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RIVIERA TRAVEL

WELCOME

AS WE WENT to press on this issue, inflation hit a two-year high. The rise to 1.6% means almost nine in 10 savings accounts now won't keep the value of your money intact. Plus our analysis on page 9 found that interest rates might not rise at all this year. So what on earth are savers to do?

The 'Beat the banks' theme for this issue couldn't be more timely. Our low-risk ideas on how to get better income from your savings include playing current account 'ping pong', a method of operating several high interest current accounts at one time, or using your savings to reduce your mortgage via an offset product.

Meanwhile, columnist Jeff Prestridge reveals that if he was relying on savings income, he'd turn to the higher-risk peer-to-peer lending market, where he's already had some success.

The search for higher returns will also lead many to consider investing in the stock market. If this is you, our ready-made easy portfolios aim to be a good starting point.

Please get in touch with any questions and let us know if you have a topic that you would like us to cover in a future issue.

Moira

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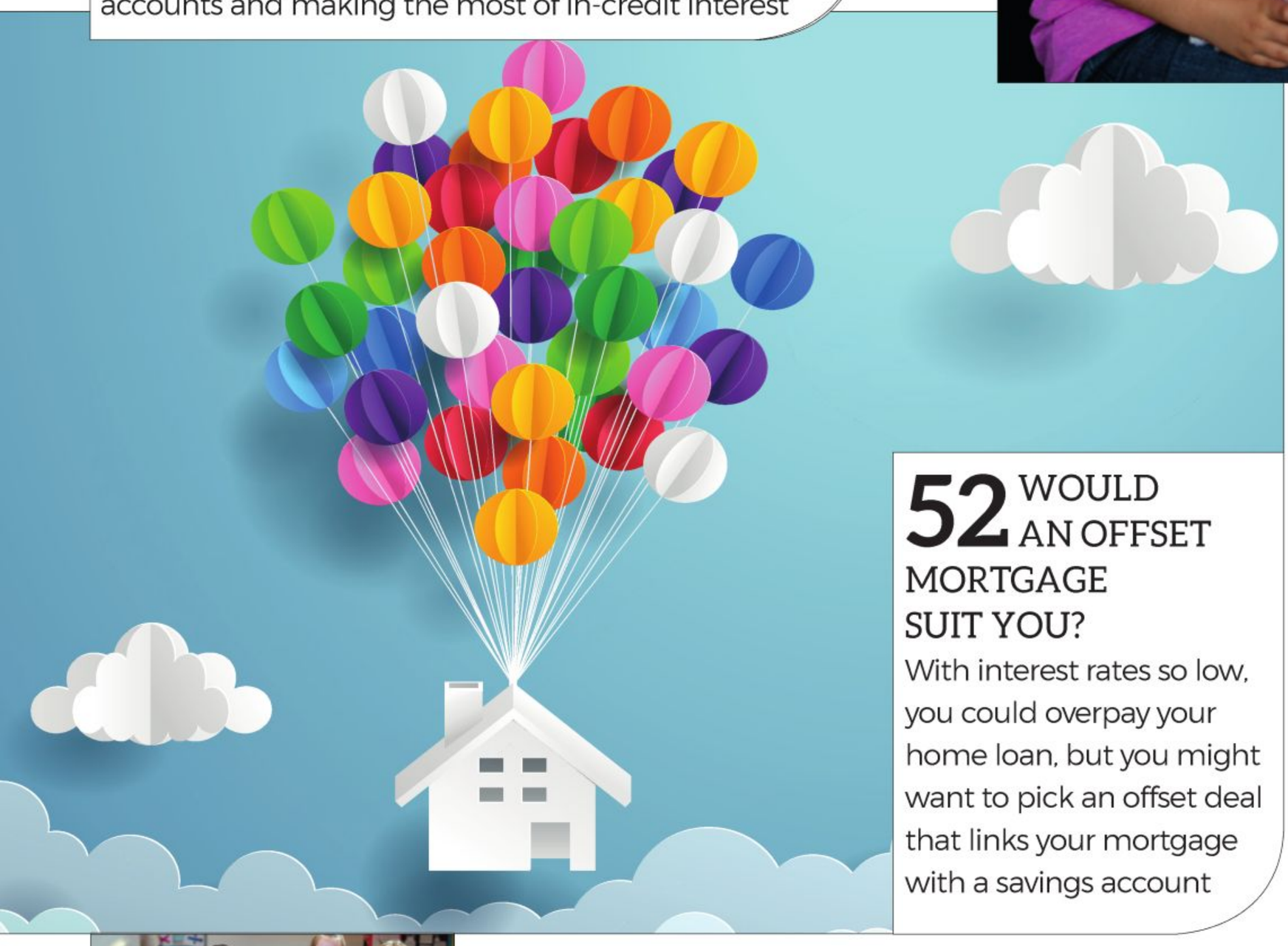

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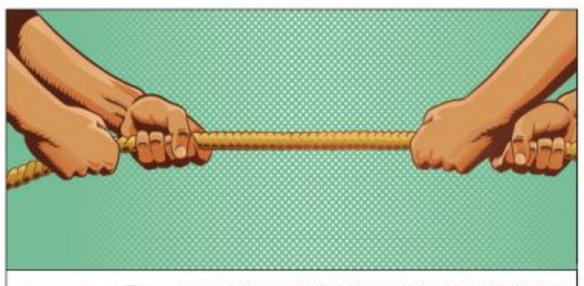

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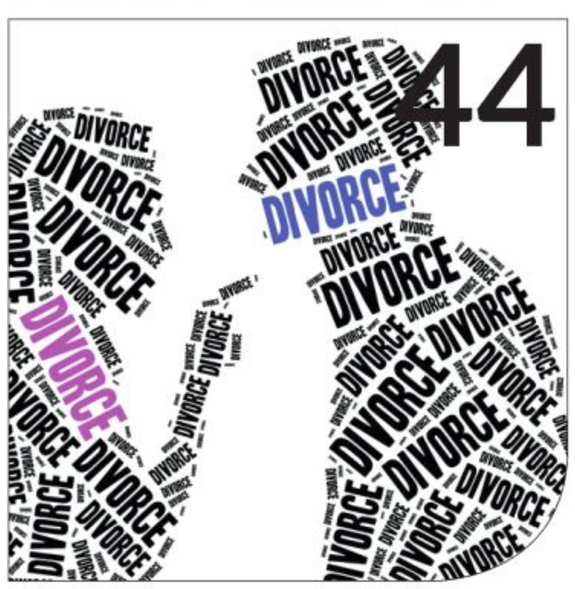

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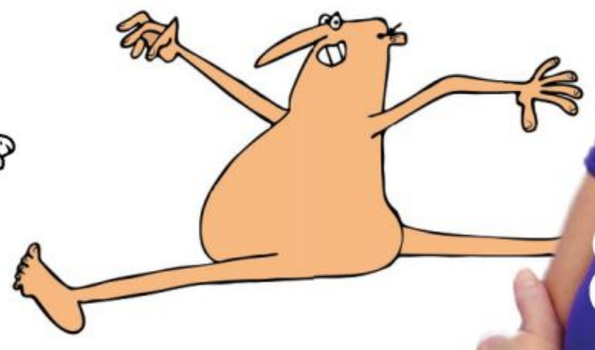
Jasmine Birtles



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When will UK interest rates rise?

BY **ADAM WILLIAMS**

The UK base rate remains at a historic low but analysts are already looking to the future, with some expecting interest rates to rise sooner rather than later.

After more than seven years at 0.5%, the Bank of England's (BoE's) Monetary Policy Committee (MPC) slashed the base rate to 0.25% in August 2016. The move was intended to calm the nerves of investors as the value of Sterling dropped following the Brexit vote.

Today, £1 is worth around $1.20 to $1.25 compared to between $1.40 and $1.45 in the months before the EU referendum. However, some now suggest it is the central bank's decision to cut the base rate, rather than the Leave vote itself, which has caused the pound's continued struggle.

"Sterling has weakened significantly since the Brexit vote and while fear of 'hard' Brexit is one explanation, Bank of England policy is another," says Gareth Lewis, chief investment officer at financial planning and investment manager Tilney.

"Cutting rates and reintroducing quantitative easing can be expected to weaken a currency significantly."

Rising inflation is one major issue that the BoE must contend with. At 1.6%, December 2016's inflation rate was the highest for more than two years. The Bank now anticipates inflation will rise rapidly and reach 2.7% this year. It does not expect it will return to its 2% target until 2020 at the earliest.

The BoE now expects inflation to hit 2.7% this year

Wait and see approach

The answer to rising inflation is typically to increase interest rates and encourage consumers to save rather than spend.

However, Kathleen Brooks, research director at City Index, says: "The overnight index swaps market, essentially an interest rate used by banks when they borrow from each other on a short-term basis, is still not pricing in for a rate hike until the end of 2018. It has even scaled back its expectations of a rate hike since mid-December when expectations were nearly 39.4% for interest rates to be 0.5% at the end of 2018; this is now 36.9%. This is probably down to growing fears of a hard Brexit with negative economic consequences for the UK."

The BoE appears to be adopting a wait and see approach, with MPC member Andy Haldane saying the base rate is just as likely to go down as up. mw

What do industry experts say?

Emiel van den Heiligenberg, head of asset allocation at Legal & General Investment Management, says: "Post-referendum, the UK economy has been helped by a buoyant labour market and low inflation. However, economic surveys suggest firms are cautious about hiring plans and downbeat about business investment intentions. Much will hinge on how the negotiations with the EU take shape, and whether transitional arrangements can avoid a 'cliff effect'.

"Despite the coming rise in inflation overshooting the 2% target, we don't think the Bank of England (BoE) will feel comfortable raising interest rates. The Bank will also want to keep its powder dry, so we don't expect any interest rate cuts in 2017."

Danny Cox, a chartered financial planner at investment firm Hargreaves Lansdown, says the value of Sterling may remain low until the markets can see a positive outlook for the British economy.

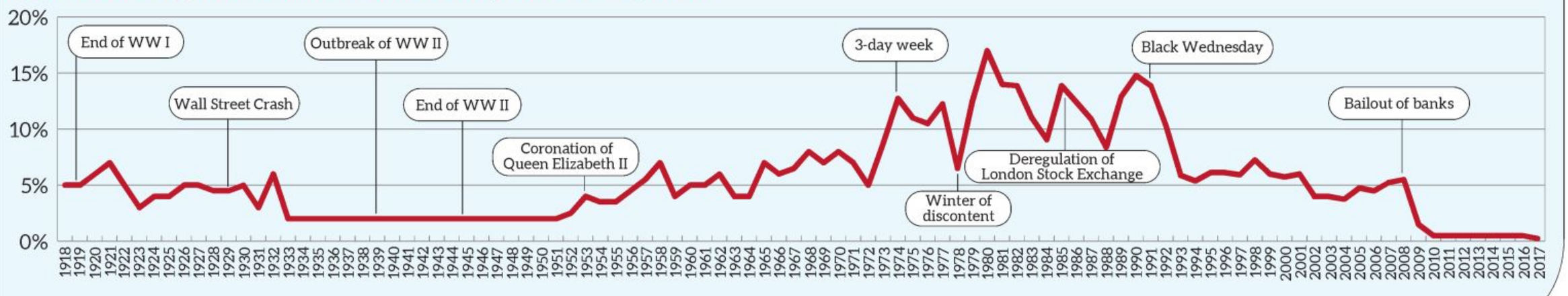
"The currency is perhaps the best bellwether of the market's view of the state of an economy and where it is expected to go in future," he says. "An expectation that there will be a slowdown in the economy would ultimately mean lower interest rates in the UK for longer."

Stockbroker The Share Centre says that if economic data continues to be strong, the BoE may feel the need to signal the change in direction of the interest rate cycle and nudge rates up 0.25% later this year.

Gareth Lewis, chief investment officer at Tilney, sees signs that the Bank is changing its outlook. "There has been a pick-up in UK bank lending suggesting the UK has a growing inflation problem requiring Bank of England action. Language has already changed to reflect the new reality," he says.

"Therefore we could expect quantitative easing to end and possibly a reversal of the August rate cut." He believes the bank will wait until at least the second quarter of the year before changing the base rate.

Bank of England base rate over past 100 years



Source: Bank of England

WARNING
SCAM WATCH

Beware fake Amazon emails

BY ADAM WILLAMS

Email fraudsters are trying to steal money from the bank accounts of unsuspecting consumers by pretending to be from online shopping site Amazon.

Action Fraud has issued a warning to consumers after receiving several reports of scam emails, purporting to be from Amazon – one victim says they lost £750 to this scam.

The convincing emails say they are from the online retailer and even look as if they have been sent from "service@amazon.co.uk" – a legitimate email address.

Messages say that a user has placed an order with Amazon and asks them to click a link if they don't want to authorise the transaction.

Victims have been told that orders for vintage chandeliers, stereo systems and luxury watches have been made in their name.

When the user clicks through to cancel the order, they are asked to enter their name, address, and card information. This is then used by fraudsters to steal money from their bank account.

If this happens, immediately contact the bank or building society where you hold the account. In the case above where £750 was fraudulently taken, the victim contacted Nationwide, which refunded the customer in full.

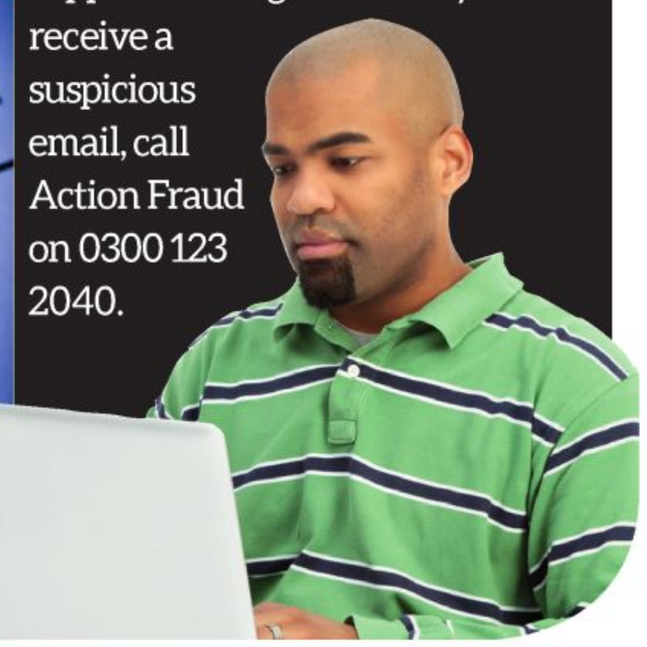
Charity Citizens Advice says consumers can claim back money that has been fraudulently taken from their bank account under the Payment Services regulations. However, victims must contact their bank as soon as the fraudulent payment is noticed.

Look for tell-tale scam signs

While these emails are realistic, Amazon says there are often a few tell-tale signs to watch out for:

- Emails contain links to websites that look like Amazon.co.uk, but aren't Amazon.co.uk
- Users are prompted to install software on their computer
- Messages contain spelling mistakes or grammatical errors.

Amazon says it will never ask for personal information to be supplied through email. If you receive a suspicious email, call Action Fraud on 0300 123 2040.



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Sky customers warned of future price hikes

BY RACHEL LACEY

Sky customers are being warned to expect an increase to their line rental charges in March this year.

Although Sky would not confirm details of any future price rises to *Moneywise*, small print in a newspaper advert spotted by This Is Money states that Sky's line rental prices will increase on 1 March 2017.

Sky says it's the company's policy to always inform customers first of any changes to its pricing.

A Sky spokesperson told us: "Whenever we review our pricing, we work hard to keep any rises to a minimum. Any time we do introduce changes, we contact the relevant customers in advance to let them know."

Rules set by telecoms regulator, Ofcom, stipulate that providers must give customers one month's notice of any mid-contract price changes. They must also allow affected customers to cancel their contract without penalty.

Broadband providers in the UK typically increase prices once a year. In 2016, Virgin Media increased the price of its broadband by £2.99 a month, while BT raised its standard broadband prices by £2. Sky last raised its line rental fees in December 2015, upping them by £1 a month. mw

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PAST PERFORMANCE

	Dec 11 – Dec 12	Dec 12 – Dec 13	Dec 13 – Dec 14	Dec 14 – Dec 15	Dec 15 – Dec 16
Fidelity China Special Situations PLC Net Asset Value	**13.3%**	**35.8%**	**32.5%**	**12.4%**	**17.5%**
Fidelity China Special Situations PLC Share Price	**16.0%**	**27.2%**	**27.4%**	**8.1%**	**20.2%**
MSCI China	**17.3%**	**1.7%**	**14.6%**	**-2.4%**	**20.3%**

Source of performance: Fidelity and Morningstar as at 31 December 2016 on a bid-to-bid basis with income reinvested. Copyright ©2017 Morningstar Inc. All Rights Reserved. The comparative index of the investment trust is MSCI China.

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

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Check if you're due a Winter Fuel Payment

BY ADAM WILLIAMS

With cold winter weather hitting much of the UK, a charity is urging people to check their eligibility for the Winter Fuel Payment scheme now.

Long periods of cold weather mean households often use more energy to heat their homes, which can cause heating bills to spike. But the government's Winter Fuel Payment scheme offers older people a one-off payment of between £100 and £300 – depending on your circumstances – to help with their energy bills. It is available to most people born on or before 5 May 1953 who are in receipt of the state pension or another social security benefit, and is typically paid automatically by 31 December – so you should have received your payment for 2016/17 by now.

Retirees could get a one-off payment of up to £300

However, people who have never claimed before should contact the Winter Fuel Payment Centre on 03459 151 515. If you are of a qualifying age and do not receive a social security benefit (or only receive housing benefit, council tax reduction or child benefit), you also need to make a claim, phoning the number listed above. Claims for this winter must be received by 31 March 2017.

Householders whose circumstances have changed since last year or those who have not received their 2016/17 payment (but have received it in previous years) need to contact the organisation that pays them their benefits.

Caroline Abrahams, charity director of Age UK, says: "Most people born before 6 May 1953 are entitled to the tax free Winter Fuel Payment in 2016-17 to help with heating costs.

"People who have previously claimed or who receive certain benefits should have automatically received their payment by 31 December, so it's important to make sure you check whether you've received your payment."

Is there any other government help to reduce energy bills?

Other government schemes to help with energy costs over winter include the Cold Weather Payment. This offers a £25 bonus to people on benefits when weather in their local area falls below zero for seven consecutive days.

The Warm Home Discount Scheme also offers people on low incomes or who receive the guarantee credit part of Pension Credit to get up to £140 off their electricity bills. Customers are advised to check their eligibility with their energy supplier.

STAT OF THE MONTH

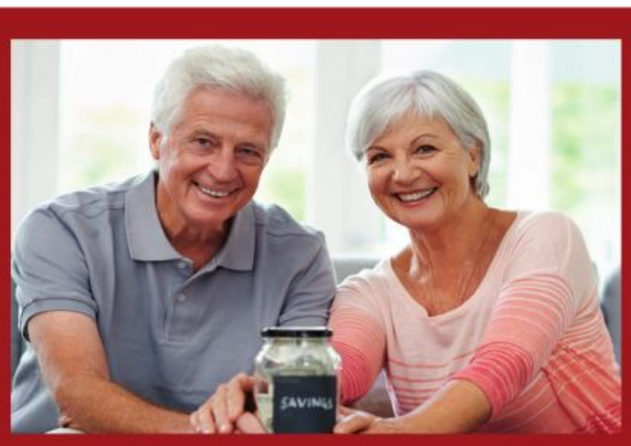
Retirees' income grows 13% since financial crisis, but income falls elsewhere

BY ADAM WILLIAMS

Retired households in the UK have seen their annual income grow by 13% since the financial crisis, while the rest of the UK has experienced a decline.

