level of expenses they need and put the rest of the money into a flexible drawdown, so they can draw income when they require it," Mr Drummond adds.

Finally, it still makes sense to pump as much into your pension as possible and consider paying any bonuses or windfalls such as inheritances into your pension. Although you may not have such a long investment timeframe at this stage, tax relief will still give it an instant boost.

If the amount you wish to contribute exceeds £40,000 during a tax year, you can carry forward any annual allowance you haven't used during the previous three financial years.

ONE YEAR TO GO...

It's now time to start thinking about logistics. First contact your pension providers to request up-to-date valuations for all your pots.

Up to two months before you reach the state pension age, you will receive a letter from the government outlining how to claim your pension. You can do this online, over the phone. or you can download a claim form online (form BR1) and post it to your local pension centre. (You can defer this if you retire after your state pension age – just don't put in a claim.)

By this point, you should have decided whether you want to buy an annuity or go into drawdown. If you have opted for the annuity route, the process of de-risking your portfolio should hopefully be under way.

Always shop around for the best annuity and declare any health problems you might have as this could get you a better rate.

Alex Brown, wealth management director at Mattioli Woods, suggests allowing a month to shop around. From his experience, it can then take another month to transfer pension assets to the insurer. You may also need time to amalgamate several pensions.

For those opting for the drawdown route, you'll also need to shop around for the right provider, as charges can vary significantly.

IS IT WORTH PAYING FOR FINANCIAL ADVICE?

Good financial advice doesn't come cheap. The Money Advice Service estimates the average hourly rate for an adviser is £150. Some advisers charge up to £300 an hour. Looking beyond the charges, it is worth considering the value that a good adviser can add. Research from the International Longevity Centre, carried out in 2017, suggests that affluent individuals who sought advice were, on average, £30,882 better off than those who didn't get advice. Meanwhile, those who were 'just getting by' were on average £25,859 better off than those who didn't get advice.

You will need to consider your investment strategy and how much you can afford to withdraw. Think about how you will access your income. Will you take your 25% tax-free lump sum right away or in stages? You may prefer to draw from your Isas and cash savings initially, allowing your pension to continue to grow.

If you like the idea of remaining invested in retirement but find the task daunting, it is worth hiring a financial adviser to do the legwork for you. They can chart a plan of action and work out the most tax-efficient way to draw down your retirement income. This will involve looking beyond your pension, factoring in Isas and other savings. mw

> Think about how much of your pension you can afford to take out

DANIELLE LEVY is a personal finance journalist who writes for Citywire, *Money Observer* and Your Money

Saving for retirement: shovel when you can

A friend of mine has been working in a good job in publishing for a decade now, saving diligently to buy her first home.

She has now banked £10,000 – a good achievement and one that has required regular self-restraint. But with an average deposit for a one-bed flat in London costing several times that, she's not even close to getting that deposit.

So instead, she has bought herself a round the world ticket, quit her job and given herself a year to spend her savings. She's off to New Zealand, South America and Australia, a proposition, let's face it, that would be much trickier were she paying a mortgage.

If homeownership has been demoted as a priority, you can imagine where retirement saving now stands. At age 30, it could be another 40 years away, so it's understandable that it is not featuring in her plans.

When we talk about retirement planning, we still do so in expectation of a conventional life narrative: you study for your chosen profession, do it until around age 65, retire. However, as work and life expectancies change, that model is looking shaky. The idea that the profession we train for at 18 will be around for our entire working life is doubtful, as the world of work changes so rapidly.

The notion that we can work for that long without time out, as my friend is doing, is also questionable. She is part of a growing demographic that will have sabbaticals and various careers throughout their working lives, and who may have portfolio or freelance careers outside the sphere of conventional employment.

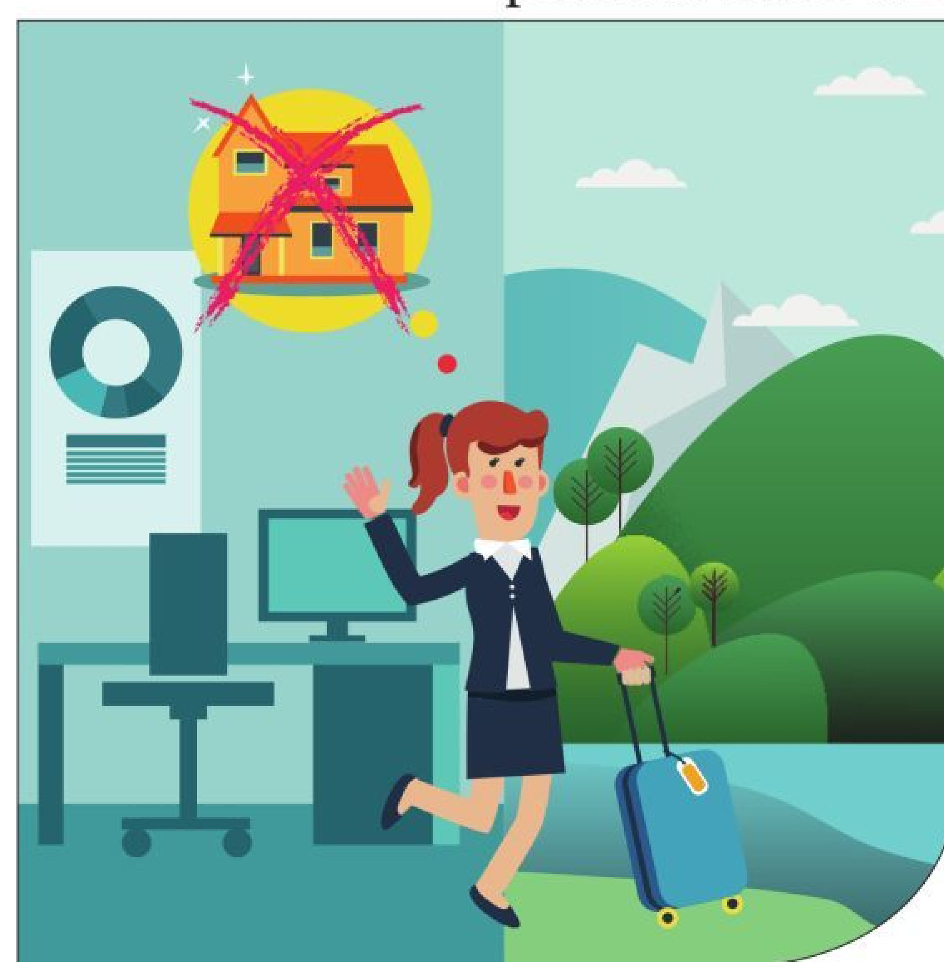
In this context, the old retirement saving rules of thumb look very dated. One rule is that you should aim for a retirement income equivalent to two-thirds of your working-life income. But this assumes that you will own your own home outright by the time you retire. Rising numbers older people are still paying off mortgages and other debts because they could only afford to buy property much later in life.

The other rule of thumb is that you should save a percentage of your salary equivalent to half your age when you start saving. But this based on the assumption that you will work solidly from that point to retirement.

These are, of course, just rules of thumb, and any guidance on the difficult question 'how much do you need for retirement?' is welcome.

But I would like to add another rule to complement these and bring them up to date. It's this: shovel when you can.

There will be times when you have a conventional job and your employer contributes to your workplace pension. There will be others when you're freelance and not benefiting from employer contributions. So when you are in a workplace pension scheme, take full advantage of it while you can.



When you receive a bit of extra cash – a bonus, inheritance or PPI compensation payout – consider a 'one for me, one for future me' saving approach. After all, it's money you had, until then, managed without, so you may be able to stash it before you get used to having it.

> "Take full advantage of a workplace pension while you can"

Workplace pension auto-enrolment contributions were stepped up last month, so employees must now pay a minimum of 3% of their salary and employers 5% towards a pension. This will have a short-term impact on incomes, and an extraordinary impact on retirement lifestyles. It's an opportunity well worth grabbing with both hands if you can.

Every year, commentators warn that this will be the year the chancellor of the exchequer curbs tax relief on pensions. After all, it costs the Treasury around £44 billion a year.

But until then, if you're a higher-rate taxpayer, you only have to save 60p to get a pound of pension contributions, thanks to tax relief. This relief probably won't be around for ever – so shovel while you can. Yes, steady, regular saving pays off, but I think the odd sprint is going to become increasingly important for younger generations.

Sometimes I imagine saving to be like a game of Grandmother's Footsteps – the children's game in which someone (grandmother) faces a wall and the others sneak up on them as quickly as they can, but have to be standing perfectly still when grandmother turns around or they're out. There are moments in a working life when grandmother is looking away. That's you charge, run for it – save as much as you can.

A grandmother or grandfather in the future might just thank you for it. mw

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PAST PERFORMANCE

	Jan 14 – Jan 15	Jan 15 – Jan 16	Jan 16 – Jan 17	Jan 17 – Jan 18	Jan 18 – Jan 19
Fidelity European Values PLC Net Asset Value	**15.4%**	**1.7%**	**20.4%**	**21.6%**	**-1.1%**
Fidelity European Values PLC Share Price	**18.3%**	**0.9%**	**16.5%**	**26.5%**	**-3.2%**
FTSE World Europe ex-UK Index	**7.5%**	**-2.1%**	**24.4%**	**18.2%**	**-7.8%**

Past performance is not a reliable indicator of future returns.
Source: Morningstar as at 31.01.2019, bid-bid, net income reinvested. ©2019 Morningstar Inc. All rights reserved. The comparative index of the Investment Trust is FTSE World Europe ex-UK Index.

Using Fidelity's extensive European research team, manager Sam Morse aims to select well-established European companies with proven business models, attractive valuations and the ability to grow dividends both now and in the future.

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

The latest annual reports and factsheets can be obtained from our website at www.fidelity.co.uk/its or by calling 0800 41 41 10. The full prospectus may also be obtained from Fidelity. Fidelity has been licensed by FTSE International Limited to use the name FTSE World ex-UK Index. Fidelity Investment Trusts are managed by FIL Investments International. Issued by Financial Administration Services Limited, authorised and regulated by the Financial Conduct Authority. Fidelity, Fidelity International, the Fidelity International logo and F symbol are trademarks of FIL Limited. UKM0219/23475/SSO/0519

Savers to see returns fall as NS&I index-linked products switch to CPI

BY RACHEL LACEY

Savers who hold index-linked products from National Savings & Investments (NS&I) could see their returns fall from 1 May.

NS&I is changing the measure of inflation that it tracks to set the interest rates on these products from the Retail Price Index (RPI) to the Consumer Price Index (CPI).

The CPI measure of inflation is typically around 1% lower than RPI, so the move will see some 507,000 savers earn a lower rate of return on their cash.

For example, over the past decade £10,000 in an account that tracked RPI would now be worth £13,113. However, had it tracked the lower CPI it would only be worth £12,520 – a loss of £593, according to figures from Hargreaves Lansdown.

The switch will save the government-backed savings institution £610 million in interest payments over the next five years according to the investment platform.

NS&I confirms the change won't affect existing certificates until the end of their term and will only apply to certificates renewed on or after 1 May.

If you have a certificate that automatically renews for the same term, you will have the right to cancel it within 30 days of the renewal date.

Although new index-linked savings certificates have not been available to buy since 2011, existing account holders are still able to renew them when they mature.

Commenting on the change, Sarah Coles, personal finance analyst at Hargreaves Lansdown, says: "It's a major blow to savers who have seen these products as reliable long-term partners in the battle against inflation.

"Like many long-term partners, these savers have already had to accept their certificates becoming less generous over the years. Savers renewing at the moment get the index link plus 0.01% – whereas nine years ago they got 1% on top of the index link."

However, Ms Coles says savers shouldn't dismiss the accounts altogether.

"These certificates are still essential tools for savers because they guarantee to beat inflation, and are 100% backed by the government, so offer real reassurance in a portfolio," she adds.

The certificates, which are issued with two-, three- and five-year terms, are also free of UK income tax when they mature.

Problems with RPI

CPI and RPI both measure inflation, tracking the changes in price of a representative basket of goods and services over time.

The main difference between the two is that CPI does not include costs associated with your home such as mortgage, rent and council tax. However, there are also differences to the way the calculations are made.

RPI ceased to be a 'national statistic' in 2013. It is still, however, used by the UK Treasury in some cases. CPI is more commonly used, but has now also been superseded by Consumer Price Index Including Owner Occupiers' Housing Cost (CPIH), which includes housing costs, as the 'lead' measure by the Office for National Statistics.

In January, the parliamentary Economic Affairs Committee concluded that a statistical error in the RPI resulted in the index increasing artificially by 0.3 percentage points in 2010. This resulted in a £1 billion yearly windfall for index-linked gilt holders but meant consumers, including students and rail passengers, saw their costs rise.

"RPI is a flawed measure of inflation… it is absurd to continue to use it"

Nicky Morgan

Then, in February, a group of MPs called on the head of the UK Statistics Authority (UKSA) to get consent from the Chancellor to fix a flaw in the retail price index (RPI) measure of inflation.

To tackle this error, Nicky Morgan MP, chair of the Treasury Committee and Lord Forsyth of Drumlean, chair of the UK Economic Affairs Committee, wrote to John Pullinger, UK National Statistician and chief executive of the UKSA, calling on him to seek permission from the Chancellor to fix the flaw.

Mrs Morgan said: "As the Treasury Committee has concluded in numerous reports and statements over the years, RPI is a flawed measure of inflation, and it is absurd for the government to continue to use it.

"It appears grossly unfair that government formulae affecting people's incomes, such as pensions and benefits, often use CPI, whereas formulae affecting outgoings, including student loans, often use RPI, which typically gives a higher rate of inflation." mw

I've cut a few corners to save cash on long-distance trips, says Edmund Greaves

Long-haul hols are my guilty pleasure

Wasting money on holidays is one of the more common barbs that people chuck at millennials. Why spend £1,000 on a break when you could put that towards a house deposit?

Well, because I don't want to drive myself insane taking holidays that involve me mainly hanging around my house.

Over the years I've come up with lots of ways to cut corners to get a good long-haul deal. It just requires a bit of research and, sometimes, luck.

Big-name airlines

This June I'm going to Cape Town. I go every year because that is where my family lives, and I have experimented a lot over the years with flights and times to get the best deals.

This time, I am begrudgingly flying direct with British Airways because of time limitations – something I haven't done in many years.

What frustrates me about BA is the price you see in comparison is often way off what you end up paying, thanks to add-ons such as checked luggage and seat allocation. Like many other airlines, the national carrier has become a bit 'Ryanair of long haul'.

But in recent times I've flown regularly with Ethiopian Airlines. The airline has experienced negative headlines recently after one of its planes recently crashed.

However, I've always found it to be great value. The planes are clean and modern; the staff are friendly; and the flights are cheap.

And you can even get a super-tasty local beer in Addis Ababa airport during the layover!

One year, I got a flight to Cape Town for just £400 with Ethiopian. There are plenty of carriers out there that offer interesting prices, check the reviews, but don't be put off just because they're less well-known.

Be flexible

Google flight search is a good place to start when searching for flights, but sometimes you can even beat these deals.

Do a bit of research on what airlines fly to a destination and go direct to their websites. Play with dates too; often you'll find flying midweek is cheaper than at the weekend.

I also signed up to Jack's Flight Club, an email service where a team of researchers scour the web for flight deals. Some of the prices they find are amazing.

If you don't have a specific place in mind, try it out because the flight deals they find are often a steal. If you're not sure about subscribing straight away, they send out free email updates too.

Another trick is searching for another city in the same country. I once saved £200 by flying to Johannesburg instead of Cape Town, then jumping on a separate flight with local low-cost carrier Mango.

Johannesburg is often cheaper to fly to, and buying local flights with Mango is cheap for travellers from the UK because they are priced in South African rand.

Currency variations

I also tend to hire a car in Cape Town, so as to not annoy my aunts by asking for rides constantly.

I have found that you can get a decent enough rental for 14 days for around £200. However, both the pound and the South African rand suffer from volatility in value. You can use this to your advantage.

For instance, last year I booked a car hire with Avis about six months ahead of my trip. It was set to cost me £240. There was no difference in price whether you paid ahead online or on arrival, so I opted not to pay upfront.

> "I once saved £200 by flying to Joburg instead of Cape Town"

A couple of weeks ahead of my trip, I noticed that the pound had gained quite a lot of value against the rand in the intervening six months. On checking the Avis site, I found that I could hire the exact same car for £40 less.

So, I cancelled my initial booking and immediately rebooked, saving myself £40 for five minutes' work. Just make sure you don't incur any booking cancellation fees, though (mine didn't).

Off-beat destinations

The last time I paid for lodgings was on a trip to Lebanon in 2017. We had the brilliant fortune of being able to stay in a luxury five-star hotel for less than £30 per person per night.

This is because Lebanon was (and still is) an unfashionable destination. However, I had a wonderful time. I would highly recommend it. It is a beautiful country.

But just because it's not 'cool', it was eminently affordable. It pays, therefore, to look for destinations that are less visited.

Do check the Foreign Office advice for warnings, though – it currently advises visitors to Lebanon to avoid large crowds, gatherings, and any protests or demonstrations. mw

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REPLY NUMBER 1102

Half a million older workers pay too much tax by not deferring state pension

BY STEPHEN LITTLE

Half a million people working past retirement age may be paying too much tax on their state pension, new analysis reveals.

This is because they have not taken up the option of deferring their state pension until they do stop working.

Around half a million workers over the age of 65 are earning enough to take them over the income tax threshold and have not deferred their state pension, according to research by the insurer Royal London.

This means that their state pension has been added to their earnings and it can therefore be taxed as a result – in some cases that would be at 40%.

"Those deferring can get 5.8% extra per year"

Royal London says that on average those who defer their state pension can get an extra 5.8% per year on their pension for the rest of their life for each year that they defer.

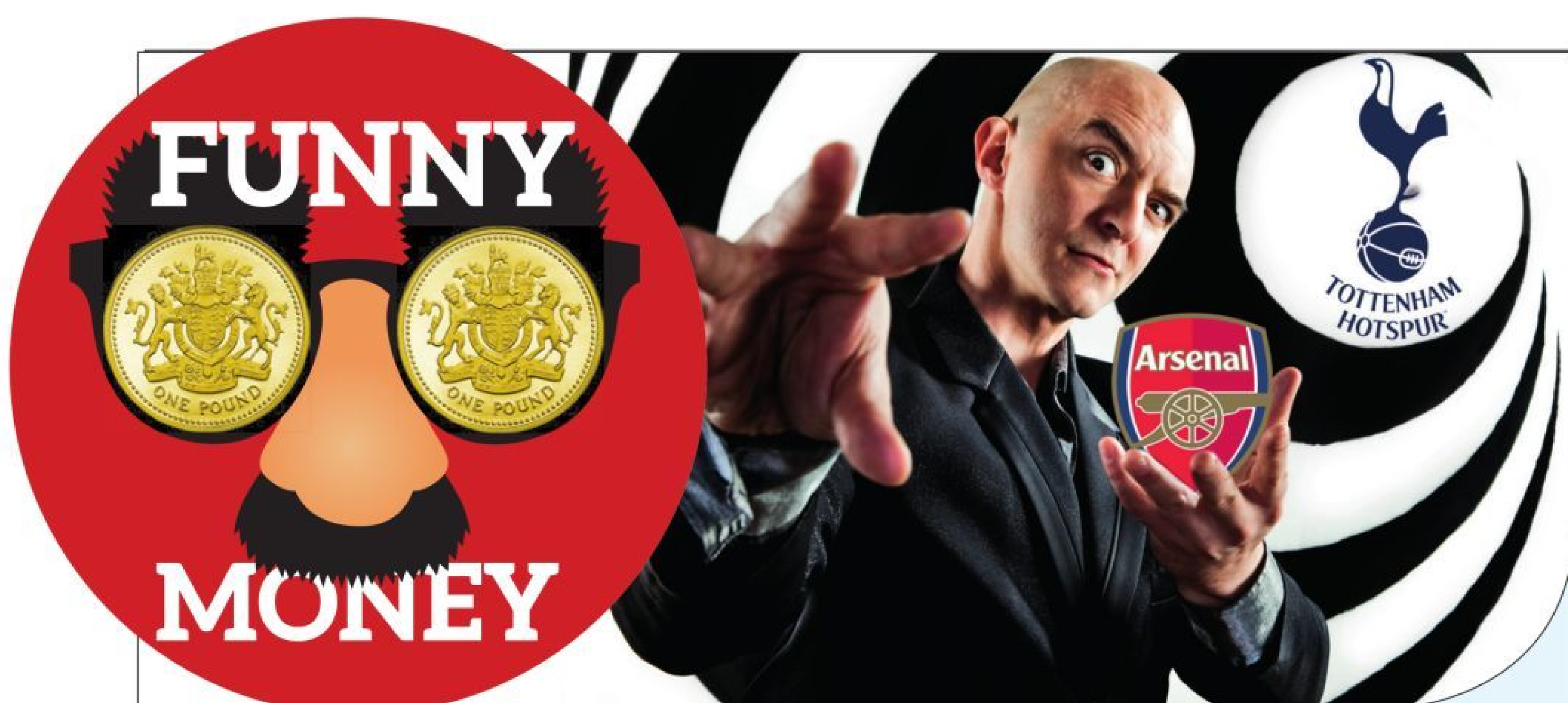
A 65-year-old man with an average life expectancy of 86 who defers for a year will be around £3,000 better off over their retirement than someone who takes his state pension immediately and pays more tax.

A woman of the same age with an average life expectancy of 88 will be around £4,000 better off.

Steve Webb, director of policy at Royal London, says: "If their earnings are enough to support them, it makes sense to consider deferring taking a state pension so that less of their pension disappears in tax."

The tax-free personal allowance rose from £11,850 on 6 April to £12,500 for the 2019/20 tax year. Above this, you will pay 20%.

Higher rate taxpayers earning £50,000 or over will pay 40%.



Father wants to pay hypnotist to turn Spurs-fan son into an Arsenal supporter

BY EDMUND GREAVES

An Arsenal fan has appealed for help in searching for a hypnotist, because his six-year-old son has decided to support Tottenham Hotspur.

This is despite coming from a family of lifelong Arsenal fans. The request for a hypnotist was made on odd-jobs site Bark.com.

The man says that his son became keen on Spurs after watching star striker Harry Kane win the Golden Boot at last year's World Cup.

He says: "I know this probably seems really over the top, but I just want my son to share my passion for football and be able to share it with me, rather than be pitched against each other every time the North London derby comes around."

The avid Gooner goes on: "I've recently got a bit of a bonus from work and for the hypnotist who manages to do this I've got around £3,000 waiting for them – I haven't told my wife I'm doing this, by the way. I figured it will be easier to ask for forgiveness rather than permission."

How likely is your job to be taken by robots?

BY STEPHEN LITTLE

More than 1.5 million jobs in England are at high risk of being lost to automation in the future, according to the Office for National Statistics (ONS).

It revealed that women, young people, and those who work part-time are most likely to see their jobs go as a result of automation.

Automation involves replacing tasks currently done by workers with technology, which could include computer programs, algorithms, or even robots.

The ONS discovered that low-skilled or routine jobs were more likely to be replaced by machines.

This is because routine and repetitive tasks can sometimes be carried out more quickly and efficiently by an algorithm written by a human, or a machine that is designed for one specific function.

The three occupations with the highest probability of automation are waiters and waitresses, shelf fillers and elementary sales occupations.

The occupations at the lowest risk of automation are medical practitioners, higher education teaching professionals, and senior professionals of educational establishments.

To find out the likelihood of different jobs being taken by robots, have a look online at our interactive tool: moneywise.co.uk/robots. mw

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REPLY NUMBER 3020

Half of older homeowners never check benefit entitlement – here's how to do it

BY EDMUND GREAVES

Older homeowners are being encouraged to check their state benefit entitlement as research shows just over half have never done so.

Excluding the state pension, 52% of homeowners over the age of 65 have never checked whether they are entitled to some form of benefit according to research by HUB Financial Solutions.

One in 10 (9%) homeowners over 65 were eligible to claim guarantee pension credit in 2018, but only 56% of those entitled to the benefit did. Many could be missing out on thousands of pounds worth of entitlements.

To find out if you are eligible for both guarantee and savings pension credit, you can use the government's own calculator at Gov.uk/pension-credit-calculator.

You'll need information on your earnings, benefits and pensions, savings and investments to use the tool, plus the same details for your partner if you have one.

If you are unable to or prefer not to use the online calculator, you can call the Pension Service helpline instead on 0800 731 0469, or the pension credit application line on 0800 99 1234.

Both are free to call and are open Monday to Friday, 8am to 6pm, except public holidays.

The government also encourages people to use one of three online benefit calculators to find out their eligibility for other benefits including: Entitledto.co.uk, Turn2us.org.uk and Policyinpractice.co.uk.

WARNING
SCAM WATCH

Beware new council tax scam where fraudsters offer you a refund

BY STEVEN LITTLE

Fraudsters are targeting people in a new council tax scam by suggesting they are owed a refund.

The email says that the receiver has overpaid on their council tax bill and includes links that take you to a website to enter your details.

Known as a phishing scam, once you click on the link you are taken to a fake government website where you are asked for your personal details, as well as bank information to claim a refund.

Once the victim is convinced, the fraudster tells them that to receive the rebate they will need to pay an administration fee in advance – often between £60 and £350.

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

"If the email has spelling mistakes, there is a good chance it is a fake"

After the victim has provided their details and made the payment, they find they are then no longer able to contact the person they originally spoke to on the phone.

How to protect yourself

CALL YOUR COUNCIL – If you receive an email, find your council's phone number and give them a call to check. Make sure you find the number independently and don't use the one in the email as this is will be a fake.

CHECK THE GRAMMAR – Councils will always proof-read correspondence sent out to you. If the email contains lots of grammar or spelling mistakes, there is a good chance that it is fake.

CONTACT THE BANK - If you are worried you have given out your bank details to a fraudster, contact your bank immediately and explain what happened.

DON'T ASSUME A PHONE CALL OR EMAIL IS AUTHENTIC - Just because someone knows your basic details (such as your name or address), it doesn't mean they are genuine. Criminals can easily spoof the phone numbers and email addresses of companies you know and trust.

CHECK UNSOLICITED REQUESTS - Always question unsolicited requests for your personal or financial information, and never click on the links and attachments in emails or texts you receive out of the blue.

What to do if you have fallen victim

Let your bank know as soon as possible and monitor your bank statements and credit file regularly for any unusual activity.

If you have been a victim of fraud or cyber-crime, you should report it to Action Fraud online or by calling 0300 123 2040. mw

"My money lessons" Buying our first home

Yorkshireman Jonathan Whiting tells Moneywise about the trials and tribulations that he and his girlfriend, Harriet, have experienced while trying to get a foot on the property ladder in London

From a young age I've held the hope that one day I would be able to own my own home. Somewhere that I can put a stamp on and call mine. As they say, an Englishman's home is his castle.

My girlfriend, Harriet, and I started to get serious about the prospect of buying in the capital after living for over four years in rented flats in London.

We were very content in our little south London flat, but grew tired of seeing our monthly rent fund a faceless landlord's early retirement. So we started to do the maths.

At first, we didn't know where to begin. It was a steep learning curve understanding all the various permutations of financing the purchase, from Help to Buy Isas, high loan-to-value mortgages and stamp duty thresholds.

All we knew was that we were going to have to get together an eye-watering amount of money for a deposit if we were really set on buying our first home in London.

Thankfully we have both been brought up understanding the value of savings, so have saved up a modest deposit between us. Harriet even had savings she had kept since her first retail job at the age of 17.

Plus, we were both fortunate enough to have parents who were in the position to help us out, something we are both incredibly grateful for.

Location, location, location

Parents and friends all said 'location, location, location' was the most important factor in our house buying venture – but for us there was also the compromise between being on the tube network, commuting distance to both our current jobs, having some outside space and being close to friends.

Unfortunately, the reality is you can't get everything you want – some things needed to take priority. For us, number one priority was indeed location. We tried to look for the "ugliest house on the prettiest road", somewhere we knew ticked the location box, and the connection to central London box, but also meant we could put our stamp on it and make it a home. Not easy to find!

"You can't get it all, some things must take priority"

Viewing 60 properties

We began the search 18 months ago when we decided we were fully committed and dedicated to buying. We have since spent many weekends, evenings and days off viewing properties and exploring some of the more affordable areas that our budget would allow for.

There were areas of London we loved and dreamt of but were sadly way out of our budget. On the flip side there were areas that we'd not even visited once that seemed within budget, which felt worth exploring.

Harriet had always been a south-of-the-river girl and I had lived in north London previously, so we were very open to looking for new areas. After looking around Walthamstow for nearly five months we decided we weren't sure it felt right, despite the value for money.

Harriet and Jonathan: their own home is finally in sight

We then came back south of the river, to Dulwich, Peckham and Herne Hill - but all those areas felt over-priced.

After viewing over 60 properties we started to feel disheartened and frustrated. It became all we spoke about. We were receiving over 30 Rightmove property alerts every day. Our motivation started to dwindle.