The Office for National Statistics (ONS) has released its latest report on disposable income and inequality. The report states that although the UK's average household disposable income (after tax is paid) has increased since the crash, this has been solely down to a rise in retirees' income.

Between 2007/08 and 2015/16,



disposable income for retired households grew by 13% to £21,800. But the rest of the country suffered a 1.2% drop, taking average yearly household disposable income to £28,500.

In the past year alone, retired households saw a 3.1% increase while non-retired household income was flat.

When it comes to tax, households paid an average of £7,800 in direct taxes over the last financial year – equivalent to 18.7% of their pre-tax income. The richest fifth typically paid £20,100 in direct taxes, the vast majority of which was income tax. The lowest fifth paid £1,600 last year with most cash being spent on council tax.

Claudia Wells, head of household income and expenditure analysis at the ONS, says: "Household incomes are above their pre-downturn peak overall, but not everyone is better off. While retired households' incomes have soared in recent years, non-retired households still have less money, on average, than before the crash."

EDITOR'S LETTER MOIRA O'NEILL

Help kids to learn the value of money

MONEYWISE IS LAUNCHING a campaign called 'Get Financial Education Working'. We believe that if personal finance education is to be transformative, improvements are needed. And the work has to take place at home as well as at school.

moneywise campaign

GET FINANCIAL EDUCATION WORKING

It was a great step forward when personal finance was put on the National Curriculum in September 2014. On that date, it became a statutory requirement for maintained schools in England to teach financial education in mathematics and Citizenship, making it part of the curriculum across the UK.

Organisations such as the Personal Finance Education Group (Pfeg) are working hard today to support teachers with money lessons and raise awareness of the subject in schools.

But our campaign is a call for *Moneywise* readers to take action too, and to spread the word about resources and best practice. Together we can make the next generation better equipped to deal with the everyday challenges of managing money.

As a parent of primary school age children, I expect to help with reading at home. But I also know that one short session a week with the teaching assistant (or if my child is lucky, the teacher) will not be enough to move them on from picture books to reading 'chapter' books independently at age seven. And I know that even if my children receive money lessons at school, they need to practise those lessons at home.

Sadly, financial education isn't working well enough yet. In November 2016, the Financial Services Compensation Scheme (FSCS) published research revealing that millions of young children have no experience with money.

The FSCS found that more than a quarter of children under 12 in the UK have no experience with money, as 27% of parents do not give their children pocket money or financial rewards for carrying out household chores. Only 50% of parents surveyed give regular pocket money to their child, although 65% offer financial incentives as a reward for helping around the home, and 43% do both.

Although 79% of parents agree that experience in dealing with money helps children to learn and appreciate its value, 54% of parents worry that their child would simply spend the money on chocolates and sweets, and 31% admit they tend to influence their child's purchases.

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

What can you do?

Is your child or grandchild's school providing financial education? It is not currently mandatory for academies to teach financial education despite the subject being on the national curriculum. So if your child attends an academy, find out if this vital part of education is missing.

We need to be scrutinising how money lessons are taught. And not just for the content. Do our children and grandchildren find the lessons fun and engaging? We need to be writing to head teachers asking what will be taught – and how, and when. The subject also needs to be made more accessible and appealing to young people through the use of technology, games and even apps.

Ask your child if they have learnt anything about money at school. And listen to what they have to say.

Talk about your own experiences with money. Email editor@moneywise.co.uk. We are compiling a list of important money lessons that you can teach a child and would welcome your input.

Think about volunteering. If you work in financial services, ask your company put together a programme of volunteers to go into schools to run workshops on managing money?

Nominate a teacher that you know is making money lessons fun for the *Moneywise* Personal Finance Teacher of the Year awards 2017. For full details, turn to page 14.

Why does financial education matter?

Martin Upton, director of the True Potential Centre for the Public Understanding of Finance, says: "The issue is that, with many financial services products being essential, too many adults have insufficient understanding about things such as debt, assets and risk to make appropriate financial decisions with confidence and also don't know where or when to seek reliable advice.

"Citizens Advice Bureaux (CAB) statistics disclose that about eight million people have problem debt and that 40% of adults have less than £300 in savings. Their concern is exacerbated by the fact that an ever increasing number of adults have never experienced an interest rate rise – the Bank of England bank rate has been at 0.5% for over seven years – and, when rates do rise, many may experience severe financial shock. According to CAB, the impact of debt can lead to both mental and physical health problems as well as stress on relationships. It's essential to have better financial education."

UPFRONT Financial education

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

BY MOIRA O'NEILL

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

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

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

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

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

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

OLDMUTUAL WEALTH

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

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

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

• **Moira O'Neill**
Moneywise editor

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

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

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

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

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

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Best Peer to Peer Lending Platform

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Best New Peer to Peer Provider

First-time buyers to get 20% discount on new 'Starter Homes'

BY HANNAH NEMETH

New homes will be offered at a discount of at least 20% to first-time buyers, Housing Minister Gavin Barwell has confirmed.

The 'Starter Homes' to be built on brownfield sites nationwide – but not in London – will be available to first-time buyers aged between 23 and 40.

Some 30 local authority partnerships, which form part of the £1.2 billion Starter Home Land Fund set up in April 2016, have already got the go-ahead to launch these schemes.

To date, 71 sites have been identified and have had investment, including land in Plymouth, Stockport, Bristol, Swindon and the Isle of Wight, with construction set to start later this year.

Each local authority partnership will work together with the Homes and Communities Agency to identify additional brownfield land that could potentially be used for Starter Homes.

It is also appealing for local councils interested in using their land to deliver homes quickly through its £1.7 billion accelerated construction programme to come forward. The government says this will see up to 15,000 homes started on surplus public sector land in this Parliament.

You won't, however, be able to use Starter Homes for buy-to-let purposes.

Mr Barwell says: "This first wave of partnerships shows the strong local interest to build thousands of Starter Homes on hundreds of brownfield sites in the coming years. One in three councils has expressed an interest"

Mark Hayward, managing director, National Association of Estate Agents, says: "The dream of homeownership is too far out of reach for thousands of aspiring first-time buyers, and the building of new homes on disused brownfield sites, as well as a 20% discount for buyers aged 23 to 40, will go some way to bridging this gap.

"But, as always, we need to see these plans put into swift action."

Help to Buy mortgage guarantee ends

BY GARY ADAMS

The Help to Buy mortgage guarantee scheme ended on 31 December 2016. Although it received a mixed reception overall, it's estimated to have helped around 100,000 people since its inception.

Originally announced in the March 2013 Budget, the scheme allowed people with smaller deposits (5% of the value) to make a house purchase, as the government would guarantee repayment of the loan to the lender for up to a further 15%. However, because so many banks and building societies now offer high loan-to-value mortgages, which have a similar structure, it was decided to scrap this scheme.

The Help to Buy equity loan scheme, however, which allows you to borrow up to 20% (or 40% in London) of a property's value from the government, is still running.

Shelter, the housing and homelessness charity, says that the Help to Buy schemes have added £8,250 to the average house prices since 2013. It states: "The fundamental problem with Help to Buy is that it tries to solve the problem of unaffordable house prices by making it easier for potential buyers to access a mortgage. As the amount of mortgages issued are a key driver of house prices, the schemes push up prices further." mw

'NIMBYs will fight new garden village plans'

BY HANNAH NEMETH

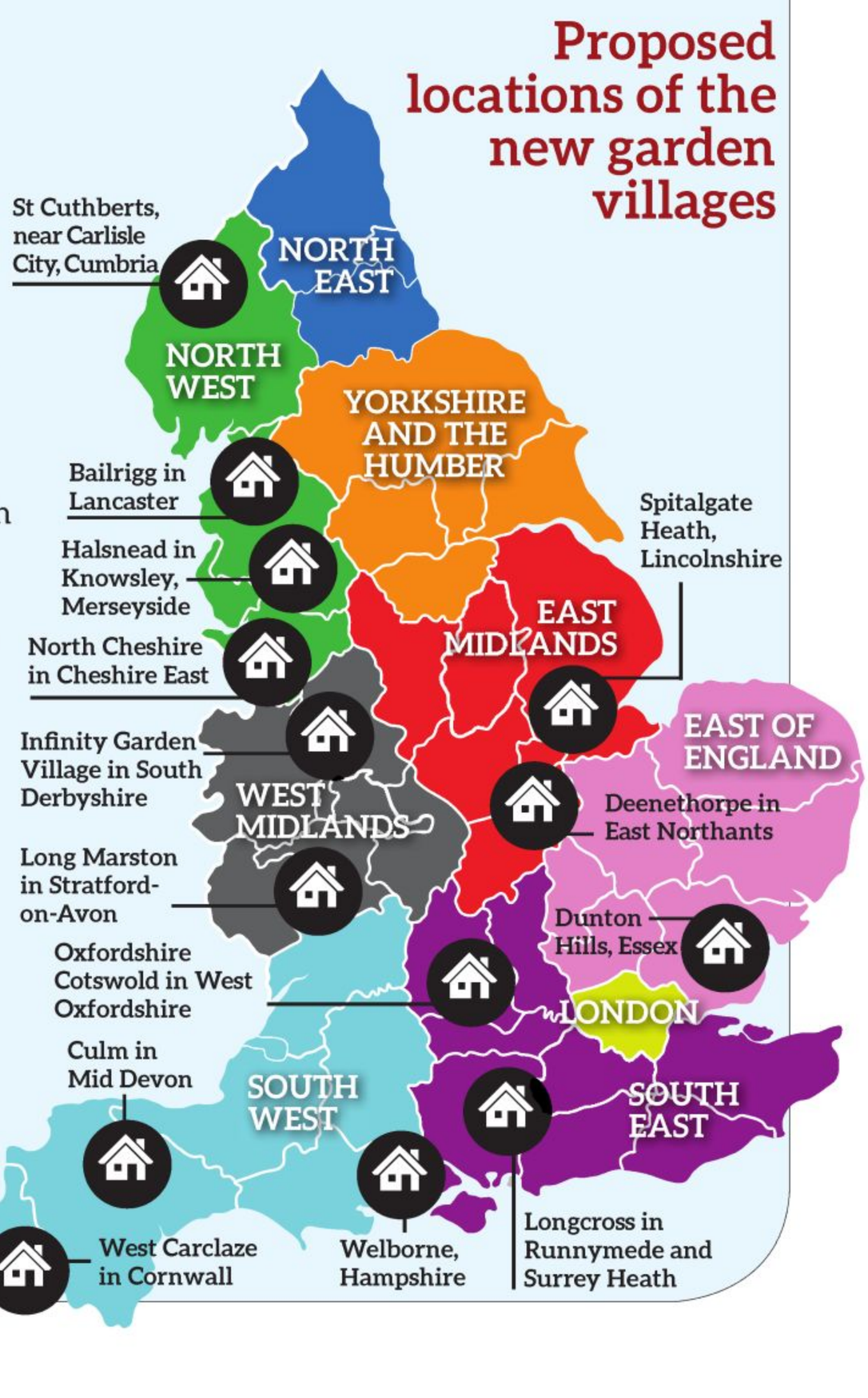
The government has backed a scheme that will see 14 new garden villages built across England, but not everyone will welcome these new homes in their back yard.

The new garden villages will accommodate between 1,500 and 10,000 homes and can be found as far afield as West Carclaze in Cornwall and St Cuthberts in Cumbria.

Plans to provide three new garden towns of more than 10,000 homes each in Aylesbury, Taunton and Harlow & Gilston have got the green light too.

While Russell Quirk, chief executive of online agent eMoov, welcomes the announcement, he is concerned that many homes won't actually get built.

"The problem is that many of these schemes will fail at the local planning stage, as not everyone will be so accommodating – primarily those who live nearby, or NIMBYs (Not In My Back Yard)," he says. "What we will no doubt now see are objections on the grounds of over-development, unsustainable traffic, not enough doctors or dentists, noise and air pollution and the blighting of our green and pleasant land."



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2016's five worst roads

BY **RACHEL LACEY**

Using freedom of informationrequests, Car Parts 4 Less, accessed council data to find out which roads drivers in England complained about most.

The top five most complained about are as follows:

- **Cottage Lane in Lancashire** (271 complaints)
- **Liverpool Road (A57) in Salford** (162 complaints)
- **Chester Road in Cheshire** (162 complaints)
- **Topsham Road in Exeter** (Devon council) (136 complaints)
- **Bingley Relief Road (A650) in Bradford** (115 complaints).

Each year, potholes cost drivers in the UK close to £684 million in car repairs with one claim

made every 17 minutes, according to the AA.

Car Parts 4 Less says that British roads are in fact so bumpy that Japanese car maker Honda had to build a four-mile testing track that mimicked Britain's pot-hole ridden roads to ensure its cars could handle the terrain.

Holidaymakers hit as cruise firm ceases trading

BY **ADAM WILLIAMS**

Thousands of holidaymakers have had their trips cancelled, as the company behind cruise providers Voyages of Discovery and Swan Hellenic has ceased trading with immediate effect.

All Leisure Holidays has cancelled all future holiday bookings in a move that affects 7,000 bookings.

However, there is some protection for travellers as the firm was part of the ATOL (Air Travel Organisers' Licensing) scheme, which means they will receive a full refund. Claims can be made by completing a form on the ATOL website and are typically paid within eight weeks.

The Civil Aviation Authority (CAA) has stepped in to ensure all 400 Leisure Holidays customers overseas at the time will be able to return to the UK at no extra cost.

Most will be able to use their scheduled ticket as normal, but should check with their airline that they are able to travel. Travellers can also fill in the claims form on the ATOL website when they return home if they have incurred additional costs. mw

Freddo bar price rise imminent

BY **GARY ADAMS**

Chocolate fans are set for a disappointment if reports about a 20% price rise in Cadbury's Freddo bars are to believed.

According to *The Guardian*, the tiny chocolate treat, currently priced at 25p (from 10p in the '90s), will be rising to 30p this spring.

Mondelez, the company that has owned Cadbury since 2010, says: "It is well reported that food and drink manufacturers have been experiencing increasing input costs for some time which, coupled with recent foreign exchange pressures, are making food products more expensive to make. For example, the price of cocoa, which we import into the UK, is up by over 50% since 2013."

Scooby-Doo stars in Halifax TV advert

BY **ADAM WILLIAMS**

Scooby-Doo... where are you? It turns out our favourite crime-fighting canine has taken a trip to the bank as Halifax unveils its latest advertising campaign.

Scooby, Shaggy and the rest of the gang from the Mystery Machine appear in the bank's latest advert, which has begun to be broadcast.

In the advert, Scooby hides from an evil mummy by taking shelter in a nearby branch. Our hero then finds out about the bank's range of current account rewards before the gang enjoy pizza and unmask the villainous mummy.

The advert takes place in Halifax's London Hanover branch and real Halifax staff feature as extras.

Scooby-Doo follows in the footsteps of Top Cat and the Flintstones by starring in a Halifax television advert. The bank's Top Cat campaign was ranked as one of the most memorable bank adverts of 2016 by industry expert AdWatch.

Russell Galley, managing director at Halifax, says: "Scooby-Doo is the third iconic character to feature in our re-energised advertising campaign, dialling up our desire to stand apart from other banks and be on the side of our customers."

Halifax rate cut

However, it's not all fun and games as customers with a Halifax or Bank of Scotland Reward Current Account will see their monthly reward lowered.

From 1 February, the reward will be reduced from £5 to £3. The same change also applies to the fee-charging Ultimate Reward Current Account.

The move comes amid a slew of current account providers scaling back their rewards.

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mtv

Henderson GLOBAL INVESTORS

EXCLUSIVE VIDEO

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

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

The video covers:

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

WWW.MONEYWISE.CO.UK/TV

TOP CAUSES OF PASS-ers (Professional and still sharing Generation) FLATMATE FALLOUTS

Source: Paym, December 2016

CITY SURVIVORS

HELPING YOUNG PROFESSIONALS TO LIVE WELL ON LESS

(Unbelievably,) millennial women still face a lifetime gender pay gap

BY HELEN KNAPMAN

Women's rights have progressed massively since 1928, when we were finally allowed to vote in parliamentary elections, and since 1970, when the Equal Pay Act was introduced to prevent direct and indirect discrimination in the workplace.

In 2017, there are now many high profile women flying the flag by leading in their respective industries.

There are even campaigns, such as the Chartered Insurance Institute's (CII) 'Insuring Women's Futures' campaign, that are specifically targeted at initiatives including increasing the number of women in the workplace.

But why then are millennial women STILL not being paid the same amount as men?

Looking at women's early careers, recent analysis by think tank the Resolution Foundation found that baby boomers (those born between 1946 and 1965) experienced a pay gap of 16% during their 20s. In contrast, women in generation X (born between 1966 and 1980) experienced a pay gap of 9% in their 20s and for millennials in our 20s (those born between 1981 and 2000) the pay gap has fallen to 5%.

It's an improvement, but still a gap – and that gap is expected to widen as we hit our 30s. The think tank's research, which was published in January, suggests that even now in 2017 – when the running of our country is in the hands of a woman (and I know we didn't technically vote Theresa May in, but I'm still counting it as progress) – millennial women are looking at a future where they'll earn "significantly less" than their male counterparts over their careers.

According to the Resolution Foundation's findings, among baby boomers the gender pay gap rose from 21% at the age of 30 to 34% by the age of 40, after which it started to fall. For generation X, the pay gap increased from 10% at 30 to 25% by the age of 40. Meanwhile, the gender pay gap for millennials rises steeply to 9% when they hit 30.

The research suggests that the old challenges associated with having children still endure for young women today.

This data is backed up by analysis carried out by the European Commission in 2015. It found that women earn more than 16% less than men per hour in the European Union and that the older you are, the bigger this pay gap gets.

Laura Gardiner, senior policy analyst at the Resolution Foundation, rightly highlights the destructive nature this may have. She says: "Small hourly pay gaps quickly grow into large lifetime pay penalties that can leave women hundreds of thousands of pounds worse off over the course of their careers."

She adds: "As people continue to live and work for longer, it's important that businesses, policy makers and civic society continue to focus on closing the gender pay gap at all ages, and for every generation."

In the meantime, we'll just have to continue fighting for change. If you discover a male counterpart – or female counterpart for that matter, I appreciate sexism doesn't just come under one guise – is earning more than you, do something about it.

I know we Brits can find it hard to talk about money, but if you feel you're performing to the same or to a higher level than your colleague in the same role, speak to your boss about it.

Of course, in general whenever you're negotiating a pay rise, look at salary surveys, job adverts or speak to recruiters to find out what people in similar roles are earning. And gather evidence to support your case – have you been taking on additional projects or learnt a new skill in training that you can put to use?

You may not succeed, but there's certainly no harm in trying. Let's just hope it's not another 100 years before we finally achieve equal pay at all ages and stages of our careers. mw

HOT DEAL

Every week on our website Moneywise's product researcher Adam Williams picks out his favourite deal. For the magazine, he picks a new flat rate loan for over 50s from Saga Money.

Saga launches flat rate loan for over 50s

BY ADAM WILLIAMS

Over 50s who struggle to meet the criteria of high street lenders can now take out a flat rate loan with Saga Money.

What's the deal exactly?

Saga is offering loans of between £1,000 and £25,000 for a flat rate of 7.9% APR to all successful applicants.

It says consumers are unfairly lured in by low advertised rates that turn out to be very different in reality. It adds that loans are advertised at an average rate of 3.23% APR, but consumers are eventually being offered an average of 8.06% APR.

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

Why should I care?

Around one in six over 50s have been turned down for a loan, often because of their age, according to Saga. Those who have income from sources other than a full-time job can also struggle to meet affordability criteria.

What's the catch?

Applicants must be aged between 50 and 75 and own a home in England, Scotland or Wales. They must have a single or combined income of at least £12,000, but this can include pensions and income from savings and investments.

What other options do I have?

Personal loans are available from all major banks and building societies. Credit unions are another option for those struggling to get a loan from mainstream lenders.

Where can I find out more?

Full details and application forms are available on the Saga Money website (www.saga.co.uk/money) or by calling 0800 121 4240.

Neil Woodford: why my performance in 2016 was disappointing

BY DAVID BRENCHLEY

The commodity rally in 2016 was a key factor behind "a disappointing year from a performance point of view" for the CF Woodford Equity Income fund, manager Neil Woodford admits.

The fund is a member of *Moneywise*'s First 50 Funds, chosen as an active fund to add value.

However, CF Woodford Equity Income returned a mere 3.2% over the course of 2016, compared to an 8.8% gain for the Investment Association's UK equity income sector average. Worse still, the fund was a fair distance behind the FTSE All Share index, which returned 16.8% in 2016.

One reason for this was the lack of oil and gas or mining companies in Mr Woodford's portfolio. Commodity stocks enjoyed a strong 2016, thanks to a rebound in the oil price. This heavily influenced the performance of the FTSE All Share.

Some of Mr Woodford's stock bets also turned sour. The portfolio has a combined 3.5% invested in Capita and Next, two of the FTSE 100's three worst-performing shares in 2016. The pair saw their share prices decline by 60.5% and 33.2%, respectively.

The healthcare sector, in which Mr Woodford has more than a third of his portfolio invested, also struggled last year

But the star fund manager says that while the share prices of the companies he is invested in "did not perform terribly well", he is sticking to his guns.

He says: "The businesses we're investing in are continuing to deliver the things that we wanted them to deliver. Share prices will always catch up with reality at some stage."

On healthcare, he adds: "We see a lot of value being stored up in the sector and there are some promising drugs coming through from the pipelines of both small biotech and large pharma companies.

"Going forward, as a result of the market's failure to acknowledge this progress over the past 18 months, it is plausible that value starts to be recognised in the form of more M&A activity in 2017."

Follow Moneywise on Twitter

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

Here's a selection of recent tweets:

13 Jan 17: Get 40% off food @ASKItalian, 33% off mains @HarvesterUK and many more deals in this week's cheap eats. **bit.ly/2b8QjuH**

13 Jan 17: Starting the New Year being chased by creditors? Read our guide to climbing out of debt in 2017. **bit.ly/2ikutWG**

12 Jan 17: Looking to do up your home, buy a car or consolidate debts? Take a look at this week's top personal loans. **bit.ly/1VRbdQn**

12 Jan 17: Listen back to @HelenKnapman and @GCU hello on @ShareRadioUK discussing financial resolutions, rent hikes, gov. bonds & more. **bit.ly/2huMr9e**

11 Jan 17: Reach your savings goal in 2017 by opening up one of today's best buy savings accounts. **bit.ly/2hVql4d**

10 Jan 17: Get 30% off @TheBodyShopUK, 20% off @MountainWHouse and more in this week's top @vouchercodesuk deals. **bit.ly/2bbEU1j**

YOUR SHOUT

THIS MONTH'S STAR LETTER

'I received a £200 Winter Fuel Payment'

I receive and read your emails regularly and I came across a message about the Winter Fuel Payment allowance. Your article said that anyone born before May 1953, who is claiming a state pension may be entitled to Winter Fuel Payments.

My husband, who is about to retire in April, aged 66, came home from work today. I handed him the telephone number that was given, as well as giving him a pen and he called the helpline. Imagine our surprise when he was told that he would receive a £200 Winter Fuel Payment in March and another payment in September! Wow!

We have worked for more than 35 years and have never claimed any benefits, so we are really ecstatic about this result! Thank you to Moira and the team for allowing us, and many others, the opportunity to apply.

MP/ VIA EMAIL

Moneywise says: To check if you are eligible for Winter Fuel Payments, read our article on page 12. But act fast, as you need to apply for this winter's payment by 31 March 2017.

To ensure you stay up to date with all the latest news, subscribe to our free newsletters at www.moneywise.co.uk/newsletter

"We are ecstatic about our Winter Fuel Payment"

Energy tool clarification

Moneywise says: One way to cut your energy bill is to check if you can save by switching. Use our free tool at: www.moneywise.co.uk/compare-energy-prices-comparison to do so. One reader has flagged that he saw a minus saving when he input his data: "Congratulations! You can save -£33 by switching", and he queried if this was correct. Energyhelpline, the company that runs the tool, told us that savings are listed whether they are positive or negative – and that as the cheapest deals have gone up by about £150 over the last year, a negative result is showing up more and more as people are on the best deal possible and can't save any more by switching. It is, however, looking to change the wording as the 'Congratulations' may be confusing.

'I aim to follow Warren Buffett's advice'

In 2017, I aim to follow the advice of Warren Buffett and start compounding the interest income that comes from some of my investments.

JC/ VIA EMAIL

Blog of the month: It's never too early start saving for Christmas

BY ADAM WILLIAMS

It seems crazy to be thinking about Christmas so far ahead of the event, but it is definitely smart to plan ahead for what is undoubtedly the most expensive part of the year.

Consumers spent almost £11 billion on their credit cards to fund the cost of Christmas 2016 and carry an average debt of £636, according to research by price comparison and switching site uSwitch.com.

You may not have noticed it yet but supermarkets are already looking towards Christmas 2017. This year's saver club cards are quietly starting to launch, giving shoppers the chance to save up for that pricey period.

But are saver clubs the best way to do it?

Let's look at one of the biggest schemes. Asda offers tiered bonuses for savers; £1 if you save more than £49, £3 if you save more than £97 and £6 if you save £144.

Each card holds up to £150, so by saving the maximum amount you'll be getting a bonus equivalent to 4.2% interest – beating the returns offered by most bank accounts. Plus there's no limit to the number of cards you can hold.

But there is a crafty way to make your Christmas cash go even further. The Asda bonus is paid based on the balance on your card in November, rather than throughout the year. This means a savvy shopper could feed their cash into a high interest account throughout the year and then move this balance over to the savings card in November, just in time to get the bonus.

The same principle applies saver clubs operated by the Co-op, Iceland, Morrisons and Tesco. All of these brands allow shoppers to save throughout the year and award bonuses in November or December.

With this method, you're also able to access your money during the year, which is useful in case of any emergencies or unexpected costs arising.

This also means you're not locked into one retailer if you change your regular supermarket between now and December.

Some items cannot be bought using your savings club card money. This varies between retailers, but

WRITE TO US

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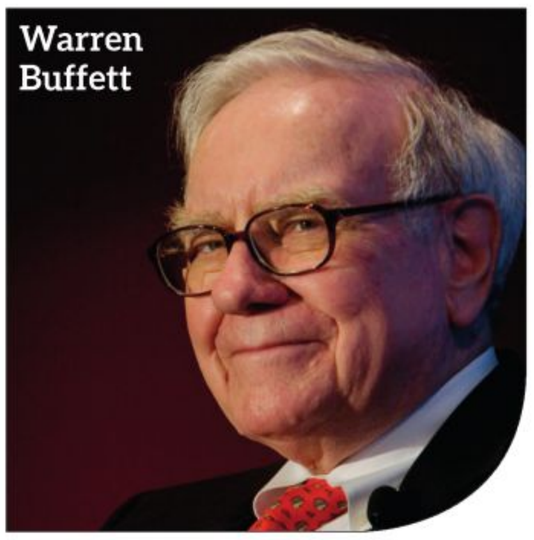
Moneywise says:
Both savers and investors can enjoy the benefits of compound interest – where you re-invest any interest earned – but because investors will typically enjoy higher returns in the first place, the effects will be magnified with equity investments. For example, in year one, an investment paying 5% will pay £50 on a £1,000 deposit, but in year two it will pay £52 because that 5% is being applied to a new bigger balance of £1,050. If your investment continues to grow, as each year passes the compounding effect becomes greater.



"I aim to follow Warren Buffett's advice"

'Pleased with my investment portfolio'

I had no sooner finished my end of year Isa review when the January 2017 edition of *Moneywise* arrived on my doormat. It cheered me up no end. My 11 unit trusts had averaged a rise of 10.6% on the year. Your 'Investment outlook for 2017' piece told me that the FTSE 100 had risen by 11%, so I must have been doing something right.

My Mid Cap 250 fund had lost me 5%. Your 'Asset Class' performance table told me that this sector had not done well, so I can forgive it a 5% loss.

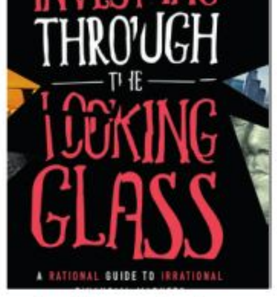
Meanwhile, seven years ago, I decided to invest in AXA Framlington Health – my theory was that I'd try and make some money in case I needed to spend on my health in the future. Three years ago, it had risen so much I split my investment and put half in the AXA Framlington Biotech fund. In May 2016, the funds had made me enough money to pay for an operation and save me a one-year wait on a Welsh NHS list. The Biotech fund has, however, lost 5% this year, so my dilemma now is do I move it or accept it's a risky fund and wait it out? I know that, with the help of *Moneywise*, I'll soon work out what to do for the best. Thank you, *Moneywise*, for all your knowledge and advice over the years.

MJ/VIA EMAIL

20-second book review

Investing Through the Looking Glass

By Tim Price
Harriman House, paperback, 19.99 (RRP), and e-book, £14.99 (RRP).



In *Investing Through the Looking Glass*, portfolio manager and investment columnist Tim Price aims to identify and shatter a number of investment myths. He questions whether stock markets inevitably rise over the longer term, whether bonds are still a fail-safe, low-risk asset, whether professional fund managers represent smart money, and much more besides.

But this is not just a counsel of despair. Having identified what he believes to be the problems besetting today's investor, the focus then moves on to practical guidance to help investors preserve and grow their capital.

Tim Price provides ideas on how to find attractive investments in distorted equity markets and how best to protect portfolios in an environment of heightened risk.

To win one of 10 copies, log on to www.moneywise.co.uk/competitions and enter your name and address by 28 February 2017.

typically includes petrol, lottery tickets, and in-store concessions.

And while it seems unlikely that a major supermarket will go bust this year, there is no protection for saver scheme members if the worst happens. Remember it is little over a decade since the collapse of Christmas hamper firm Farepak's savings scheme, which left more than 120,000 customers out of pocket.

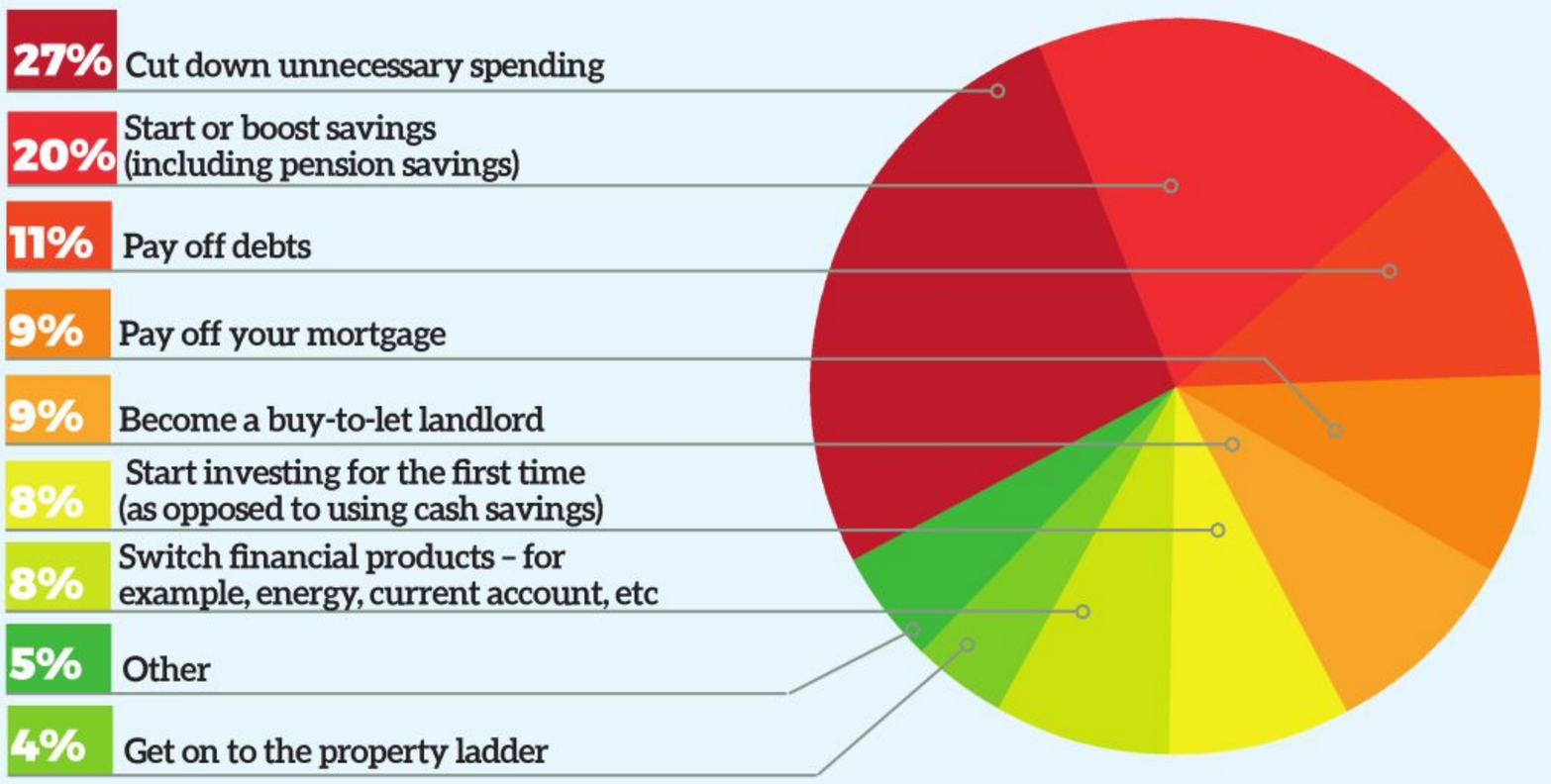
In contrast, cash in the bank is covered by the Financial Services Compensation Scheme up to £75,000. The Co-op does protect customers' cash by passing it over to an independent trustee, but this is not standard across the industry.

But keeping your money in a bank account does have a downside, as it is easy to dip into your savings when holidays and birthdays come round. A saver card removes that temptation.

www.moneywise.co.uk/blog mw

WEB POLL:

What's your main financial resolution for 2017?



Based on 696 votes on Moneywise.co.uk between 3 January and 10 January 2017 (Doesn't add to 100% due to rounding).

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Moneywise fights

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

Why did Vodafone allow my sister to rack up a £4,000 bill?

I am writing up this case as a warning to other readers who pay mobile phone bills on behalf of family members.

Fight for your Rights has had an email from a reader, SJ, who says she is "currently at war" with Vodafone over a £4,000 debt. A couple of years ago, she signed a contract with the company on behalf of her sister, who promised she could pay the bills.

A few months later, she received a letter from Vodafone to say that her sister had allowed the bill to mount up to £700. She called Vodafone and asked for the debt to be put into a payment plan and it agreed to notify her of any problems in the future.

A few weeks later, she was told that her sister had missed another payment, so she asked Vodafone to restrict the account until the now outstanding £1,000 had been paid.

However, while the line was restricted, her sister rang up and set up another payment plan.

It was only when SJ was rejected for a personal loan that she found out that her credit report showed she now owed Vodafone £4,000. She believes this could have been avoided if Vodafone had taken her wishes as the account holder seriously.

When I spoke to Vodafone, it verified that SJ would have to pay for her sister's bill.

A spokesperson said: "We're sorry SJ is unhappy with the status of her account, but as she is the legal account holder she remains responsible for all charges on the account.

"By adding her sister to the account, she gave her the authority to make changes, including the removal of restrictions, without the legal responsibility for the charges.

"When we barred the phone, SJ's sister asked for the restriction to be lifted. At this point, a text would have been sent to SJ – as the account holder – to advise that this had been done.

"Neither SJ nor her sister have made any payments since December 2015.

"As there is an outstanding balance on the account and we are obliged to report a true picture of payment history to credit reference agencies, we would not be able to alter this. However, we are prepared to offer a goodwill reduction of £700 to help reduce any monthly payments of the outstanding balance."

"My sister set up a new payment plan behind my back"

It seems a bit unfair that Vodafone allowed SJ's sister to set up a new payment plan or at least didn't do more to make sure, other than by text, that SJ was aware of the plan.

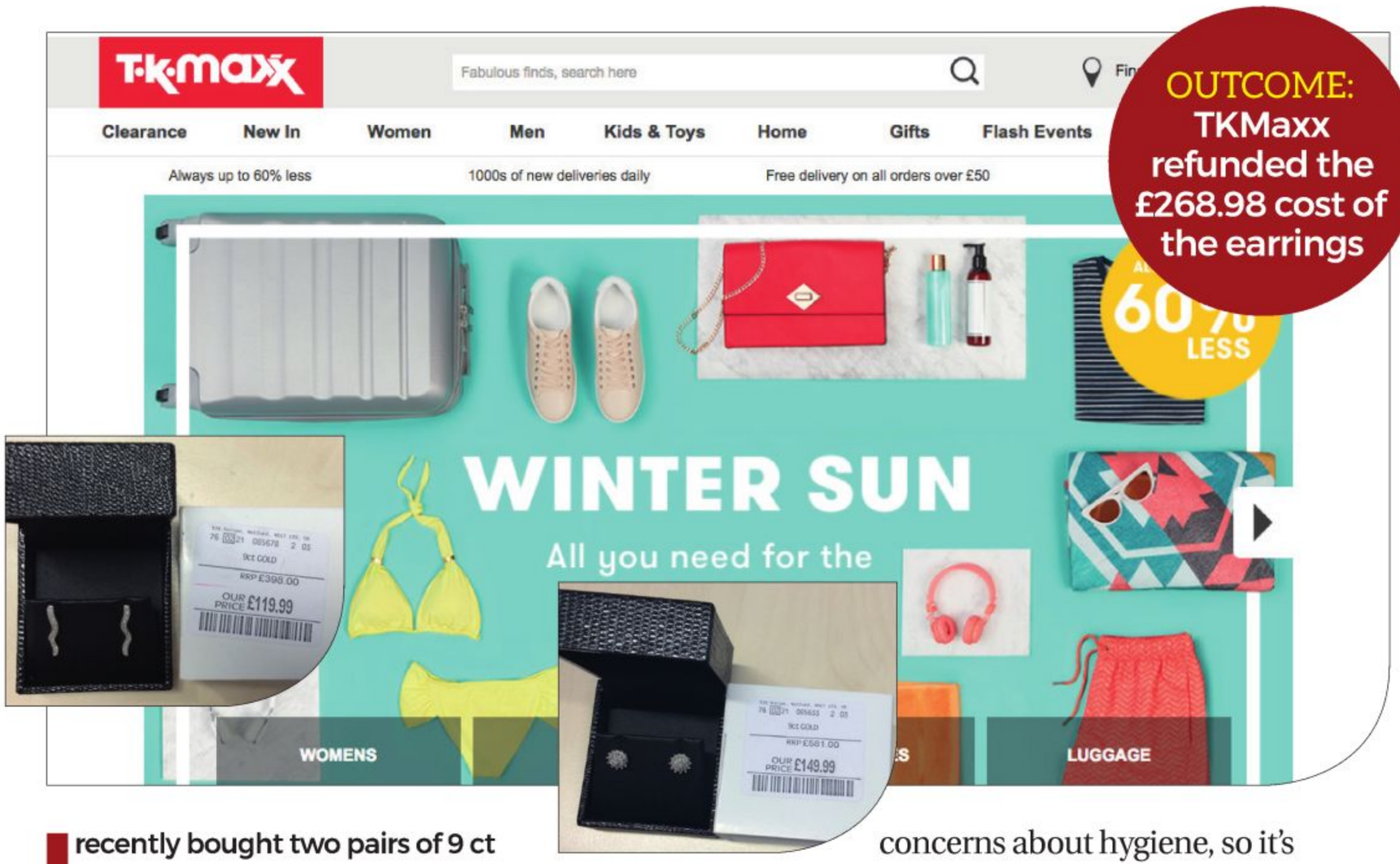
Account holders should be allowed to put a cap on the amount that dependants can spend, but Vodafone says it doesn't offer a spending cap on this type of account. It says that the price plan covers the monthly rental and any inclusive minutes or data, but customers are free to exceed this.