Does Brexit matter?

Despite the location being an incredibly difficult decision to settle on, there were also other factors at play. Brexit uncertainty has been a real concern, with the prospect of house prices dropping significantly. All our friends and family offered their own 10-pence worth on what would happen too.

In the end we decided there's always going to be something in the bigger picture that could impact house prices, and we could end up waiting forever for the 'right time' to buy. Only hindsight will give us the answer there!

It's been a long and pretty emotional 18 months and after a number of flats falling through, and offers being rejected, we've finally found somewhere we love and have had an offer accepted on it. Ironically, it's slap-bang in the middle of East Dulwich, an area we looked at nearly a year ago.

For us, the most complicated part starts now, trying to debunk mortgage, surveyors and solicitor jargon. Although there will be more bumps along the way, we're hoping this is the beginning of the end of the process.

We are very fortunate to have supportive friends and family who are ready with the boxes and paintbrushes once we're in – bring it on! mw

Do you have a lesson you've learnt about money you'd like to share? Please email **editor@moneywise.co.uk**

WIN a two-night break in the North York Moors

with free entry to Castle Howard

ONE LUCKY READER and their guest can win a cosy B&B stay in North Yorkshire

HOW TO WIN Simply answer the following question:

WHEN DID BUILDING WORK ON CASTLE HOWARD FIRST START?

A) 1573 B) 1699 C) 1855

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

The winner will enjoy two nights' bed and breakfast at Carr House Farm, a peaceful B&B in an Area of Outstanding Natural Beauty, just outside Ampleforth, in the North York Moors National Park.

The 16th-century farmhouse is set in an acre of gardens, with bluebell woods and apple orchards. Take a walk in the woods, with amazing views around every corner, or go for a longer hike along the Cleveland Way which is just minutes away.

The B&B is also a first class 'dark skies' venue for viewing the stars and planets.

As a part of the prize, the winner will also receive a family admission ticket worth £52 for the house and gardens of the historic Castle Howard.

Castle Howard, which dates back to 1699, is one of the great palaces of Europe, and is just a short drive away from the farmhouse. Admire sumptuous interiors furnished with world-renowned works of art, before exploring more than 1,000 acres of monumental gardens with statues, lakes, temples and fountains.

And with many abbeys and historical sites in the area, there really is something for everybody, whether you like shopping, fine dining or simply exploring the countryside.

You can even take a ride on the North Yorkshire Moors Railway.

The B&B is also just three miles from The Black Swan in Oldstead, a Michelin-starred restaurant from chef Tommy Banks.

For more details, visit Carrhousefarm.co.uk. mw

TERMS & CONDITIONS: The prize is a two-night stay for two people including breakfast on both mornings, and a family admission ticket worth £52 to the house and gardens of Castle Howard. The stay is subject to availability and cannot be taken on weekends in June, July or August, or bank holidays. It must be booked at least 14 days in advance and taken by 1 November 2019. Any further costs must be paid on departure. 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 Carr House Farm and Castle Howard. We may also wish to tell entrants about other group products and services.

Not a happy bunny when insurers mess up

Insurance is a vital part of our financial armoury. It's our backstop in case something goes wrong in our lives, be it a burglary, car crash or an illness that means time off work.

It's not always mandatory, often voluntary, and yes it can sometimes feel as if you are pouring money down a big, black hole. But, in theory, it's there to come riding to our rescue when the unexpected happens.

In recent weeks, I have drawn comfort from a couple of the insurance policies I hold.

The first was via the Axa PPP private medical insurance I pay for through my employer (Daily Mail and General Trust). A recent routine medical – arranged through work – showed a marked jump in my PSA score, an indicator of prostate cancer. I was advised to see a specialist as soon as possible.

My private medical insurance meant I was able to see Dr Christopher Ogden, a lovely individual and a pioneering urological surgeon, within days. Following an examination (not particularly pleasant) and an MRI scan, I now await a biopsy and Dr Ogden's verdict. Thank goodness for my insurance – it could prove a life saver.

The second was through my dental policy. In the past couple of weeks, I have had the 'pleasure' of visiting my dental hygienist, an experience probably more daunting than Dr Ogden and his probes. The only blessing I could draw from the painful visit was that the cost (not the pain) of the cleaning process was slightly defrayed by the dental insurance I have with BUPA.

So no complaints? Well, not exactly. Take my medical insurance. Just after Dr Ogden had told me a biopsy would be required, I received a letter from Axa PPP stating in stark black and white: "We have been unable to pay this claim in full because of the benefit limitation on the scheme."

Insurers could do much better if they put the customer first

Feeling a little emotional, it sent me into a tailspin, thinking the 'prostate pathway' I had been put on would have to be abandoned and I would be left in limbo.

It was only after a hurried phone call to the insurer that the letter's contents were properly explained. Everything was fine, I was told. The letter was triggered by the £100 excess – the sum I must pay to make a claim – which meant a £100 'shortfall' showed up between the treatment costs and the money paid over by the insurer to the medics.

Given that I had already paid the excess over the phone by credit card, there was actually no 'action you need to take' (the insurer's words in its letter) and no shortfall. Indeed, there was no need for the letter. Correspondence, presumably, sent out automatically by computer without anyone at the insurance company checking whether it was appropriate or not. Simply not good enough.

For all the reassurance that most insurance brings, many providers still seem incapable of communicating with customers in language that can be instantly understood. They make everything so difficult.

My mother's recent 'spat' with British Gas is further proof of this disconnect between insurer and customer. My mother has had HomeCare insurance with British Gas for donkey's years. It provides her with a comfort blanket for when the heating packs up or the plumbing springs a leak. She rarely claims on it, but it is there just in case.

This year, British Gas tried to increase her premiums at renewal by 20%, a price hike my mother could ill-afford. After all, she's a pensioner, lives alone (my younger son lives close by to keep an eye on her) and gets by on a state pension and a small annuity. So I urged her to complain by giving them a call.

Not one to overlook an argument, she gave the British Gas employee at the end of the phone an almighty ear bashing. The net result was a 'new' annual premium of £477.30 – instead of the £596.64 she had been quoted initially. Indeed, a premium lower than the one she had paid for the previous 12 months (£499.39).

Yes, a fantastic result, but it shouldn't be this way. It should not have to take a phone call for her to get the deal she should have been given right from the word go.

It is great that insurance companies provide peace of mind every day of the year to millions of households and businesses across the country. Yet they could do so much better if only they became more consumer-friendly. It's a Holy Grail they should strive to achieve soonest. Me and Mum would be happier bunnies, that's for sure. mw

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

YOUR SHOUT

THIS MONTH'S STAR LETTER

It's cool to have a letters page

I picked up *Moneywise* for the first time recently (March 2019 issue) and I found the magazine to be a great read. It was also very timely, given that I have been considering an Isa recently.

The article on cinema savings was interesting. I did have a Cineworld card, but I just wasn't finding compelling films to watch on a regular basis. However, with the savings mentioned in the article, such as the Vue savings every Monday, I imagine I'll save a lot for some time to come (I only really like watching superhero and/or ghost films at the cinema).

The energy-saving article was informative, too. Little things like that really do matter, and I would never have considered those ideas.

And it's always great to see a letters page in a publication. So many magazines now don't bother to have letters columns. I think even in the age of internet forums and social media chat, it's pretty cool to see a letters page. Long may it continue. Overall, a very accessible read, I only wish I had discovered the magazine sooner. Always the way, eh? Finance can risk being a dry subject, but there was absolutely nothing dry about the *Moneywise* articles. Quite the reverse, in fact.

Very happy to be on board as a new reader.

SP/VIA EMAIL

No time for Cash Isas

Ahead of the end of the last tax year, Moneywise highlighted eight tips to help you avoid losing out on the annual Isa allowance. In response to this a reader wrote:

> "Save this way and you can ignore the 'Isa season'"

I would suggest avoiding all that unnecessary 'administration' by simply saying sign up with an investment platform.

That way, you can do it online, no form to fill in every year, no cheques, no messing with banks and a wide range of investments.

Save by regular instalments and you can completely ignore the so-called 'Isa season' and all the silly hype around it, as well as gaining from pound cost averaging.

I have no time for Cash Isas either.

DH/VIA SITE COMMENTS

Moneywise says: We agree with DH, investing online is a simple and effective way to build up a nest egg for the future. However, there is still a place for Cash Isas and savings accounts, especially for shorter-term savings plans.

Why did it take so long to ban exit fees?

In mid-March, the financial regulator the Financial Conduct Authority announced plans to ban the fees on leaving an investment platform.

One reader took issue:

Why do these regulators take years to do the right thing? It should

Blog of the month: Five steps to make sure cohabiting isn't a finan

BY HAYLEY MILLHOUSE

While it is an exciting step forward for your relationship, moving in together can get messy quickly if you're not careful with your finances.

These five steps will help you achieve a healthy relationship with both your finances and each other.

1. Discuss your income and financial goals

Have an honest and open conversation with your partner about each other's income, and what you can and can't afford.

It's also sensible to agree what you are and aren't happy to disclose when it comes to salaries, bonuses, expenses and purchases.

Discuss your financial goals and what you both want to achieve. Agree an amount you are both happy to put away and stick to it.

Doing this over time will also make things like booking a holiday less stressful, as you have already put in the legwork to save together.

2. Consider the housing extras

If you're considering buying, you should speak to a mortgage adviser in advance. They can help you get a clear idea of the amount of time it will take you to save for your deposit and advise you about any obstacles you may face along the way.

Then, regardless of whether you buy or rent, consider a realistic budget for living that won't put either of you under a financial strain.

Do your research to find out how much you could save on rent or a mortgage by living in the suburbs rather than the city centre. But also be mindful of the increasing cost of a commute the further out of a city or town you live.

It's also important to consider life insurance as you begin to depend on your other half's portion of the rent or mortgage.

3. Have a separate joint account for rent and bills

When you live with other people who contribute to bills and rent, your bank statements can become a mess of different transactions and transfers. The easiest solution to this is to set up a joint account for the household direct debits.

Both you and your partner can transfer a set amount to the joint account each month after pay day. This can be the same amount each or an agreed percentage of your salaries should one of you earn considerably more than the other.

Before you take this step, however, it's important to remember that opening a joint account is another big step, as you will become financially linked to your partner.

The Money Advice Service guide on joint accounts will help you understand exactly what you're signing up for.

4. Splitting the cost of everyday items

As well as rent and utility bills to think of, everyday items such as cleaning products and groceries can soon mount up.

There are several 'fairness calculator' tools available, such as Splitwise, Venmo or Billr, you can use to keep tabs on who has bought what so that one person doesn't always end up buying the bulk of products.

5. Save a cash buffer

As well as thinking about saving for holidays

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have been done and dusted years ago, including reducing management fees for safe, non-volatile investments that, by definition, don't get moved around.

How do these managers justify charging the same amount as the more strictly managed ones?

Maybe the regulators will look at this issue, after the current tranche of managers have made their kill at investors' expense, in 50 years' time!

MA/VIA SITE COMMENTS

Cheaper bills – but only for new-build owners

In March, Chancellor Philip Hammond announced plans to ban the use of carbon fuel boilers in new homes after 2025. This drew the ire of many readers. One commented:

So they plan to reduce the bills for those people who can afford shiny new homes…

Meanwhile the existing gas-supply grid will have fewer people using it, but will still need maintaining. The cost of heating and cooking will soar beyond belief for the rest of the population who are unable to buy a new home and are struggling to pay rent and mortgages on properties they cannot afford to retrofit.

If the government has their way, we won't even be able to cook a meal at a reasonable cost.

LJ/VIA SITE COMMENTS

"The cost of heating and cooking will soar"

Not another firm with a credit card

On 25 March, tech firm Apple announced it was entering the financial services market with the introduction of a credit card that it said would "help customers lead a healthier financial life".

One reader commented:

I'm sick of hearing the phrase "helping customers take control of their financial lives".

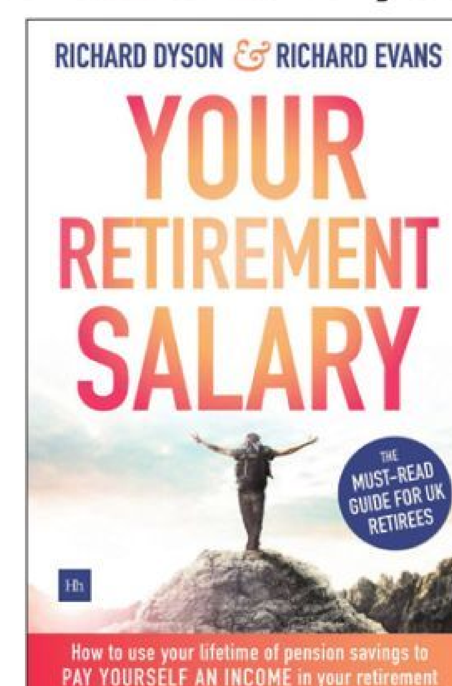
I am in control of my financial life already and I don't need apps or an Apple credit card dedicated to a mobile phone.

Come to think of it, that includes any other credit card linked to a phone!

HD/VIA SITE COMMENTS

20-second book review

Your Retirement Salary by Richard Evans and Richard Dyson



Harriman House, £14.99, hardback

Personal finance experts Richard Evans and Richard Dyson give readers everything they need to know to generate an income to last them throughout retirement.

For those who have retired under the new pension freedoms, there is a huge demand for information and guidance on planning a secure retirement.

Clear answers are supplied here – on everything, from your pension savings to building an income-producing portfolio of investments from scratch.

The authors also discuss the realities of tax, how readers can ensure that their income is sustainable and when to take professional advice.

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

cial mess

or big milestones like buying a house, you should also put aside some money for emergencies. This can be used to pay unexpected bills or a car breakdown, meaning that you always have something to fall back on.

Any amount that you can afford to put aside is a great start, but eventually aim to have three months' worth of outgoings as a cash buffer.

This might be a joint saving, or you may decide it's wise to have a pot of emergency money each, should you want to move out.

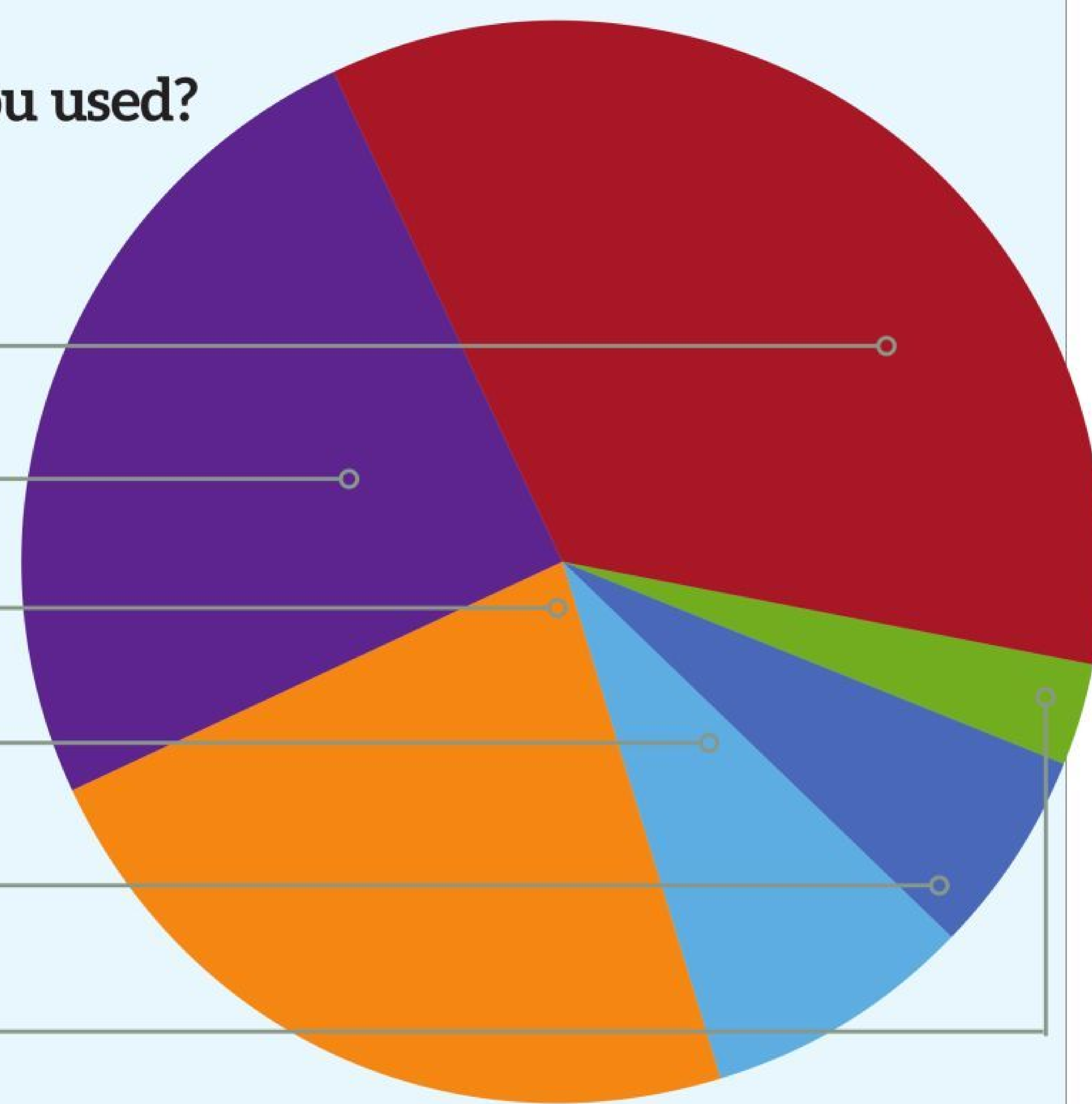
Moving in with someone is a big commitment and it can take time to adjust, especially when money is involved.

Start this new stage of your relationship as you mean to go on. With open discussions and working together, you can't go far wrong.

Hayley Millhouse is head of advisory services at OpenMoney and evestor

WEB POLL:

How much of your Isa limit have you used?



35% I don't have an Isa
25% Less than £5,000
23% All £20,000
8% £5,000-£9,999
6% £10,000-£14,999
3% £15,000-£19,999

Based on 715 votes between 19 and 25 March 2019

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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've lost my job and can't afford my mobile tariff

OUTCOME: EE waives some charges and arranges a cheaper tariff

Mobile phone contracts can be hugely expensive and, once you've signed up for one, it can seem impossible to escape.

But phone companies are required by law to allow the customer a 14-day cooling-off period. That means if you change your mind for whatever reason – perhaps you realise you can't really afford the deal – and return the phone within two weeks, you can walk away from the contract – unless you bought the phone in store.

You also have a potential get-out clause if your tariff rises. If your mobile provider doesn't warn you about a price rise, or if the increase is higher than the rate of inflation, then you are entitled to cancel your contract within 30 days of receiving the warning, without incurring any fees.

Actually, the truth is it is possible to cancel your contract at any point but if you do so you'll have to pay off the remaining costs, which can be hugely expensive. That effectively means most people are trapped in their contract until it runs out.

But what if you lose your job and can no longer afford the monthly charge? That is the situation that reader PC from the West Midlands found himself in.

He was signed off from work because of mental health issues and realised that, with no income, he could no longer afford the monthly £60 EE mobile phone contract he had signed up for.

> "After 20 years of loyalty, EE offered me nothing"

He went into an EE store to try to move to a more affordable tariff but was told that he had to stick to his contract.

He returned to the store after noticing two Google Play charges of £80 on his bill, which he knew he hadn't run up.

A salesperson told him that EE couldn't do anything about it and that he should contact Google. He did, and, to Google's credit, it was sorted straightaway and scrapped the changes.

He asked again about switching to a cheaper tariff but was told again that he had to stick to his agreement.

"I've always been a customer with the same mobile firm," he told me. "I started off on T-Mobile and was then moved to Orange and on to EE. That's almost 20 years of customer loyalty and I always paid my bills.

"But then when I needed help, EE offered me nothing. It seems loyalty is worthless."

His story surprised me as I thought phone companies would help people who are struggling. Thankfully, that proved to be the case.

your rights WITH SIMON READ

An EE spokesperson told me: "We know events happen that are out of our customers' control and they may need help with their bills. We're flexible and can offer a range of options as we understand no situation is the same.

"If a customer contacts us about financial difficulty, we can provide extra time to pay and make sure that follow-up for payment is held, which is really important for those who are facing money problems.

"We can also reduce customers' monthly bills or move them to a Pay As You Go plan if they prefer. We can also discuss the option of a payment plan with them too."

The spokesperson added: "We would always welcome customers to contact us if they need some help with their bills to ensure their services remain up and running."

Once I passed on PC's details, EE acted very swiftly and positively, switching PC to an affordable tariff as well as waiving some outstanding charges.

PC told me: "EE was quite incredible and has cut my monthly bills by about £50 and waived all but £17 of the current £80 one, so thank you so much for the help."

Why he didn't get the help he needed in the branch I don't know, but I would urge EE to ensure all staff understand the importance of being flexible when people are struggling financially rather than demanding they keep to the contract they signed.

GET SUPPORT

If you or anyone you know suffers from depression and would like some support with managing your money or with any other concerns, contact the charity Mind at: **Mind.org.uk/information-support/types-of-mental-health-problems/depression**.

If you or someone you know needs urgent help, contact the **Samaritans (Samaritans.org) on 116 123.**

I'm still waiting for my money from Carpetright

OUTCOME: Carpetright has promised the reader a refund

We are renovating our new home and went to Carpetright to get flooring. We decided on a style we liked but, unfortunately, there was less than half the quantity needed in store, so the order was carried out in two separate batches. When we were paying, we asked the salesman if we could return the flooring if we changed our minds. The salesman said we have 14 days to return the flooring.

We did change our mind and after seven days went to return the flooring to the same store. We were met by the same salesman who asked if we had opened any boxes, and then referred us to his manager.

The manager flatly said "no returns other than surplus stock", which – not mentioned in the contract – was just under 10% of the order. We asked if we could at least cancel the remaining order, which we hadn't received, only to be met with a "no". We were told to speak to customer services, which upon answering our query, said it was up to the store manager.

The total sum is just under £800, which to a young family who has just bought a property is a huge amount, but to a national company like Carpetright is a pittance, especially as they will have its stock back unscathed.

We escalated our complaint to the area manager, who agreed to refund the part of the order that was not delivered. Even so, they have not followed through, and we are yet to receive any money back.

Can you help us get our cash back?

TS, Wanstead

I researched Carpetright on the internet and there appeared to be a number of other people with similar complaints about delayed refunds or botched orders. But when I contacted the firm on TS's behalf, it responded right away.

A Carpetright spokesperson told me: "We were sorry to hear about the issues that TS has experienced with regards to his flooring and refund. The refund has now been authorised and should be in TS's bank account within three to five working days. We would like to apologise for any distress or inconvenience caused to TS and his family."

That was a good response, but it shouldn't have been necessary for me to get involved in the first place.

Carpetright is a struggling company involved in a desperate turnaround to save the business. Last year the company agreed a rescue plan, which included the closure of 81 stores. Even so, losses in the second half of the year were almost £12 million.

It seems clear that in its struggle for survival it has taken its eye off the ball in terms of treating customers fairly. If it doesn't improve and ensure that customers have a happy experience, I can't see much of a future for the firm.

Hopefully, it will take positive action to improve things. 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*

Ask the experts

THIS MONTH'S STAR QUESTION

What tax-free sum can we give when our child weds?

Q Can you help me to understand the wedding gift inheritance tax (IHT) exemption with regards to 'compounding' various allowances?

I'm aware each parent can give each offspring £5,000, IHT-free, as a wedding gift. But can they also each use the £1,000 allowance as a gift to their future in-law?

So, theoretically, could each parent give a total £6,000 (IHT-free) to the couple? And potentially another £3,000 if they have not used their annual allowance either – or even £6,000 if last year's allowance hasn't been used?

Therefore, based on two living parents per party, all with sufficient funds, if no allowances have been used in the past two years by either about-to-be-wed's parents, are we then looking at £48,000 as a possible tax-free gift to the happy couple from just the parents?

PF/Tonbridge

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

A parent can give away £5,000 free of IHT in consideration of marriage and may give £1,000 to any other person in consideration of marriage. This would include those parties that are not children, and would result in a total gift to both parties of £6,000.

Additionally, each parent can use their annual allowance of £3,000 plus their previous year's allowance, provided they haven't been used already. This could feasibly make up a total tax-free gift from the parents to the bride and bridegroom of £24,000 in total and £48,000 if all four parents contributed all of these allowances.

Further, each tax year, you can also give away normal gifts out of your income, for example, Christmas or birthday presents.

Each tax year you can give away normal gifts out of your income

You must be able to maintain your standard of living after making the gift. This value of the tax-free gift is limited by the extent to which you can maintain your standard of living after making the gift.

When do I stop paying national insurance?

Q I was reading that you pay national insurance until you reach retirement age. But when I got to 60 my employer said that after this age I did not need to pay NI and they stopped the contribution. Is this correct?

SG/Windsor

MICHELLE CRACKNELL
Former chief executive of the Pensions Advisory Service

You pay national insurance contributions until your state pension age.

If you are a female born before April 1950, you will have stopped paying national Insurance at the age of 60,

Do you have a question for our experts? Write to: Moneywise, 8 Devonshire Square, Office O3W112, London EC2M 4PL or drop us an email at advice@moneywise.co.uk (please include your address)

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

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

and this would be the same even if you continued to work.

How will my late wife's estate affect my IHT?

Q I have been married twice. I have adult children from my first wife but no children from my second marriage. My second wife died leaving a negligible estate. I understand when I die, my estate will benefit from her inheritance tax (IHT) allowance, meaning I can hand on two times £325,000.

If I leave my home to my children, do I also benefit from my late wife's IHT allowance for primary residences?

SS/via email

RAY BLACK Independant financial adviser at Money Minder

Residence relief is only available to someone who leaves their main residence to direct descendants. HMRC's definition is: "A direct descendant will be a child (including a stepchild, adopted child or foster child) of the deceased and their lineal descendants."

Therefore, as your second wife had a 'qualifying' relationship with your children (as her stepchildren), your estate should be able to make a claim on your death to transfer the unused proportion of her additional residence nil-rate band (RNRB) much in the same way that the standard nil-rate band (SNRB) can be transferred.

If you have a large estate, (more than £2 million), the RNRB is reduced. For every £2 that your estate is over £2 million, the amount of residence relief available is reduced by £1.

For example, an estate worth £2.25 million reduces the relief available to zero, (2018/19 tax year). So if your estate is worth £2.25 million in the 2018-19 tax year, you'll lose the entire main residence nil-rate band.

In most cases your state pension is based on your own NI record

Can we cut capital gains tax on our parents' house?

Q After inheriting our father's half of my parent's estate in 2009, my sister and I then became co-owners of our mother's house (they were tenants-in-common). Sadly, she died in October, which means we have inherited her half of the house and plan to sell the property. Both my sister and I own our own homes with our spouses, so are we presuming we will have to pay capital gains tax (CGT) on the gain from 2009 to 2019, taking out the first inheritance of 25% each in 2009 and the second inheritance in 2018 of 50% of its present value?

Is it possible to gift 50% of our share to our respective spouses to double the CGT allowance and reduce CGT liability?

JS/St Leonards on Sea

FRANCIS KLONOWSKI is principal of financial planner Klonowski & Co

You are correct on all counts. You would incur CGT on the increase between 50% of the house sale proceeds and the initial inherited value in 2009, and then on any increase between the other 50% of the sale proceeds and the inherited value in 2018.

The tax charge would be split equally between you, but the amount you each pay would depend on your respective tax status. You could certainly reduce the CGT by utilising your spouses' allowances as suggested.

My only proviso would be to ensure that both you and your sister are comfortable with dividing the inherited asset this way. What happens, for instance, if the property does not sell and you are left with four owners who may have differing views on what should happen to it? Are you also comfortable with dividing the sale proceeds four ways?

Can I benefit from my late husbands' state pensions?

Q I have been widowed twice and have never been given a widow's pension. I was 43 the first time and 59 the second time. I am now 64 years old and retired at 55 claiming no benefits whatsoever. I have been told that I can claim against both my late husbands' national insurance contributions (NICs). Is this correct?

MBD/Rugby

MICHELLE CRACKNELL Former chief executive of the Pensions Advisory Service

As your state pension age is after April 2016, the new state pension rules apply to you. In most cases, your state pension is now based on your own NI record and therefore will be paid at your state pension age.

You will not be able to inherit anything if you remarry or form a new civil partnership before you reach state pension age.

However, if you were married before 1977 and paid the reduced rate of national insurance contributions (known as the married woman's stamp) at this time, you could be entitled to a pension based on your late husband's NI record. This would be payable from the date you were widowed but cease on remarriage.

I would suggest that you request a state pension forecast, which can be obtained at Gov.uk/check-state-

Ask the experts

regularly although they don't have to be the same amount each year; and the gifts must not affect your ability to maintain your normal standard of living.