At the time of writing, SJ has not accepted Vodafone's offer. She says: "I shouldn't have trusted my sister, but I just don't see how Vodafone can charge me as the account holder when I wasn't allowed to make my own decisions on what happened with my account."

for your rights WITH HANNAH NEMETH

There was no sparkle in my diamonds from TKMaxx

OUTCOME: TKMaxx refunded the £268.98 cost of the earrings



I recently bought two pairs of 9 ct gold and diamond earrings from TKMaxx UK online. However, neither of the earrings look like what was shown online. The first pair was nice and shiny on the website, but is dull and grey in reality. The other supposedly was to be 0.3 ct total weight. To me, it seems like diamond dust – It is small and flimsy. These earrings cost £149.99 and £119.99 respectively.

The items are in their original packing and have not been used. Frankly, they don't look like diamonds and if they are diamonds, the quality is certainly not as originally described because there is absolutely no shine at all.

I would really like to have a refund, but when I went to the store it told me that refunds are not given for pierced earrings for reasons of hygiene and that this was indicated in its refund policy.

I would really like my money back. Can you help ?

SN/London

> "They don't look like diamonds as there is no shine at all"

It is quite common for online retailers to exclude pierced jewellery from their returns policy due to concerns about hygiene, so it's something to think twice about – especially if you are buying a gift.

On TKMaxx's website, it says: "If you change your mind, no problem – you can return any purchase except pierced jewellery or gift cards for a refund within 28 days of the despatch note provided it is in fully re-saleable condition."

However, under the Consumer Rights Act 2015, goods must match any description given at the time of purchase, so SN did have a case if the earrings didn't match the online description or photographs.

When I spoke to TKMaxx, it was happy to have a closer look at the earrings to see if they were not as described.

A spokesperson for TKMaxx says: "Our returns policy excludes earrings, but of course this is subject to a customer's statutory rights. The earrings are now being returned by post so we can confirm that they were not as described and issue a refund."

SN says: "I am pleased that TKMaxx used its discretion when it came to checking the quality of the earrings and I have now received a full refund." mw

OUTCOME: IKEA has sent a £60 gift card and vouchers for two meals

IKEA has messed up my delivery

I ordered two Dombas wardrobes and a wardrobe tidy for £168 from IKEA and paid £35 for delivery, which was scheduled for Sunday between 10.30am and 2.30pm. I waited in until 4pm and then called customer services.

I was told that the driver had rang our doorbell, but he said no one was in. He described our door as green when it is black, and he also said there was a garage on the side, which we don't have, so clearly he had gone to the wrong address.

IKEA rearranged the delivery for the following day between 7am and 7pm. Then I got a call to say that it couldn't deliver that day after all.

This really is a nightmare. I booked a handyman to assemble the wardrobes and had to cancel him twice. I have also booked time off work to wait in for this delivery. Can you help?

SK/Telford

It is really frustrating when retailers expect customers to wait in hours for a delivery and then just don't turn up – especially if you've taken time off work.

When I spoke to IKEA, it confirmed that the delivery would take place the next day. It also gave the customer a £60 gift card and two meal vouchers.

Jason Richards, IKEA's customer care manager, says: "We naturally want all of our customers to be happy with the service they receive, and we have been in direct contact with SK to apologise. We have now resolved this matter to her satisfaction."

SK says: "The wardrobe has finally been delivered. Thank you for sorting it out so quickly."

SORTED Your Finances

THIS MONTH'S STAR QUESTION

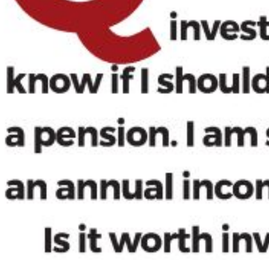
What should I do with £80,000? Should I put it into a pension?

Q I will be retiring in two years and have £80,000 to invest now. I would like to know if I should put the money into a pension. I am self-employed with an annual income of £25,000.

Is it worth investing the money into a pension in several lump sums, and if so how much can I invest? Also, can I go back in years to carry over allowances? I already have £250,000 in frozen* pensions.

PN/Worthing

***Moneywise says:** A 'frozen pension' is a workplace pension from a previous employment, into which you no longer make contributions. They're also (more accurately) known as preserved pensions.*

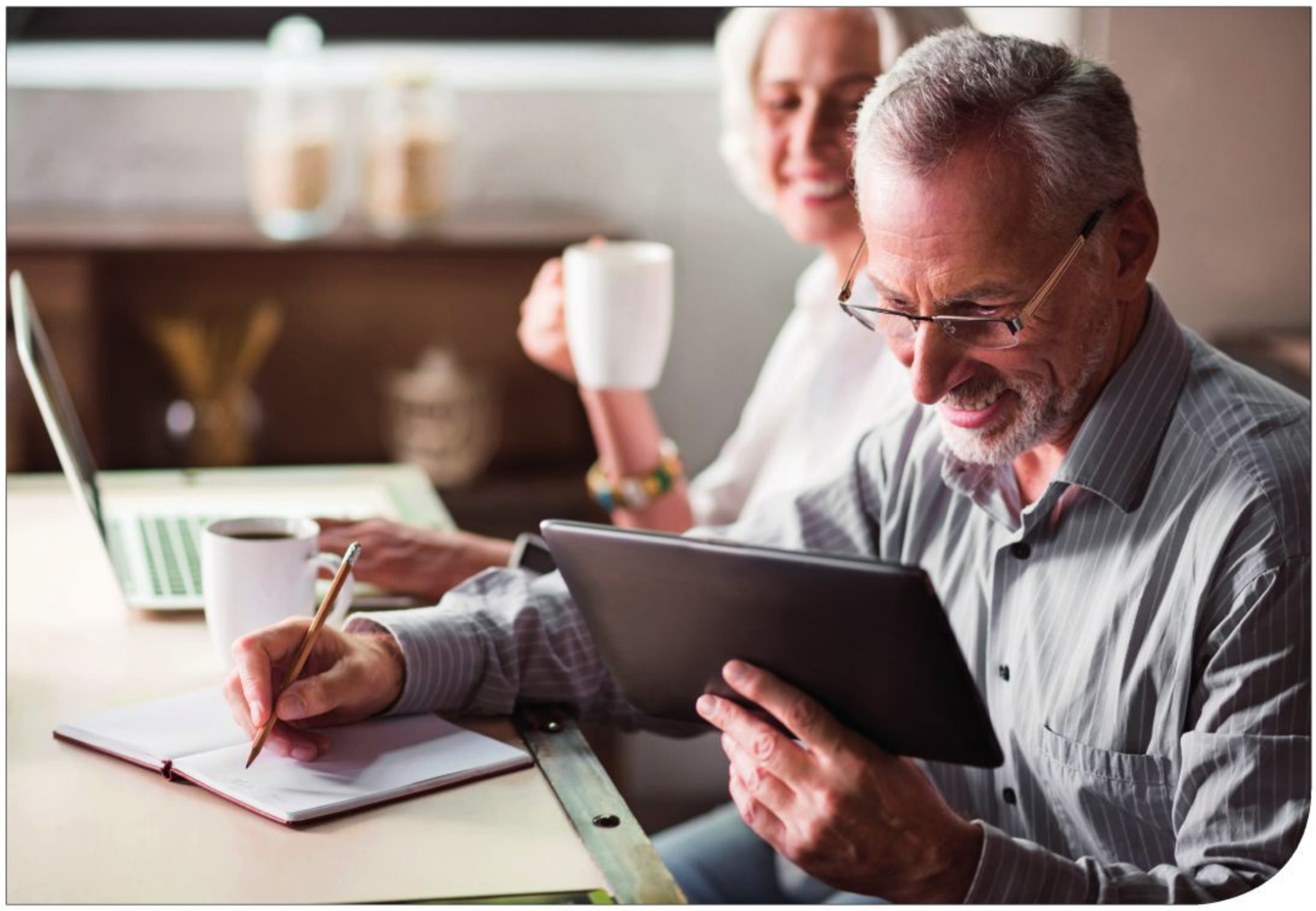


PATRICK CONNOLLY
Certified financial planner at Chase de Vere

For many people, investing in a pension is the default choice for retirement savings. Pension investments benefit from initial tax relief on contributions at your marginal rate of income tax, freedom to access your money from age 55, and 25% of your fund available as a tax-free lump sum when it is withdrawn.

There are limits, though, to how much you are allowed to invest tax efficiently into a pension each year. There is the annual pension allowance, which for most people is £40,000 a year. It is also possible to carry forward any annual allowance, which you've not used in the previous three tax years.

However, you can only benefit from tax relief on pension contributions up to the amount you earn each year. So if your annual income is £25,000 then you can only benefit from tax relief on pension contributions of up to £25,000 this year.



Your Isa allowance will rise to £20,000 from 6 April 2017

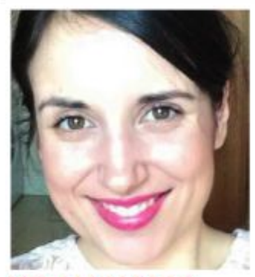
You need to give some thought to what else you can do with the money. You can make a further pension contribution tax efficiently in the new tax year from 6 April 2017, up to what your earnings will be next year. You could also look at individual savings account (Isa) investments. The annual Isa allowance for this tax year is £15,240 and this will increase to £20,000 for the tax year starting on 6 April 2017.

Will taking a lump sum from my pension affect the benefits I receive?

Q I have a long-term neurological condition and am about to take ill-health retirement and receive an enhanced pension. I am also in receipt of contribution-based employment support allowance (ESA).

From what I understand the amount of pension I receive on a regular basis can affect my ESA payments. I would like advice on how taking a lump sum pension would affect my ESA.

JL/Sutton Coldfield



KELLY-MARIE JONES
Welfare benefits specialist from Turn2Us

You are right that the payments you receive from a permanent health insurance policy arranged by your employer and/or an occupational pension can affect your ESA.

If you receive regular payments that come to more than £85 a week, your contributory ESA is reduced by half of the payments above £85. For example, if you receive a pension of £86 a week, your contributory ESA would be reduced by 50p a week.

A lump sum pension payment does not affect your entitlement to contributory ESA. However, having capital from any savings or investments over a certain amount can affect your entitlement to means-tested benefits such as income-based employment and support allowance, pension credit, housing benefit or council tax support.

Fixed

Do you have a question for our experts? Write to: Moneywise, Standon House, 21 Mansell Street, London E1 8AA or drop us an email at advice@moneywise.co.uk (please include your address)
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Each month the reader with the best question wins a £50 M&S giftcard

High Interest current accounts

Provider	In-credit interest rate	Joining bonus	Cashback on bills	0% overdraft	Requirements
Nationwide FlexDirect	5% up to £2,500 for the first 12 months, 1% after	£100 if a Nationwide customer recommends you	None	0% for the first 12 months	£1,000 monthly deposit
Santander 123	1.5% on up to £20,000	None	Up to 3% cashback on household bills paid by direct debit	None – only a chargeable overdraft is available	£500 monthly deposit and two direct debits. £5 monthly account fee
Tesco Bank Current Account	3% up to £3,000	None	None	None – only a chargeable overdraft is available	None
TSB Classic Plus	3% up to £1,500	None	New customers get 5% cashback on £100 of contactless spending each month until 30 Sep 2017	Fee-free overdraft up to £25	£500 monthly deposit. Online banking and paperless correspondence

Source: Moneywise.co.uk, 16 January 2017

You should always get pension advice before making a decision about taking a lump sum or regular pension payments. The Pensions Advisory Service (Pensionadvisoryservice.org.uk; 0300 123 1047) offers free impartial guidance.

Will my pension provider have to cut its exit charge from April?

Q I have a question regarding the new 1% cap on pension exit charges. I started a pension many years ago. On the statement for the year ending 2015 the transfer value is 11.2% less than the pension value quoted.

Am I correct in thinking it will not be able to charge this 11.2% after April next year?

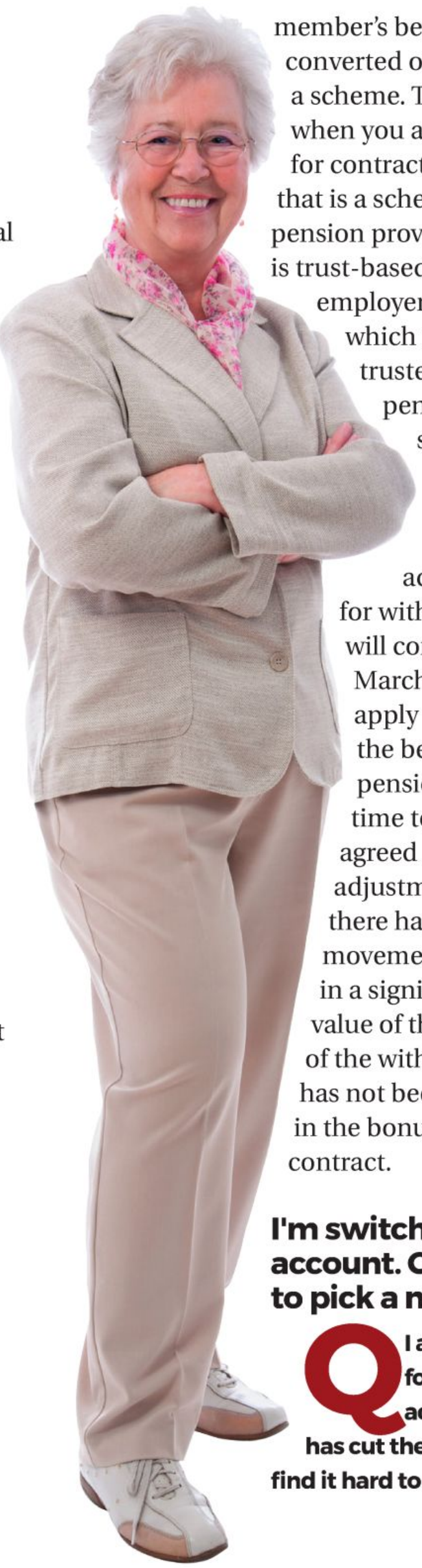
RS/Bury St Edmunds

MICHELLE CRACKNELL
Chief executive of the Pensions Advisory Service

I'm afraid I cannot give an unequiviocal answer to your question without knowing your age or exactly what the 11.2% reduction relates to. It could be that the reduction in the value of your pension relates to other contract-related penalties such as a penalty for cashing in an investment early.

However, you are right that from 31 March 2017, early exit charges for pension policies will be capped at 1% of the value of a member's benefits being taken, converted or transferred from a scheme. This only applies when you are over age 55 and for contract-based schemes, that is a scheme operated with a pension provider. The alternative is trust-based scheme, where your employer operates a scheme, which is looked after by a trustee body. A cap on exit penalties for trust-based schemes is expected to come into force from October 2017.

Market value adjustments (MVAs) for with-profits policies will continue to apply after March 2017. An MVA can apply when you access the benefits of your pension at a different time to the contractually agreed maturity date. The adjustment applies where there have been market movements that have resulted in a significant change to the value of the underlying assets of the with-profits fund, which has not been taken into account in the bonuses awarded on the contract.



I'm switching current account. Can you help me to pick a new bank?

Q I am over 70 and looking for a new current account as my bank has cut the interest rate. But I find it hard to understand all the terminology and figures banks throw at me when advertising their accounts. How do I make my decision easy as to which bank to move to? I am a simple person in need of a simple solution.

I deposit up to £1,400 a month and will use the account to pay all my bills. I have a £1,250 overdraft facility at present and a loan with my current bank.

NS/Abergele

RUTH JACKSON
Personal finance journalist

I assume the key requirement of your new account is a decent interest rate, as that is what you are unhappy with at your current bank. There has been a spate of rate cutting on current accounts in recent months. So the juicy rates you could choose from a few months ago are now looking slightly less appealing. However, there are still far better interest rates offered on current accounts than on traditional savings accounts, so it is worth making the move in order to enjoy the best possible return.

Nationwide is offering the highest interest rate with its FlexDirect account. It pays 5% interest on balances up to £2,500 for the first 12 months, after that it drops to 1%. You have to pay in £1,000 a month to get that interest rate, but you can more than manage that. The account also offers an interest-free overdraft for

the first 12 months, so should suit your banking needs nicely.

Also, if you have a friend who holds a Nationwide account, get them to recommend you via their online banking account. Then when you switch you will both be rewarded £100.

If you want to compare current accounts in the future, we offer a weekly run-down of the best accounts at: www.moneywise.co.uk/saving-banking/current-accounts/weeks-best-current-accounts.

How can I make sure that my live-in boyfriend has no claim on my property?

Q My boyfriend is about to move in with me. We both own our own homes, and he will rent his out. My parents keep telling me I need to 'protect my asset', but I'm not sure how to do this. I don't want him to have any claim on my home as we will be buying another place together in the future that we will share ownership of, but I want the home I bought before I met him to be my nest egg.

The plan is for him to pay half the bills and half the interest on my mortgage repayments – it doesn't seem fair for him to contribute to the capital repayments when he won't have a stake in the property.

What legal documents should we get drawn up before he moves in?

AJ/Manchester

TRACEY MALONEY
Head of family law at Co-op Legal Services

You really need to consider putting a cohabitation agreement in place. This will enable you to protect your property.

Once he starts contributing to the costs, such as the mortgage, he begins to build an interest in the property, but protections can be built in to a cohabitation agreement so that it becomes similar to a landlord/tenant agreement. It's also important to ensure that he doesn't invest in any long-term structural changes – for example, a new roof.

You should also make a will. This will reinforce the intention that you wish to keep the property entirely separate from the relationship.

Is the management company ripping me off by charging me so much?

Q I am in the process of selling my flat, which is a leasehold property. My solicitor has informed me that I have to pay the company that owns the lease £360 for a certificate and management pack. I am struggling to understand why such things would cost so much when we are already paying service charges? I feel like I'm being robbed.

CJ/Liverpool

SARAH RYAN
Head of conveyancing at Co-op Legal Services:

When selling a leasehold property you'll usually have to provide information directly to the buyer from your landlord or management company (or both). There is no obligation on a landlord to supply information so, as it requires work on their part, it will charge a fee.

The average cost of moving

It isn't just leasehold fees that you need to consider when budgeting for a house purchase. The average cost of moving has soared to £10,996, according to Lloyds Banking Group. This includes often forgotten costs such as surveyor's fees which average £665 and removal men, who cost an average £1,111. Stamp duty is the biggest secondary cost for house buyers at an average £2,504.

It's common practice for the seller to bear these costs. You could refuse, but the buyer will still need the information and if they aren't willing to pay, you could lose your sale.

The fee should reflect the amount of information being supplied. If you're selling a leasehold house, for example, you don't need as much information as the maintenance and insurance of the building will be your responsibility, so you would expect to pay a relatively low fee. If the property is a flat in a block with a shared gym, concierge and swimming pool to maintain there may be a lot more information required.

Unfortunately, there is no standard fee for providing the information. There have been calls for landlords to be regulated but these have not led to any practical action. If you do feel that the information provided by your landlord is limited and the fee was unreasonable you could request a reduction, but they may refuse. The alternative is to apply to a tribunal, but this would involve incurring additional fees with no guarantee that you will get anything back.

Can I gift my children a share in my house to cut my inheritance tax bill?

Q I have owned my house since the 1970s and it has gone up in value over the years. It is now worth around £3 million. I would like to downsize

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

and use some of the money to help my two children. I was planning on selling and giving each of my children a slice of the capital.

However, I've now had the idea that I could gift a third of the house to each of my children so we each own a third. I would then rent out the house and split the proceeds between us. This would give them money they could invest and me enough to rent a flat.

My hope would be that, as long as I survive for another seven years, my children would only have to pay inheritance tax (IHT) on the third of the property that I own.

Does this seem like a sensible idea, and am I right in my assessment of my children's inheritance tax bill?
PS/London

ANGELA MURFITT
Chartered financial planner at Fairstone Financial Management

The position regarding the gift for inheritance tax purposes would be the same whether you sold your property and gifted your children the cash or indeed if you gifted them a share of your property. This gift would be a potentially exempt transfer and provided you survived seven years from the date of gift, this would indeed fall outside your estate for inheritance tax (IHT) purposes, provided you did as you intend and move out of the property.

There would be no capital gains tax (CGT) in either case as it is your principal private residence and specifically exempt from CGT. The transferred shares of the property would be deemed an investment property for your children and any increase in value during their ownership would be assessable for CGT at the point of sale. Owning other property can also now have Stamp Duty Land Tax (SDLT) implications if your children decided to purchase a new home. As they would be classed as owning more than one property, this could involve additional second home SDLT, which is higher than they would ordinarily pay if they only owned one property.

If you were to transfer shares in your property and survive the necessary seven-year period, then you are correct in that your children would only have to worry about IHT on your share – but this could further be reduced by the new Residential Nil Rate Band which comes into effect from 2017 on a sliding scale (£100,000 initially, then rising by £25,000 each tax year until the full allowance of £175,000 becomes applicable in 2020). This would mean that an additional £175,000 could be added to your own nil-rate band, currently £325,000, therefore reducing the amount of your property share which would be subject to inheritance tax. If your whole estate is worth more than £2 million, then this additional allowance is reduced by £1 for every £2 your estate is over this limit. mw

> Your kids would be liable for capital gains tax

Will the pensions I set up for my children be protected?

Q I would like to open stakeholder pensions for my two children aged nine and 18 months. The pensions would be with the provider that I already hold funds with, as the pensions would be in my name until my children turned 18.

If the pension provider got into financial difficulty, would all the funds count as being mine or would the children's be separate? I want to make sure the money would be safe in a time of crisis.
MB/Donington

LISA VAUGHAN
Chartered financial planner at Fogwill & Jones

Saving into pensions for your children is a fantastic way to build up funds for their future. Your children will eventually have the choice to access their pension benefits as a retirement income or via cash lump sum withdrawals in later adult life. You would be investing for your children's long-term future.

A pension would be established in each child's name and you would be responsible for the arrangement until they reached age 18, at which point they would take over. You can usually invest up to £3,600 gross per child in a tax year and receive 20% tax relief (up to £720) from the government, which would only cost you £2,880. Of course, the government can change pension and tax rules at any time.

The Financial Services Compensation Scheme (FSCS) can pay compensation to consumers if a financial services firm ceases trading or is unable, or likely to be unable, to meet its obligations to customers. The FSCS has limits; these apply separately for each person for each authorised firm. Your children will be eligible as individuals, separately to you.

If you set up a personal pension or stakeholder pension with an insurance company, the FSCS will cover 100% of the money in the pension should the insurer go bust. Self-invested personal pensions (Sipps) are considered a 'wrapper' for other investments, so the rules around compensation are more complicated. If a Sipp provider fails, the compensation limit is usually £50,000.

Moneywise says: The rules on pension protection are being consulted on as we go to press, and the regulator has proposed extending the protection limits.

I'd use peer-to-peer lending to beat the banks

HUNTING DOWN attractive income in today's low interest rate environment is akin to looking for a needle in a haystack.

Although a handful of banks and building societies have tickled up savings rates since the turn of the year, rates of 0.01% are still more common than those above 1%.

Without an increase in base rate, which admittedly could be on the cards sooner rather than later, savers must accept that income will remain scarce.

Even dividends from investing in stock-market listed companies are under pressure as corporate earnings are impacted by a weak pound.

For investors, this downward pressure on dividends can be mitigated by holding an investment trust with big reserves of income in its tank – income earned in previous years but not yet paid out to shareholders. By drawing on these reserves in the difficult years, some investment trusts have managed to increase their dividend payments for more than 30 consecutive years.Yet, impressive though such income records are, investment trusts are not for the risk averse.

One relatively new source of income for savers has come from the burgeoning 'peer-to-peer' (P2P) lending market, where institutions bring together savers and borrowers. In general terms, the money lent by savers is used to provide finance for expanding businesses. The interest that the borrowers pay on their loans helps towards providing savers with an income on the money they have lent out. In terms of risk, it sits somewhere between the cast-iron guarantees that underpin deposit accounts (namely, security of capital and statutory protection up to £75,000 per financial firm from the Financial Services Compensation Scheme in the event of a bank's collapse) and the volatility of shares. But in terms of income opportunity, it beats both deposits and shares.

This growing market, which is now regulated, is dominated by three players – Funding Circle, RateSetter and Zopa. The annual interest on offer varies, ranging from 2.9% (RateSetter) through to in excess of 7% (Funding Circle), but so does the degree of risk you will take. While the 2.9% interest on offer from RateSetter comes with the backing of a 'provision fund' (designed to protect your capital from losses if loans turn bad), the 7% from Funding Circle has no such underpin. If a loan goes bad, your capital could be compromised.

Four and a half years ago, when peer-to-peer lending was beginning to grab savers' attention, I decided to test it out. I invested £200 through Funding Circle.

I feared the worst – as befits a cynical journalist – but I have been pleasantly surprised. My latest statement informs me that my £200 has grown to £257.56. The £57.56 of added value comprises £82.89 of income, denuded by £9.41 of (Funding Circle) fees and £15.92 of losses. All in all, it's an annual return (after fees but before tax) equivalent to a shade above 6%. That's far better than I would have done if I had put my money in a deposit account, but not as sexy a return as I could have got in an investment trust investing in the UK stock market. For example, if I had put my £200 in The City of London Investment Trust, a member of *Moneywise*'s First 50 Funds, it would now be worth £340.

"My £200 earned a shade over 6% per year"

My peer-to-peer money is spread across 16 businesses operating in everything from retail through to IT. It is effectively an investment play on UK plc. When the economy is strong, my companies are more than likely to keep repaying the loans they have secured.

As someone who is still working and not in need of savings income, I will not be committing more funds to Funding Circle. But if I were looking for alternatives to cash, peer-to-peer is certainly an option I would consider. Especially when the big three get regulatory clearance to launch innovative finance Isas (peer-to-peer individual savings accounts) in the spring, then enabling all returns to be tax-free. Of course, as with any financial product, you need to ensure that you end up with the right lender (stick to the big three). You must also understand the risks and all the fees involved. But mark my words, peer-to-peer lending is here to stay. mw

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

MONEYWISE COMPETITION

WIN a luxury stay in a country hotel in Scotland

MELDRUM HOUSE Country Hotel & Golf Course in Aberdeenshire, Scotland is offering the chance for a *Moneywise* reader and guest to win a two-night stay at the four-star hotel

HOW TO WIN Simply answer the following question:

GEORGE MELDRUM WAS APPOINTED AMBASSADOR TO WHICH MONARCH?

A) Edward VI B) Henry VIII C) Richard III

For your chance to win, send your answer on the reader card reply at the front of the magazine or enter your answer online at **www.moneywise.co.uk/competitions** by 28 February 2017.

This 13th-century baronial house sits in a 240-acre estate in the stunning Aberdeenshire countryside and was awarded the prestigious AA Hotel of the Year for Scotland prize in 2014/15.

The hotel takes its name from the Meldrum family who first occupied the land around the house in 1236, during the reign of the Scottish king, Alexander II.

The family later became powerful and great landowners in north-east Scotland, with properties including Drumoak and Fyvie Castle. Their son, George, would go on to become an ambassador to the court of King Henry VIII.

Today, the property has recently undergone a £4.5 million redevelopment and a new wing combines modern glass design with the period features of the original building.

Meldrum House now has rooms within the main house, the converted stables and the new wing, giving a total of 51 bedrooms. Rooms mix classic Scottish style and modern luxury design, and those in the new wing have floor-to-ceiling windows.

Also contained in the stunning new development is a ballroom and an outdoor terrace, which looks out on to the private members' 18-hole golf course. In the old building, the hotel's refurbished restaurant boasts two red rosettes for quality. Plus the hotel's popular cave bar is more than 800 years old with a menu that boasts more than 100 whiskies to choose from.

The hotel is located 20 miles north of Aberdeen and can be accessed easily by car from both the city centre (a 30-minute drive) and the airport (a 20-minute drive). You can also get a bus from Aberdeen city centre to the hotel (this takes about an hour).

For more information, visit Meldrumhouse.com. mw

TERMS & CONDITIONS: The prize is two nights' bed and breakfast, with dinner on one night and a bottle of house wine in the dining room. Allowance for dinner is £35 a head. Additional drinks are not included. The prize is provided subject to availability and can be taken up until 10 December 2017. Travel is not included.

Boost your savings

BEAT THE BANKS WITH CURRENT ACCOUNT PING PONG

Moneywise readers have achieved higher interest rates on their savings by spreading the money across several current accounts. But does this strategy still have legs, given recent rate cuts?

BY **HELEN KNAPMAN**

Current accounts have been an unlikely haven for cash savers over recent years, with many offering market leading in-credit interest rates in a bid to attract new customers – beating the rates on standard savings accounts and cash Isas.

Tom Hill, head of research at specialist savings website Savingschampion.co.uk, explains: "Ever since the government introduced the Funding for Lending Scheme (FLS), back in 2012, providers have been cutting interest rates for existing account holders. In fact, from August 2012 when the FLS was introduced until July 2016 the rates on over 4,700 accounts were cut, something that was unheard of previously outside of a Base Rate change.

"But high interest paying current accounts have been the saver's saviour in the past few years, paying rates far in excess of what is available on standard savings accounts, albeit on lower balances generally."

However, when the Bank of England chopped its Base Rate from 0.5% to 0.25% last August, it wasn't long before banks swooped in to drop their current account rates – much to savers' dismay.

Andrew Hagger, founder of comparison website MoneyComms.co.uk, says: "The slew of current account rate cuts announced by Halifax, Lloyds Bank, Santander and TSB means this option is now far less attractive or rewarding."

But it's not the end. Mr Hill says: "Even after the cuts, the rates on offer from current accounts remain head and shoulders above the rest of the market, so are still well worth considering."

Kevin Mountford, banking expert at comparison website MoneySupermarket.com, adds: "Current accounts are still a good option for cash savers. For those interested in the best rate, nearly everyone can improve on the rate they're getting.

"The biggest problem is consumer apathy, where people don't bother with switching. We're playing into the hands of the banks. We need to be a bit more active and vote with our feet."

Under the free Current Account Switch Service, the money in your old bank account is transferred to the new one, including any direct debits and standing orders; payments made to your old account will be redirected; and any interest or charges incurred if the switch goes wrong will be refunded. Your old provider will close your account, and your new account should be up and running in seven working days.

"We need to be a bit more active and vote with our feet"

Switching bonuses of up to £170 are also available at the time of writing from First Direct, HSBC, and M&S and the Co-op – although these accounts don't pay interest.

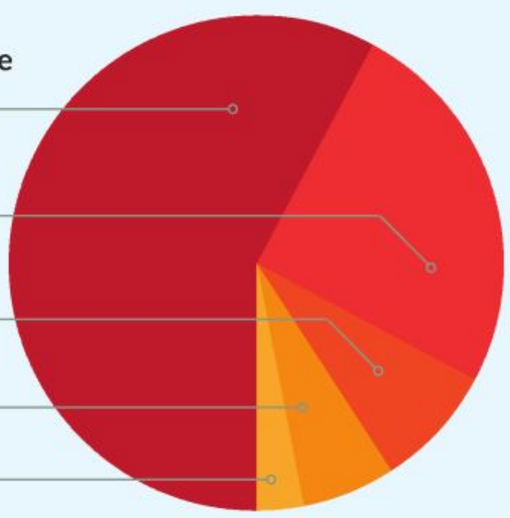
Take the ping-pong challenge

The majority of current accounts limit interest to balances of under £5,000, but there is a way to play the banks and make more.

Current account 'ping pong' sees savers bounce money between numerous current accounts to make the most of in-credit interest (and any bonuses for signing up) and to gain access to any linked regular savings accounts, which offer higher interest rates for a year in return for monthly saving.

In a recent poll (see below), 58% of the 1,113 Moneywise.co.uk users who voted said they use more than one current account at the same

Have you used more than one current account at the same time to boost your savings through higher interest and joining bonuses?



Based on 1,113 votes on Moneywise.co.uk between 20 December 2016 and 3 January 2017

Best interest paying current accounts

Account	Current rate	Minimum monthly pay-in	Minimum monthly direct debits	Maximum number of accounts you can hold at one time
Club Lloyds	2% on up to £5,000	£1,500 (i)	Two	One sole and one joint
Halifax/Bank of Scotland Reward	£3 a month	£750 (must also stay in credit)	Two	One sole and one joint
Nationwide FlexDirect	5% up to £2,500 (ii)	£1,000 (not from any other Nationwide account)	None	One sole and one joint
Santander 123 (iii)	1.5% on up to £2,000	£500 (not from another Santander account in your name)	Two	One sole and one joint
Tesco Bank	3% on up to £3,000	None	None	Two sole or one sole and one joint
TSB Classic Plus	1.5% on up to £2,000	£500	None (iv)	One sole and one joint

Notes: (i) If you don't pay in the minimum, the account costs £3 a month. (ii) Rate falls to 1% after 12 months. (iii) Account has a fee of £5 a month. (iv) You must register for internet banking and paperless statements and correspondence. Source: Moneywise.co.uk, 11 January 2017

time to boost their savings, adding that they plan to continue doing this in 2017.

Moneywise user driver67 comments on our website: "I've got about £15k in various current accounts, and some in my wife's name. As most require an in-payment of a certain amount each month, I just bounce or 'ping-pong' the requisite amount from one to the next to the next to the next... etc. That way, I have been getting up to 5% on each. Some rates are falling, but overall I made just under 4.6% last year."

Moneywise reader Kevin, 46, from Coventry, pings money between eight current accounts. His and his wife's salary are paid into their main account, and he says there's an average of about £36,000 in total across all of the accounts.

The accounts are listed in a mixture of his own name and joint accounts with his wife to get around rules on having multiple accounts with the same provider.

Kevin says: "I'd been watching the best buy tables and felt that the minimum direct debit and pay-in requirements were easy criteria to satisfy, so I decided to transfer money from my main account at the time to other providers – particularly in the light of the strong regular saver accounts on offer."

He is unsure of how much he'll make in total, as his system runs with the tax year and he didn't open all of his accounts at the same time.

But using his method, which you can view in the flow chart on page 34, assuming you always have the full amount possible to earn interest on in each current account, which is £39,000, you would earn £820 a year once they're all up and running – an effective interest rate of 2.1%. That is an extra £426 compared to what you would get by holding it in the top easy-access cash savings rate of 1.01% or the top easy-access cash Isa rate of 1%.

How Kevin plays current account ping pong

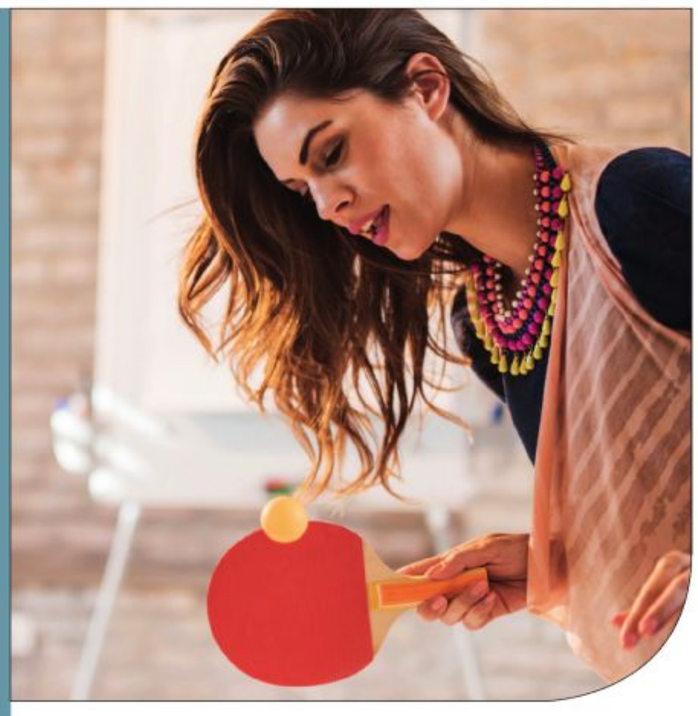
If you put the full amount in each of Kevin's regular savers too on the same date each month, that's an additional £408 in interest on £22,800 – an effective interest rate of 1.8%. This is an extra £89 in interest compared to what you would get on the top one-year fixed savings rate of 1.4%.

Kevin adds: "It's free money for doing very little. I know it won't pay off the mortgage – but it's an additional bonus that gives

TOP TIP:
Savers on basic-rate tax can earn up to £1,000 in interest tax-free, but if you will earn more than this, it's worth considering using a tax-free Isa instead.

moneywise investigates

Boost your savings



KEVIN'S CURRENT ACCOUNT PING PONG

Minimum £1,000 in

Nationwide FlexDirect (joint account): 5% on up to £2,500

Nationwide Flexclusive Regular Saver: 5% on up to £500 a month

First Direct 1st Account [i]

[i] To avoid a £10 monthly fee, you must pay in or maintain the balance at a minimum of £1,000 a month or have a First Direct mortgage, credit card, loan, insurance, or savings product bar the regular saver.