As for putting money into a Jisa, yes, that should be possible. Your children, as the parents, would have to set up the Jisas, but once up and running you could pay money in.

Just remember that the annual Jisa allowance is £4,368, so you would need to check with the parents to make sure your deposit won't take them over the limit.

Can I cancel my annuity and take a lump sum?

Q I have a small pension through an annuity, which I am advised is worth £28,500. Under the government scheme, I would like to take this as a trivial commutation lump sum [ie, cash in the lump sum].

However, I have another small annuity which is £113 a year, which takes me over the £30,000 threshold. I am told I cannot cancel the annuity. Is there any way that I can cancel it in order to access the lump sum?
AS/Swadlincote

HELEN MORRISSEY
Corporate PR specialist at Royal London

Unfortunately, the decision to purchase an annuity is, in the vast majority of cases, irreversible so you would be unable to cancel it. At one point the government did announce that it was looking at plans that would allow people to cash in their annuities – the so-called secondary annuity market – but these were dropped in 2016.

In terms of your other small pot, you do not mention if it is a defined contribution (DC) or defined benefit (DB) pension but you do have options. If the pension is a DC one, then under the pension freedoms that came in in 2015, you would be able to take it as a cash lump sum less any tax due if you are over the age of 55.

If you have a DB plan, then you would need to do a DB to DC transfer

The gifts must not affect your normal standard of living

pension. You should also speak to the Future Pension Centre to see if you are eligible for the state pension, based on your late husband's NI record.

You may be entitled to other state benefits, so it would be worth speaking to the Department for Works and Pensions and Citizens Advice for further information. You can only claim against your second husband's national insurance record as your remarriage lost you any entitlement in respect of your first.

Finally, if either of your late husbands had any private pension arrangements, it is worth checking with the provider whether you may be entitled to a widow's pension from them.

Can we gift to our grandchildren IHT-free?

Q My wife and I each give our son £3,000 a year under the inheritance tax (IHT) gifting rules. Can we also put money into a Junior Isa (Jisa) for the grandchildren? We have three grandchildren and I'm thinking of putting £6,000 a year in total into Jisas. That would be £12,000 between my wife and I over the year.
DH/Leicester

FRANCIS KLONOWSKI
is principal of Klonowski & Co in Leeds

I assume you have each been using your annual allowance in previous years as you say that you each give your son £3,000 a year. So you would not have any unused allowance to bring forward. You can certainly make the additional gifts, but these would be classed as a Potentially Exempt Transfer (PET for short) for inheritance tax purposes. If you died within seven years of each annual gift, it would still be counted as part of your estate and may be liable to IHT depending on the size of your remaining estate. Your exempt allowance or nil-rate band (currently £325,000) would apply first to the PET.

For instance, if you had made three years of gifts – £18,000 – and then died, the nil-rate band available against your other assets would be £307,000. That's £325,000 minus £18,000.

There is another possibility. If the proposed gifts are to be made from surplus income, then they would be exempt from IHT. The conditions are as follows: the gifts are made from income, not capital; there must be the intention to make the gifts

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

if you wanted to be able to take your money as outlined above. Under current rules, you would not have to pay for regulated financial advice to make this switch as your pension is worth less than £30,000.

However, you may find that many providers will refuse to do a non-advised transfer so you may have to shop around.

Do I need to tell insurers that I've been bankrupt?

Q I am an avid follower of your website, but I am looking for some specific help. I read something recently that implied that if you have ever been declared bankrupt, then you have to inform your insurers – be it contents or car. I was bankrupt more than 15 years ago and I was discharged within months of being declared bankrupt.

If this is the case, could you please point me towards which companies offer insurance cover for those who have been bankrupt?

SC/via email

MATT OLIVER
General insurance expert at Go Compare

Bankruptcy generally won't affect your car insurance, nor is it a question asked by most car insurers. While a policy may be stopped at the point of bankruptcy, it is not a factor that will impact your access to cover.

However, this is not the case when it comes to your home insurance. Many providers will actually decline to offer a policy to those who have been declared bankrupt in the past. While some insurers may still provide cover, your options will be limited.

You will need to shop around for an insurer in the normal way, checking comparison sites.

However, once you have found a policy that you want to buy, in your case it would be wise to talk to the insurer over the phone and tell them your situation. This will avoid problems should you ever need to claim on the policy.

Can I remortgage without proving I can repay the loan?

Q I have an interest-only £200,000 mortgage ending in 14 years. I cashed out the endowment about 10 years ago, so have no insurance to pay the mortgage off when it's due. That said, I have £150,000 equity in the house, and will probably want to downsize in the future anyway.

I am a self-employed web designer, so can work for ever if I want to and also have an option to move to a lovely place in the country that is owned by my mother-in-law, who is very comfortably off, as are my parents.

I recently contacted my mortgage lender to increase my mortgage by £20,000. Though I don't have debts and earn enough to pass the criteria, when asked if I have any way to pay back the mortgage, it got a bit awkward.

So my question is: if I tell my lender that I have no means to pay back the debt, would it have the right to stop the mortgage in some way?

I would also like to know if this would also be the case when applying for a fixed-rate mortgage. I'm currently on a 3.7% interest rate, and the lender has a deal on offer of 2.5% for two years fixed.

JF/via email

Lenders will need to be able to demonstrate that a borrower can afford any new mortgage. That will require an assessment not only of income but also of the borrower's outgoings and ongoing commitments.

Affordability tests will also consider whether the mortgage is affordable now and will remain so in the future, so lenders will apply a stress-test as well.

When it comes to interest-only lending, the lender will also need to assess the borrower's repayment strategy to cover the capital. Lenders have tightened their requirements over what they deem an acceptable repayment strategy. The original endowment policy would have been designed to meet those requirements, but other acceptable repayment vehicles could include Isas or a pension if the investment levels are adequate.

The questions about the repayment vehicle are to ensure that borrowers not only understand that they're not making inroads into their mortgage balance each month, but also to ensure that there is a plausible repayment strategy in place.

You mention that you expect to downsize your property, and some lenders can consider that as a repayment strategy. There is also likely to be limitations to the maximum loan to value [how much mortgage you have in relation to how much your property is worth] and some lenders will have minimum income requirements as well for interest-only lending.

So you should expect to be asked about the repayment vehicle, and lenders will need you to meet their criteria when you are increasing the borrowing or switching to a new lender.

Different lenders will take a different approach, so it's worth shopping around. If you are switching on a like-for-like basis, your existing lender may be able to offer an option without reassessing the repayment vehicle or affordability.

Of course, it makes sense to consider how you will plan to repay the mortgage in the longer run, to give yourself options rather than potentially face the need to sell at a time when you may prefer not to. Having cashed in your endowment policy, you will no longer have the life cover that it provided, so it is also a good idea to revisit your protection requirements.

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REPLY NUMBER 2294

FRESH HOPE FOR PAYMENT SCAM VICTIMS

A new code that comes into effect on 28 May aims to ensure that victims of complex bank scams are reimbursed. Moneywise investigates how customers can get their money back

BY LILY CANTER

More than 34,000 cases of authorised push payment (APP) fraud were reported in the UK in the first half of 2018, with bank customers losing £145 million.

In the majority of these cases, banks refused to return the lost funds to customers because they had authorised the payment after being tricked by scammers.

But a campaign by consumer groups and an investigation by the Payment Systems Regulator has finally persuaded the top banks to establish a voluntary code to tighten their security. The code also ensures that victims are reimbursed when neither the bank nor the customer is to blame for the fraud.

Scams are increasingly sophisticated

Criminals are stealing around £1 million a day via social engineering, in which they groom and manipulate people into transferring money from their bank into another account.

Often the fraudster will contact a customer by phone, text message, email or social media pretending to be a genuine organisation, such as a bank, the police, a utility company or a government department.

The scammers often claim there has been suspicious activity on a bank or card account and use a sense of urgency to persuade victims to act immediately. In other forms of APP, fraudsters have hacked into business email accounts and sent out fake invoices with altered bank details. A third popular type of scam is fraudulent investments.

Victims have lost their life savings in these scams, with one Essex couple losing £120,000 when they sent money to what they thought was their solicitor's bank account.

> "Being a victim or financial fraud can really affect your mental health"

Rachel Duffy, chief executive of PayPlan, says: "Being a victim of financial fraud can have disastrous consequences for people, often resulting in long-term money problems and even bankruptcy. It's a frightening and distressing experience, which can really affect people's mental wellbeing, particularly if they're already vulnerable."

What the new code means for victims

Until now, banks and payment service providers have been reluctant to refund victims of APP fraud, saying that the responsibility lies with the customer who authorised the payment.

But from the end of this month a new voluntary code of good practice will take effect, which will be backed

up by a pot of money to reimburse genuine victims.

Hannah Nixon, managing director of the Payment Systems Regulator, says customers will now have "better protection from APP scams than they have ever had before".

Rob Tharle, fraud expert at NICE Actimize, which helps financial institutions detect and prevent fraud, says although the code does not fix the problem it will significantly help victims.

"These crimes are often nasty and increasingly sophisticated. Not being refunded can be life changing. In the vast amount of cases now victims are likely to be refunded, while in the past the majority were not," he adds.

The burden of proof will now be on banks rather than customers and they will have to prove that a customer acted carelessly when they were scammed. For example, if a customer ignores warnings when setting up a new payee it could still be argued that they were negligent.

Barclays, Lloyds, HSBC, RBS and Metro banks have all signed up to the code, and Santander and Nationwide have also agreed to join, according to the Payment Systems Regulator.

Katy Worobec, managing director of Economic Crime at industry body UK Finance, says the code means that customers will be reimbursed when their bank or payment service provider is at fault as long as the customer "has met the standards expected of them under the code".

The funds will come from the sending or receiving bank depending on which is at fault.

Scam victims will also be reimbursed if neither the bank or the customer is at fault under the 'no blame' rules. Money for this will come from a dedicated reimbursement fund, which is bank rolled until the end of the year. A longer-term solution will be implemented from January 2020, the details of which are yet to be announced.

The code does not fix the problem but it will help victims

But the new system will only protect customers whose banks are signed up to the code. All other consumers will have to seek reimbursement via a complaint to the Financial Ombudsman Service (FOS), which is the current, largely unsatisfactory procedure. There is also no process under the code for reimbursing customers who transferred their money unwittingly to fraudsters before 28 May 2019.

Strengthening customer support

The new code is part of a wider range of measures that the banking industry is developing to protect customers from push payment fraud.

From January this year, victims of APP scams have been able to report complaints to both the sending and receiving payment service provider and escalate them to FOS. Until this date, victims could only make their complaint to the sending bank, even if it appeared the receiving bank was at fault for enabling a fraudulent account to be set up, for example.

A new security check, called Confirmation of Payee, where a money transfer is blocked if the recipient's name and account number do not match is also due to be implemented next year.

This would potentially prevent scams where business invoices have been intercepted or falsified and bank details changed before being emailed to customers. If the business name on the reference does not match that on the receiving account the automatic payment would be prevented.

"We need radical changes to banking"

Retired professor David Canter nearly lost £18,000 when fraudsters fooled him in an elaborate push-payment con.

The scam began when hackers got into the 76-year-old's email account and sent messages to his contacts saying he was in Turkey and needed money.

Professor Canter immediately changed his password but a week later, after lengthy conversations with his email provider, he realised messages were being automatically forwarded on to another address the fraudsters had set up.

The forwarding was stopped, but a few days later he received a phone call on his ex-directory home number saying his IP address had been compromised.

The woman on the phone claimed to be acting on behalf of his internet provider and took him through a series of 'checks' asking him to corroborate unique numbers on his computer, which he wrongly assumed meant the caller was legitimate.

The woman then passed him on to a man who asked him to download

“We should be able to chase the identity of people who have set up an account for fraudulent purposes”

some ‘protective’ software before logging into his bank accounts.

The whole operation took several hours and at certain points his computer screen went blank but the man on the phone told him not to panic as this was normal.

As a result, the scammers were able to take £7,500 from his NatWest account and two lots of £3,919 from his Santander account. They also attempted to transfer £2,500 from his Lloyds account, but the bank blocked it and he was able to cancel it.

NatWest repaid all of the money the next day but it took six weeks for Santander to do the same after Professor Canter complained to the chief executive.

The bank initially said it could not refund the money because he authorised the payments but did a U-turn when he complained about how they handled the crime.

Santander customer Susan Grossman was also stung via a similar scam and lost £1,700. A second payment of the same amount was blocked.

The bank investigated her case but refused to reimburse her, stating in a letter that “Santander cannot be held responsible for the loss”.

Above: Lily Canter’s father, Professor Canter, was left feeling vulnerable

The bank’s adviser could have been more sensitive

When asked why it had treated the two cases differently, Santander told *Moneywise* it reviews each case of fraud individually.

“In Professor Canter’s case, we identified errors in the way his claim was handled, therefore the decision was taken to refund the money he had transferred to the scammers.

It added: “We have the deepest sympathy for Ms Grossman and to all those who fall victim to scams. In Ms Grossman’s case, there was nothing to suggest the bank had acted incorrectly.”

Ms Grossman strongly disagrees and says Santander admitted to not offering the level of service expected and the letter from the Santander fraud complaint handler admits “the advisor [sic] was at times quite abrupt and could have been more sensitive given the circumstances.”

The situation is typical of the banks inconsistent and inadequate approach to tackling these scams, says Professor Canter.

“I knew the account numbers the money was transferred to and handed these over and yet the banks and police did not appear to be chasing the money.”

The crime left him feeling “violated and vulnerable” and unsupported by the banks and police. He has spoken about his experience at the University of the Third Age and been contacted by other victims, who were not so fortunate in getting a refund, including Ms Grossman.

Although he welcomes the new code, he says it still fails to get to the heart of the problem. “It is great that the banks are making a start on this but the whole mechanism needs looking at including the banks, police and Action Fraud,” he says.

“With modern technology we should be able to put a block on an account and chase the identity of people who have set up an account for fraudulent purposes.

“We need radical change in the whole attitude towards banking. There needs to be a minister for information technology with a remit for dealing with fraud and bringing all the relevant bodies together.” mw

LILY CANTER writes on personal finance for publications such as *The Daily Telegraph*, *The Guardian* and *The TImes*

DIRECT CREMATIONS – THE NO-FRILLS WAY TO GO

No one likes to think about their own funeral, but it is important to consider the costs. Direct cremations – which dispense with the pomp and ceremony of a traditional send-off – could save your family money. Moneywise looks at the benefits of this increasingly popular option

BY RACHEL LACEY

Death is an expensive business. The cost of the average cremation using a funeral director is £3,247, rising to £4,267 for a burial, according to figures from life insurer Royal London. It's a lot of money before you even consider additional expenses like the ceremony, flowers and the cost of food and drinks for mourners afterwards.

And costs have soared too, so much so that in May 2018 the Competition and Markets Authority launched an inquiry into the funeral market. Its preliminary results found that over a decade, funeral directors' prices have risen by 68%, while fees charged by crematoria were up 84%.

This doesn't leave the funeral market shrouded in glory. However, for those individuals who do not have their heart set on a conventional funeral there is an alternative, and cheaper, option. Direct cremation – or direct disposal as it is sometimes known – removes the most expensive part of the traditional process.

A funeral director is not required, nor is an expensive coffin, embalming service or hearse. After death, the body is collected and transported directly to the crematorium in a private ambulance where it is held in a simple casket. Nobody attends the cremation, but afterwards the ashes can be returned to family members should they so wish.

With prices starting at around £1,000, this is undoubtedly the cheapest way of dealing with a deceased's body.

The practice is relatively mainstream in the US, where 38% of all cremations are conducted on this basis, but while it's much less common in the UK, accounting for just 2% of cremations, demand is growing and fast. Between 2017 and 2018, Simplicity Cremations says it saw a 230% increase, while Co-op says one in 25 of its cremations are now done in this way.

At first sight this 'no-frills' approach might not seem to offer the most dignified send-off for a loved one, but customers don't view it this way.

Co-op Funeral Care launched its first direct cremation package last year after a successful trial. Kate Ablott, its proposition manager, says: "People were coming into our funeral homes and asking for a direct package. They didn't always know what it was called but they knew what they wanted."

However, she stresses that customers aren't just requesting it because it is the cheapest option. "It's not about money or emotional distance. It isn't being done because somebody isn't loved – it's very much being done because it is what the deceased wanted," she adds.

"It's being done because this is what the deceased wanted"

Mark Hull, group head of marketing at Simplicity Cremations agrees, adding that just because an individual opts for direct cremation doesn't necessarily mean they don't get an appropriate send-off.

"People choose a direct cremation for a variety of reasons, and often it's not just down to cost. Some people just prefer the lack of fuss and formality that a direct cremation can offer, and the flexibility to choose how, when and where they say goodbye to their loved one. Others would prefer to spend their money on a later event where the loved one's life can be celebrated by friends and family."

Ms Ablott adds: "We had a customer whose family held a celebration of their life at a country house in the summer when the weather was better. In other cases, people gather together to scatter the ashes."

Ring the changes

So-called 'back to front' funerals are also becoming more popular. "This is where the cremation takes place and then a church service takes place afterwards without the body," says Ms Ablott. "Others just choose to have a quiet moment of reflection – it is all about personal preference."

James Dunn, co-founder of Beyond, a website that helps people arrange funerals, including a direct cremation option, says that for some the service can be "cost-effective and dignified", but he admits it isn't for everyone.

"We do talk to some people about it and they decide to go for a full funeral.

CHANGING ATTITUDES TO FUNERALS

While lots of us have very clear ideas about our final send-off, Sun Life's Cost of Dying report found we aren't so great about sharing those plans with loved ones. Only 1% knew exactly what the deceased wanted, while 18% didn't know any of their preferences.

The research also found that 98% did not want a lavish funeral while 31% of people wanted it to be as cheap as possible.

Close to half of people arranging funerals (47%) had not heard about direct cremation. However, once it was explained to them, 19% said they would have considered it for their loved one, and a more significant 44% said they would consider it for themselves when they die.

Shunning a traditional funeral leaves bereaved loved ones with more money to spend on their own memorials.

Some of the more unusual examples featured in the Sun Life report include:

- Turning ashes into glass
- Burying ashes on a football pitch
- Putting ashes into fireworks
- Using ashes in tattoo ink
- Requesting everyone at the funeral wears pink and drinks prosecco

Direct cremation isn't suitable if you want a service with a body there."

However, if it is an option that appeals to you it is worth shopping around for the right package and letting your family know what you would like to happen after you die.

There is a big variety in both price and service offered, so it's important you know what is included, but more importantly that the deceased is treated with dignity and respect.

A key difference with a direct cremation is that once the deceased's body has been collected, loved ones will not be able to view it in the funeral home, as they would with a conventional funeral.

However, Ms Ablott explains that this doesn't mean the deceased is treated any differently once the body has come into their care.

"For our colleagues this work is like a vocation and bodies are not treated any differently just because the funeral is lower cost. They will be in a simple coffin, which will have a name plate, and they will be dressed in a gown. Prior to cremation, our colleagues will pause for thought just as they would with any other cremation."

Mr Dunn stresses, too, that though companies offering these services will be bound by health and safety rules, funeral directors are not regulated.

> Taller clients may need to pay for a larger coffin

"Check out the business before you commit and make sure someone is there to answer any questions you might have. They should be able to help and guide you over the phone."

Beyond offers customer support 24/7. It will also ensure that you know when the cremation is taking place.

In an unregulated market, he also advises potential customers to find out where the deceased's body will be held. "Check that the business is using professional refrigeration facilities."

Hidden costs

With many direct cremation companies promoting themselves as a low-cost option it is also important to ensure you know what is included in the price of the package and that you are aware of any hidden charges.

Not every provider will include the crematorium fee, says Mr Hull. "This can add another £500 if not."

"Some services will charge more if collection is from home or if out of hours," explains Ms Ablott. This can add another £150-£250 to your bill. The Co-op, however, can bring the deceased into one of their funeral homes at any time of day or night, from a home or a hospital, without charging an additional fee.

Check, too, if mileage limits apply. If the deceased needs to be transported outside a specific radius there could be additional costs.

If the deceased is likely to require a larger coffin you should also be sure this will be covered. Mr Hull says: "Are there charges for bariatric clients? Such clients often require larger coffins and specific facilities in order to accommodate their needs. You could be charged around £250 for this." Taller customers may also need to pay for a larger coffin.

Another point for every customer to check is whether doctor's fees for signing cremation forms are included. This will be a total of £164 (two payments of £82) for deaths in England and Wales. "Some companies may quote without and then charge extra for this," Mr Dunn points out. This fee is excluded by the cheapest provider in our tables, Memoria, bumping up the real cost substantially.

However, if there is any uncertainty as to how the deceased died and the body goes to the coroner there is no need for these forms to be signed. So, if doctors' fees are included in the price make sure that this money will be returned to you in the event that a coroner's investigation is required.

Finally, you will need to understand what will happen to you or your

The costs and conditions involved in a direct cremation

Provider and package	Price	Collection of deceased	Coffin	Cremation	Options for ashes	Other
Beyond Direct Cremation	£1,195 or £1,595 for a pre-pay plan	Includes collection from hospital or coroner. £250 fee for collection from home, hospice or care home	Ethically sourced pine coffin included. A further £300 charged for bespoke coffin if deceased is taller than 6ft 6in or weighs 22 stone-plus	Unattended. For an additional £200 up to 10 mourners can attend the committal	Delivery included. £150 charge for delivery on a specific date. Ashes will be in a simple container	24/7 customer support
Co-op Funeralcare Cremation Without Ceremony	£1,395 (or £1,230 in Scotland where a doctor's certificate is not required)	From home or hospital at any time of day or night	Simple, lined wooden coffin. No charge for larger coffins	Unattended – but loved ones will be informed of date and time	Can be collected from crematorium after two working days, scattered in garden of remembrance or delivered by courier for an extra £95. Ashes will be in a simple container	Can be booked online, over the phone or in a Co-op funeral home. Customer helpline available 24/7
Simplicity Cremations Unattended funeral	From £995 includes doctor's fees	Collection from place of rest a few days before cremation. £250 charge for immediate collection. Out of hours collection is £150.	Simple wood coffin	Unattended	Scattered in garden of remembrance. Ashes can be returned for an additioanl fee.	24/7 customer helpline
Simplicity Cremations Intimate funeral	From £1,395 includes doctor's fees	Includes collection from hospital or coroner. £250 fee for collection from home, hospice or care home	Simple wood coffin	Up to 12 people can attend the chapel, select music of your choice and say a few words. Cremation will be at 9am on date of Simplicity's choosing	Ashes returned within six weeks	24/7 customer helpline
Pure Cremation Standard package	From £1,195 includes doctor's fees	Includes collection from hospital or coroner. £250 surcharge for collection from home or nursing home	Solid pine eco-coffin. £300 bespoke coffin charge if client is more than 22 stone or over 6ft 6in	Unattended. For £200 extra up to 12 mourners can attend the commital for 20 minutes to say a few words or play music. Held at Pure Cremation's choice of venue at 9am only	Scattered in garden of remembrance or returned within 21 days. £150 surcharge to have ashes returned on the date and time of your choosing	24-hour customer phone line
Memoria (Low-Cost Funeral Ltd) Direct Cremation	£899 (£999 in Scotland). Doctor's fees not included	Collection from hospital or coroner only	Simple wood-veneer coffin	Unattended	Scattered in garden of remembrance (or returned within 28 days for additional charge)	Online enquiries and phone line
Memoria Direct Cremation – simple option	£1,045 fixed price in England, Wales and Scotland	Collection from hospital or coroner. £240 surcharge for collection from home or care home	Simple wood-veneer coffin	Unattended	Scattered in garden of remembrance or collected from the crematorium	24-hour customer support

Source: Moneywise, April 2019

loved one's ashes. Most services allow for ashes to be collected from the crematorium free of charge but if you want them delivered there could be an extra fee. Co-op, for example, charges £95 for delivery by a specialist courier, but if customers prefer to pick them up they will make sure the cremation takes place at a local crematorium. Pure Cremations, however, will return them within 21 days free of charge.

If you don't want the ashes returned there may be an option to have them scattered in a garden of remembrance.

> Ashes and what happens to them can be an emotive subject

Ashes and what happens to them can be an emotive subject. Mr Dunn says aside from delivery and collection arrangements it is worth finding out how they will be returned to you. "It can be distressing if they are returned to you in a way that is not expected."

The ashes will not be given to you in a fancy urn, for example. Beyond provides ashes in a bio-degradable container while Simplicity says they will come in a 'simple' container.

If you don't want a traditional funeral but aren't entirely comfortable with a direct cremation, some firms offer a half-way house. The 'Intimate' package by Simplicity Cremations allows up to 12 people to attend the cremation and say a few words in the chapel before the committal. However, mourners will not get any say in the timing or location of the cremation.

This isn't a direct cremation in the purest sense but as the market grows, services will adapt to customers' needs. As Mr Dunn says: "There will be a blurring of lines as the market becomes more responsive." mw

Why the financial sector could continue to rally

Ten years ago, Lehman Brothers filed for bankruptcy and the headlines written about the ensuing global financial crisis live on. The financial sector was branded as toxic in many people's minds, making it an area they were reluctant to invest in. Since then, banks globally have paid out close to $500 billion (£380 billion) in fines, while in the UK, PPI alone has cost over £40 billion.

Despite this enormous cost, the financial sector has returned 68.9%* (in Sterling terms) since July 2013 when Polar Capital Global Financials Trust was launched to engage in the sector's recovery.

Thomas Edison stated: "Opportunity is missed by most people because it is dressed in overalls and looks like work."

Understandably, an easy mistake to make after the crisis was to tarnish the entire sector with the same brush as a small number of large banks and believe that the payback on researching the sector was not worth it.

However, the banking sector has seen capital levels rise two to three times the level they were before the financial crisis, providing significant buffers to any volatility in financial markets or downturn in global growth. For example, you would now have to go back to the 1930s to find a time when US banks had higher capital levels. European banks have raised more than €900 billion (£774 billion) in capital over this period.

Risk within the banking sector has also fallen substantially. Loans prior to the crisis were written on very high loans to value or debt multiples, but today regulation has forced the banking sector to retrench. The vast majority of the riskiest forms of lending have subsequently been pushed into high-yield markets or to specialist non-bank lenders, so the risk no longer sits on bank balance sheets.

The confidence in the sector of Warren Buffett, America's leading investor, can be measured in billions, with more than 40% of his Berkshire Hathaway stock portfolio invested in banks and other financials, including a new $4 billion (£3 billion) stake in JP Morgan Chase at the end of 2018.

In a recent CNBC interview, he said banks are "cheaper than other businesses that are also good businesses by some margin", explaining why he thought that JP Morgan Chase should be trading 50% higher than it is today.

Today, financials remain the largest sector globally, representing more than 20% of global equity markets. However, it is not just about banks, which represent the largest sub-sector. It is also about insurance companies, stock exchanges, asset managers, specialist finance companies, property companies and fintech – but the performance of bank shares will be critical to the performance of the sector due to its size.

There are still risks – a global recession or much weaker inflation would be as significant headwinds for the sector as for global equity markets. Arguably, markets have already priced in the impact of these, trading at a 35% to 40% discount to underlying equity markets. But more importantly, a duller, more boring banking sector is what makes the financial sector a much more attractive proposition today than it was more than 10 years ago.

As John Maynard Keynes said: "When the facts change, I change my mind. What do you do, sir?"

***Source: MSCI World Financials Net Total Return Index; 28 February 2019**

Nick Brind (left) and John Yakas, fund managers at Polar Capital

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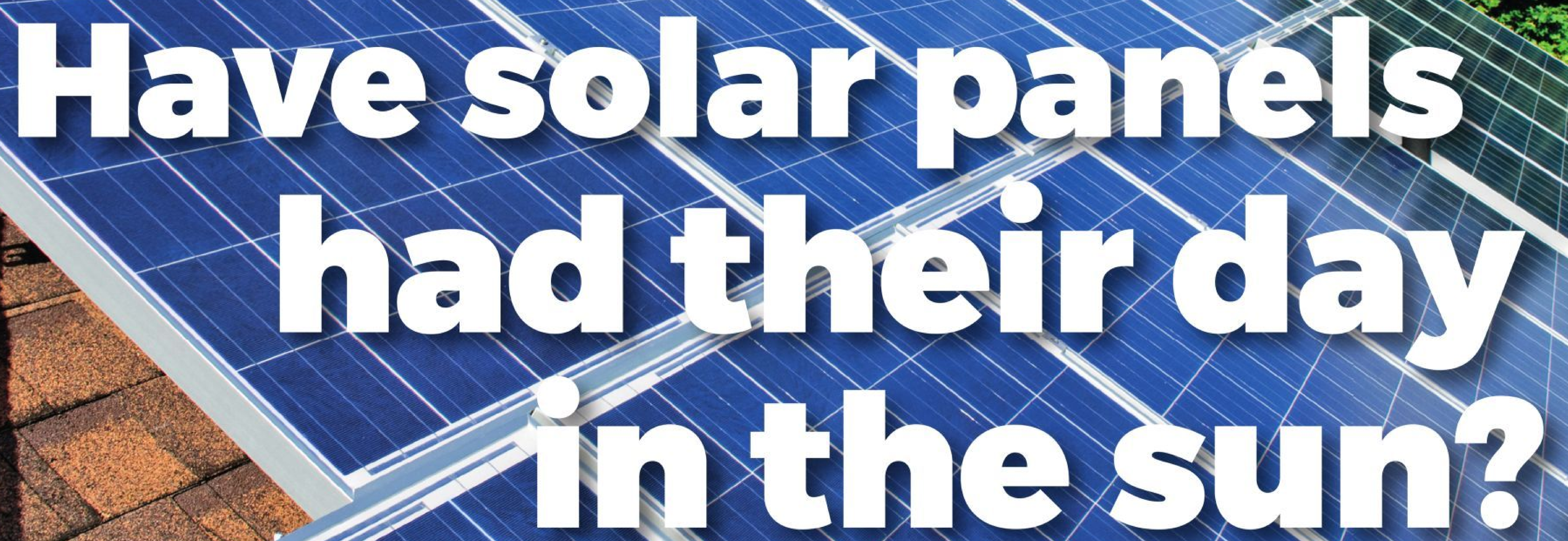


Have solar panels had their day in the sun?