Minimum £1,500 in

Club Lloyds: 2% on up to £5,000

Club Lloyds Monthly Saver: 3% on £25 to £400 a month

Minimum £1,000 in

First Direct Regular Saver: 5% on £25 to £300 a month

Nationwide FlexDirect (sole account): 5% on up to £2,500 a month

Minimum £500 in

Santander 123: 1.5% on up to £20,000

Santander Regular eSaver: 3% on up to £200 a month

Minimum £500 in

Minimum £500 in

TSB Classic Plus (Kevin's sole account): 3% on up to £1,500

TSB Classic Plus: (Kevin's wife's joint account) 3% on up to £1,500 a month

TSB Monthly Saver: 2% on £25 to £250 a month

TSB Monthly Saver: 2% on £25 to £250 a month

Tesco Bank Current Account (x2): 3% on up to £3,000

us more freedom to enjoy life – although I appreciate I'm lucky and privileged to be able to do this in the first place."

Savers could also add more accounts to their system than Kevin has – for example, doubling up on some accounts using joint accounts and also adding in Halifax or Bank of Scotland, which pay £3 a month.

Have you done better than Kevin? Email **editor@moneywise.co.uk.**

Stick to the rules

To play current account ping pong, you'll need to meet providers' minimum requirements and ensure you don't breach rules on the number of accounts you can hold with the same provider.

Kevin advises setting up payments to avoid bank holidays and leaving a day or two between each transfer to ensure payments reach one account before they bounce to the next. Transfer money too soon, and you could end up incurring overdraft fees. He recommends using Savingschampion.co.uk to keep track of accounts.

But be aware that applying for multiple current accounts in a short space of time could have a negative impact on your credit file.

James Jones, head of consumer affairs at credit reference agency Experian, says: "Multiple credit applications of any kind can smack of desperation, so are best avoided. We advise people to space out applications if possible. Quotes do not count though, similarly footprints left by you checking your own report."

He adds: "When you apply for credit, some lenders ask how long you've been with your bank because they like to see evidence of existing longstanding relationships. But don't let this put you off switching to a better deal. These days, because of the number of organisations that now share customer information with the credit reference agencies, your actual credit history should give a much fuller picture." mw

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REPLY NUMBER 2150

"We want to protect our family and plan for retirement"

Peter and Toni Hawkins want to consolidate their pensions and find the right protection policy now that they are mortgage-free

BY HELEN KNAPMAN

Peter and Toni Hawkins (pictured above) live in Stevenage, Hertfordshire with their two children, Tom, 13, and Sammy, 11, plus their dog, Harry.

Peter, 48, earns just over £19,000 a year as a self-employed landscape gardener, as well as a £6,000 a year in dividends from his role as a director of a marketing company in the construction sector – he doesn't take a salary from this position.

Toni, 50, earns just over £10,000 a year working part-time for a Post Office branch inside a Waitrose supermarket. They're also in receipt of child benefit, which is worth just over £1,600 a year.

Peter and Toni became mortgage-free in January and are keen to find out how best to use these monthly savings to ensure they're set up for retirement. They have also accrued five different pension pots between them over the years – worth a current combined total of £52,595. They want to know if the pensions are worth keeping and if they can be consolidated – as they feel it would be easier to manage if they're all in one place.

They also have a Halifax endowment policy in place for another four years, which includes life and critical illness cover. But as their mortgage has now been repaid in full, they're not sure whether it is worth keeping.

In addition, they have existing cash savings of £77,000, £180 invested with Cofunds, and £2,600 invested in the John Lewis Share Save scheme.

Alan Tytherleigh (pictured left), an independent financial adviser at Odyssey Wealth Management in Milton Keynes, Buckinghamshire, has stepped in to help the couple. Alan specialises in investment and retirement planning advice, while Odyssey Wealth provides independent advice on investments, pensions, protection (personal and business), estate planning and mortgages. Here is what he recommends.

Consolidate pensions and contribute more

Both Peter and Toni would like to retire by their state pension age, which will be 67 in both of their cases. They would retire earlier if it was financially feasible to do so, and they would like to maintain the same standard of living as present in retirement.

Peter has just over £2,200 in a Friends Life personal pension, £5,200 in an L&G personal pension, and £19,100 in a Phoenix personal pension.

I have analysed these existing schemes looking at a range of factors including the costs, the investment options available within the schemes, and any specific enhancements or guarantees that may be available.

I would recommend transferring all three of these pensions to one provider – Aviva, which has a more suitable plan.

Peter's three current pensions all have the highest risk profile associated with them – 10/10 compared to Peter's risk profile of 6/10. Aviva's Pension Portfolio Choice option offers a tracker fund called Vanguard Lifestrategy 60%*, which matches Peter's moderate risk profile (*A member of the *Moneywise* First 50 Funds).

"This balanced approach of investing some of our surplus income into an Isa, as well as regularly adding to Peter's pension, makes sense"

The options for different investments within the existing pensions also aren't strong deals for Peter, plus there are no fees to transfer his pensions.

As Peter and Toni have cleared their mortgage, they now have an income surplus of £500 a month. So I recommend that Peter starts contributing into the new Aviva pension fund with a regular monthly payment of £180. This will be topped up through tax relief to the tune of £45, meaning a total payment of £225 will be made into the pension fund each month.

Toni, meanwhile, has just over £28,600 in a Royal London With Profits personal pension and £400 in a John Lewis defined contribution (DC) group personal pension.

I recommend Toni leaves the Royal London pension in place for the time being. Although the declared bonus rate has been low over the past few years, I would consider it prudent to wait and see the 2016 declarations before deciding on moving this pension.

In terms of her John Lewis Partnership DC workplace pension scheme, I recommend she continues to pay into this from her salary.

Peter and Toni say: *"When you have so many policies, you pay into them each month but, other than that, they sit there dormant and you don't have the time to effectively manage them. It has been really helpful to get an understanding of the different pension schemes and to hear Alan's advice on what to do with them – we will definitely go ahead with his suggestions."*

Cancel endowment and invest surplus income

I recommend that Peter and Toni surrender their Halifax endowment, as the current investment risk is exceptionally high. They should invest the £33,000 proceeds into a stocks and shares Isa, each making use of their full 2016/17 Isa allowance. This is currently £15,240 per person. The Isa should invest in the Vanguard Lifestrategy 60% fund.

The remaining proceeds should be invested in an Aviva general investment account, and should then be used to fund their Isas from the new tax year in April.

Peter and Toni do not want the inflexibility of all their savings being tied up into a pension and only accessible from age 55. So I recommend they use £250 a month of their income surplus to contribute to this

Key recommendations for Peter & Toni

- Consolidate some of their existing pensions
- Peter needs to start contributing to a pension
- Begin investing surplus income
- Cancel their endowment policy and invest the funds into an Isa
- Get higher levels of life and income protection cover
- Update their will

general investment account initially and then also redirect the payments into a stocks and shares Isa after the tax year ends.

The advantage of this is that the Isa can pay out a tax-free income in retirement.

The £180 that Peter has invested in a Cofunds general investment account should also be consolidated into this new Aviva general investment account and then put into an Isa. There is a minor capital gain on this policy. However, it is more than covered by Peter's annual tax-free capital gains allowance of £11,100. He is not expected to have any other gains in this tax year.

Peter and Toni say: *"We want to keep our cash savings as emergency funds and we don't want over-exposure to the stock market. But this balanced approach of investing some of our surplus income into an Isa, as well as regularly adding to Peter's pension, makes sense.*

"We do have a few concerns about whether there is some kind of end-of-term bonus from our endowment policy that may mean it's worth hanging on to for the next four years. We will speak to Alan for clarification on this."

Replace protection policies

Peter has life cover of £100,000 with AXA for the next 11 years. The couple also has separate income protection policies, as well as a joint Halifax endowment, which includes £53,200 critical illness cover and £53,200 worth of life cover. These policies combined cost just over £130 a month in total.

I've analysed all of the policies for coverage, price and terms. I would recommend replacing all of the policies with the following: a Joint Family Income Benefit policy and a decreasing joint life and critical illness policy from L&G. These policies cover the couple for a higher sum, which is made up of £24,500 a year from the Family Income Benefit and £125,000 life and critical illness respectively. They also have longer terms, meaning Peter and Toni are covered until their children leave full-time education.

In addition, it's worth the couple considering putting the life and critical illness policy in trust although it will need to be structured slightly differently in this scenario. This means it falls outside their estate when it comes to inheritance tax purposes. If the worst happens, payment will be quicker as there is no probate process to go through to access money in a trust.

I also recommend Peter takes out a Holloway Friendly income protection policy until his state pension retirement age. These three policies would cost just over £200 a month in total, but the couple can cover the extra £70 a month with their income surplus.

Of course, they should only cancel the existing policies once the new cover is up and running.

Peter and Toni have not made a new will since they first bought a home, and this was before they got married and had children, so I therefore recommend they have a new one drawn up – the current one will now be invalid.

> The couples' current will is invalid

Peter and Toni say: *"It makes complete sense for us to switch to stronger protection products, as once our endowment ends the only cover we will have in place is Peter's life cover policy. We will also definitely look to update our will."*

On the makeover as a whole, the couple says: *"Overall, we're really pleased with the thorough job Alan has done. He has addressed all of our concerns and made good recommendations, which for the most part we'll take up."*

Alan adds: "The best part of the review was being able to demonstrate to Peter and Toni that they already have their retirement goals covered. They now also have the flexibility to retire a number of years before 67 without any drop in their standard of living."

None of the above should be regarded as advice. It is general information based on a financial report conducted by Alan Tytherleigh at Odyssey Wealth Management in Milton Keynes, Buckinghamshire. mw

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This article was written in response to a reader's financial situation. If you would like a free money makeover, which will appear in *Moneywise*, email editorial@moneywise.co.uk. In association with VouchedFor.co.uk, we will try to arrange a one-to-one meeting for you with an FCA-regulated independent financial adviser in your local area, who will discuss your financial concerns and goals for the future, and draw up a bespoke financial plan for you.

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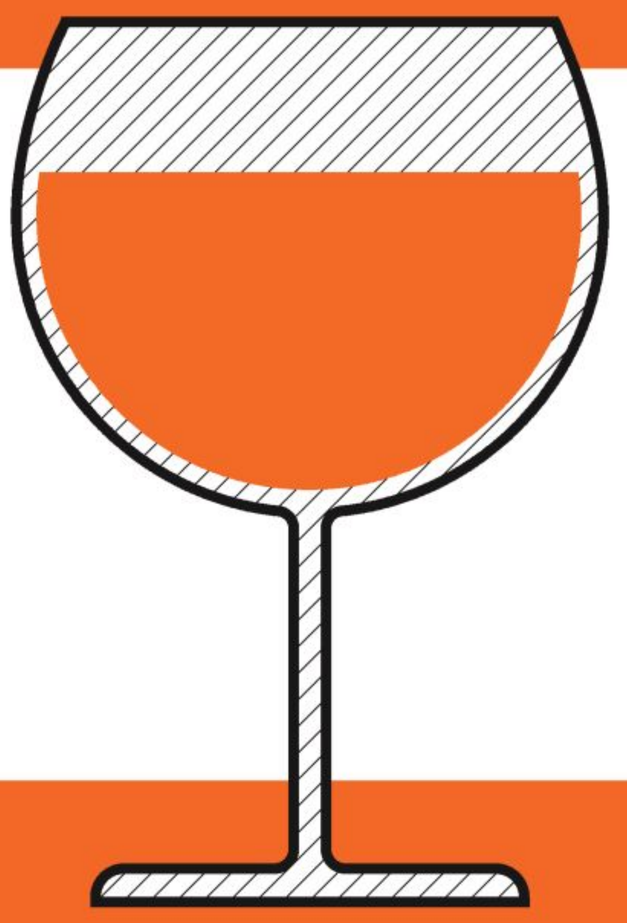

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Even film buffs can be put off by the cost of a trip to the movies. Here, we reveal how to make the most of special offers and members-only deals

BY JOHN FITZSIMONS

Whether it's a big blockbuster or a romantic tearjerker, you can't beat a trip to the cinema for providing great entertainment. However, the cost of going to the pictures has rocketed in recent years.

According to data from the British Film Institute, the average price of cinema admission in the UK jumped from £4.87 in 2006 to £7.17 in 2015, an increase of almost 50%, and they can be double this in some London cinemas.

However, there are plenty of savvy ways to enjoy the latest films at the big screen without breaking the bank.

1 Book online

An easy way to cut the cost is to book your tickets online with Cineworld – register for an online account and you save 10% on all tickets you book online. You can then choose to print the tickets

off at the cinema, or simply show your e-ticket (sent via email or text message) when you arrive.

2 Membership schemes

Some of the UK's biggest cinema chains operate membership schemes, which can deliver big savings if you are a regular cinemagoer.

For example, Cineworld has its Cineworld Unlimited card, which starts at £17.40 a month. You can see as many films as you like (though there is an additional charge for 3D or IMAX showings), as well as getting discounts on food and drink, and on restaurants including Frankie & Benny's and Chiquito.

Odeon, meanwhile, has its Limitless membership scheme. It starts at £17.99 a month and also allows unlimited viewings, though again there is an additional charge for 3D or IMAX screenings.

Be sure to sign up for these online via a cashback website, such as TopCashback.co.uk or Quidco.com, as you'll get around £10 back in cashback, meaning even further savings.

Odeon also offers Premiere, a loyalty club that rewards your spending with points. You get 10 points for every £1 you spend, and you can cash these points in for tickets or discounts on food and drink. There are three price packages: Classic costs £1.99 and comes with a bonus 100 points; Deluxe costs £4.99 and comes with 500 points; and Ultimate costs £9.99 with 1,000 points, plus you earn double points in your first month.

Picturehouse cinemas also has its own membership scheme. You get four free cinema tickets, £2 off

3 SPECIAL OFFERS FOR CHILDREN AND SENIORS

Hitting the cinema with the kids in tow can cost a small fortune. Thankfully, many chains offer special screenings for kids, with much cheaper ticket prices.

With Cineworld's Movies for Juniors, for example, tickets start at just £2, or £3.50 for 3D for parents and their children, while at Odeon's Kids' screenings you can get tickets for just £2.50, for children and adults alike.

Vue runs Mini Morning screenings every weekend, and then every day during the school holidays, with tickets costing £2.49 each for juniors and adults.

Tickets are even cheaper at Empire Junior screenings, where you can take your kids to the pictures and pay as little as £1.75 per ticket no matter what your age.

A host of cinemas have special offers in place for older film buffs, which often include a hot drink and a biscuit with the ticket price.

For example Odeon has Silver Cinema, where tickets start at £3, and are available to all those over the age of 55. Vue holds 'senior screenings' at certain cinemas for those over the age of 60, while Empire has Empire Seniors at select cinemas every Wednesday morning costing £3.50.

At Showcase, every Monday seniors can view any film beginning before midday for just £5.

Meanwhile, Reel Cinemas has seniors club every Tuesday with one low price on a specially selected film.

SEVEN WAYS TO SLASH THE COST OF GOING TO THE CINEMA

further tickets, no booking fees and invitations to preview screenings, as well as a host of deals from partner firms such as Gourmet Burger Kitchen (GBK) and Hotel Chocolat. Prices range from £20 to £95.

And finally, Showcase Cinemas has the Insider Club. Sign up and you get tickets for £6.50 (or £8.50 for 3D films) for screenings after 7pm on Sunday or all day on Mondays and Tuesdays. You can take advantage of member-only advance screenings and food and drink discounts. What is more, it's free to join.

4 Two-for-one tickets

There are a couple of ways you can bag two tickets for the price of one when you head to the pictures.

If you purchase something through the Compare the Market price comparison site, you can enjoy two-for-one on tickets on Tuesdays and Wednesdays for the following 12 months through its Meerkat Movies scheme. Most big cinemas participate, as do some smaller independents.

You can get two-for-one Odeon tickets if you subscribe to *The Times* – prices start from £12 for a 12-week subscription – which you can use on Saturdays or Sundays.

5 Cash in your loyalty points

You can use your supermarket loyalty points to save money at the cinema.

Clubcard vouchers can be converted into tickets for Cineworld, Odeon or MovieHouse cinemas. For an adult ticket at Cineworld, you need £4.50 in vouchers, for a ticket for Odeon you need £3.50, while £2.50 in vouchers is enough for a ticket to MovieHouse.

Alternatively, you can cash in your Nectar points for money off tickets at Vue cinemas.

6 Go midweek

Some cinemas offer cheaper tickets if you go at less busy times. For example, certain Cineworld cinemas offer Bargain Tuesdays or 'Saverday' discounts, though the exact size of the discount varies.

> View free screenings that promote the film before it is released

Elsewhere, Empire cinemas has 'Last Chance to See' Thursdays, screening films at the end of their run at a discounted price, while Odeon offers 'Supersaver' tickets at most of its cinemas, providing cinemagoers with cheaper tickets before 5pm from Monday to Thursday.

7 Free preview screenings

You may be able to get your hands on tickets for free screenings of films before they are officially released and are available from websites such as Showfilmfirst.com. Just register your details and you will be contacted about screening previews by email.

They are generally only showing at a handful of cinemas, so you may need to wait before one is showing near you. mw

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

10 ways to get the most from your

‘All-in’ package deals where you can eat and drink your fill offer great value – but watch out for hidden costs

BY SUE HAYWARD

A sluggish pound and rising holiday costs mean more of us are opting for ‘all inclusive’ breaks with numbers up from 18% to 25% over the past year, according to travel association ABTA.

Paying a fixed price for an ‘all in’ holiday with meals, drinks and entertainment has often been popular for far-flung destinations such as the Caribbean, but you can also secure all-inclusive deals closer to home including destinations such as Greece and the Canary Islands.

Big players in the all-inclusive field include Thomas Cook, Kuoni, Hayes and Jarvis, and Thomson but with so many packages on offer, you do need to check the small print to make sure you get value for money.

1 Do your sums first

Paying a fixed price makes it easier to keep a lid on your holiday budget and can make for big savings compared with a room-only deal, where you have to fork out for meals and drinks.

Booking a week’s trip to Rhodes through TravelSupermarket.com in June costs from £195 a person for three-star self-catered accommodation, whereas an all-inclusive deal in a three-star resort starts from £246. This means for £7 more a day, you’ll get all your meals plus locally produced alcoholic and soft drinks thrown in.

Travel website Greeklandscapes.com says a meal at a restaurant that includes a main course, a salad, and a soft drink would cost around €20 – that is more than £16.99 as at 4 January 2017.

There are also savings to be made by swapping a week’s self-catering in Crete for an all-inclusive. Prices start from £159 per person in June to stay in three-star self-catered accommodation, or from £228 for ‘all-inclusive’. That’s under £10 a day extra for all-inclusive.

2 Check what’s included

With most inclusive packages, you get flights, transfers and accommodation along with meals and drinks, plus entertainment and activities, such as non-motorised water sports.

Most basic packages include buffet dining for breakfast, lunch and dinner along with alcoholic and soft drinks, and poolside snacks such as ice cream and fast food.

Some packages from operators such as Thomas Cook and Hayes and Jarvis also include a choice of à la carte restaurants on top, where you can eat and drink for free – but you may need to book these in advance when you arrive at the resort.