Energy bills have been rising steadily and now cost an average of £1,137 a year. But what if you could generate your own solar power? We do the sums to see if it's worth the initial outlay

BY REBECCA GOODMAN

There are currently 920,000 homes in the UK with solar panels installed, according to the Department for Business, Energy and Industrial Strategy (BEIS). It is also possible to store self-generated electricity in a home battery pack, reducing the need to buy it from the national grid even when the sun isn't out.

Until 31 March this year, the 'feed-in-tariff', which was introduced in 2010, allowed homeowners to get paid a set rate for each kilowatt hour (kWh) of energy they created. They also received a set payment for electricity sold back to the grid. On top of this, they saved between £90 and £220 a year on their bills, according to the Energy Saving Trust.

These payments, which were guaranteed for a number of years, were a huge incentive for those looking to install solar panels and led to a big boost to the industry.

However, the feed-in tariff has been gradually falling. At the start of 2016, it fell from 12.47p to 4.85p per kWh, which led to a huge drop in demand, and now it has been axed for new installations.

The government is looking into replacing the feed-in tariff under its Smart Export Guarantee (SEG) although the consultation into this has only very recently ended, so the amounts are not yet known. Solar trade organisations are pushing for a minimum sum to be set, of at least 5p per kWh.

The move to replace the feed-in tariff has been slammed by the energy industry.

Toby Ferenczi, director of strategy at energy supplier Ovo, comments: "Successive, dramatic reductions in support for solar energy have destroyed a once thriving industry, and bizarrely leaves residential solar in the position where it receives less government support than traditional fossil-fuel generation or nuclear power."

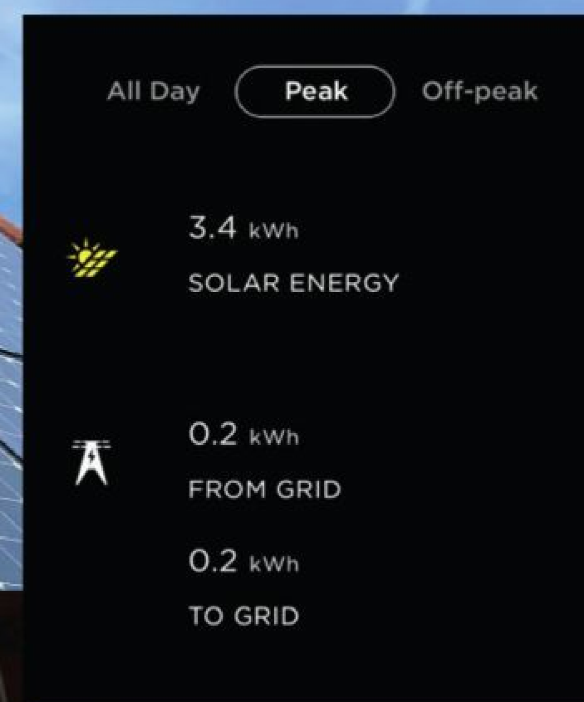
A spokesperson for BEIS says: "The feed-in-tariff scheme has overachieved on its original objectives, outstripping installation predictions by nearly 100,000 with over 830,000 solar installations producing enough power for two million homes.

"But it's only right we protect consumers and adjust incentives as costs fall, with solar having fallen by 80%.

"Our Smart Export Guarantee will provide a viable framework for small-scale renewable energy generation, protecting consumers from unfair cost burdens and ensuring that generators are not obliged to export their electricity to the grid for free."

Now, many homeowners will be asking themselves if solar is still worth the cost.

"WE POWER TWO ELECTRIC CARS AND OUR HOUSE FOR FREE IN THE SUMMER"



Far left: Anthony Wootton, with his son Joseph, and his Tesla electric car
Left: The Tesla powerwall battery used to store the solar power generated.
Above: A readout of how much solar power Anthony uses and how much he gives to the national grid

Three-and-a-half years ago Anthony Wootton, 48, an energy consultant from Basingstoke bought a hybrid car for his wife. Now, he doesn't pay anything for electricity in the summer, and their energy consumption has been cut by two thirds, thanks to solar panels and two battery packs.

"Before we bought the hybrid car it was costing £100 a week in petrol. Now the energy we create pays for the car.

"We had 4kWp of solar panels installed at a cost of around £200 excluding installation and last summer we created all our own electricity, apart from what I needed for my car – although I've also saved £7,000 a year on petrol costs.

"We then installed a Tesla powerwall battery and we now rely even less on the grid. After buying a second battery pack, at a cost of around £5,000 each, we now use an average of 22kWh of electricity a day in the summer and generate the same amount.

"My monthly energy bill from British Gas was £214.40 a month before we made these change and I'm now paying less than £100.

"Switching to solar power has been a huge saving for us. You need to have the money to pay upfront but also look at the long-term benefits."

How much will it cost to install?

The big financial outlay with solar is installation. An average system of 4kWp [the kilowatt peak generated by solar panels] now costs £6,200, according to the Energy Saving Trust. This is around half of what it was in 2010, but still a significant sum.

Most people will need to pay this up front, though there are some financial incentives available. In Scotland, for example, Home Energy Scotland (HES) has offered interest-free loans of £11,000 for installations. The Scottish Government is considering plans for the HES loan for 2019-20, so it isn't accepting applications, but you can register your interest by calling 0808 808 2282.

There are also collective purchase schemes available in which several households receive panels at once, which can cut the costs. In some areas of London, Essex and Suffolk, households have been able to have their homes fitted with panels for £3,200.

> "Solar still makes sense for people who use a lot of power"

How much could you save?

Before buying solar power, you need to calculate how much you could save compared to the initial amount paid to see how long it will take to make your money back. Although the money made from selling excess energy back to the grid can be factored in, as it is still unclear how much this will be, it may be worth waiting until the government has confirmed this.

Calculating how much you can save will depend on how much energy you use and where you live. For example, a household in London with people at home during the day could save an average of £220 a year, while a household in Manchester with no one home until 6pm could save £85 a year, according to the Energy Saving Trust.

Over a lifespan of 25 years, this could equate to a saving of £5,500 and £2,125 respectively. While the London household has almost made back the initial cost, it would take the Manchester household 72 years to do this.

Leonie Greene, spokesperson for the Solar Trade Association, says: "Solar still makes financial sense for households who use a lot of their own power, such as retired people, small businesses who work from home or young families, and the greatest financial value comes from avoiding buying power from a provider."

According to her estimates, the highest users who provide 80% of their own energy consumption could get returns in around 11 years. This includes the cost of replacing an inverter [an electronic circuit] after 10 years. If the rate of selling solar electricity is set at 5p per kWh, she says this could be cut to nine years.

What about storage?

A battery pack can keep around 80% of the electricity generated through solar panels. Without this, households need to use the electricity when it is

"OUR ENERGY USE IS DOWN 50%"

In 2011 Jill and Jonathan Barker, both 52, bought Middlewick Holiday Cottages near Glastonbury and upgraded their old energy system. They installed a biomass heater and solar panels and now use 50% less energy.

"When we first moved the electricity alone was costing around £20,000 a year, with a combination of wood burners, heating oil and LPG, as well as storage heaters.

"We first installed an industrial-size biomass boiler, then had 30kWp of solar panels installed, costing £195,000 for both, and our energy usage has now gone down 50%.

"When we had our solar panels the feed-in tariff was already low. It's gone down again but the cost of installing the panels has also fallen – we were first quoted £70,000 for the panels but actually paid around half of this.

"In the summer we use hardly any energy from the grid and that's with all of our guests staying, some with electric ovens, hobs and showers. It's great to be able to see how much electricity we're producing when the sun is shining and we've created our own standalone power station."

> "In the summer, we use hardly any energy from the grid and that's with all our guests staying"

Jill and Jonathan Barker hold their Bath, Bristol and Somerset tourism award outside their holiday cottages

generated or it will be fed back to the grid. Without a battery pack, households will only use around 60% of the electricity generated.

Battery packs have a lifespan of around 20 years and a small number of providers offer them, including Tesla and Solarcentury.

The savings generated by a battery pack will depend on the size of a house, the amount of energy it uses and the cost of the energy. However, as these packs are relatively new, there are significant upfront costs. For example, a Tesla battery costs £6,200, £1,700 for supporting hardware, plus installation costs of between £950 and £2,800.

When you buy a battery pack the only cost is the upfront fee. Tesla says customers don't need to pay anything extra for upkeep of the packs during their lifetime, and the only thing they need to do is make sure it is kept free of debris. It says energy bills could be more than halved with one.

Are there other solutions?

There is a wide range of products available with more likely to be launched since Chancellor Philip Hammond announced in the Spring Statement that he wants to stop the installation of gas boilers for water and central heating in new homes from 2025 to reduce greenhouse gases and carbon emissions.

Examples include biomass boilers, which cost up to £15,000 for a household system and could save £225 a year on your energy bills, ground-source heat pumps, which cost up to £18,000 and could result in savings of £580 if replacing an old gas boiler, and air-source heat pumps, which cost up to £8,000 and could save £400 a year if replacing an old gas boiler. Costs could fall as these options become more popular. mw

REBECCA GOODMAN writes for publications including This is Money, MailOnline, *The Sun* and LoveMONEY.com

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Janus Henderson
INVESTORS

THE OUTLOOK FOR 2019

EXCLUSIVE VIDEO

Moneywise editor Rachel Rickard Straus interviews Laura Foll, co-manager of Lowland Investment Company

The video covers:

- What are the biggest challenges for investors in 2019?
- How sustainable is dividend income from UK companies?
- Where are you looking for opportunities?
- How will Brexit affect investments?
- What's your advice for a beginner investor?

MONEYWISE.CO.UK/TV

ON YOUR TRAVELS? 4 TOP WAYS TO BOOST YOUR HOLIDAY CASH

Don't get caught out by sky-high fees. Get the top debit and credit cards to use abroad and find out how to cut costs when you need to splash the cash

BY ANDY WEBB

Whether you are booking a day trip or paying for a round of drinks, it makes sense to think about the best ways to pay for your outgoings on holiday before you jet off. Just as at home your main options will be paying with cash or using debit or credit cards but when spending overseas costs will vary and the best option isn't always clear cut.

Credit and debit cards can be the cheapest way to spend, providing you access to almost perfect exchange rates. But if fees and charges are levied on top, they can become the most expensive – it all depends on what card you use.

Yet while many countries are becoming increasingly cashless (with Sweden predicted to have gone all the way by 2023), cash and coins should still have a place in your holiday wallet. From tipping to shopping in markets, there will always be some transactions that require cash.

In some far-flung places, you might find cash is your main or only option. But swap your money at the wrong place and you could pay more than you need.

So how do you get the best rates with cards and cash?

1 Choose the best cards for overseas spending

Most debit and credit cards will charge an assortment of fees. Take TSB's standard current accounts, for instance. Use one of these abroad and you'll get hit with a 2.99% conversion fee and a £1 transaction fee. This works out as £3.99 for a £100 spend, so roughly 4%. But spend £15 and the fee is £1.44, a huge 9.6% . It is a similar story at most other banks, and this happens each time you spend.

Fortunately, a small number of banks offer fee-free spending abroad via specific debit or credit cards. The exchange rate you'll be given will be the one offered by Mastercard or Visa on the day the transaction is processed, which might not be the same day as the purchase is made. These rates are very close to the 'interbank' rate [the price at which banks conduct wholesale foreign exchange transactions], and there's generally not much difference between them.

This means when you spend with one of these cards you're getting as close as possible to the real exchange rate, which comes with some considerable savings.

See the table below for the best debit and credit cards to use abroad, along with a couple of alternatives.

BEST CURRENCY DEBIT AND CREDIT CARDS TO USE OVERSEAS

	Type of card	Card issuer	Fee-free spending limit?	Fee-free cash withdrawal limits?	Cash withdrawal interest?	Cashback?	Credit check required?
Starling	Debit card	Mastercard	No	None	No	No	No, unless you request an overdraft
Monzo	Debit card	Mastercard	No	£200 every 30 days, then 3%	No	No	No, unless you request an overdraft
Barclays Platinum cashback plus*	Credit card	Visa	No**	None*	No*	0.25%*	Yes
Tandem	Credit card	Mastercard	No	None	Yes	0.5%	Yes
Halifax Clarity	Credit card	Mastercard	No	None	Yes	No	Yes
Santander Zero	Credit card	Mastercard	No	None	Yes	No	Yes
Curve (free version)***	Smart card	Mastercard	£500 a month, then 2%	£200 a month, then higher of 2% or £2	None	If using underlying cashback card	No
We Swap****	Prepaid	Mastercard	No	None if over £200 withdrawn	None	No	No

*Notes: *Not available to existing Barclaycard customers. **Promotion until 31 August 2023 and then 2.99%. ***On weekends and bank holidays, Curve uses the exchange rate from the last working day that markets were open and adds 0.5% (Dollar and Euro) or 1.5% (all other currencies) . ****We Swap charges a 1% fee if you convert currency seven days in advance, 1.3% for three days inadvance and 2% for an instant swap. Source: Moneywise.co.uk, 8 April 2019*

To pick the right one, you need to consider a few factors.

There are some advantages to picking a credit card for overseas spending. For a start, you can use it for car hire and hotel bookings where you need to pre-authorise potential additional payments. There is also additional consumer protection for any purchases over £100, thanks to Section 75 of the Consumer Credit Act. Two of the cards featured, Barclays and Tandem, also offer cashback, meaning you can make money from your spending at home and abroad.

However, you will need to have a credit check when you apply for a credit card. There is also the threat of interest charges if you don't clear the balance in full each month, so you must be confident you can afford to pay it off in time.

Debit cards on the other hand, from the likes of new digital banks Monzo and Starling, will better suit those who either don't want or can't get credit cards. Unless you request an overdraft, there is no hard search on your credit file.

A small number of banks offer fee-free spending abroad

Take some cash with you for tipping and shopping at markets

They both also send instant updates on your purchases through to your smartphone, so you'll know exactly what you have spent in both the foreign currency and pounds.

There is no need to switch away from your existing bank to get one of these, though you will need to ensure you transfer enough money over in order to spend it. However, they do not have many branches here to pop into and may have limited support via phone lines.

There are a couple of alternatives to consider.

First is the Curve smart card, which works in the same way as a digital wallet on your phone and is similar to PayPal – except you have a physical card to pay with. This can be linked to any other Mastercard or Visa you have (there is currently no integration with Amex). Any payment you make with your Curve card is charged to the underlying card – but without the foreign transaction fees. So it is a good option if you would rather stick with your existing debit or credit card than get a new one. However, there is a monthly cap of £500 spending abroad, so it is better suited to city breaks and weekends away than fortnights in the sun. If you breach that sum, you will be charged a 2% fee. ATM withdrawals are free up to £200 per rolling month.

The second option is a prepaid card. You will get hit by a fee on your exchange, though WeSwap won't add any charges when you then spend the money, making it cheaper than most others.

The main advantage of this type of card is you can lock in money at the rate offered when you exchange. This can be useful if you want to hedge your bets against falls in exchange rates. They can also be handy budgeting tools because you can only spend the money you have preloaded. With all these cards, it is worth checking whether a Mastercard or Visa is more widely accepted at your destination. For most trips it shouldn't make a difference, but in less developed countries you might find one works better than the other.

2 ALWAYS PAY IN THE LOCAL CURRENCY

Some shops and restaurants will offer you the choice of paying in Sterling or the local currency. Though it can be tempting to pick pounds – you'll know exactly what something has cost, for example – you should avoid this option. This is because you'll get an exchange rate set by the foreign bank, which won't be as good as using your newly acquired fee-free card from our list on page 46.

3 Choose the best way to get cash

Even if you try to make most payments by card, it is sensible to take some coins and notes with you for emergencies or to cover your first day or two. The best exchange rates for cash will be through taking money out of an ATM with one of those specialist cards. You will get the same rate as when making a card purchase.

4 HEDGE YOUR BETS

With currency exchange rates constantly fluctuating, it is often difficult to predict how much a holiday will actually cost you.

If you want to guarantee the rate you'll pay, you could get your currency well ahead of travel – either in cash or on a prepaid card. Or closer to departure some bureaux de change, including Travelex, allow you to order and lock in a rate seven to 14 days before your trip.

Of course, you will run the risk of missing out on better rates later on. So if it is a concern it might be wise to hedge your bets and get some now, and then use a specialist card while you're away. That way, you minimise the risk of a big change in the rate.

However, local ATM machines might charge you a fee, and with most of the credit cards featured on page 46, you will also be charged interest on your withdrawal. You can minimise this if you pay off the balance as soon as you can or even make a payment to your card in advance of your trip. As we show in the table, a couple of cards also have limits on how much cash you can take out each month fee-free.

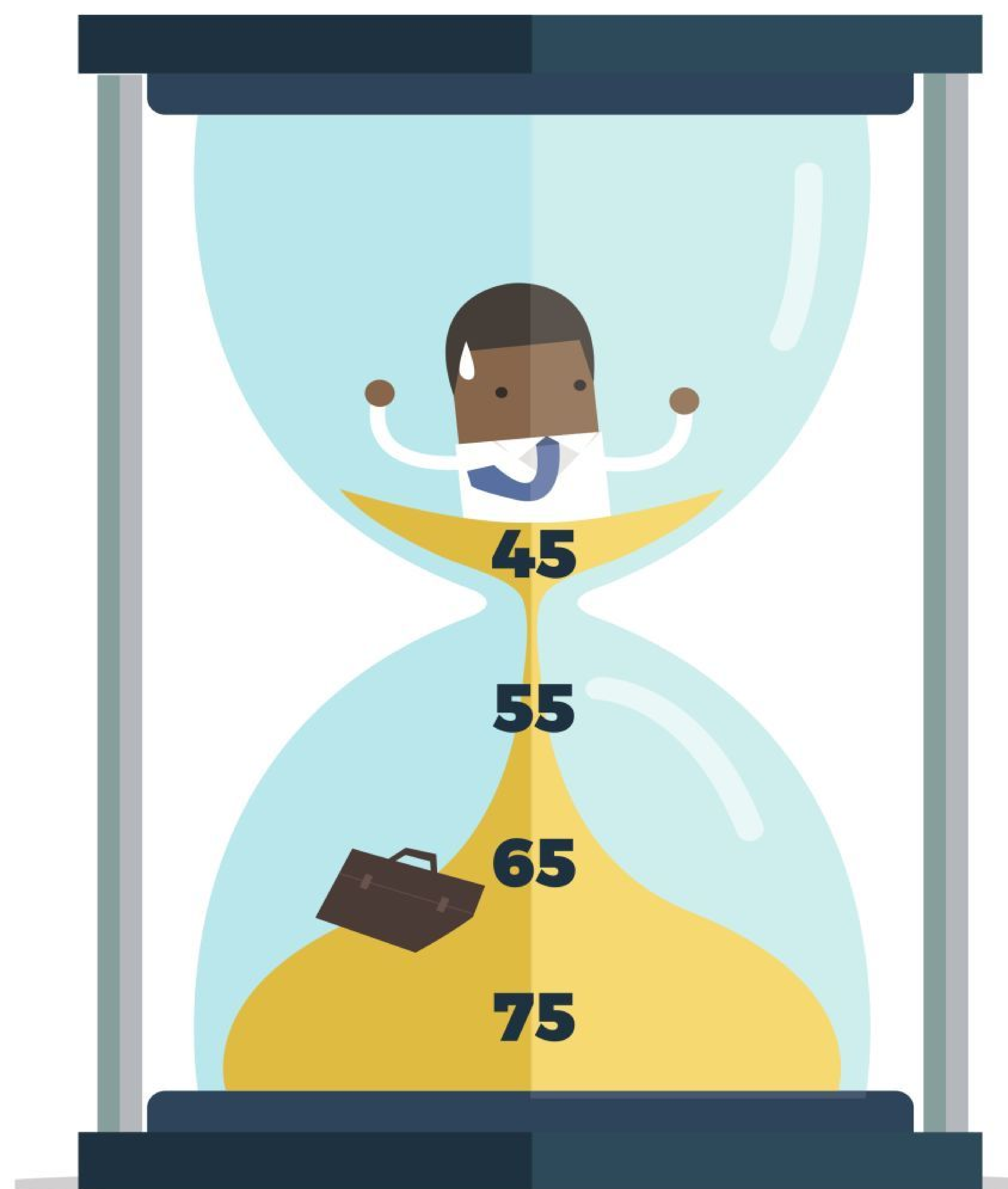
The most expensive place to change your currency is at the airport once you are airside. The mark-up is huge. If you have left it too late and the airport is your only option, then you can order online for collection at most of these bureaux de change to get a slightly better rate, with four hours' notice.

Elsewhere, don't get fooled by signs advertising 0% commission. They will still take a cut – it is just hidden in the exchange rate. And preferential rates offered by banks to their customers are rarely worth it. Take NatWest, for example. Exchanging £100 to US dollars at the time of writing would get you $127.01. Those with access to a premium account would only get 67 cents more. But heading to Debenhams instead would net you $130.80.

So it really does pay to shop around. You can use the comparison site Travelmoneymax.com to find the best places near you to collect your foreign currency or to get it delivered. mw

"I'M 45 WITH NO PENSION – IS IT TOO LATE TO START ONE?"

One reader asks whether, at 45, he should start a pension or focus on Isa saving



BY ROB GRIFFIN

I am 45 years old and haven't planned for my retirement. I don't have a pension – apart from £1,000 in a frozen policy going back 20 years – and savings of just £6,000 after divorcing my wife. I have since remarried, have three children under 18 and owe £120,000 on an interest-only mortgage. Is it too late to start a pension or should I focus on opening an Isa? WG/via email

Initial diagnosis

The good news is that it is never too late to start saving for retirement, according to Martin Bamford, managing director of financial planner Informed Choice.

"Whether that's contributing to a pension, investing in an Isa or saving money elsewhere, it's all about building capital you can draw on in later life," he says.

A good starting point is knowing what your future state pension will be and you can ask the Department for Work and Pensions for a free forecast.

"Your age is also an important factor in your retirement planning," he adds. "A 45-year-old can currently expect to receive the state pension at age 67."

As you have three children, savings are important.

"The £6,000 is a good start, and I'd also suggest holding three to six months of income in cash for emergencies," Mr Bamford adds.

The next task is to plan how you'll repay your £120,000 mortgage, as you must repay it at the end of the term.

"It's all about building capital you can draw on in later life"

Mr Bamford suggests Isas are a good place to start building up the money required – with the added bonus that they can be accessed if needed.

"Another option is converting it into a repayment mortgage to reduce the interest you'll pay over the term," he says. "However, this will increase your monthly payments."

Treatment plan

Your priority should be to start saving as much as you can now, advises Patrick Connolly, a chartered financial planner at Chase de Vere.

"Even if you can't afford to save very much, doing something is still better than doing nothing," he says. "You can always increase your contributions over time."

Mr Connolly believes the best approach to long-term savings for most people is a combination of pension and Isas.

"Pensions provide initial tax relief, which makes them especially attractive for higher and additional rate taxpayers," he adds.

Most modern-day pension and Isa products allow investors to vary regular payments, start and stop payments and to add ad hoc lump sums without any penalties.

In terms of an investment strategy, he suggests keeping it simple with diversified global equity funds or multi-asset portfolios in order to spread your risk.

Alternative treatment

As well as your retirement planning, it is important to help safeguard your family's future, points out Scott Gallacher, director of wealth management firm Rowley Turton.

"As you're married with three minor children, you also need to consider what would happen in the event of death or serious ill-health," he says.

This should lead you to life insurance.

"Normally you would want a protection policy that at least repaid the mortgage should the worst happen," he explains.

Overall, Mr Gallacher doesn't believe you should worry too much about not having planned ahead for your retirement as you still have time to turn things around.

"It's not so much about where you are today but it's where you can get to that is important," he says. "In that respect, it's good that you're looking at this situation now." mw

Read our feature on pension planning on page 9 for more.

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

ROB GRIFFIN writes for the *Independent*, *Sunday Telegraph* and *Daily Express*.

Let's touch upon intangible assets

One of the reasons why Brits are obsessed with buy-to-let investing is because a house or a flat is tangible: we can see it, we can feel it.

An investment in stocks and shares, on the other hand, is intangible: we just get a piece of paper saying we own a certain amount of shares of a company. Even then, we don't even really own some of the company itself – we can't just walk in one day and take the printer or a computer because it's ours. As MC Hammer once said: "U can't touch this."

The companies we invest in, however, often produce things we see and use everyday. Take Marks & Spencer – we see the shops and we buy the clothes or food.

But while we might take comfort in these more tangible aspects, more and more of the fund managers I talk to are looking for something extra – they are actively seeking out 'intangible assets' that give companies a long-term competitive advantage.

What are intangible assets?

Intangible assets have no physical existence. If I remember correctly, MC Hammer's was something about being "dope on the floor" and "magic on the mike". When it comes to companies, they include brand, reputation, intellectual property, know-how and ideas. And, unlike tangible (physical assets), they can't be destroyed in a fire or rust in the yard.

The importance of these intangible assets should not be underestimated. They are often unique to that business and provide important barriers to entry. They can be used time and again with relatively little cost; they engender customer loyalty; and, importantly for us as investors, they can give that company an advantage, which will enable it to keep growing through the ups and downs of an economic cycle.

Some industries lend themselves better to intangibles than others: healthcare companies, for example, have patents and/or research and development resources, as well as pricing power – and reputation is key; IT companies have software or know-how; and consumer staples' companies have distribution and branding power.

Investing in intangibles

A couple of fund managers I rate very highly have intangibles at the heart of their investment processes, so I asked them to bring this subject to life for us.

Ben Peters, manager of Evenlode Global Income, is one such manager.

He cited PepsiCo. "We really like the branded nature of the business [its products include family favourites such as Doritos and Quaker Oats]," he says. "Twenty-two of its brands generate more than $1 billion of sales annually and the company's portfolio boasts four of the top 10 retail brands across all categories.

"As more people go online to shop, being the number one or number two brand is very important. Think about your weekly online grocery shopping: we pick a number of products because we are familiar with them and then they are subsequently 'suggested' to us each week in our 'instant shopping list'," he adds.

"As more people shop online, being a top brand is crucial"

Anthony Cross and Julian Fosh, managers of Liontrust Special Situations fund, won't consider a company unless it has at least one of the three intangible assets: recurring income, intellectual property or strong distribution networks.

They gave me the example of Rightmove, which they say possesses all three.

"Perhaps the strongest of these is its distribution network, which puts it in an incredibly strong competitive position," they explain.

Its market-leading position has proven resilient to competition from the likes of Zoopla and OnTheMarket and the company can actually benefit from tough property market conditions as online and traditional estate agents compete for business by spending more on advertising.

David Dudding and Mark Nichols, managers of Threadneedle European Select, are fans of Unilever.

"Strong management and good products are advantages for any business, but they are not enough to maintain a competitive edge," says David Dudding. "Only exceptional companies possess sufficiently powerful competitive advantage to persistently protect their position and pricing power in a global market."

Unilever has more than 400 brands, including Ben & Jerry's, Dove, Lynx, Persil and Vaseline. The company has also spent many years building relationships with numerous small suppliers and distributors across the world – including emerging markets, where it generates more than half of its sales. This distribution network is a powerful barrier to entry: it can't be easily replicated on the same global scale.

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

moneywise FIRST 50 FUNDS THE Q&A

Franklin UK Rising Dividends Fund
Colin Morton

Colin Morton is the lead manager of Franklin UK Rising Dividends Fund. **Edmund Greaves** learns how the fund looks for companies that are reinvesting in their own business but also growing their dividends

What is Franklin UK Rising Dividends trying to do?

The fund is trying to invest in companies that have a proven track record in growing their dividends for a reasonably long period of time.

Franklin UK Rising Dividend Fund aims to provide a growing level of income, together with capital growth.

What do you look for in companies you buy?

We start with the FTSE All-Share index. We then screen down by identifying companies that have increased their dividend in at least eight out of the past 10 years.

We're also looking for companies that pay around two-thirds or less of their earnings as dividends. We want companies that are reinvesting a reasonable amount of money back in the growth of the business.

We don't want a portfolio full of companies that are paying out all their earnings as dividends because then they're not reinvesting in the business.

What have you bought recently?

The one thing we have bought in the past few months is Victrex, a UK-based manufacturer of a product called Peek, which is a compound used in a wide range of industries from automotive to aerospace and medical.

This company has been around for 20 or 30 years and has a phenomenal track record. It generates lots of cash and has

Franklin UK Rising Dividends key stats:

Launched: October 2011

Fund size: £85.48 million

Ongoing charge (OCF): 0.55%

Yield: 3.44%

Source: FE Trustnet, 28 March 2019

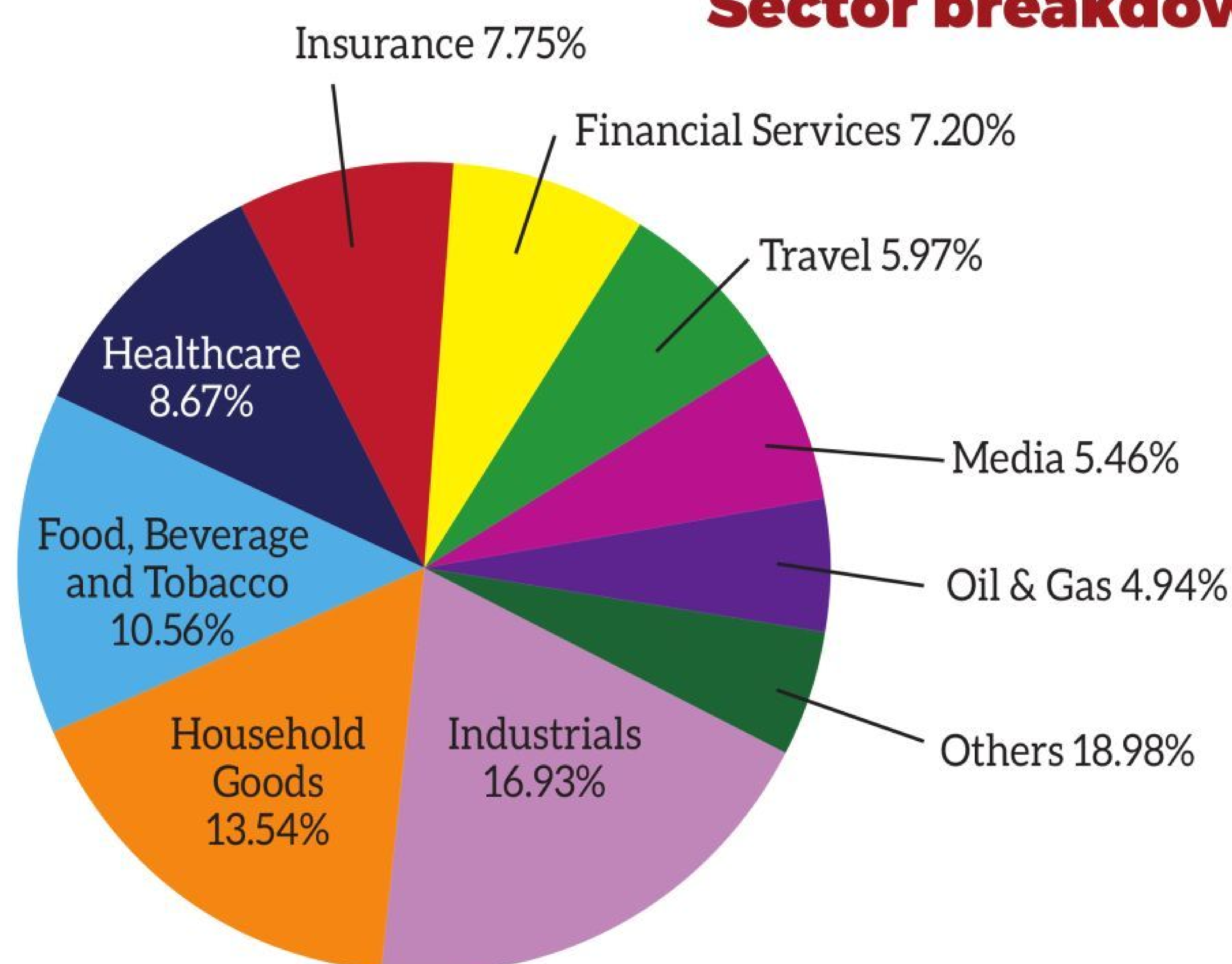
The manager behind the fund

Colin Morton is a vice president and lead manager of the Franklin UK Equity Income Fund and Franklin UK Rising Dividends Fund, specialising in large-cap UK equity analysis and investment.

Mr Morton began his career in 1983 as a trainee stockbroker with Wise Speke & Co. He joined Rensburg in 1988 as a private client executive, becoming an investment manager in 1991.

In January 2011 he joined Franklin Templeton Investments when it acquired Rensburg Fund Management (now Franklin Templeton Fund Management).

Sector breakdown

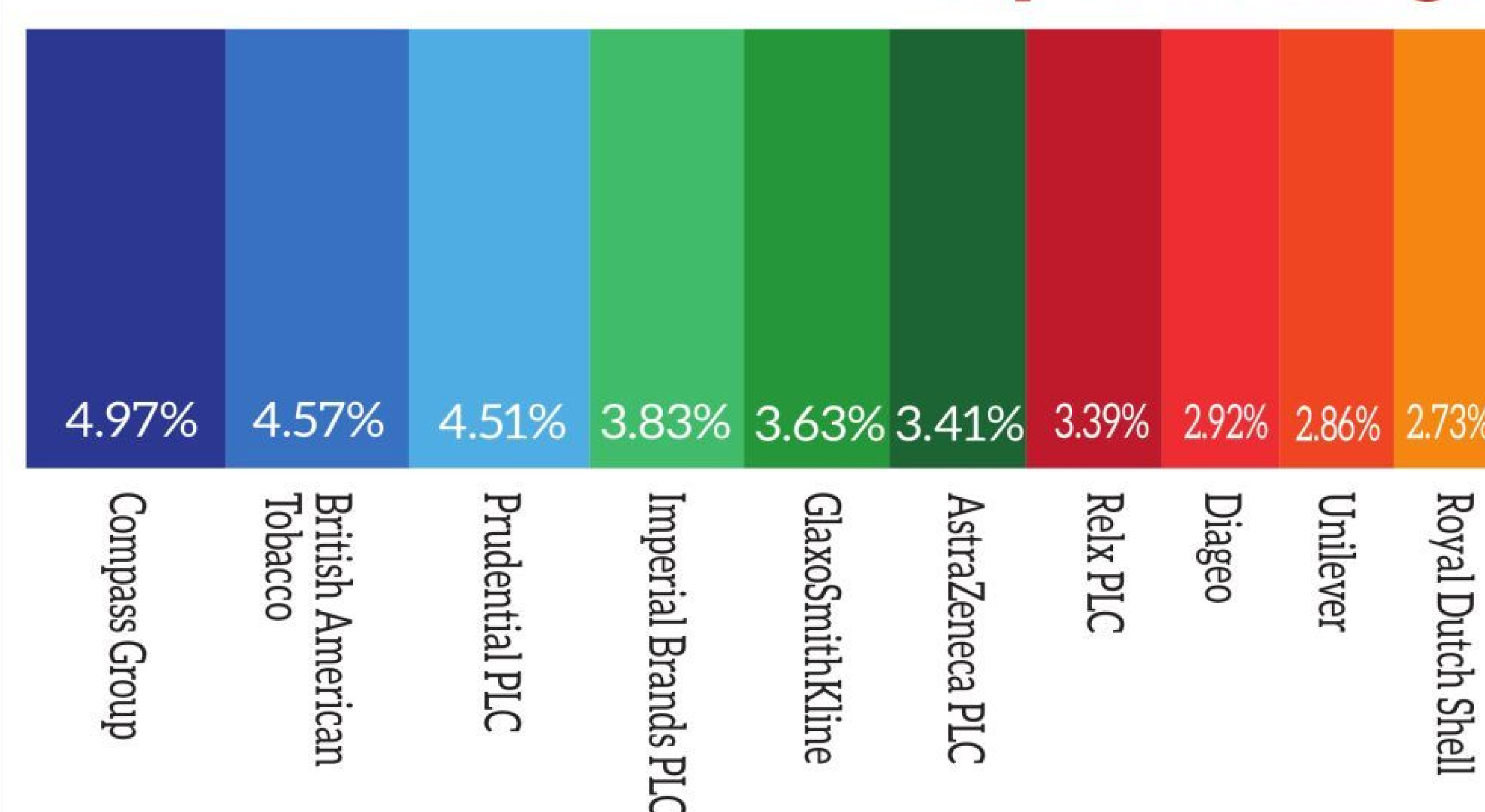


Five-year discrete performance of Franklin UK Rising Dividends

Year	0-12 months	12-24 months	24-36 months	36-48 months	48-60 months
Franklin UK Rising Dividends W Acc	8.4	-0.9	20.7	0.3	14.2
IA UK All Companies	3.1	2.3	18.4	-3.8	6.8

Source: FE Trustnet March 2019

Top 10 holdings



Source: FE Trustnet March 2019

grown its dividend every year for the past 15 or 20 years.

The stock had a bit of a sell-off amid fears of global growth. We got a chance to buy 30% below where it was trading in the middle of last year.

We think this is a really good-quality, long-term UK manufacturing business, and we bought it on an attractive dividend yield of close to 4%.

What have you sold?

Last summer company Greggs had a couple of profit warnings and the stock fell from around £14 to about £10, so we bought stocks planning on holding it for the next three to five years if we could, but the valuation in our opinion got far too expensive, the stock rose from £10 to £18 when we sold it.

It's had a lot of publicity on the back of the vegan sausage roll. That sounds a ridiculous comment to make, but it certainly helped. We decided to sell the position and take an incredibly attractive profit in a very short period of time. That's very unusual for us.

> "Greggs' vegan sausage roll got a lot of PR. That helped"

What has been your best investment decision?

Dunelm has been an absolute stunning performer for us. We had an unbelievable opportunity to buy that last summer, while everyone was so negative on the UK high street and the retail environment generally, and obviously all the Brexit worries.

If you're brave enough to be patient with those opportunities that come along, the best decisions for the fund tend to be buying things that have got very good, long-term track records but are out of favour in the market.

And the worst investment decisions with the fund?

The one that we got wrong recently has been IG Group, the financial derivatives trading firm.

The company has got a great long-term track record. It's grown its dividend; it's very well financed; and it's very well run.

But in Spring 2017, the regulator really started getting its teeth into financial derivatives trading firms.

In December 2019 the FCA proposed permanent measures that banned the sale of binary options to retail consumers and restricted the sale of contracts for difference (CFDs)]. It's probably going to make something like 30% less money than last year.

What's the first thing you ever personally invested in?

I made my first personal investment around 1984, when I was about 18 years old.

I was working for a stockbroking company and was investing in small companies, so-called 'penny stocks'. I was investing small sums of £100 to £200.

Once I started managing money myself, I invested in my own funds because it makes it much easier to align your own interests with the interests of the people you're investing for.

What's your top tip for a beginner investor?

Invest in something you know. And if you haven't got enough money to have a spread and diversification of individual companies, you should be looking at investing in a fund.

Because just to pick up on one or two companies, however great you might think those businesses are, is quite a dangerous thing to do. mw

Fund Briefing

Your guide to investing in stocks and shares

THIS MONTH: SMALLER COMPANIES

Investing in smaller companies can be a terrific way to earn bumper returns by finding tomorrow's winners at an early stage in their development

BY ROB GRIFFIN

The idea is to buy shares in innovative businesses before everyone realises their potential and then sit back as your foresight is handsomely rewarded.

After all, even today's corporate giants were once relatively modest start-ups struggling to attract attention and build a customer base.

Take Microsoft, for example. If you had invested $1,000 into the company when it floated on the stock market back in 1986, your holding would now be worth more than $1 million.

The fact is that smaller companies offer the potential for significant growth, according to Adrian Lowcock, head of personal investing at Willis Owen.

"They are often under-researched, so the opportunities are not recognised until they get much bigger," he explains.

It is also much easier for a company to grow its profits by 20% when those profits are much smaller. Larger firms obviously struggle to match such growth rates.

"Smaller companies can also be more flexible, nimble and able to react quickly to changing events," says Mr Lowcock. "They can also take advantages of niche opportunities."

However, while it is tempting to look for the next Just Eat, these companies are not easy to spot. A combination of expertise, experience and resources is essential.

For every success story, there are plenty of disasters. Some will grow rapidly, but many more will remain small or fail completely.

"Investing in smaller companies requires a huge amount of work," adds Mr Lowcock. "It's about avoiding the losers as much as it is about spotting potential winners."

It is a point echoed by Patrick Connolly, a chartered financial planner at Chase de Vere, who believes smaller companies are most suitable for investors with a higher tolerance to risk.

"They are more volatile than larger companies and tend to fall further and faster when markets go down and investors avoid risk," he explains.

This can also make them potentially susceptible to political risks, such as any fallout from the long-running Brexit negotiations.

"If there is a bad outcome, it is domestically-based UK names, such as smaller companies, which are likely to be hit hardest," he adds.

In addition, investments in small companies can be very volatile. The share price can swing dramatically and result in significant falls in the value of holdings.

"This means that it is not for the faint hearted and only for someone willing to take their time to invest," adds Mr Connolly.

If you believe buying individual shares is too risky – and that is certainly a fair conclusion – the next best option is to buy a smaller companies investment fund.

QUICK GUIDE:
Are smaller companies funds right for me?
Consider investing if…

- You want to invest in the businesses of tomorrow
- You want exposure to companies with lots of potential
- You understand there are risks attached to these holdings

These products are run by professional managers whose job it is to use pooled investors' cash for buying a portfolio of smaller companies.

The type of companies owned – and the way such funds are run – will depend on their aims, according to Jonathon Curtis, an investment analyst at Hargreaves Lansdown.

"Smaller companies are more volatile when markets go down"

"Some fund managers focus on medium-sized ones at the upper end of the size scale, while others invest at the smallest end of the spectrum, known as 'micro-caps'," he explains.

There will also be differences in the way they are managed.

"Some hold on to small companies as they grow

FRANKLIN UK SMALLER COMPANIES

Value of £100 invested in the fund over five years

Year	2014	2015	2016	2017	2018
Fund movement in year (%)	-0.35	25.61	-0.47	28.46	-15.67
Value of £100*	99.65	125.17	124.57	160.02	134.94

** The £100 was invested on 1 January 2014. Source: Moneywise.co.uk*

Managers	Paul Spencer, Richard Bullas, Mark Hall and Dan Green
Launch date	1 July 1991
Total fund size	£293 million
Minimum initial investment	No minimum for investors who invest via a platform
Initial charge	0%
Ongoing charge	0.83%
Annual management fee	0.75% a year
Contact details for retail investors	0800 305 306

HOW MUCH SHOULD I INVEST IN SMALLER COMPANIES?

LOW-RISK INVESTORS 0%

MEDIUM-RISK INVESTORS 6%

HIGH-RISK INVESTORS 12%

bigger," he says. "Others sell them once they reach a certain size and look for the next opportunity."

It is very important to scrutinise smaller company funds as they will differ from one another, as opposed to larger company investments that hold many of the same shares.

The objective is finding a manager who can pick the winners from the losers, points out Mr Connolly at Chase de Vere.

"You need to look for managers who can really get under the skin of companies to understand how they work, as well as assessing their future plans and prospects," he says.

Compared to giant sectors such as UK All Companies, the array of funds – and, subsequently, the number of investors in IA UK Smaller Companies is relatively small.

In fact, it has £14.3 billion of assets under management – with £29.9 million of net retail sales during January 2019, according to figures from the Investment Association.

> "Look for managers who really understand how small companies work"

Of course, you don't have to stick to small firms listed in the UK. There are plenty of funds focusing on other areas of the world that might be worth considering.

There are even specialist sectors covering Europe, North America and Japan, in which billions of pounds have been invested.

However, whether or not putting your money into smaller businesses is a sensible option will largely depend on your investment goals and attitude to risk. mw

ROB GRIFFIN writes for the *Independent, Sunday Telegraph* and *Daily Express*.

Richard Bullas and Paul Spencer

Fund to watch: Franklin UK Smaller Companies

The fund aims to increase the value of its investments by more than the return of the Numis Smaller Companies ex-Investment Trusts index over the medium to long term.

The managers, who boast a combined 62 years with the firm, define this time period as between three to five years.

Almost 75% of the fund is in companies with market capitalisations of less than £1 billion, with around 24% in those of £1 billion to £2 billion.

Businesses within the industrial goods and services sector account for 38.84% of assets under management, followed by financial services with 11.69%.

Other sectors include real estate, construction and materials, technology, healthcare, chemicals, personal and household goods, and retail, according to the fund fact sheet.

The fund's largest holding of 4% is in the Vitec Group, which supplies products to the 'image capture and content creation' market. These include camera supports, LED lights, mobile power, monitors, bags, smartphone accessories and noise reduction equipment.

The second largest is Discoverie Group, which is an international ensemble of businesses that design and manufacture components for electronic applications.

Adrian Lowcock, head of personal investing at Willis Owen, likes the fund's balanced approach.

"The investment process focuses on quality companies that are attractively valued," he says. "Quality is assessed via three pillars: business risk, management risk, and balance-sheet risk."

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INVESTMENT SECTORS: YOUR NO-NONSENSE JARGON BUSTER

Get a better understanding of the different investment sectors to help you pick the right funds

BY RACHEL LACEY

Without any form of classification, picking the right fund for you could be like finding the proverbial needle in the haystack. To help you narrow down your choices and make meaningful comparisons, the 3,000 or so funds available to retail investors are divided up into groups – or sectors – according to how and where they invest your money.

This could be according to the assets they hold – for example, equities (shares), fixed interest (mainly bonds), or both, the country or region they focus on, or the fund's objective. The sectors have been created by the Investment Association (IA), the trade body for investment managers.

Here, *Moneywise* explains everything you need to know about the principal sectors.

FIXED INCOME

£ CORPORATE BONDS

Corporate bonds are loans to companies that pay a fixed rate of interest to investors. They can be a useful way of diversifying your portfolio away from equities to reduce risk and volatility. "Funds in this sector invest predominantly (80%) in the debt of companies, with two distinct and important factors," explains Adrian Lowcock, head of personal investing at Willis Owen.

"Firstly, the debt, or bond, is sterling denominated or hedged back to sterling so the investor doesn't have exposure to currency risk.

"Secondly, the debt is of a certain level of risk, so BBB- or above (as measured by Standard & Poors). This means the debt is a quality bond and not high yield or higher risk."

He adds: "To decide which fund is right for you, you need to decide if income or capital return are more important as some managers focus one over the other. If it's income you seek, then it's critical to make sure income yields are reliable and not sought at the expense of your capital. Given that this asset class is often

used to reduce risk of a portfolio, it's important to make sure the managers are taking the risks that you want for your investment."

£ STRATEGIC BONDS

Strategic bond funds invest in a greater variety of fixed-interest investments, so fund managers have more options.

Patrick Connolly, chartered financial planner at independent financial adviser (IFA) Chase De Vere, says: "This sector has become hugely popular over the past decade, and many investors now use it as the default way to get exposure to fixed-interest investments, such as government and corporate bonds. Funds in this sector often invest in a wide range of bonds both in the UK and overseas, and fund managers can have a great deal of flexibility."

GLOBAL BONDS

"This sector is for investors who want exposure to overseas fixed-income markets," says Gavin Haynes, managing director of Whitechurch Securities.

"Taking a global approach to bond investing can help diversify a balanced portfolio and provide opportunities that are not available in the UK."

However, while funds in this sector can invest across the globe there are no rules governing how much should be invested in specific regions and you may find that the bulk of holdings are in one particular market, such as the US.

So it is vital potential investors ensure they are comfortable with how their money will be invested.

Mr Haynes adds: "This sector offers a wide range of international bond funds with differing risk/reward profiles, so you cannot compare constituents on a like-for-like basis."

Investors must also be able to accept the inherent risk of currency fluctuations that comes with a global fund.

MIXED ASSETS

MIXED INVESTMENT 0-35% SHARES

"Funds in this sector are only able to invest up to 35% in shares," explains Mr Connolly. "The rest of the fund is typically held in fixed interest and cash. This means that funds in this sector are most suited to cautious investors who want a return that will beat cash, but are nervous about stock-market volatility."

He adds: "Because of the high level of fixed interest in some of these funds, they may also be suitable for those income investors who want a steady income, but who don't necessarily need capital growth."

MIXED INVESTMENT 40%-85% SHARES

"This used to be called the balanced managed sector but was renamed to illustrate how much of the fund is invested in stock markets," explains Mr Haynes. As the funds are invested in both fixed-interest, cash and equities they do provide investors with a degree of diversification, however the greater weighting in stock-market investments means they do present an above-average risk.

Mr Haynes adds: "The funds with the best performance at the current time are those with high stock-market exposure, but this doesn't mean they are best if you are looking for a more balanced multi-asset approach."

Make sure you are happy with the level of stock-market exposure in your chosen fund.

EQUITY

UK EQUITY INCOME

This sector is useful for those who want an income from their investments, as funds focus on UK companies paying strong dividends.

Sarah Coles, personal finance analyst at Hargreaves Lansdown, says: "Funds place varying emphasis on firms with strong, consistent dividends and those that look for companies that can grow their dividends over time. Investors should therefore check the objectives of any fund they are considering. This informaton should be easy to find online, in the research provided by any number of investment companies."

The nature of these funds means they are popular among retired investors who want to generate an income from their pension savings.

However, they can also be a useful core holding for those investors who are still focused

DIVIDEND

EQUITIES

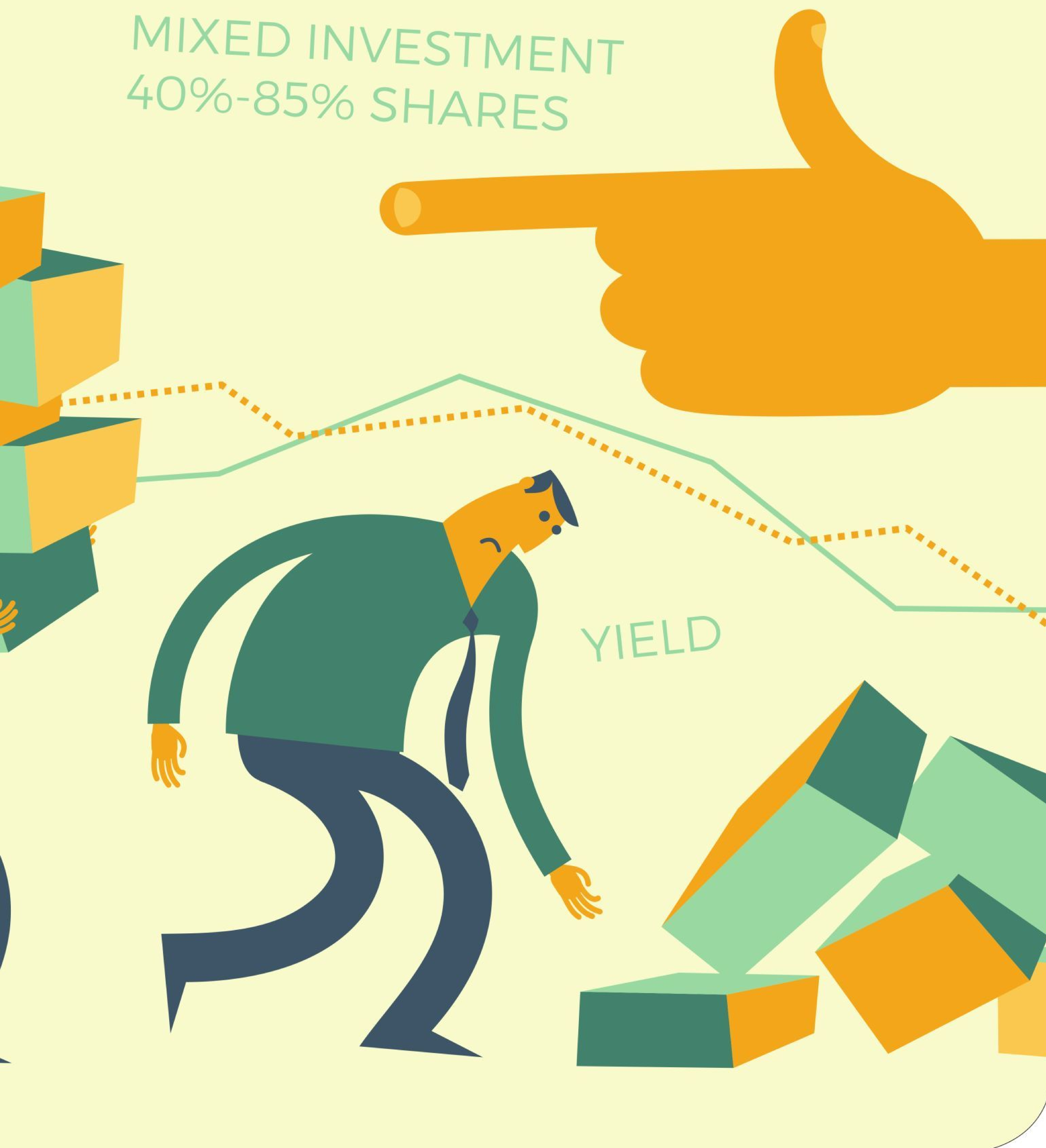
STRATEGIC

BEWARE RISK LABELS

In any of the Mixed Investment categories, 22% of multi-asset funds have risk-related labels in their name, according to research from interactive investor, the investment platform and parent company of *Moneywise*.

Dzmitry Lipski, investment analyst at interactive investor, explains: "Across 805 multi asset funds, 22% are using risk labels in their name, whether it is 'Balanced', 'Moderate', 'Conservative', 'Adventurous', or 'Cautious'. But what does it actually mean? One person's idea of a 'balanced' fund can be another's definition of 'adventurous', and fund management groups can be just as prone to varying interpretations.

"Investors with funds using names such as these might want to review them to make sure the name matches their own definition of risk. For example, in the IA Mixed Investment 40%-85% shares sector, 59 funds have labels such as these. The majority have 'Balanced' in their name, but their risk profiles are likely to span a broad spectrum, and within the same sector there are also three funds with 'Adventurous' and one with 'Cautious' in the name. Ultimately, it's best to treat fund names with a pinch of salt."



on growing their capital.

Moira O'Neill, head of personal finance at interactive investor, says: "Chosen well, UK Equity Income funds can be a jewel in the crown of a portfolio, given their focus on large, income-generating companies with stable cash flows.

"With a significant chunk of profits coming from overseas, they aren't as UK-centric as some might think and since investors can reinvest dividends, they don't need to be the reserve of income seekers, either. Tellingly, equity income funds consistently top our Isa tables of most popular funds.

"Albert Einstein nailed it when he reportedly called compounding the eighth wonder of the world, because dividend reinvestment is a major component of stock-market returns."

GLOBAL EQUITY INCOME

At least 80% of these funds must be invested in global equities and diversified across regions.

Mr Haynes says: "The vast proportion of dividends generated from the UK stock market are attributable to a small number of stocks and sectors, and a large proportion of the most popular UK equity income funds will have a high commonality.

"In contrast, taking a global view provides an extended universe, through stock, sector and not being so reliant on the domestic economy."

Sector requirements stipulate that 80% of the fund is invested in global equities and be diversified across regions.

UK EQUITIES

UK ALL COMPANIES

This sector is an obvious starting point for many investors, offering exposure to world-class companies and household names including BP, HSBC, Royal Dutch Shell, Unilever and Vodafone. However, it's also a large and hugely diverse sector, and that means investors must be careful not to compare apples with pears. While one fund might seek out predictable companies that are regarded as best in class, others will seek out unloved firms where the manager believes a change of fortunes is due.

> "It's best to treat fund names with a pinch of salt"

OVERSEAS EQUITIES

ASIA PACIFIC EX JAPAN

"These funds invest in Asia-based companies of all sizes, but avoid those listed in Japan," explains Darius McDermott, managing director of Chelsea Financial Services. This includes larger developed economies such as Hong Kong, Singapore and Australia as well as less developed markets like China, India, Thailand, Malaysia and the Philippines.

Mr McDermott says: "Investments can vary widely from fund to fund, given the range of countries on the continent. There may also be a mix of developed and emerging market equities as Asia is home to both types of market. The sector will include funds that are focused purely on growth as well as some funds that are dividend focused and provide an income."

Many of the countries included in this sector have undergone massive economic growth and industrialisation in recent decades with a growing middle class that is expected to carry on driving consumption. However, slower growth in China will continue to provide a challenge to the region as a whole.