3 Watch the bar bill

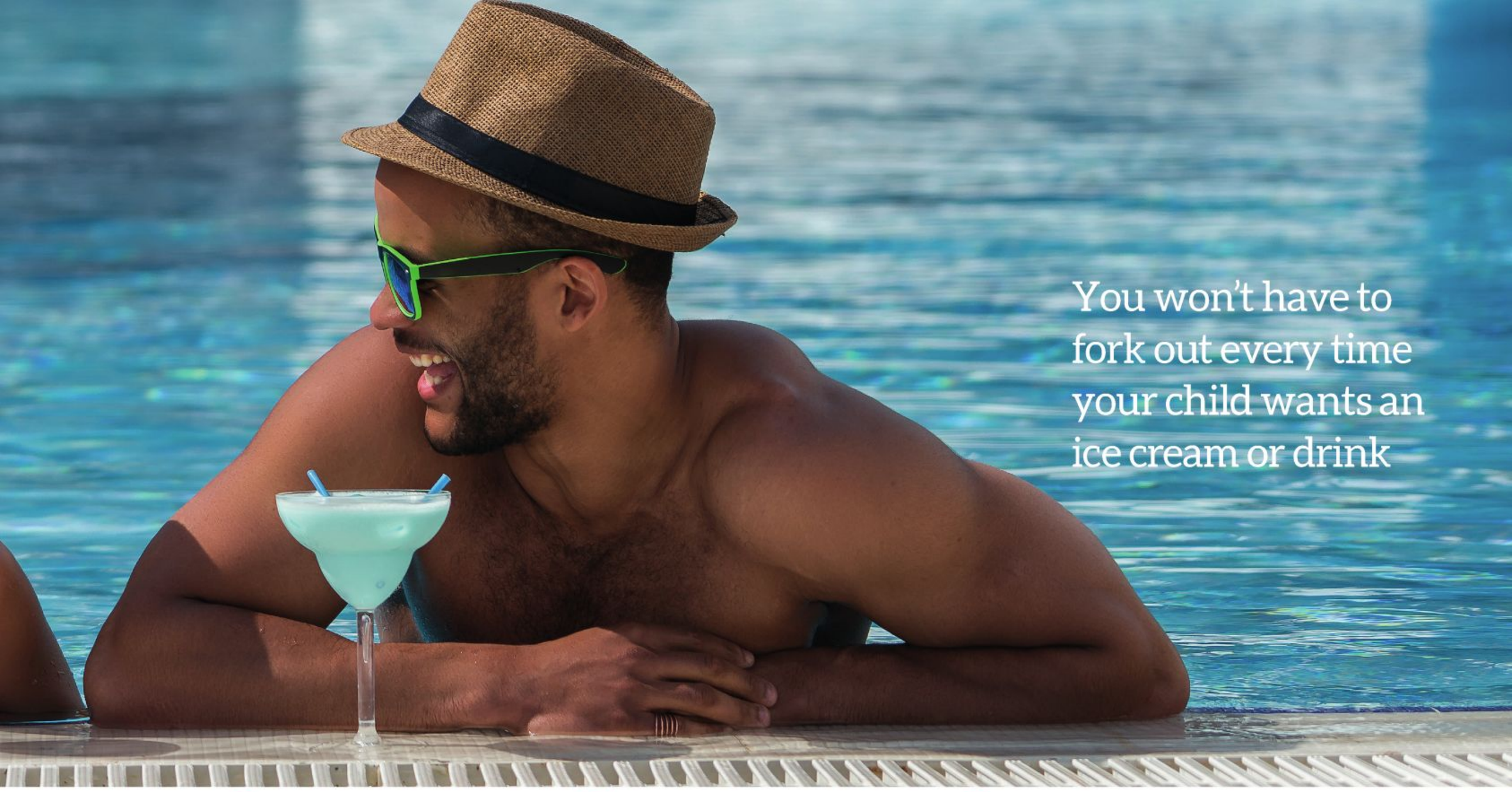
As mentioned above, most ‘budget’ packages include locally produced beer, wine and spirits, as well as soft drinks, whereas the more expensive packages or trips to long-haul destinations may include international brands and cocktails.

Find out first and stick with what’s on offer or otherwise you’ll end up paying per drink.

Check when you can eat and drink too. It’s worth knowing if you can get a coffee at 4am if you wake up with jet lag and if there are poolside snacks or food available outside any restaurant’s fixed hours.

4 Read the reviews

Do your homework. It is guaranteed that the brochure or website write-up will sound idyllic, but check what others say about the dining options, location,



all-inclusive holiday

activities and whether it's value for money. The website Tripadvisor.co.uk is a useful resource.

If you're vegetarian, vegan or have any dietary requirements, check whether these will be catered for, or whether you'll end up going hungry if it's not clear what's in the buffet dishes and there's no 'cooked to order' option.

5 Take the family

Some deals may mean kids stay and eat for free, and if there are kids' clubs or events as part of the deal, parents can be guaranteed a more relaxing holiday.

Plus it means you won't be forking out every time they want an ice cream or coming up with ways to keep them entertained all day long.

6 Stay by the pool

If you want a relaxing pool or beach holiday, without having to hunt around for a bar or restaurant, an all-inclusive can fit the bill. Just make sure you've got enough choice of restaurants and bars, so you're not stuck at the same one every night.

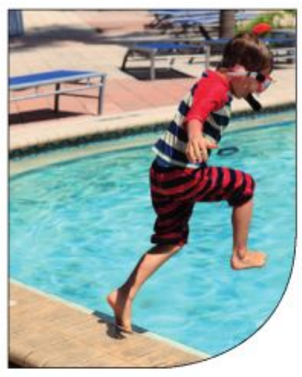
But if you want to take some day trips or hire a car for a couple of days, you can end up paying twice over for meals and drinks, unless you're prepared to go hungry until you head back to your resort.

7 Take your own mug

If you're sitting by the pool and want a beer, you may find drinks are dished out in plastic cups. And in some cases, these can be somewhat on the small side.

So to save making return trips, take your own travel mug. Yes it's one more thing to pack, but saves making repeat trips to the bar if you're on the beach and keeps your drink cold (or hot) depending on your preference.

Not all resorts allow this, but it's worth packing one just in case.



Some deals include water sports or beach activities

8 Be first at the buffet

Getting to the restaurant as the buffet opens means you'll get the best choice, and be first in the queue for any 'cooked to order' food such as stir fries, pancakes, steaks or fish.

On a practical basis, getting there early also reduces the risk of too many people handling the bread rolls, or poking at the food before you eat.

9 Make the most of free activities

Some deals include non-motorised water sports, such as windsurfing. And depending on the size of your hotel or resort, there may be an entertainment team on hand to organise events including beach volleyball, pool games and even the occasional free shuttle bus or local tour thrown in. Some places have gyms too and there'll usually always be at least one swimming pool.

If you push the boat out and opt for a 'luxury' all-inclusive deal offered by the likes of Hayes & Jarvis in places such as Mexico and Mauritius, you'll get 24-hour room service, a mini bar, spa treatments and even a tour or two included.

10 Don't go crazy

It may be tempting to sink a gin and tonic at every opportunity but over-indulging (especially in the sun), will make you feel ill, and nobody wants to waste a day of their holiday.

On the plus side, knowing you won't get billed for ordering a dish you don't like, means you've got the freedom to experiment with different foods from around the world. So as you've paid for it, make the most of your chance to try something new. mw

SUE HAYWARD is a personal finance journalist writing for national newspapers and also has a money column in *My Weekly*.

Divorce to-do list

How not to panic

The new year is a time when people often take stock of their relationships, and many make the decision to go their separate ways. *Moneywise* guides you through this financial minefield

BY MARY WARING

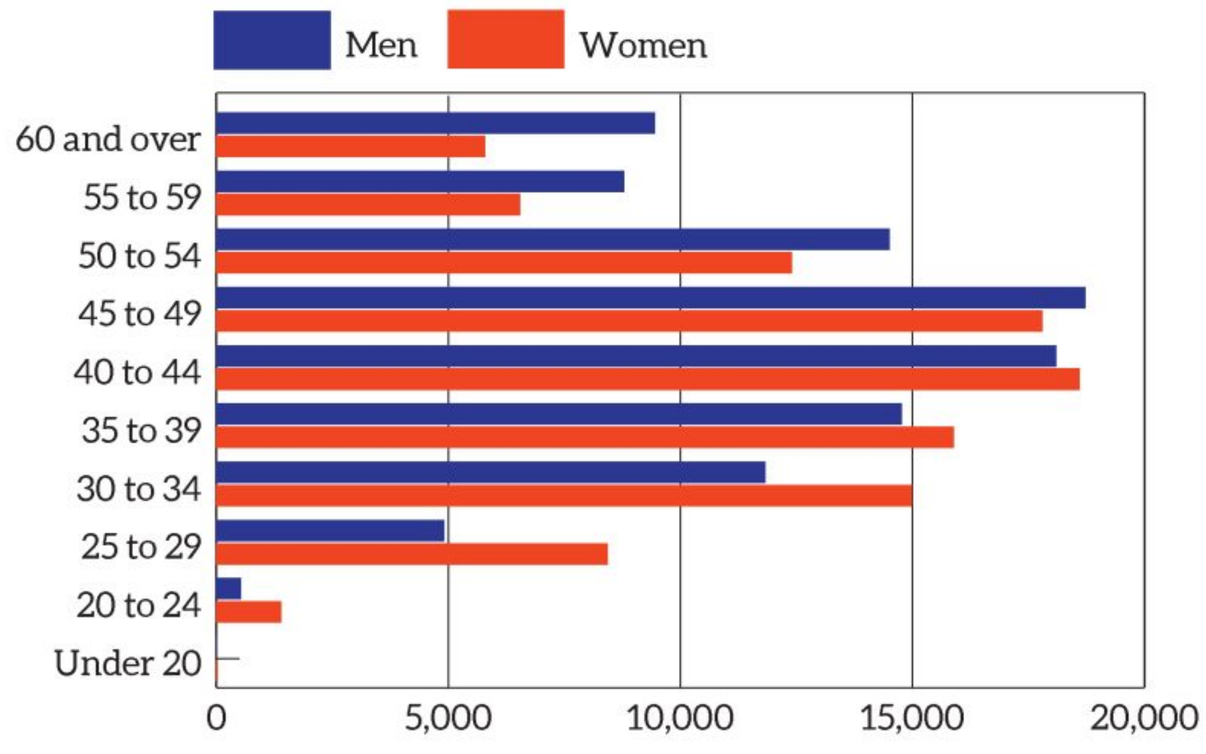
Many people wonder what life would be like without enough money. For people facing up to the reality of divorce or the dissolution of a civil partnership, understanding how the finances will work when they are on their own can feel like one of the biggest worries of all.

Basic maths tells you that running two homes and paying two sets of bills will cost more than a single household, and the reality is that many people do find their finances constrained after divorce. That is why it is essential to create a clear financial plan if you are heading towards a separation.

While it is not actually true that divorces peak over Christmas, people do start taking stock of their lives over the festive period. Research from family law solicitor network Resolution has found that the number of people making online enquiries about family law and separation does spike upwards in January.

Research and planning are crucial if you want to make your divorce as painless as possible. Here's our checklist for reducing the financial pain of separation.

Age of men and women divorcing in England and Wales, 2014



Note: Figures by age will not make the total number of divorces because 8% of records have no age stated for wife and 9% have none for the husband. Source: Office for National Statistics

Don't rely on friends – speak to a professional

Friends will always tell you what you want to hear, which may not be the truth. Divorce is an incredibly stressful process, but speaking to an expert can lay to rest misconceptions that may have been keeping you up at night, and even stopping you from heading for the door. For example, it is common to meet women who have spent 20 years looking after the children who do not appreciate that this means they are treated as contributing to the household wealth at an equal rate to the principal breadwinner.

Consider trying non-adversarial divorce processes

The only people guaranteed to benefit from court proceedings are the lawyers, who get paid whatever the outcome is. There are several non-adversarial processes available for couples who do not want to slug it out – collaboration, mediation and arbitration.

Collaborative law is a legal process that helps separating couples to work with legal professionals and other family experts to achieve a settlement on a consensual basis. Through collaborative law – which is a process first practised in the US in the 1990s – each party still has a lawyer, but rather than deal with each other through faceless legal correspondence, issues are dealt with face to face. This non-confrontational approach can typically reduce the divorce process from 18 months through court to six months.

Mediators can help former partners identify areas of conflict while remaining impartial.

Arbitration sees the two parties agree to abide by an independent arbitrator, who then assesses the case, with both parties being bound by whatever decision the arbitrator reaches on the financial or property dispute that has been put before them.

graduation ceremony or 21st birthday party years down the line. What is more, court documents are public, which is why celebrities tend to opt for non-adversarial dispute resolution processes to protect their privacy.

Don't go rifling through his or her possessions looking for evidence

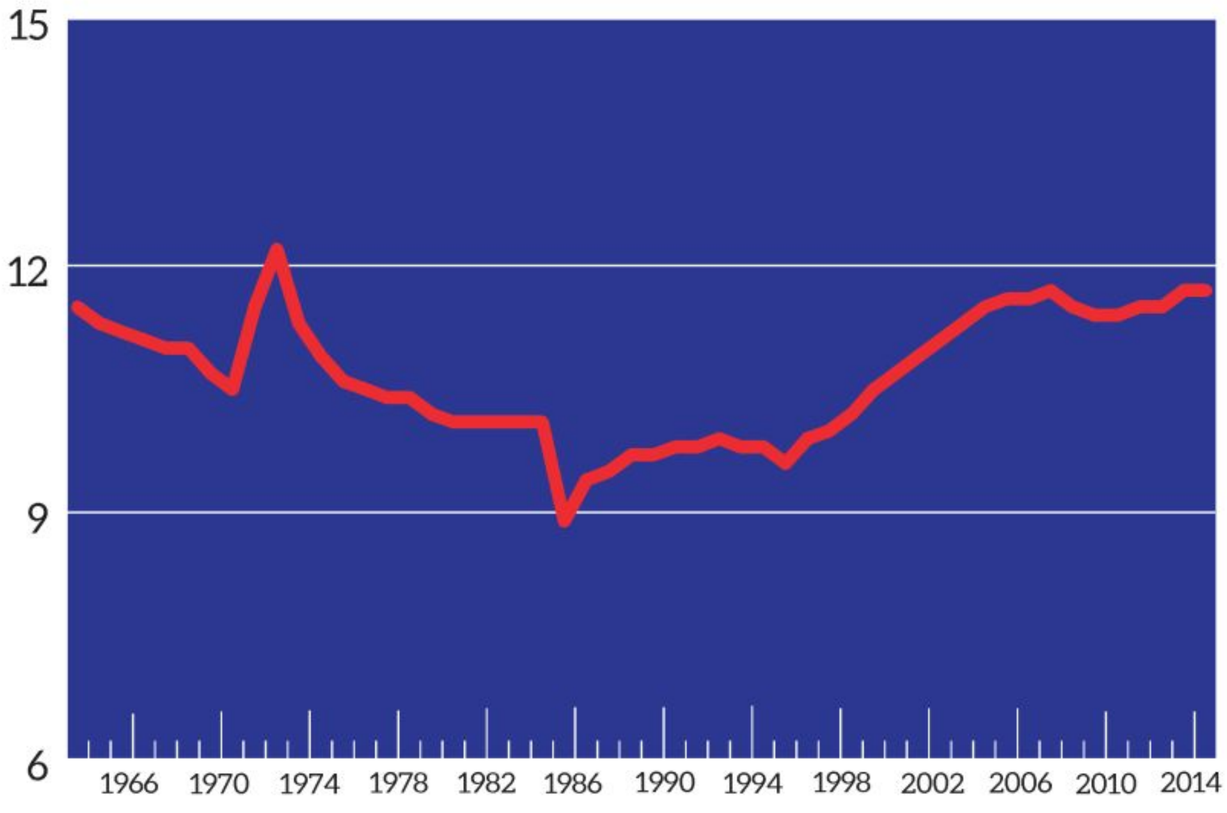
Evidence that has been obtained by covert means will not be admissible in the proceedings, so if you find your ex's key to their secret drawer, there is no point sneaking

Going to court can impact on your long-term relationship with your children

Avoid court proceedings if at all possible

Unless your ex is completely unreasonable, stubborn and set on having their day in court, do everything you can to avoid aggressive legal proceedings. Taking divorce proceedings to court is a bad idea emotionally and financially, and can adversely impact on your long-term relationship with your children. However much you dislike your former partner, it is in your interests to separate on the best terms possible – remember, you will want to feel comfortable going to your child's

Median duration of a marriage in years in England and Wales, 1963 to 2014



Note: The Matrimonial and Family Proceedings Act 1984 reduced the minimum time interval between date of marriage and being able to file for divorce from three years to one year, resulting in a large median fall in 1985. Source: Office for National Statistics

TOP TIP ON TAX

Make sure you don't pay too much Council Tax – half of council tax is a property tax and the other half is a personal tax, based on two people living in the property. As soon as your partner moves out or you move into a property alone, make sure you get your single person discount. This will reduce your bill by 25%.

in and photocopying all of his or her documents. But it is worth starting to ask more questions about financial matters, pensions and other assets if you are getting close to the point where your relationship is about to end. It is quite common for one party to deal with financial matters, leaving the other party in the dark about what assets and liabilities the household shares. Start finding out what your household outgoings actually are – once you are on your own, you will be responsible for all of these.

Take action if your ex is hiding assets

If you are worried that your ex is starting to siphon off funds to hide it from the settlement process, you can make an application for an emergency injunction to freeze his or her assets. You need to have started court proceedings to do this, but if you find yourself in this situation it is unlikely that collaboration, mediation or arbitration will work for you.

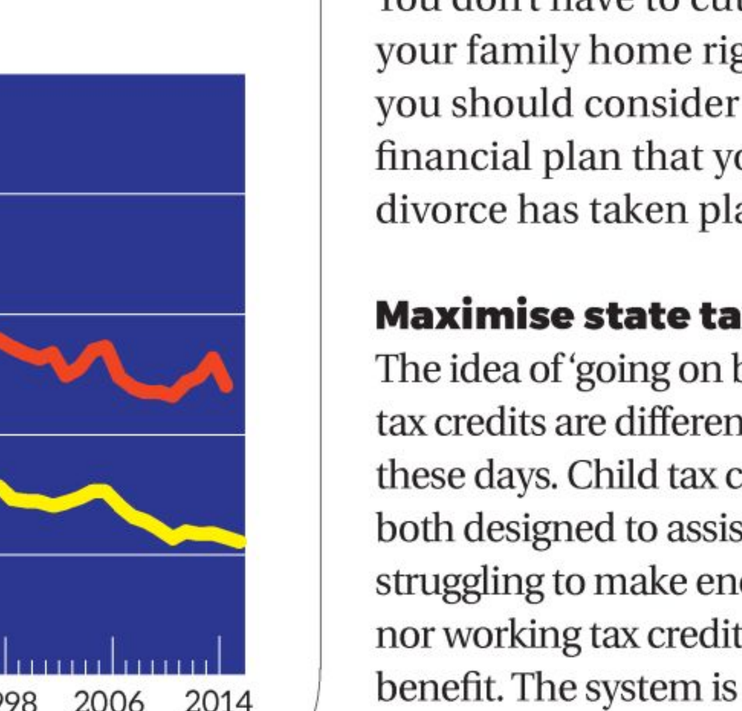
It's not all about the house – don't forget about the pension

The person who will end up doing most of the caring for children, which is usually but not always the wife, often wants one thing above all else – to stay in the family home after divorce. It can be tempting for the woman to want to keep the house and for the man to be keen to keep the pension. The roles can be reversed, but the reality is that it is usually this way round. Women should avoid this kind of deal as they will find they have nothing to live on later in retirement. We are all used to the idea that our home is our biggest asset, but pension benefits can be worth even more. If one of the parties in a divorce has a final salary pension worth £20,000 a year from retirement, that has an actual cash value of around £600,000 – potentially worth more than the family home. So it is important to factor in the full value of any pension assets into a financial settlement. In England, Wales or Northern Ireland the total value of all pensions built up will fall within the settlement calculation, whereas in Scotland it is only the value of your pension built up while you are married or in your civil partnership.