EUROPE EX UK

Funds in this sector can invest anywhere across Europe. This is not limited to members of the European Union or the Eurozone, and can also include some emerging European countries. Rebecca O'Keeffe, head of investment at interactive investor, says: "There are more than 1,000 companies listed on the main markets in Europe, plus hundreds more in smaller developing European economies, which makes Europe a fascinating place to invest.

"Investors can choose from larger companies in mainstream markets such as Germany, France and Switzerland, ranging to small companies in Eastern Europe – making it full of opportunities for potential investors depending on how much risk you want to take.

"This range of different markets means that you do need to pay close attention to the underlying objective of funds you are interested in, as this is one of the most diverse sectors available," adds Ms O'Keeffe. "The diverse nature of Europe means there are occasionally conflicting objectives between different member states, as well as tensions between countries in and out of the European Union, and that can lead to greater uncertainty in the region – but good fund managers should be able to identify relevant opportunities and threats."

GLOBAL

To qualify for this sector funds must have 80% of their assets invested overseas – however if they were also able to qualify for another sector, such as Europe or Global Emerging Markets, then they would be excluded on those grounds.

Global funds will typically focus on developed economies, and often with a bias towards the US, the world's largest economy.

"A global fund tends to look for the best companies wherever they might be. Some managers, though, will follow benchmarks and invest according to the country's market weight." Global funds are often recommended as good starter funds for beginner investors because they offer instant diversification.

However, it is important investors know how and where the manager will invest their money. Mr Lowcock says: "Do they follow a benchmark, so have a certain percentage in Germany, UK and Japan? Or are they stock picking and finding the best pharmaceutical or best bank no matter where it is listed?"

GLOBAL EMERGING MARKETS

Funds in this sector must be 80% invested in emerging market economies including regions such as China, India and Latin America. Only 20% of the total fund can be invested in so-called frontier markets, which are less developed still, such as Bangladesh, Nigeria and Botswana. The companies that these funds invest in are likely to be at an early stage of growth, which means that while they can reward investors handsomely, they are likely to be volatile.

> Global funds are often good starter funds for beginner investors

Mr Haynes says: "For investors looking for exciting growth opportunities, then I believe having an exposure to emerging markets is justified as part of a well-diversified portfolio. However, enduring higher levels of risk is a necessary evil of investing in emerging markets.

"To get exposure it is important to find good fund managers who can find opportunities through diversifying across different sectors and markets."

He adds: "Taking a long-term perspective is essential and drip-feeding money into this area can also help smooth short-term volatility."

JAPAN

Japan, the third largest economy in the world, is famous for its technological innovation and is home to big global brands including electronic giants Panasonic, Hitachi and Toshiba and car manufacturers like Mitsubishi, Honda and Nissan. However, as far as investors are concerned, it's a region that divides opinion.

"The region has been beset by economic problems over the decades but its stock market has performed well in recent times and many investors are very keen on its future prospects," says Mr Connolly.

Much of this recent confidence is down to so-called 'Abenomics'. Japan's Prime Minister Shinzo Abe – who was elected in 2012 – has been on a mission to stimulate economic growth through quantitative easing (to boost wages and spending) and negative interest rates (to encourage investment).

In 2015, he also introduced broad ranging corporate governance reforms to increase investor confidence. Despite recent stock market gains, it's too soon to tell if these policies will pay off. With a sizeable amount of debt to repay, coupled with the pressures associated with an ageing population, Japan still has plenty of economic challenges ahead.

Mr Connolly adds: "This is a high-risk area in which a small weighting is suitable for most investors."

NORTH AMERICA

An investment in this sector offers exposure to some huge global brands and cutting-edge tech firms including Apple, Microsoft, Facebook and Alphabet, the parent company of Google.

America is also home to oil giants Exxon Mobil and Chevron, as well as consumers goods groups such as Johnson & Johnson and Proctor & Gamble. However, it is not the easiest market to make money from, as Mr Haynes explains.

He says: "Many UK investors have little exposure, despite it being the largest and most influential stock market containing global leading companies across a wide range of sectors. Because it is such a well-researched stock market, it

can therefore be very difficult to outperform, so many investors prefer a low-risk, passive approach."

Active managers will often find better opportunities in small- and mid-cap stocks, but these are likely to be higher risk.

OTHERS

PROPERTY

Confusingly this sector is home to two very different types of fund – they must either invest at least 60% of their holdings directly into property (known as direct property or bricks and mortar funds) or be 80% invested in property shares (a property securities fund).

"Property is another and different asset class to shares and bonds and so behaves differently," says Mr Lowcock. "It is not as liquid [easy to sell] as the other two and because of the longer-term focus on the investment, the income stream (rent) is less volatile and tends to protect against inflation as rents are reviewed upwards only."

Yet while rising income is appealing to many investors the liquidity issue can present problems. "If the market sells off as it did after the Brexit vote in 2016, investors could become forced sellers of property – and that is never a good place to be," he adds.

As they perform differently to other asset classes, bricks and mortar funds can be a great diversifier in a portfolio. They are also regarded as lower risk and less volatile (except in extreme situations). Nonetheless Mr Lowcock says investors still need to commit to five years at the least. Funds that buy property shares do not provide the same degree of diversification.

Mr Lowcock adds: "Property securities funds invest in shares of property companies and so, like property funds, they will provide diversification over the longer term. But in the short term they will be more akin to equities and could easily fall in an equity market sell-off."

SPECIALIST

Often referred to as 'the cupboard under the stairs', the specialist sector provides a home to those funds that cannot be accommodated by other sectors. This might mean a specific region – such as Latin America – or a specific theme such as healthcare or agriculture. The sector also increasingly holds mixed-asset funds, where the level of flexibility required by the manager means it cannot be accommodated by any of the mixed asset sectors.

Mr Haynes says: "This is a sector for investors who are looking to pursue a specialist investment theme, to add diversification to their portfolio. Funds in this sector will have a narrow remit, and it's difficult to compare funds against others in the sector given that there is such a wide range of very different strategies."

> "Property acts in a different way to shares and bonds"

TARGETED ABSOLUTE RETURN

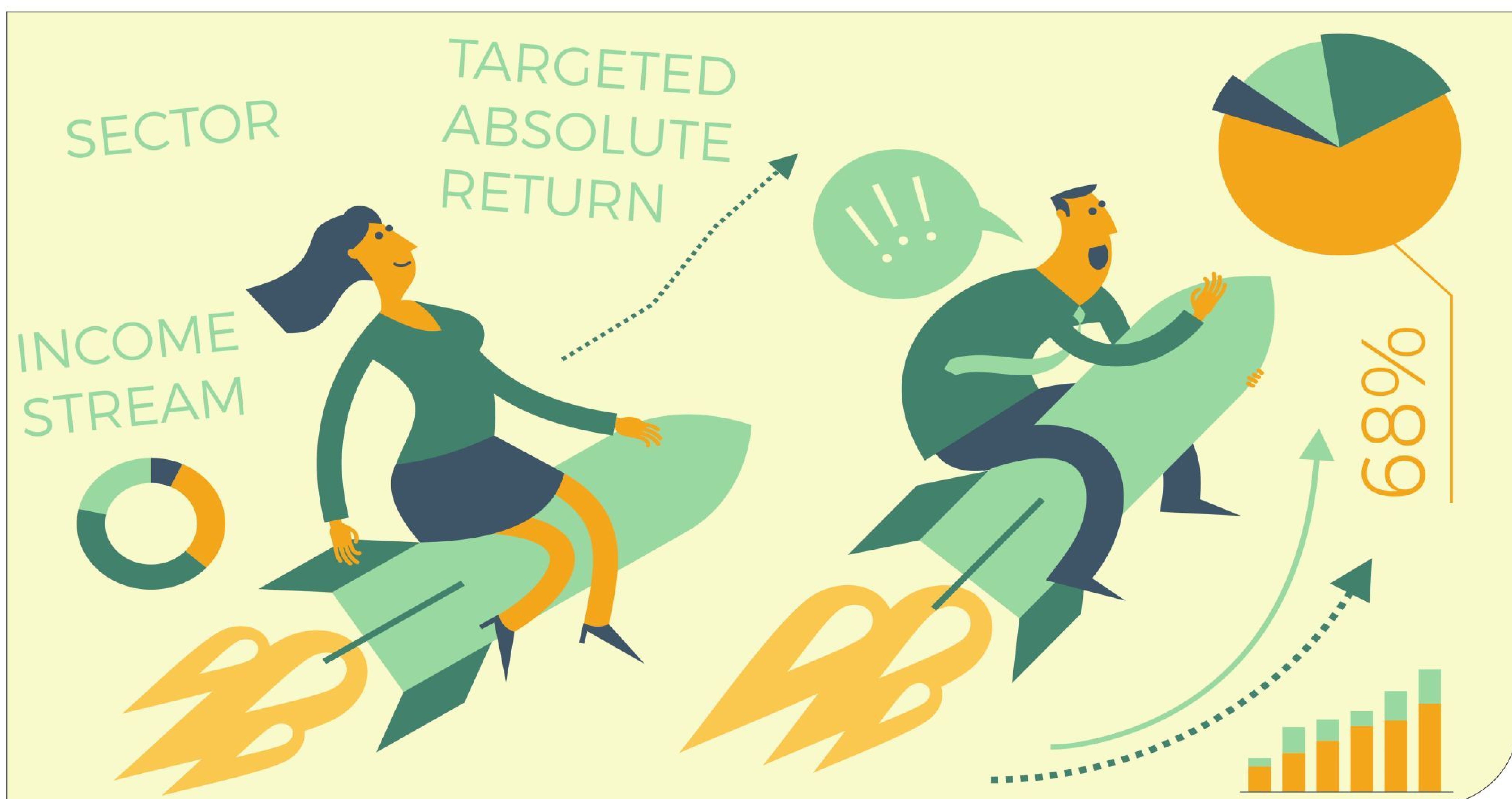
Rather than seeking to beat an index, funds in this sector use a raft of complex strategies (including derivatives and money market instruments) to generate a positive return, irrespective of what is happening in the market.

If stock markets collapse, these funds will still seek to pay a return, although this cannot be guaranteed.

"Each fund will take a different approach," explains Mrs Coles. "You need to check the objective of the fund because they may aim to achieve something more demanding than simply not making a loss. They will also state a time frame over which they aim to meet their objective – which cannot be more than three years."

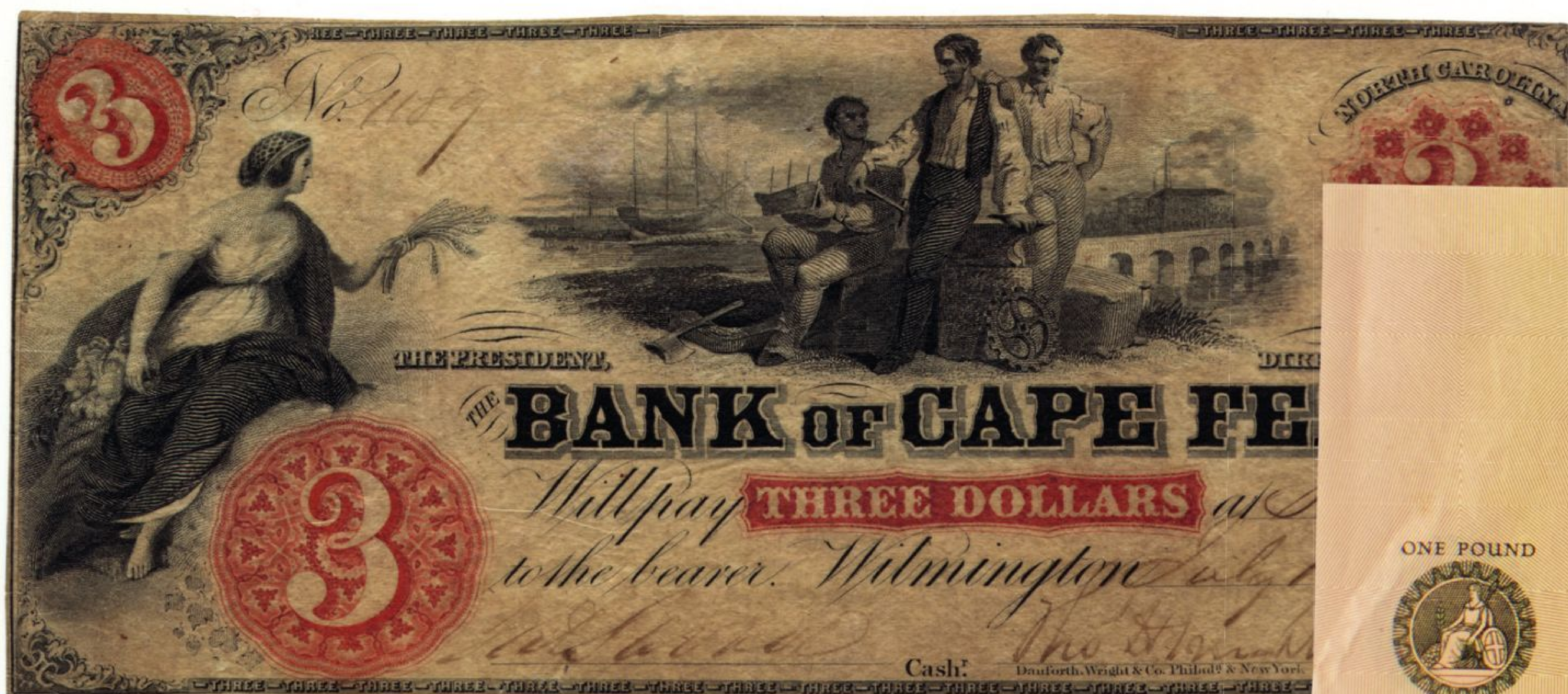
Owing to the breadth of strategies employed by managers in this sector, it is hard to make meaningful comparisons between funds. Each should be considered on its own merits and on whether it achieves its stated objective. mw

For a full list of sectors and their sub-groups, visit: theinvestmentassociation.org.



CAN YOU MAKE A MINT COLLECTING OLD BANKNOTES?

If you have the passion – and patience – to collect rare examples of banknotes, then you could make much more than their face value – but read on to see if it's a collection you can bank on



BY CHRIS MENON

We are constantly hearing about the death of cash, but some investors are turning old banknotes into a future asset.

Although anyone finding an old Bank of England banknote hidden away in an envelope or in the attic has the comfort of knowing they can redeem it at face value (see box on page 64), it could be worth a lot more to a collector.

Take for instance, a Bank of England £20 note from 1970, with the signature of the Chief Cashier of the Bank of England, John Standish Fforde. A collector would likely pay much more than the face value of £20 if it is in mint condition – up to £400, according to Pamela West, founder of British Notes, a specialist dealer in British banknotes.

While older notes are generally worth more, as they're less likely to have survived, age isn't the only factor that determines a banknote's value (see 'Top Five' box opposite).

James Morton, joint founder of auctioneer Morton & Eden, explains that the main factors are: "Historical interest, rarity and – most importantly – condition, which should ideally be as good as new."

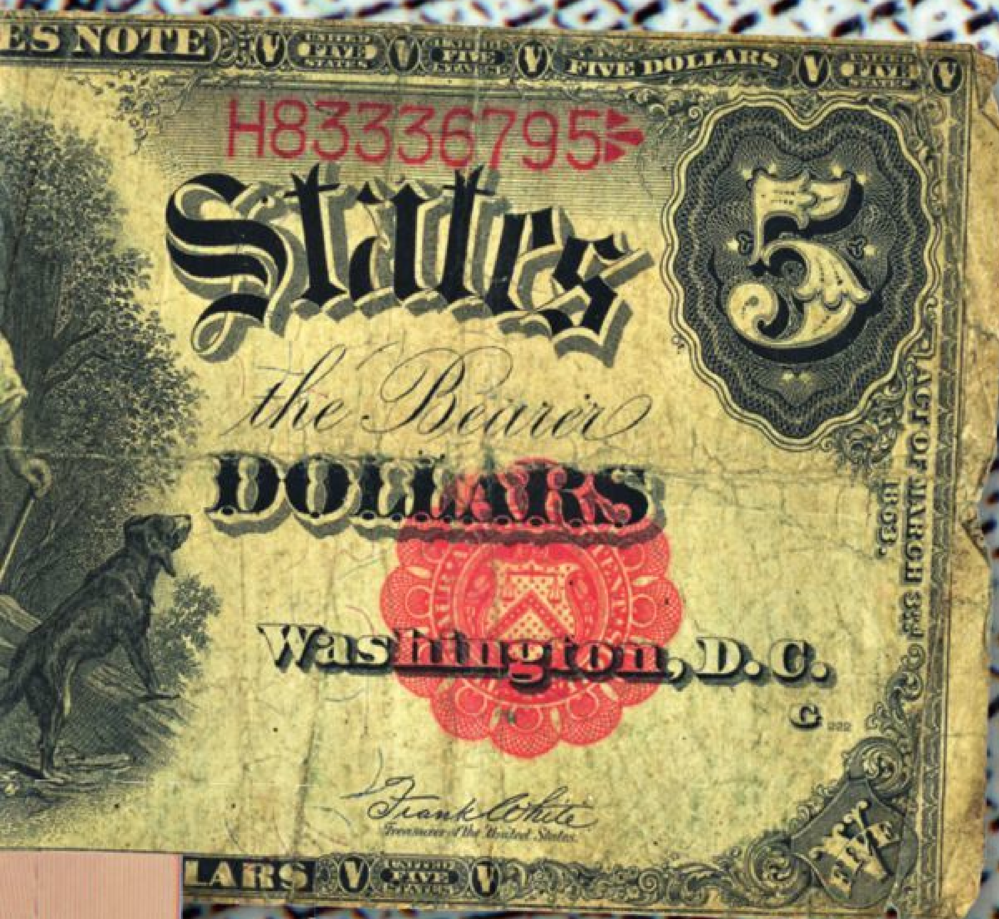
When establishing condition, there are nine standard international grades for banknotes, ranging from 'uncirculated' down to 'poor'. The higher the grade of the note, the more valuable it is likely to be. There are also third-party grading services that will, for a fee, identify and grade notes, although they use a different grading system based on an ascending scale of 1 to 70.

Banknote collectors also need to look out for low serial numbers (such as AA01) or interesting serial numbers, such as '123456', as well as unusual errors such as an extra flap of paper on a banknote. All these factors can dramatically increase rarity and value, provided their condition is good.

But, given their illiquidity, banknotes shouldn't be viewed as a regular investment.

John Mussell, group managing editor of *Coin News*, explains: "Banknotes can make money but at the end of the day there are no quick bucks to be made. You can't buy a note today and in three months' time sell it and make a killing. You can do it if you find errors in a note out of a cashpoint – but as a rule, no.

"If, however, you start a good-quality collection now and slowly build it up, you may find that in 10 or 20 years' time that collection



"You can't buy a note and sell it and make a killing in three months' time"

will be worth more than you paid for it. But no one can guarantee it," he adds.

One person who recently made a significant sum selling his collection of banknotes is US collector Joel R. Anderson. On 28 February this year, at an auction organised by Stack's Bowers Galleries in the US, he sold Part IV of his collection for nearly $8 million (around £6.6 million). In total, from the sale of his entire collection, he realised $34,126,980 (£25,880,712).

Joel began his collection as a teenager in 1963 and, according to the auction house, it was the product "of many years of careful

TOP FIVE BANKNOTES

The five most valuable banknotes in terms of sale price achieved are:

1 USA Grand Watermelon $1,000 treasury note, 1890, at £2.6 million

2 USA Red Seal $1,000 treasury note, 1891, at £2 million

3 USA $500 gold certificate, 1882, at £1.12 million

4 Australian £1,000 note, 1924, at £963,000

5 Australian first modern 10-shilling banknote, 1913, at £606,000

Source: Bonham Auctions

HOW TO CASH IN OLD BANKNOTES

If you find an old banknote that has been withdrawn from circulation, what should you do? The good news is that if it was issued by the Bank of England it can be redeemed for its face value. You can either send it in by post or exchange it at the Bank of England in Threadneedle Street, London EC2R 8AH. For more information, visit Bankofengland.co.uk/banknotes/exchanging-old-banknotes; email exchanges@bankofengland.co.uk; or call 0203 461 5994. Scottish note issuing banks will also accept old Scottish banknotes.

To exchange old foreign currency, you should contact the banknote issuer in the relevant country.

study, connoisseurship and patience". Indeed, over the years this multi-millionaire set many price records at auction including the first million dollar note, the $1,000 Grand Watermelon Note, which last October was sold for twice that amount (so-called because of the green watermelon-like zeros printed on the back).

It would be unrealistic for any ordinary banknote collector to aim to emulate his success, but there is money to be made if you can be patient (see case study, right). Yet, to do so it's vital to know the value of what you are buying and not to overpay.

Simon Narbeth, managing director of banknote dealer Colin Narbeth & Son, points out: "The idea that condition is all important to value, in the sense that you should only buy the top graded notes by grading companies, is not for me.

"We are seeing common notes being sold at very high prices due to being graded. When, in fact, the note is common and more will arrive to the market over time. As general advice, go for pleasing condition; you do not need to buy the best condition to have a good note."

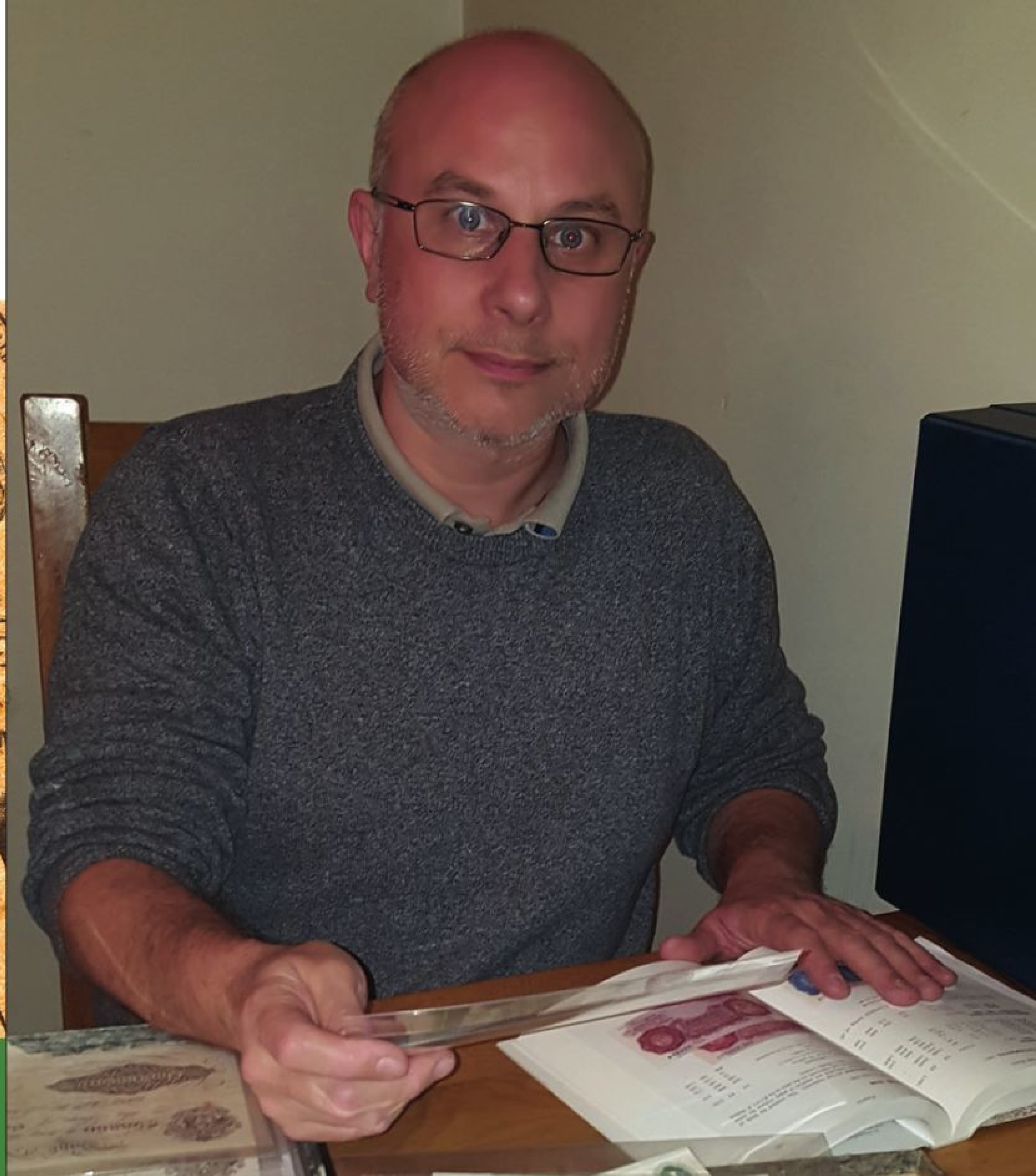
To establish market value, the International Banknote Society (IBNS) recommends buyers compare prices between dealers and look at prices achieved at auctions. Specialist catalogues can also be used, although their values are not always reliable so should only be used as a rough guide. The basic catalogue for world notes is *Krause World Paper Money*, but many other catalogues are used for specific countries.

It is also advisable to acquire market knowledge by joining clubs such as the IBNS and meeting other collectors.

As to what banknotes to collect? Well, you're spoilt for choice. There are many banknote types that can be collected, from inflation money (Weimar Republic, Zimbabwe and Venezuela, for example)to specific countries, banks or themes (ships, music and so on).

Sarah Fergusson, head of client services at McTears auctioneers in Glasgow, advises collectors to "speak to all the experts they can but ultimately buy what they like, things they do not see that much and never with deliberate investment in mind."

It is also best to buy from reputable dealers to minimise the risk of buying forgeries. Although some people do actually collect forged banknotes.



"I'd be disappointed if my collection didn't raise £50k to £60k"

Simon Feist (pictured above), 48, a research technician from the south of England, has been collecting banknotes since the age of 19, when he bought his first note, an Operation Bernhard Bank of England white £5 forgery, at a car boot sale for £15. He now has around 200 examples in a collection of English banknotes.

He says: "I have examples of notes dating from the 19th century, though the majority are from 1928 onwards when the Bank of England took responsibility for issuing banknotes."

Simon admits his main aim now is "to create a good-quality, well-rounded collection, not primarily to make money". That said, he reckons his collection is quite valuable.

"Based on current catalogue values and recent prices achieved in salerooms, I would be disappointed if my collection didn't achieve in the region of £50,000 to £60,000 at auction."

He adds: "I have previously researched banknote values at some depth and definitely found a clear trend in price increases over time. This doesn't necessarily help when adding to my collection, but it is nice to know I haven't been throwing my money away. Generally speaking, rarer items have increased in value much more than common examples but the upward trend is still evident."

Whatever you do collect, you should keep them safely – "Ideally in acid-free paper envelopes or custom-made sleeves made from an inert material such as mylar," advises James Morton.

If you're fortunate, you may end up with a valuable collection. But it would be a mistake to bank on it.

CHRIS MENON is a freelance journalist and former editor of *Every Investor* who specialises in personal finance and investing

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Capital at risk

REPLY NUMBER 2150

MAKE YOUR HOME A CLUTTER-FREE ZONE

If you find it hard to part with items, then why not enlist the help of a declutterer? You may even be able to recoup the cost – and more – by finding long-lost valuables or by selling big-ticket items on eBay. And if you prefer to do it yourself, pick up a few tips from the professionals

BY HANNAH NEMETH

Tidying expert Marie Kondo has captured the imagination of millions around the world with her method for decluttering, known as KonMari. In her Netflix series *Tidying Up with Marie Kondo* on Netflix and bestselling books, she helps people sort out everything from clothes, books and paperwork to 'komono' – miscellaneous items such as make-up and toys – before tackling items of sentimental value, discarding possessions that don't 'spark joy'.

But while Marie Kondo is perhaps the best-known declutterer, she is not alone: professionals can be found busily tidying homes across the UK.

What are the advantages of hiring a declutterer?

Professional home organiser Jo Jacob says that sometimes people need the detachment of an outsider to get started.

"Most clients say they don't know where to start – they're overwhelmed and strapped for time. I think it comes down to our experience and the fact that we're not emotionally attached to a person's things and can encourage them to let go. You can photograph and scan items rather than keep the tangible things," Jo says.

Jo, who covers the Hampshire, Surrey and Sussex areas, first trained as an interior designer, learning the ropes from Ann Maurice, who presented Channel 5's *House Doctor*. She then worked with Dawna Walter, presenter of BBC2's *The Life Laundry*, before setting up her own company, Benella.co.uk, in 2005.

She qualified last year as a certified photograph organiser with the Association of Professional Declutterers & Organisers (APDO), and finds this service helpful for relationship break-ups where both people want to keep shared photographs.

"I can digitally scan the couple's photographs and then present them each with a memory stick," she adds.

Jane Fern, a KonMari consultant in the Manchester area who trained with Marie Kondo in New York, says: "I work with a lot of people who've become stuck in their lives, so it's difficult for them to do the process. I'm there for them,

Below: KonMari consultant Jane Fern in London with Marie Kondo

encouraging them and helping them to decide what to keep.

"There is a lot of decision-making during the process but the plan is that by the end, life will be a lot simpler."

"I FOUND £125 WORTH OF GIFT VOUCHERS AND CASH"

Jo Jacob (pictured right) was asked to help tidy a chest of drawers in the hallway for a single mum with three young children in Hampshire.

"She'd recently started her own business, so things were busy. It was a 'mess mountain', with the kids dumping things on it whenever they went through the front door," Jo explains.

As well as finding £125 worth of gift vouchers and cash, Jo helped sort out the paperwork, getting the information her client needed to make a claim for mis-sold PPI.

How a declutterer works

A typical decluttering session involves discussing your goals and which area to start, and coming up with a plan, followed by hands-on clearing. Some declutterers will supply bags for charity or provide storage boxes and will remove a car-load for an additional fee.

While the Netflix series shows Marie Kondo instructing clients to pile their clothes on their beds to sort through before she leaves them to it for a week, in reality consultants declutter with you.

There are currently 19 KonMari consultants in the UK, who will have attended seminars and taken practice sessions and an exam before they can set up shop.

While they follow the KonMari method – a system of organising your home and discarding tangible items that do not spark joy in your life – consultants will adapt to individual clients.

Jane says: "You get to know your clients before you start working with them. It may not mean every client taking everything out; some people might need to do it in sections, in smaller chunks, depending on their stamina and the time they've got.

"I will always talk to clients about doing the whole process because what generally happens is that they'll sort out a room or a cupboard and in a very short time it's back to how it was because there is no real change [in behaviour]. It's that lifetime change, making that big leap to knowing that everything has a home."

Above: **Marie Kondo says you can keep a coffee-table book if it sparks joy. Credit: KonMari Media Inc**

Consultants may also have their own take on organising. Jo says that while she credits Marie Kondo for making tidying more popular, she feels the decluttering guru's KonMari method sometimes goes too far. For example, while the method rules out keeping clothes you won't wear again, she believes sometimes it's OK to store some clothes in the attic.

"If you have a girl aged nine or 10, for example, what about when she gets older? She may like to have

18+

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AVAXHOME -

the biggest Internet portal, providing you various content: brand new books, trending movies, fresh magazines, hot games, recent software, latest music releases.

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Brand new content
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some of your clothes or wear them for a fancy-dress party."

How can it save you money?
One way declutterers can save you money is by finding valuables among the mess. For example, Jo has found cash and important paperwork for one client (see box on page 67) and has sold items on eBay.

"I once found three shipwreck coins in their original packaging, which the owner wanted to give away. But I said: 'Do you think it could be worth something? Let's look it up.' I eventually sold the coins for £400 on behalf of my client. They couldn't believe it," she says.

Beverly Wade of Cluttergone.co.uk, which covers most of England and north Wales, says: "We can give advice on what you want to sell. I would suggest getting a box together of expensive items [over £100] and see what price they are achieving on eBay. Always try to sell big-ticket items that are in demand first in case you run out of steam."

You may also find once things are in order you are less likely to waste money buying items you don't need ."I had a client who had seven rolls of Sellotape," says Jane. "You buy a present, want to wrap it, but can't find the Sellotape so you buy a new one. It's like that with many items – we tend to overbuy because we can't find the things we need."

One of the most difficult areas to declutter is paperwork – but organising documents can pay off.

Beverly adds: "I know the deadline for making PPI claims is approaching, but this is an area where we can help. If I notice that a client is paying a lot of insurance on their credit cards, I will suggest that they phone their bank to make a claim. I've worked with someone who claimed back a few thousand pounds."

Choosing the right person
When choosing an organiser, you need to feel comfortable about someone going through personal, and often sentimental, items. Phone them first to find out how they work and whether you have a rapport.

To hire someone with the right experience, a good starting point is APDO's search tool (Apdo.co.uk/find-an-organiser) or Konmari.com/pages/consultants. APDO members will hold professional indemnity and public liability insurance. KonMari consultants work as individual business owners, so check first.

How much it costs depends on where you live and the declutterer's level of experience but expect to pay at least £35 an hour for a minimum three-hour session.

Storage solutions
While it is tempting to buy boxes, the aim is to reduce clutter rather than store it. Make use of old shoe-boxes, and if you do need to buy containers, these can be found fairly cheaply at Ikea, Lakeland and Dunelm.

Do it yourself
If you don't want to hire a consultant, you can always have a go yourself. If you need inspiration, you could try some background research. If you have Netflix, *Tidying Up with Marie Kondo* will inspire you (Netflix has a free 30-day trial), while her book *Spark Joy* (£7.41, Amazon) offers a more in-depth guide. You can also listen to free podcasts – such as Declutterhub.com in the UK and Sparkjoypodcast.com, which is produced by two KonMari consultants in the US. mw

Above: Variera shelf insert and Observatör clip-on basket, both £3, IKEA
Above left: Drawer dividers interlock and can be cut to fit; £6.49 for a pack of five, Lakeland

5 TIPS TO MAKE CASH FROM YOUR CLUTTER

1. Sell items on eBay or hire a professional eBay seller, such as Cleanupyourclutter.co.uk and Stuffusell.co.uk, to list it for you.
2. Trade in old mobile phones and tablets – check out sites such as musicMagpie.co.uk or Mazumamobile.com.
3. Sell unwanted gift cards and vouchers for cash at online sites such as Cardyard.co.uk or Zapper.co.uk (gift cards only).
4. Trade in old books, CDs, DVDs, LEGO and electronic games for cash at Zapper or musicMagpie.
5. Sell broken or unwanted gold jewellery – take it into a reputable jeweller for a valuation and check online reviews before selling it via a cash-for-gold company or on eBay.

HOW YOUR JOB TITLE COULD BAG YOU A BIGGER MORTGAGE

Working in certain professions – as a teacher, solicitor or vet, for example – could grant you access to larger mortgage loans. Find out how it works and whether your job is in the running

BY JOHN FITZSIMONS

When you apply for a mortgage, the lender considers a whole host of factors to work out what size loan you would be able to afford, and the main one among them is your current salary.

Typically, borrowers will not be able to take out a mortgage more than three and a half to four and a half times their annual salary.

However, some lenders offer a special type of home loan called a professional mortgage, which not only includes your current salary in the calculations but also includes provision for likely increases in salary.

As a result, borrowers taking advantage of these professional mortgage deals may be able to borrow more than they could with a more mainstream mortgage product. In some cases that will be more than five times their current annual salary.

Who counts as a professional?

The lenders that offer professional mortgage deals will have their own definitions for who should qualify for these deals. However, typically people working in the following roles will be able to take advantage of a professional mortgage: accountants, architects, barristers, solicitors, doctors, dentists, teachers, pharmacists and vets.

Lenders will generally look for you to be fully qualified and practising, as well as being registered with specific industry governing bodies.

For example, lenders may require dentists to demonstrate that they are registered with the General Dental Council, while vets need to be members of the Royal College of Veterinary Surgeons.

Why professionals can borrow more

The thinking goes that people working in these professions are likely to pose less risk to a lender of falling behind on their repayments than people working in other jobs.

In addition, these professions tend to have a clear career

trajectory, with regular opportunities to increase your salary, which is why some lenders may be more relaxed about offering a larger multiple of your current salary.

Aaron Strutt, product and communications director at broker Trinity Financial, explains that certain lenders "like targeting professionals because they think they have better career prospects and they expect them to earn decent money".

This may not be the case with other jobs, where pay rises are tougher to come by, and where the lender was taking more of a gamble by lending a larger multiple of your income.

Other benefits

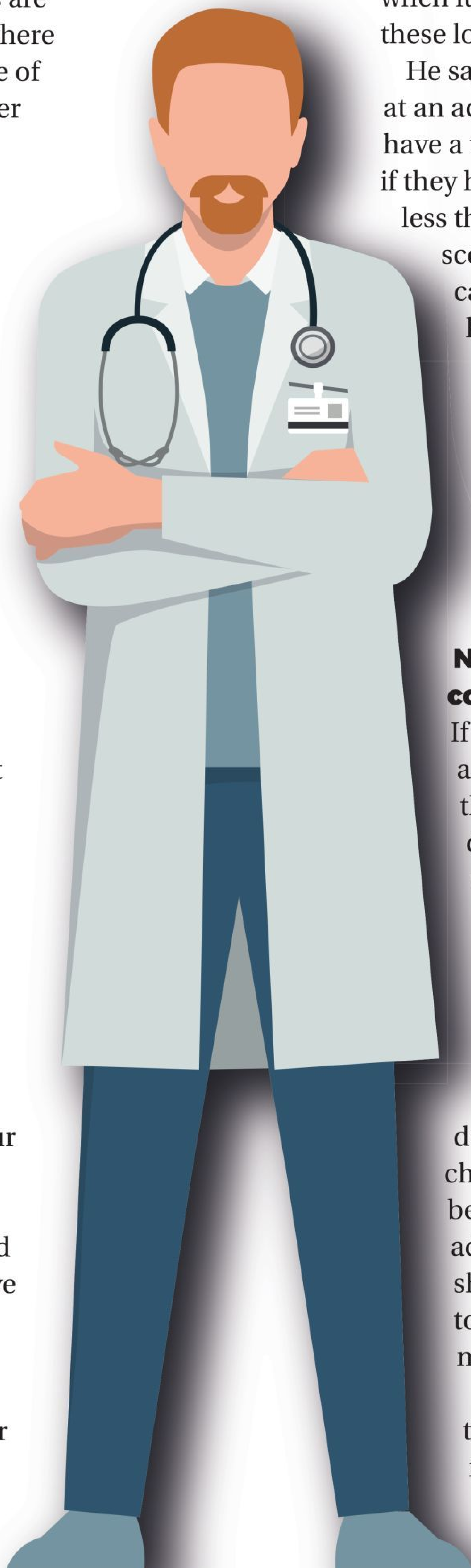
It is not just the ability to borrow more that may appeal with a professional mortgage, as some lenders include additional benefits.

For example, it's not unusual for professional mortgage borrowers to be offered an offset facility. This is where a savings account is set up alongside the loan, with any money deposited into that savings account offset against the size of your outstanding loan. You will then only have to pay interest on the difference.

Let's say you take out a £200,000 loan and put £20,000 of savings into the offset savings account. You will then only pay interest on £180,000 of your outstanding mortgage.

This can be particularly appealing to self-employed professionals, who can save money towards their tax bill throughout the year in the offset savings account, and reduce the size of their mortgage repayments in the process. However, it is important to remember

The lender will still need to ensure you can afford the loan



that this offset savings account is unlikely to pay any interest.

In effect, you are foregoing interest on your savings in order to cut the cost of repaying the mortgage. But in the current low interest rate environment, you are unlikely to be giving up much return on your savings.

Greg Cunnington, director of broker Alexander Hall, points out that an additional benefit to consider is that lenders that provide professional mortgages tend to offer greater flexibility when it comes to underwriting these loans.

He says: "For example, a partner at an accountancy firm may not have a tax return completed yet if they have been a partner for less than 12 months. In these scenarios, these lenders can look to work from a letter from the firm's HR department confirming their income."

Professional mortgages may come with reduced application fees too, though this will vary from lender to lender.

Negative points to consider

If you do opt to take out a professional mortgage, there are some potential disadvantages that are worth bearing in mind.

For starters, you may end up paying a more expensive rate than is on offer from best-buy deals for a similar loan to value.

Professional mortgage deals are unlikely to be the cheapest around, as you will be paying a premium for the added flexibility the lender is showing by offering to lend to you at a higher income multiple.

Mr Strutt also points out that if you borrow at a large income multiple, it may then be difficult to remortgage to another lender when your rate expires.

"If your property value does not increase and you do not make any real overpayments, there is a chance that higher multiples may not be available when you come to switch deals so you would then be reliant on your lender offering you another competitively priced rate," he adds.

Also remember that while you may be able to take on a larger mortgage, the lender will still run the rule over your financial position to ensure you can afford the loan.

"Lenders want to provide more generous mortgages but they will still assess affordability," Mr Strutt says. "So if you have credit cards, loans or children to provide for, they will still reduce the maximum loan size."

Which lenders offer them?

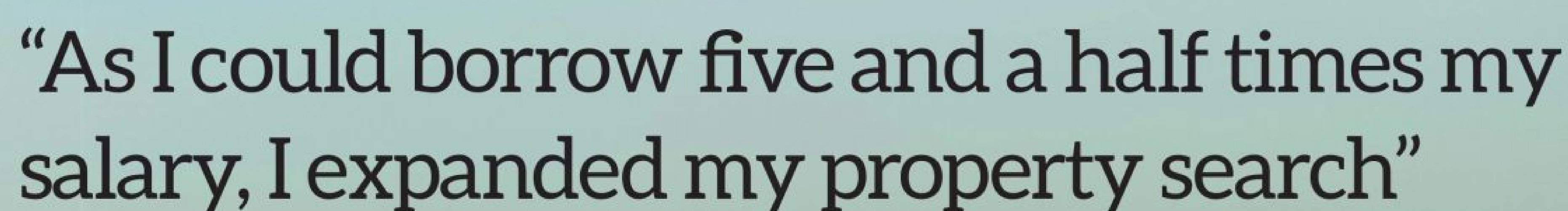
Professional mortgage products remain something of a specialist offering, with only a handful of lenders, including the likes of Scottish Widows, Metro Bank and Clydesale Bank, offering them.

As a result, there is not a vast amount of choice, certainly compared to the range of deals you can choose from when applying for a more traditional mortgage.

However, Mr Cunnington points out that the past 12 months have seen some real improvements in terms of the number and types of deals that are available for professionals.

While most lenders that offer professional mortgage deals will lend directly to borrowers, you may feel more comfortable contacting a mortgage broker who can guide you to the lenders that are most likely to be receptive to your application and which deals best match your circumstances.

A broker may also be able to advise on which lenders take a more bespoke approach to underwriting, which could help you secure a deal if your income is a little more complex but you do not fall within the criteria for a professional mortgage.



What about key workers?

While teachers, and in some cases members of the police, are often covered by these professional mortgage deals, those classed as key workers – nurses, firefighters and paramedics, for example – are not so fortunate.

Workers in these fields face a particularly tough time getting on to the housing market. A study by Halifax in 2017 found that the number of towns in Britain classed as being affordable for key workers to buy a home in had dropped from a third (32%) in 2012 to just 14%. This was largely due to public sector workers being subjected to a pay freeze from 2011 onwards, while house prices continued to rise.

Unfortunately, although some lenders once offered specific deals for key workers, that is simply no longer the case.

That said, there are certain housing schemes designed to help first-time buyers get on to the housing ladder that may prove effective for key workers. One example is shared ownership, where the buyer purchases a portion of the property – typically between 25% and 75% – and then pays a reduced rent on the portion they don't own.

Alternatively, there is the Help to Buy: Equity Loan scheme. Buyers only need a 5% deposit and can get a loan from the government worth 20%, with the mortgage making up the rest. The equity loan is interest-free for the first five years. mw

JOHN FITZSIMONS writes for publications including *The Sunday Times*, *Forbes*, *Mortgage Solutions* and *mirror.co.uk*

"With my mortgage deal, buying works out much cheaper than renting"

James Bellis, 26, qualified as a solicitor a year ago. He is using a professional mortgage in order to purchase his first property, a two-bedroom flat in Elephant and Castle, in south east London.

"Previously, I had been under the impression that the maximum I would be able to borrow was about five times my salary, and that no lenders would go above that," he says. "But I read an article about higher income multiples from mortgage broker Trinity Financial, so I got in touch.

"The company ran through a mortgage from Metro Bank with me. As I was able to borrow five and a half times my salary, my budget increased quite a bit, and so I expanded my property search.

"With the property I'm buying, the mortgage repayments will work out as significantly less than I would be paying in rent for a similar property in the same area.

"I was always planning on using a mortgage broker to make the process as smooth as possible. My application was submitted at the beginning of November, and I had the mortgage offer just a couple of weeks later."

MIND THE GAP IF YOU'RE AN 'OFFLINE' SAVER

If you're not a fan of online banking, it's hard to pick up a best-buy savings deal on the high street. We look at why this is happening and what you can do

BY **STEPHEN LITTLE**

Millions of people could be missing out on the best interest rates because they are not online, which is bad news for those who rely on their savings income. We take a look at the reasons behind the growing divide and how much you could be losing by sticking with high street banks and building societies.

While growing competition is benefiting savers with better rates, those who bank on the high street are increasingly worse off.

Whether it is an easy-access bank account or a fixed-rate bond, most of the best-buy accounts are only available online.

If you bank online, finding out the bests savings rates could not be simpler. All you have to do is use a search engine or a price comparison site to compare products to find the best deal. However, for those who don't use the internet comparing the best deals is more difficult.

The growing gap between online and offline rates is hitting older people the hardest, as many are wary of using internet banking because of potential security risks.

Elderly people are also less likely to go online. Research from the Office for National Statistics shows that more than four million people aged 65 and over have never used the internet.

Rachel Springall, finance expert at Moneyfacts, says savers are likely to miss out on the top rates if they don't get online.

She says: "A growing number of the top deals from the challenger banks are only available if savers apply online.

"Silver savers are being left behind as branch access is in jeopardy. With thousands of branches set to close, and the percentage of deals offering branch access decreasing, this may pose a problem for those who rely on them to manage their money.

"These growing signals of a changing landscape on the high street are steering more consumers to bank online, regardless of their age or circumstances."

> "Silver savers are being left behind as branch access is in jeopardy"

Why are online deals cheaper?

Based on a balance of £50,000, a saver with a traditional easy-access account on the high street would receive £620 less a year than if they were to take out a higher paying internet-only account, according to analysis by advice site Savings Champion.

So why are all the best deals online? One reason why banks and building societies can offer better rates online is that they are more cost-effective to run. A physical bank on a high street has staffing costs and more expensive overheads compared with an online-only challenger bank.

Andrew Hagger, personal

finance expert at Moneycomms, says: “Banks and building societies are catering increasingly for the smartphone generation, which means some older customers who prefer not to transact online for security concerns are being ignored and getting a raw deal.

“It’s a difficult situation for non-internet users and I fear that the lack of choice and poor branch-based interest rates will only get worse.

“Some providers such as Charter Savings Bank are bucking the trend by offering decent rates and the option to open an account via postal application. It’s not as convenient as using a branch but if you’re opening a fixed-rate bond, then you will only be making a transaction around once a year, so it’s still worth it when you are getting a best-buy rate.”

Best-buy savings accounts

Since the arrival last year of the Marcus savings account from investment bank Goldman Sachs, rates on online savings accounts have been edging up.

Marcus, Kent Reliance, Virgin Money and Tesco Bank all have easy-access savings accounts at 1.5%.

By contrast, the best-paying savings account available on the high street is the Santander Everyday Saver at 0.35%. It is a similar story when people who are not online want to take out a fixed-rate bond.

Out of the top 10 three-year fixed rate deals, eight are online only, including Tandem Bank (2.4%) and Aldermore (2.4%). Only two, Al Rayan Bank (2.52%) and Union Bank of India (2.4%), give savers the opportunity to manage their account by post or phone. Mr Hagger says: “Accounts that are available on the high street pay a fraction of the rate offered on the best-buy internet only deals.

“For those customers happy to manage their savings online, the challenger banks beat the big high street players hands down. The likes of Paragon Bank, OakNorth, Gatehouse Bank, Charter Savings Bank and Ford Money all feature consistently in the best buys and are FSCS registered, so there are no issues with cash safety [up to £85,000].”

Ways round the problem

Anna Bowes, co-founder of savings Savings Champion, says: “Not everyone wants to do everything online. There are some providers who recognise that and offer customers the opportunity to manage the account by post, such as PCF Bank or Charter Savings Bank.

“Sometimes your local provider might offer something interesting on the easy-access side. Newbury Building Society, for example, offers the best easy-access account on the market at 1.75%, but it is only for existing and local customers.”

She suggests a family member or a friend may be able to help. “If you can’t get online, it is a good idea to ask a family member or a friend to help you with opening and managing a savings account.

“If not, have a look in your local area to see which providers are available and then just compare the best rates. The most important thing is for the saver to feel confident and not to worry about their money.” mw

ONLINE VERSUS HIGH STREET EASY-ACCESS SAVINGS RATES

Online savings account	Interest rate	High street savings account	Interest rate
Kent Reliance Online Easy Access - Issue 33	1.5%	Nationwide Building Society Limited Access Saver Issue 7	0.75%
Marcus by Goldman Sachs	1.5%	HSBC Online Bonus Saver	0.55%
Virgin Money	1.5%	Santander Everyday Saver	0.35%
Tesco Bank Internet Saver	1.5%	Barclays Everyday Saver	0.25%
Yorkshire Building Society Online Single Access Saver Issue 17	1.5%	Halifax Everyday Saver	0.20%

Source: Savings Champion, *8 April 2019*

BRITISH SAVERS WANT THEIR ISAS TO HELP PROTECT THE PLANET

Parents, women and younger savers are leading a movement towards making conscious ethical choices about where to save their money. New research finds that younger parents are particularly interested in moving their savings to a bank that uses their money to help protect the planet.

69% of younger parents – aged 18-34 – would like to be sure that any savings for their children are directed towards an organisation that shares their values.

55% of savers would switch banks if they found their money was being lent or invested in areas that negatively affect people or the environment.

61% of parents say they have discussed the importance of protecting the environment with their children.

75% of savers have no idea where their bank lends or invests their money.

Only **9%** of savers currently prioritise sustainable finance. **67%** are working to reduce their plastic use.

Despite its huge potential power in driving positive change, ethical finance is low down in many consumers' list of priorities, though the ethical finance market is now worth **£19 billion**.

Notes: Survey of 2,000 nationally representative UK adults (aged 18+). Of those 1,555 have some sort of saving product. 60% of women would switch Isa provider if their money was having a negative impact on people and the planet, compared with 51% of men. Source: Research conducted by Opinium Research on behalf of Triodos Bank, 5 to 8 February 2019

WE NEED YOU!

The Great British Retirement Survey 2019

Take part now for your chance to win £1,000 or one of five runner-up prizes

BY RACHEL LACEY

The days of retiring on your 65th birthday and receiving a carriage clock from the colleagues you've spent the past 40 years with are long gone. Retirement in the 21st century is a much more flexible concept.

While many retirees will enjoy putting their feet up and spending more time with family and friends, others will carry on doing work in some shape or form. Retirement may just mean embracing a new type of work, cutting back on your hours, exploring new opportunities or working for yourself. You may well still need to keep earning, but it might be that you simply enjoy the intellectual challenge and social interaction that work provides.

Many retirees choose to get involved with volunteering, while others may have pressing calls from family – whether it is mucking in with childcare or looking after a dependant or older relative.

It is not just retirement lifestyles that differ. Fewer of us are retiring wholly on final salary schemes that pay a guaranteed income for life, while pension freedoms – which were introduced in April 2015 – mean over-55s with defined contribution schemes can do what they want with their retirement savings. No longer are they herded into annuities, which may not offer the value or flexibility they need. The options are numerous and it is down to retirees to build a financial plan that not only meets their income requirements but provides flexibility and peace of mind.

We want to paint a realistic picture of retirement in modern Britain but we need your help

For some, retirement could be a very gradual transition or wind-down. Without any sudden shocks to your lifestyle or finances, it could be an easier adjustment. However, there will always be retirees who crave a more traditional retirement. After a long career your health, stress levels or the simple feeling that 'you're done' may make you long to put work behind you and retire as soon as you can.

This can make retirement an exciting time, whether it's the thought of spending more time with family and friends or the opportunity to travel.

Yet, however tempting a prospect this new way of life might be, it can also be daunting – both emotionally and financially. Do you know how you will fill your time or are you worried you and your partner will get under each other's feet? You will invariably have a smaller income but will it be enough to live the life you want?

Retirement dreams and retirement realities will be different for each and every one of us, and this is why *Moneywise* is launching The Great British Retirement Survey.

To better help you plan and prepare, we want to know the hopes and aspirations of those who are yet to retire and we also want to know how those who have already retired are faring.

Without resorting to hackneyed stereotypes (golf, anyone?), we want to paint a realistic picture of retirement in modern Britain. But we need your help and the participation of as many people as possible.

Whether you are in the run-up to retirement or have already retired, please make yourself a cuppa and complete our survey (see box for details). You can also help spread the word by telling friends and family, and sharing on social media. mw

TAKE PART NOW:

To take part The Great British Retirement Survey, please visit Moneywise.co.uk/retirement-survey.

WIN £1,000!

Everyone who completes our survey will be entered into our free prize draw for a chance to win £1,000 in cash. Also in the prize pot are five £100 shopping vouchers for our lucky runners-up to spend in their choice of John Lewis, Marks & Spencer or Amazon.

TERMS AND CONDITIONS: The promotion is open to all except for employees of Interactive Investor PLC or Coredata and members of their immediate family. For the purpose of this promotion, respondents must be residents of the United Kingdom and aged 18 or over at the time of entering the promotion. Each respondent will be eligible to be entered into each draw once.

Stephen Little has hunted through the mass of financial products and data to bring you this month's best deals on Help To Buy Isas, Lifetime Isas, first-time-buyer mortgages and 0% purchase credit cards. For more best buys, updated weekly, go to **Moneywise.co.uk/best-buys**

The pros and cons of taking a 40-year mortgage

It is beginning to look as if the 25-year mortgage has had its day.

The average cost of a first-time buyer home has gone up by 21% over the past 10 years from £172,659 in 2008 to £208,741, according to Halifax.

Meanwhile, the average first-time buyer deposit has shot up by 71% since 2008, to £33,127 now.

Tougher affordability checks from lenders have also made it increasingly difficult for first-time buyers with smaller deposits to get a mortgage.

As such, first-time buyers struggling to get on the housing ladder are increasingly taking out mortgages for longer terms to meet tougher affordability checks.

The rise of the 40-year mortgage

Just over half of all residential mortgage products currently available have a standard maximum mortgage term of up to 40 years, up from 40% five years ago, according to financial data firm Moneyfacts.

The biggest advantage of stretching out the mortgage term is that you can reduce your monthly repayments as they are spread out over a longer timeframe. However, this means you end up paying interest for longer, which increases the ultimate cost of your loan.

For example, a £200,000 repayment mortgage at a rate of 2.5% over 25 years equates to a monthly repayment of £897.23 and total interest payable would be £69,169 over the term.

However, the same mortgage taken over a 40-year term would reduce the monthly repayments down to £659.56 but increase the total interest to be paid to £116,588, resulting in an additional £47,419 in interest.

Work the system

One way of getting around this is by overpaying on your mortgage, then when you come to remortgage you can reduce the term of the loan. However, make sure your lender allows you to overpay it penalty-free first.

> "Stretching your mortgage term means you can reduce monthly payments"

However, if you opt for a longer-term mortgage you significantly reduce the number of lenders you can borrow from.

One of the best deals out there for first-time buyers looking to take out a longer-term mortgage is from Sainsbury's Bank.

For a first-time buyer with a 10% deposit looking to buy a £200,000 property over 40 years, Sainsbury's is offering an initial rate of 2.18% on a two-year fixed rate mortgage. This comes in at an annual cost of £6,497, or £562 in monthly repayments.

In recent years, mortgage providers have also been extending the maximum age a borrower may be at the end of a mortgage.

According to Moneyfacts 71% of all residential mortgages can end when the borrower is 75 years of age or older, whereas five-years ago this figure stood at 52%.

However, the longer a borrower extends their mortgage term the older they will be when they have finally repaid their mortgage. This could seriously affect your retirement plans and mean you have to work longer than you initially planned.

The City watchdog the Financial Conduct Authority has warned that 40% of all first-time buyers could be paying off their mortgage when they retire.

FEATURED PRODUCT

Sainsbury's Bank two-year fixed-rate mortgage 2.29%

Sainsbury's two-year fix comes with a rate of 2.18% for buyers with a 90% LTV

Based on a £180,000 mortgage repaid over 40 years on a £200,000 property, this mortgage costs £563 a month – £6,497 a year over the fixed period – with no fees and £500 cashback.

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	1.50%	£1 upwards	Online only	Rate includes 0.15% bonus for 12 months	=
Charter Savings Bank 95 Day Notice Account	Notice account	1.90%	£1,000 to £250,00 million	Online only	95 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	2.52%	£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 8 April 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
OakNorth Easy Access Cash Isa	Easy Access	1.45%	£1,000 upwards	Online only	–	↓
Kent Reliance Cash Isa - 60 Day Notice - Issue 7	Notice account	1.45%	£1000, upwards	Online only	60 days' notice to withdraw cash	↓
Shawbrook Bank One Year Fixed Rate Cash Isa	One-year fixed rate	1.77%	£1,000 upwards	Online only	Withdrawals are subject to 90 days' loss of interest.	=
Shawbrook Bank Two Year Fixed Rate Cash Isa	Two-year fixed rate	1.91%	£1,000 upwards	Online only	Withdrawals are subject to 180 days' loss of interest	=
Shawbrook Bank Three Year Fixed Rate Cash Isa	Three-year fixed rate	1.96%	£1,000 upwards	Online only	Withdrawals are subject to 270 days' loss of interest	↓
Shawbrook Bank Five Year Fixed Rate Cash Isa	Five-year fixed rate	2.3%	£1,000 upwards	Online only	Withdrawals are subject to 360 days' loss of interest	=
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%	Deposit up to £1,000 and make regular savings of up to £200 a month	Branch, online or phone	Open to first-time buyers only	=

Rates correct as of 8 April 2019

FEATURED PRODUCT
Cash Isa
OakNorth Easy Access Cash Isa. Open this account online for a rate of 1.45%.

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**.

YOUR Fund Choices

New and fully updated issue for 2019 from Money Observer

› DETAILS ON 267 Funds, trusts and ETFs

Your Fund Choices 2019

Provides comprehensive analysis on **267 Rated Funds, Investment Trusts and ETFs** selected by the *Money Observer* team of experts. *Your Fund Choices* is a must-read for investors looking to add to their Isa or Sipp accounts.

FEATURES INCLUDE:

- › All you need to know about Rated Funds – what they set out to do and how the selection is made
- › Includes cautious and value-focused choices well-placed to benefit from more volatile stockmarkets
- › Asset allocation: a wealth of ideas on how to blend Rated Funds, including passive choices, to suit your own risk profile
- › Rated Fund and trust portfolios to provide a £10,000 annual income for your Sipp or Isa

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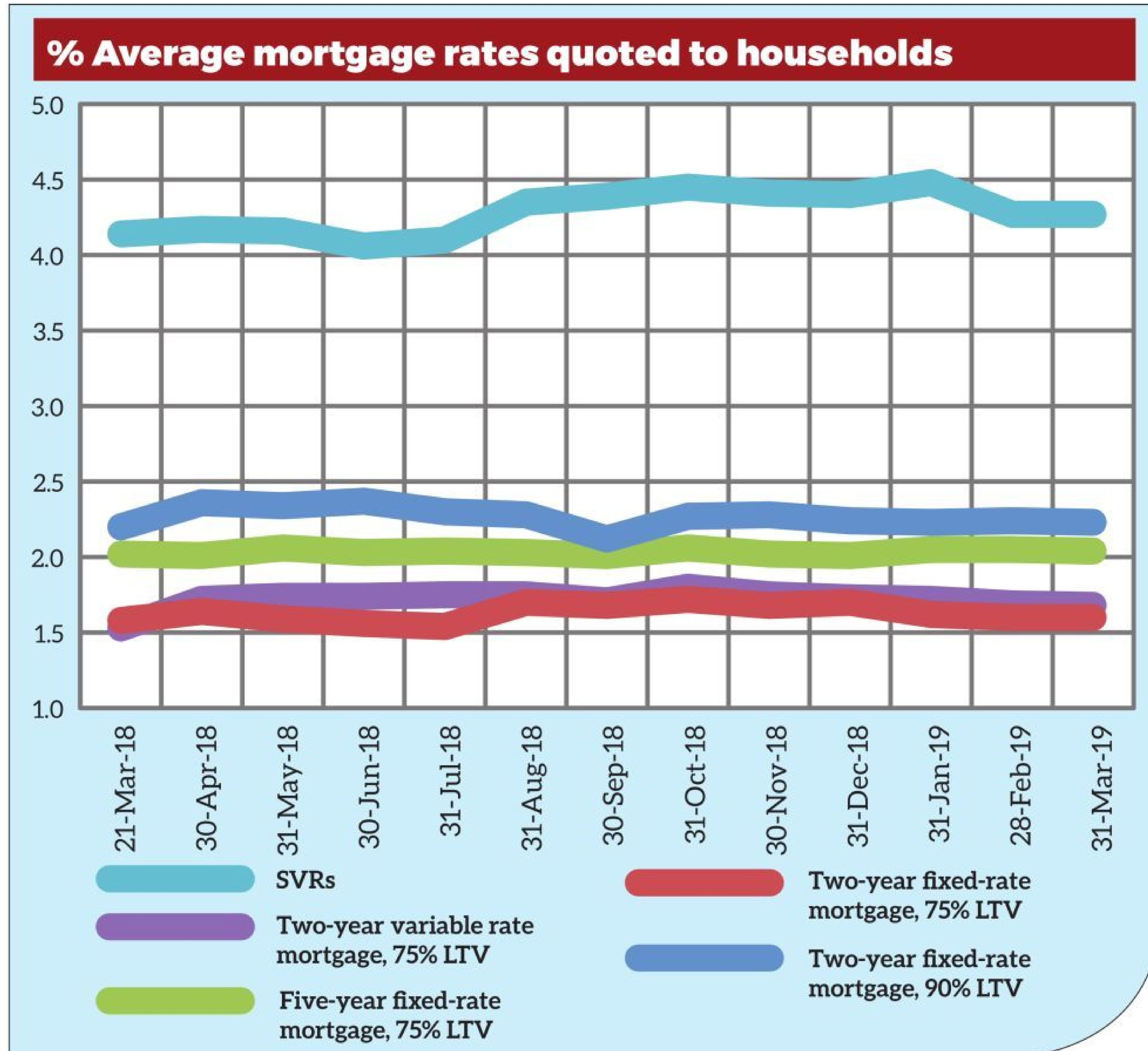
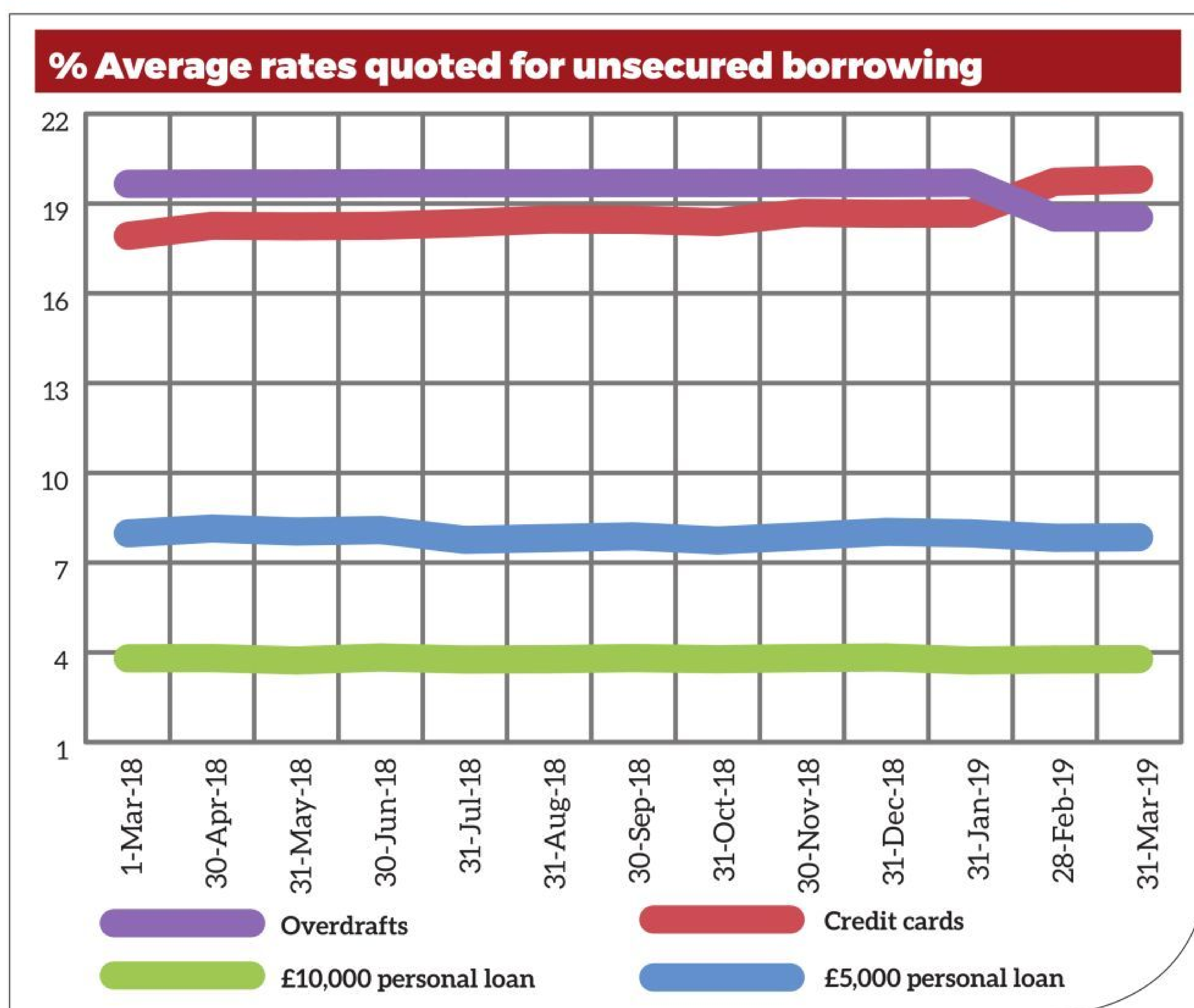
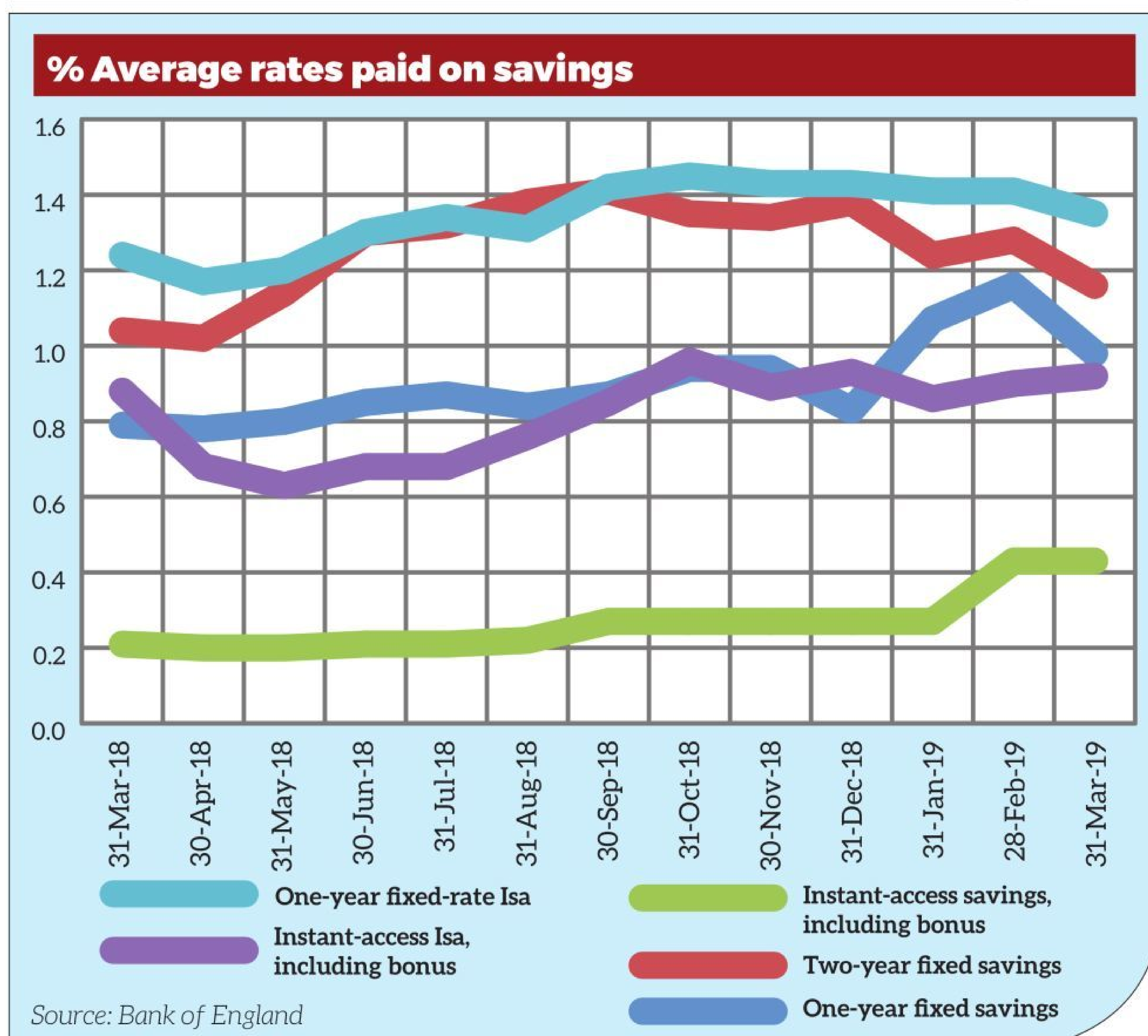
Use these charts to compare your rates against the rest of the market







BEST BUY REWARD CREDIT CARDS

A reward credit card works in the same way as a normal credit card except that when you make a purchase your provider will give you a reward. As rewards are different between each retailer, the card that is best for you will largely depend on where you shop.

The Tesco Bank Clubcard Credit Card offers one point for every £4 you spend in Tesco (a point is worth a penny), and one point for every £8 you spend elsewhere. Representative APR is 19.9% if you don't pay the card off in full.

With the M&S Bank Reward Plus Card you earn vouchers as you spend plus up to £25 in vouchers when you sign up, with a representative 19.9% APR (variable). Users earn two points for every £1 spent in store during the first year then one point for every £1 thereafter. Cardholders also earn one point per £5 spent elsewhere.

John Lewis and Waitrose shoppers can take advantage of the Partnership Card which offers one point per £1 spent in both shops, plus a point for every £2 spent elsewhere. This would earn £60 in vouchers based on a £6,000 yearly spend in either John Lewis or Waitrose, an effective 1% return. Representative 18.9% APR variable.

The Sainsbury's Bank Nectar Purchase Credit Card offers you two Nectar points for every £1 spent in Sainsbury's and one point for every £5 spent elsewhere. If you spend £6,000 a year on your card in Sainsbury's then you'll earn the equivalent of £60 (500 points = £2.50). Representative 20.9% APR variable.

Shoppers using the Asda Money Cashback Credit Card earn vouchers when you spend - 1% on shopping at Asda plus 0.2% when you shop elsewhere. Once you have accrued £2.50 you can convert this to a voucher to spend in Asda. If you spend £6,000 a year in Asda using this card you'll earn the equivalent of £60 in vouchers. Representative 19.9% APR variable.

BEST BUY PERSONAL LOANS

Personal loans are useful if you are looking to make a big purchase such as a car, go on holiday or renovate your home. They can also be used to consolidate debt.

If you are looking to borrow £2,500 Metro Bank offers the cheapest short-term loan at 7.9%, but borrowers must be existing customers. Borrowing £2,500 over two years costs £112.95 a month and borrowers will repay £2,711 in total.

If you are not a Metro Bank customer, another top deal is Starling Bank Personal Loan with a representative APR of 11.5% if you borrow £2,500. This means monthly repayments will be £117.10 for a total repayment of £2,810.

If you want to borrow more, Sainsbury's is the current best buy for £15,000 over 60 months.

For the Sainsbury's Bank Personal Loan this means repayments of £268.86 a month, totalling £16,132 over 60 months. Note also, to access this rate you must have a Nectar card, otherwise the borrowing costs are higher.

Other lenders which have the same repayment APR as Sainsbury's include Yorkshire Bank, M&S Bank, Clydesdale Bank, John Lewis and Admiral. 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 11 April 2019)

	ISIN Acc	ISIN Inc	Ongoing charges %	Yield %	One-year return %	Quartile	Three years %	Quartile	Five years %	Quartile
Vanguard US Equity Index A Acc	GB00B5B71Q71	GB00B5B74S01	0.1	1.43	21.06	2	60.62	2	110.58	2
HSBC American Index C Acc	GB00B80QG615	GB00B80QG490	0.06	1.49	21.97	1	60.13	2	116.54	1
Fidelity Index Emerging Markets P Acc	GB00BHZK8D21	GB00BP8RYT47	0.2	2.05	3.55	2	54.47	2	51.9	3
L&G International Index Trust I Acc	GB00B2Q6HW61	GB00B2Q6HX78	0.13	1.8	13.93	2	51.67	2	84.11	2
Fidelity Index World P Acc	GB00BJS8SJ34	GB00BP8RYB62	0.12	1.81	15.07	2	51.21	2	83.43	2
Vanguard Global Small-Cap Index Acc	IE00B3X1NT05	IE00B3X1LS57	0.38	1.49	8.57	3	48.53	2	73.72	2
Vanguard LifeStrategy 100% Equity A Acc	GB00B41XG308	GB00B545NX97	0.22	1.76	12.17	2	47.99	2	71.06	3
HSBC Japan Index C Acc	GB00B80QGN87	GB00B80QGM70	0.18	1.54	0.42	1	39.84	2	78.31	2
Vanguard FTSE Developed Europe ex-UK Equity Index A	GB00B5B71H80	GB00B5B74N55	0.12	2.57	4.09	2	38.14	2	42.11	2
iShares 100 UK Equity Index (UK) D Acc	GB00B7W4GQ69	N/A	0.07	4.35	8.5	1	35.99	1	36.31	2
L&G UK Index Trust I Acc	GB00B0CNGN12	GB00B0CNGM05	0.1	3.73	7.98	1	34.8	1	36.66	2
Vanguard LifeStrategy 60% Equity A Acc	GB00B3TYHH97	GB00B4R2F348	0.22	1.45	8.58	1	30.47	2	49.36	1
LSE ETFs Vanguard FTSE 250 UCITS	IE00BKX55Q28	N/A	0.1	3.19	2.49	N/A	24.8	N/A	N/A	N/A
Vanguard FTSE UK Equity Income Index A	GB00B59G4H82	N/A	0.22	5.16	4.99	3	23.76	2	23.68	4
iShares Overseas Corporate Bond Index (UK) D Acc	GB00B58YKH53	GB00BNB74B95	0.16	2.67	9.4	2	16.16	2	38.95	1
Vanguard LifeStrategy 20% Equity A Gross Acc	GB00B4NXY349	GB00B4620290	0.22	1.4	5.17	1	14.71	1	29.42	1
Vanguard UK Government Bond Index Acc	IE00B1S75374	IE00B1S75820	0.15	1.28	3.63	1	10.2	1	30.45	1
L&G Short Dated Sterling Corporate Bond Index I Acc	GB00BKGR3H21	GB00BKGR3G14	0.14	2.12	2.42	3	7.55	4	N/A	N/A
Vanguard Global Bond Index Hedged Acc	IE00B50W2R13	IE00B2RHVP93	0.15	1.81	2.84	2	4.28	4	15.41	3
LSE ETFs iShares Physical Gold ETC	IE00B4ND3602	N/A	0.25 (ii)	N/A	-2.39(ii)	N/A	3.94(ii)	N/A	-0.96(ii)	N/A

ACTIVES (ranked in order of three-year returns, as at 11 April 2019)

	ISIN Acc	ISIN Inc	Ongoing charges %	Yield %	One-year return %	Quartile	Three years %	Quartile	Five years %	Quartile
Lindsell Train Global Equity B Inc	IE00B3NS4D25	N/A	0.74	0.86	22.85	1	83.72	1	158.25	1
Baillie Gifford Emerging Markets	GB0006020647	N/A	0.78	0.55	10.57	1	80.44	1	87.72	1
Fundsmith Equity I Acc	GB00B41YBW71	GB00B4MR8G82	0.95	0.72	24.98	1	71.66	1	165.62	1
Baillie Gifford Japanese B Acc	GB0006011133	GB0006010945	0.63	0.83	0.94	1	64.83	1	106.14	1
Royal London Sustainable World Trust C Acc	GB00B882H241	GB00B8GG6326	0.77	0.93	14.46	1	51.18	1	85.33	1
Liontrust Special Situations I Inc	N/A	GB00B57H4F11	0.87	1.8	10.29	1	47.1	1	67.81	1
Marlborough UK Micro Cap Growth P Acc	GB00B8F8YX59	N/A	0.78	0.54	-3.6	3	43.95	2	56.06	2
Stewart Investors Asia Pacific Leaders B Inc or Acc	GB0033874768	N/A	0.88	1.12	11.01	N/A	40.14	N/A	73.06	N/A
Fidelity American Special Situations W Acc	GB00B89ST706	N/A	0.92	0.57	16.35	3	39.09	4	95.3	3

ACTIVES (continued)

	ISIN Acc	ISIN Inc	Ongoing charges %	Yield %	One-year return %	Quartile	Three years %	Quartile	Five years %	Quartile
Man GLG Continental European Growth C Professional Acc	GB00B0119487	N/A	0.9	0.61	-1.51	4	35.04	2	90.93	1
Artemis Global Income I Acc	GB00B5ZX1M70	GB00B5N99561	0.83	3.37	4.2	4	32.62	3	54.7	3
Merian UK Mid Cap R Acc	GB00B1XG9482	GB00B8FC6L92	0.85	1.32	-5.78	4	31.82	2	61.81	1
Franklin UK Rising Dividends	GB00B5MJ5601	GB00BT6STC53	0.55	3.78	8.25	1	31.06	2	51.83	1
Fidelity Global Property	GB00B7K2NZ09	GB00BJ629381	0.95	1.71	19.28	N/A	30.92	N/A	77.26	N/A
MI Chelverton UK Equity Income B Acc	GB00B1Y9J570	GB00B1FD6467	0.87	5.28	-0.77	4	23.59	2	39.25	1
Royal London Global Bond Opportunities	IE00BDONHJ71	IE00BYTYX230	0.5	N/A	4.27	N/A	22.63	N/A	N/A	N/A
Rathbone Ethical Bond Inst Acc	GB00B77DQT14	GB00B7FQJT36	0.67	4.22	3.35	2	19.31	1	31.08	1
Blackrock Corporate Bond	GB00B4QC3311	N/A	0.57	3.05	4.17	1	16.27	1	29.19	1
Marlborough Global Bond P Acc	GB00B6ZDFJ91	GB00B8H7D001	0.43	3.17	4.86	2	15.96	2	32.76	2
Jupiter Strategic Bond I Acc	GB00B4T6SD53	GB00B544HM32	0.74	3.97	3.04	1	12.68	2	17.91	3

INVESTMENT TRUSTS (ranked in order of three-year returns, as at 11 April 2019)

	Discount/ Premium %	Gearing %	Ongoing charges %	Yield %	One-year return %	Quartile	Three years %	Quartile	Five years %	Quartile
Scottish Mortgage Investment Trust (SMT)	3.11	9	0.37	0.63	22.46	1	105.37	1	172.39	1
Henderson Smaller Companies (HSL)	-9.5	9	0.42	2.62	2.6	1	50.22	1	69.99	2
Witan Investment Trust (WTAN)	-3.24	11	0.75	2.31	5.87	4	50	3	68.3	3
Finsbury Growth & Income Trust (FGT)	0.27	2	0.67	1.91	13.33	1	48.74	1	81.1	1
Murray International Trust (MYI)	1.28	12	0.69	4.39	3.9	4	47.66	2	39.26	4
Picton Property Income (PCTN)	-1.41	37(i)	1.2	3.74	7.61	N/A	46.9	N/A	93.69	N/A
Jupiter European Opportunities (JEO)	-3.55	9	0.91	0.88	6.47	2	43.26	2	73.75	1
BMO Global Smaller Companies (BGSC)	-5.01	5	0.83	1.23	2.14	4	35.61	4	60.7	4
The City of London Investment Trust (CTY)	1.39	10	0.41	4.36	7.21	2	25.96	2	37.53	1
F&C Commercial Property (FCPT)	-14.88	26(i)	1.2	5.04	-11.84	4	2.8	4	22.84	4

(i) Source: Morningstar, 11 April 2019 (ii) Source: iShares, 11 April 219. All other information provided by FE Trustnet, 11 April 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 1 April 2019)

Data supplied by JLT Pension Decision

CONVENTIONAL ANNUITIES (GROSS ANNUAL INCOME)

Age	Level		RPI-linked	
60	£2,454	Legal & General	£1,301	Legal & General
	£2,289	Canada Life	£1,221	Aviva
	£2,211	Aviva	£1,120	JUST
65	£2,816	Legal & General	£1,680	Legal & General
	£2,686	Aviva	£1,617	Aviva
	£2,608	Canada Life	£1,486	JUST
70	£3,221	Legal & General	£2,065	Legal & General
	£3,008	JUST	£1,961	JUST
	£2,998	Aviva	£1,961	Aviva
75	£3,730	Legal & General	£2,567	Aviva
	£3,621	Aviva	£2,559	Legal & General
	£3,591	JUST	£2,465	JUST

ENHANCED ANNUITIES (GROSS ANNUAL INCOME)

Age	Level		RPI-linked	
60	£2,581	Legal & General	£1,346	Legal & General
	£2,402	JUST	£1,341	Aviva
	£2,344	Aviva	£1,274	JUST
65	£2,945	Legal & General	£1,729	Legal & General
	£2,856	JUST	£1,721	Avival
	£2,759	Aviva	£1,694	JUST
70	£3,366	Legal & General	£2,129	Legal & General
	£3,173	JUST	£2,118	Aviva
	£3,163	Aviva	£2,029	JUST
75	£3,905	Legal & General	£2,669	JUST
	£3,830	JUST	£2,652	Legal & General
	£3,784	Scottish Widows	£2,609	Aviva

Annuity rates based on purchase price of £50,000. Single life, nil guarantee period, income payments monthly in arrears. Enhanced annuity rates based on Type 2 diabetes, one tablet a day, diagnosed for 10 years. Source: JLT Pension Decision.

Beware – Big Tech is watching you

Who wants a know-all around the house all the time? Apparently, we do. According to Argos, one in 10 households in the UK has a smart speaker – more than the number of UK households with a pet rabbit, which should give us all paws for thought (sorry).

In fact, Argos says that general smart-home product sales have gone up by 161% in the past year – and they should know. The Internet of Things (IoT or smart technology) has been creeping into our lives for years. At least that's the way it feels. Actually, it was just 2015 – barely four years ago – when the first Amazon Echo hit the market.

Smart products will only become more popular in the UK as the year moves on. We will soon be able to interact with the most surprising of items.

For a start, who hasn't at some point wished that they could interact more fully with their toilet? Well, now you can because US toilet maker Kohler has shoved an Alexa into its new loo. Yes, you can now install the Numi 2.0 intelligent toilet in your home. It promises a 'fully immersive experience' and includes interactive lighting (whatever that is), built-in speakers and voice control, all for a mere $7,000.

It's just typical, though, isn't it? All this technology and there's still the need for paperwork!

Before you rush out excitedly to buy one of these 'must-haves', pause for a moment and consider the fact that that smart toilet is doing more than simply obeying your commands. It can also record you. It could even play it back to you. Delightful.

Because that's what these IoT products do. They're like *News of the World* reporters sitting in the corner of your room, making detailed notes of your every spit and cough and reporting it to the Cloud. Even your little Roomba vacuum cleaning robot is mapping out your home.

These too-clever-by-half little sneaks come across as fun, handy and even money-saving but, long-term, they may cost us big time if we don't get wise now. Our so-called smart technology is too smart for us right now. There are suspicions that these devices are snooping on us day and night. And the biggest search engine on the planet knows where we are much of the time, what we're searching for and what we're saying to people in emails.

We're also giving away health data. Last year a stake in the ancestry and DNA company 23andMe was sold to GlaxoSmithKline for $300 million. Why? Because most of their customers who paid to find out if they had a bit of Eskimo in their background also let them keep all of their (incredibly valuable) health data.

Over eight years or so, the company amassed a treasure trove of data – entirely or free – which was valuable enough for a massive corporate name like Glaxo to scoop up. Did any of their former clients see any of that cash? You're having a laugh, aren't you?

Earlier this year Harvard Professor Shoshana Zuboff published a ground-breaking book called The Age of Surveillance Capitalism (and, at 704 pages, it is literally ground-breaking – you could use it to break up clods of soil in the garden). It's worth a read if you have the time (or just watch video interviews with her if you're too busy gardening).

Who hasn't wished they could interract with a toilet?

Professor Zuboff explains, in frightening detail, how much of our personal data Big Tech companies have already gathered for free, and in secret, and how it's already affecting what we buy and do and can seriously affect our ability to get various insurances, loans and jobs later on.

So what should you do with your smart technology? Stamp on it. Drown it in the bath. Melt down the nasty little chip and when that's done, stick the whole lot in the bin (providing you're sure there's none of your data on it). Don't wear a health monitor, and find out if your email provider is reading your messages.

Or, if you'd like to hang on to these gadgets, get in touch with the companies that make them and demand payment for your data – particularly your health information. A few grand a year should cover it, with a written undertaking that your health and life insurance will not be denied based on data harvested from your smart tech.

Obviously, they will say no, but it should wipe the smile off their faces, just for a moment. mw

Jasmine Birtles gives talks on investing and technology. Her latest speech is called 'The Future of Technology: What Could Possibly Go Wrong?'

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