> If you find the key to your ex's secret drawer, don't sneak in to photocopy all their documents

Pension assets can be recognised in the settlement through:

- a pension sharing order, where the other party receives a share of the pension;
- offsetting the value of the pension against other assets, such as other investments or the value of the house; or
- deferred pension sharing, where payments are made from a scheme at a later date when you or your former partner have started receiving the pension payments.



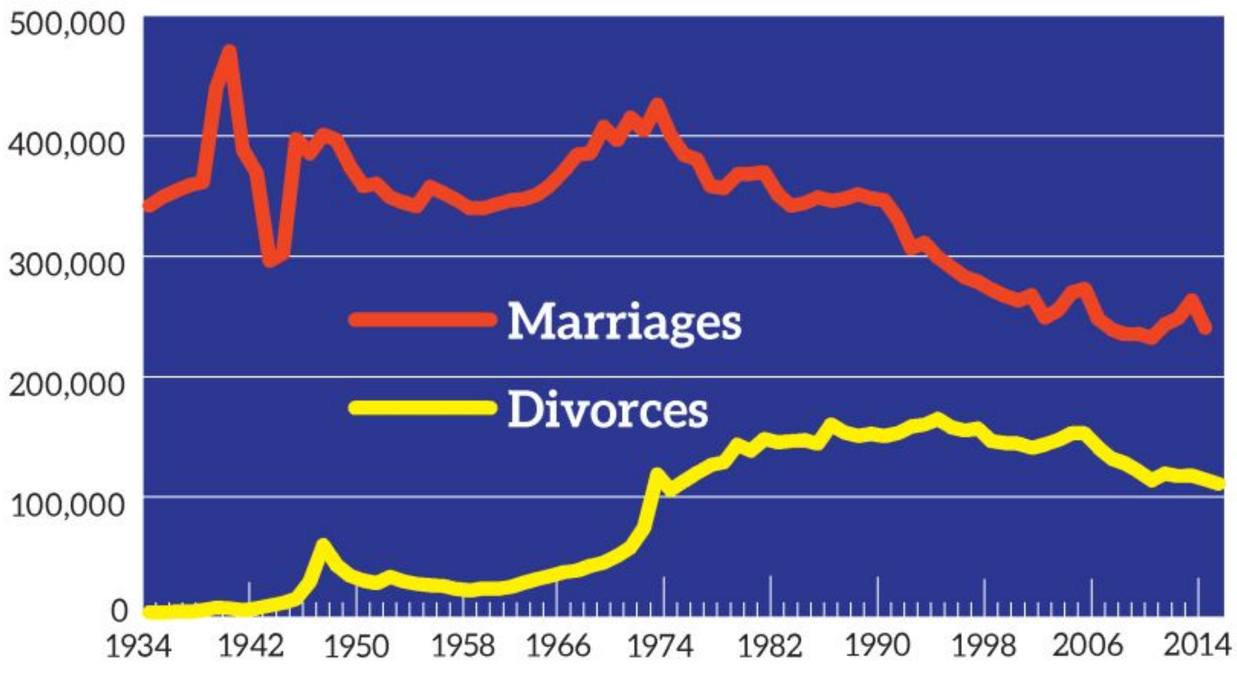
Downsizing – you don't have to do it just yet, but it may make sense in future

Many people – particularly women looking after children – find they cannot face the idea of leaving the marital home while the divorce process is ongoing. This desire for a safe and familiar environment at a time of extreme stress is entirely understandable, but over the longer term this may not be possible. The cost of running a big family home may be too high to fund out of your post-divorce income, and releasing equity by moving somewhere smaller can make a big difference to your overall finances. You don't have to cut the cord connecting you to your family home right at the time of the divorce, but you should consider building into your long-term financial plan that you will move six months after the divorce has taken place.

Maximise state tax credits

The idea of 'going on benefits' may not appeal to you, but tax credits are different and lots of people receive them these days. Child tax credit and working tax credit are both designed to assist families with children who are struggling to make ends meet. Neither child tax credit nor working tax credit impact your ability to receive child benefit. The system is complex, but if you have one child and a household income of up to £26,200 then you would be entitled to child tax credit. With two children, you are

Number of marriages and divorces in England and Wales, 1934 to 2014



Source: Office for National Statistics

likely to benefit if you have a household income of up to £32,900. Working tax credit is for families on low incomes and is based on the number of hours worked.

Rebuild your state pension

Many spouses, usually women, find that they have not built up full entitlement to state pension. To receive the full state pension, you need to have worked and paid national insurance contributions (NICs) for a minimum of 35 years, although you do get credit for periods you were not working when you were at home bringing up children under the age of 12. Up until 2016, it had been possible for a divorcee to rely on their partner's NIC record for the purposes of calculating state pension entitlement, but changes introduced in April 2016 mean this is no longer possible. If you are on course to have an incomplete state pension contribution history by the time you retire, then it can make sense to buy extra years through 'voluntary NICs'. These are currently good value, enabling you to buy around £230 a year for life from state pension age for a one-off cost of £733. That £733 would pay back £4,600 over the course of a 20-year retirement.

Invest your settlement carefully

If you have been the financially active party to the relationship, the chances are you will have a clear understanding of how to manage your finances going forward, and crucially, you could well continue to receive regular income through work. But if you have been staying at home looking after children, things can be very different. While the children are still around, your settlement may entitle you to regular maintenance payments from the departed spouse. But once the children leave home you will be reliant on whatever money was agreed in your settlement.

Some people who are unlikely to get a suitable job will find they have to live on their settlement lump sum for the rest of their life. This may look like a large amount of money, but it will have to cover decades of expenditure, so it is important to get advice from a financial planner.

Case study: Anna

Anna is 47 with two children, aged eight and 13. In her recent divorce settlement, she was awarded the former family home and a large cash lump sum.

What Anna needed to know

- **How do I generate enough annual income to pay my bills?**
- **Can I be sure I won't run out of money?**

Her main concern was that she had sufficient funds to provide a comfortable lifestyle for herself and her two children while they lived at home.

She wanted to take as little investment risk as possible since she was uncomfortable with investing in the stock market.

She knew her ex-husband would adequately provide for the children in his will, so Anna felt that if she didn't have any of the settlement left in her will this wouldn't be a major issue.

The steps we went through together

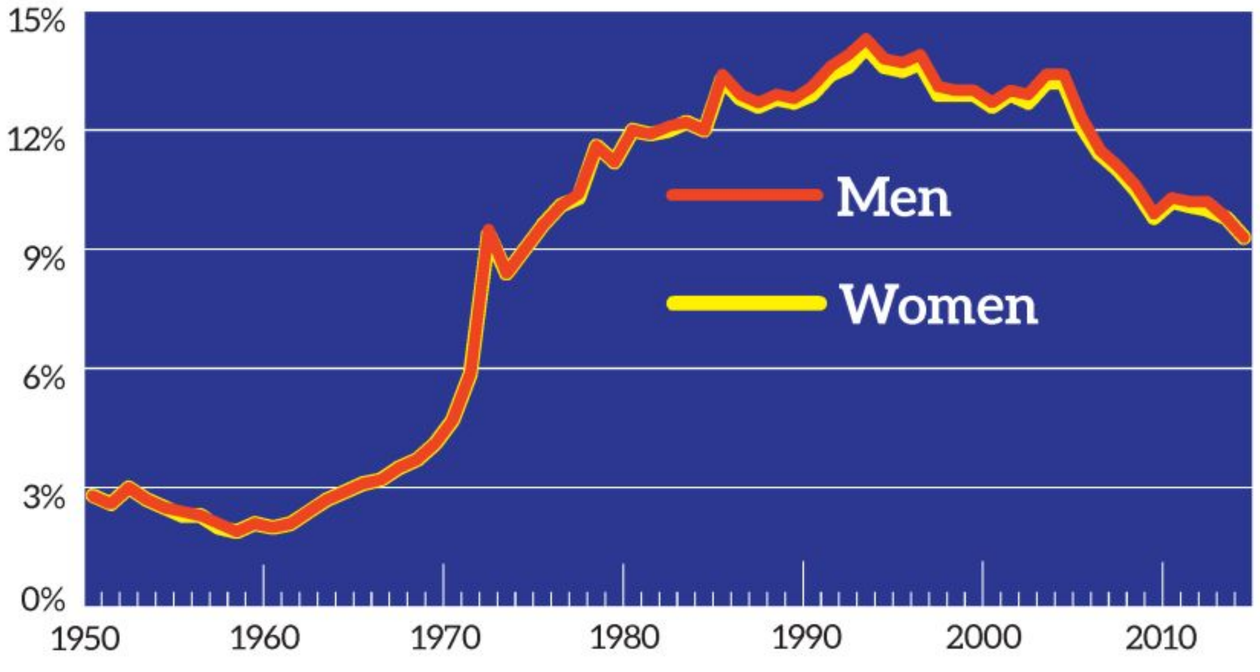
- **Anna listed all of her expenses and we reviewed her priorities in detail.**
- **We discussed investment risk, and how she could withdraw funds from her investment to provide the income she needed each year with the lowest level of tax payment.**
- **Anna was keen to keep her money invested in a bank deposit account. I showed her this would mean she would run out of money by 74.**
- **Based on this, we knew Anna had to take some investment risk to ensure her funds would last. At a low risk level of 3/10, her income would not run out until age 97. The investments were structured so she could withdraw income each year very tax efficiently.**

Anna now feels that she has "complete peace of mind". She says: "I know I won't wake up in the middle of the night in a panic that my money will run out."

Moneywise says: *Investment returns from even low-risk portfolios are not guaranteed, so you have to be prepared to lose some or all of your money. However, over most 10-year periods the stock market has given positive returns.*

They will help you to understand your finances and understand what lifestyle you can afford in the future. A financial planner will do a full lifetime cash flow looking at your future income and spending, and building in assumptions about investment growth, inflation and future taxes. Based on these inputs and assumptions, it will show you whether you'll run out of money. If this is likely to happen, you can run 'what if' scenarios to see what the impact will be if you work longer, downsize or cut your expenditure. This will help you to work out what you can afford and when. mw

Divorce rates per thousand for men and women in England and Wales, 1950 to 2014



Source: ONS.

Win a copy of The Wealthy Woman

Moneywise has 10 copies of *The Wealthy Woman: A Man is not a Financial Plan* by Mary Waring to give away. For a chance of winning one, email editor@moneywise.co.uk by 28 February 2017 with the top money tip that you would give to a woman in her 20s.

MARY WARING is managing director of Wealth for Women and author of *The Wealthy Woman: A Man is not a Financial Plan*

“We used online estate agents and saved thousands”

We talk to home movers about their experiences of buying and selling their property online. How did they do it? Were there any pitfalls? And would they do it again?

BY MARC SHOFFMAN

Buying or selling your home is likely to be the biggest financial transaction you ever make, so is it time to ditch the high street estate agent for cheaper online alternatives?

Online agents act much like traditional high street brands and can value your property, take professional pictures, draw floorplans and list your home on the main property websites, such as Zoopla, Rightmove and Primelocation.

The main difference is that online agents charge a fixed fee rather than commission, but you are also left to manage your own viewings and, in some cases, the negotiations.

High street agents typically charge from 0.75% up to 3% plus VAT of the agreed selling price to sell your property, according to property consumer group the HomeOwner’s Alliance.

So if you took the average UK property value of £205,898, based on the Nationwide December 2016 House Price index, you would pay a fixed fee of £679 with online agent eMoov or more than double with a high street agent at £1,852 based on a commission of 0.75% plus VAT.

However, with a high street agent you only pay if your property is sold. In comparison, online agents can be hundreds and sometimes thousands of pounds cheaper but you may pay upfront and may not find a buyer.

A high street agent can provide a ready book of potential buyers and an expert on hand to help you find the right value, consider offers and provide support through the whole transaction.

But if you are confident in getting the best price and have time to

manage your own viewings, then who better to sell their own property than the owner?

Here, we find out how six people got on with their online house move.

SELLERS' STORIES

"High street agents lacked the flexibility we needed"

Christine and Keith Wood (pictured below) wanted to free up some cash to spend more time together and do some travelling, so they decided to sell their four-storey Victorian rental property in Cumbria.

The buy-to-let house was split into four separate one-bedroom flats that the couple had rented out for 35 years, so they wanted to treat the residents well and sell it tenanted.

But Christine, 50, says she couldn't find a local estate agent with the expertise to do this who was able to offer flexible viewings around all the tenants, so she decided to use Purplebricks.com after hearing about it through a family friend.

Purplebricks offers local property agents that provide a market valuation and help manage the sales process and you can accept bookings, view offers and buyers' details, and follow the progress of the sale online. Sellers pay £849 up front for pictures, floor plans and listings on the main property portals, or £1,199 for properties in London.

In comparison, Christine says local high street agents would have charged her 1% commission, so she would have paid £2,500, compared with £849, when the property sold for £250,000 in July 2016 after two months on the market.

"Being able to respond directly to potential buyers and arrange viewings was a real plus," says Christine.

"The property went on the market on a Sunday and we immediately had viewings arranged for the next day.

"There can be a detachment when there is a traditional agent in the middle. Using an online agent meant we could deal with the buyer immediately and there was no waiting around overnight for answers. I would definitely recommend it."

"You don't get the feedback with high-street agents"

Former BBC production coordinator Julie Field (pictured above), 58, was fed up with having to keep to the office hours of high street agents, so she decided to sell online.

She sold her two-bedroom, semi-detached terrace in Birmingham on HouseSimple.com in August 2016 for £153,000.

"I had sold property through high street agents in the past and found you don't always get the feedback after the viewings due to their workload," says Julie.

"When I came to sell again, I went online and saw HouseSimple had good reviews. Initially, I was nervous about it as I haven't come through the ranks of the internet generation."

HouseSimple charges £595 if you pay up front or £695 if you want to delay paying until you sell or six months after listing.

There is also a no sale no fee option where the seller pays £195 upfront that is refunded if there is no sale, but you will be charged £1,190 if the property is sold.

Whichever plan you go for, the price includes professional photos, floor plans, listings on Rightmove and Zoopla, as well as support up to completion.

The prices are reduced if you use HouseSimple's conveyancing or mortgage broking services.

HouseSimple estimates it can save sellers more than £5,000 on average. This is based on average asking prices on its website of £305,648 and users reporting high street agents charging commissions of 1.64%.

Julie says she found the experience scary at first as it is such a big transaction, but admits it is fine once you get over that initial hurdle and is already planning to sell her mother's property using the same route.

"There is very little difference when it comes to negotiating offers, you have your dedicated agent, and when an offer came through they either emailed or called me," she says.

"While [traditional] estate agents keep office hours, with HouseSimple you can go online and see if there is interest at any time of day. You can directly contact potential buyers and set up viewing dates and times.

"We had one frustrating couple who were interested and then disappeared. There are always time wasters, which I suppose may be filtered out with a high street agent."

"There are always time wasters, which may be filtered out with a high street agent"

"We were just testing the market and ended up selling"

Retirees Peter and Helen Lech only put their four-bedroom Somerset property on the market in June 2016 because their daughter was selling hers and they wanted to see how much theirs was worth.

But Peter, 65, was put off by the commission charged by a local agent, so after seeing an advert for YOPA, he listed the property through it.

YOPA charges £780 to photograph, list and market a property, which can be paid either upfront or within six months. The fee is increased to £1,140 in some London postcodes. Sellers have to pay extra for a premium listing on Rightmove and for accompanied viewings. All viewings and offers are then managed by the seller through the YOPA website.

For Peter, the £780 fixed fee was much cheaper than the 2.25% he was quoted from a local agent to sell his £280,000 property. Using the high street agent would have cost him £6,300 – £5,520 more than selling his home online.

"My wife got itchy feet and wanted to put our property on the market to see how much it was worth," says Peter.

"Our local agent was charging far too much and our biggest bugbear in the past has been a lack of communication from estate agents.

"I am usually dubious about doing things online, but had seen YOPA advertised and decided to give it a try.

"An agent from YOPA called me back within half an hour and photos were arranged that weekend with viewings booked for the Monday. There was no hard sell and I had researched local values that we both agreed on.

"I was able to manage viewings and set my availability online and we quickly got an offer that we accepted. It was amazing how fast it went," he adds.

Testing the market: Helen and Peter Lech

BUYERS' FEEDBACK

"It was nicer to see the properties being sold without estate agents"

Newly engaged Mark Williams and Lili Jenkins purchased their first home together using Purplebricks.

They paid £415,500 for a two-bedroom flat in Islington, London and Mark, 25, who works in public relations, believes he paid less as the seller was paying lower fees so could take a cut-price offer.

He found it less stressful and more personal dealing directly with the seller.

"The properties that were being sold online were shown to us by the owners, whereas high street estate agents' properties were shown by estate agents with a much harder sell," says Mark.

"Generally, it was much nicer and more personal to view the property with the owner to show us around. We found the properties we were

"It was nicer and more personal having the owner show us around"

Proactive: Lili Jenkins and Mark Williams (left)

viewing with high street agents were more expensive.

"We had a really positive experience of viewings hosted by the owners of the property rather than an estate agent who didn't necessarily know the answers to our questions."

Mark says the viewings were set up quickly through the Purplebricks website and it was easy to make offers online and check if it was accepted.

"The negotiation all took place via the online offer tool. Once we offered, we had it accepted within hours," he says.

"For us, there were no cons. However, I think some people need to be reminded constantly by an estate agent calling you. Purplebricks didn't do that to us. This was good, as we were being proactive but I imagine some people need the nudge."

"We wanted to be in our first home by Christmas"

Laura Gichohi, 34, and her husband Joe, 32, had been saving for their first home and were keen to move in before Christmas.

The couple lead busy lives as Laura works full time as a social worker while Joe works for a charity, so they had little spare time to search for properties.

First-time buyer: Laura Gichohi

They were searching online in September and found a four-bedroom house in Swindon, Wiltshire being advertised on Rightmove through online agent Settled.co.uk.

After discovering they were dealing with an online agent, Laura completed the website's buyer questionnaire, which asks if you have a property to sell and if you need a mortgage and then shows which dates the sellers has available for a viewing. You can then liaise directly with the seller about further viewings and making an offer.

"The owner allowed us to roam and time to explore"

"With a high street agent, you have to call them and then wait for them to call the owner and call you back, " says Laura. "We both work full-time, so it is hard to be flexible and communicating direct with the sellers made it easier. We saw the property and made an offer through the site after a few days, which was accepted at 10pm that night."

Settled, which charges sellers £399 to pay up front or £499 to pay three months after listing, does offer to help with negotiations, but Laura was happy to manage this herself.

"I felt confident liaising directly with the seller, that may not suit everybody, but this seemed more straightforward than the going back and forth with a high street agent," says Laura.

They paid £250,000 and completed by mid-November, in plenty of time for Christmas.

"Buying online was a great, stress-free experience," says Laura. "I would definitely do it again."

"It's good to be in control of such an emotive purchase"

Financial adviser Martin Stewart (pictured below) was an early adopter of online agents and came across HouseSimple when trying to buy a family home in 2010.

He found a three-bedroom property in Tunbridge Wells, Kent that was listed on Zoopla and found it easy to deal directly with the seller.

"We sourced the property via usual online portals and viewed the property directly with the owner who was able to confirm all we needed to know about the property and the local area," says Martin. "The owner was very accommodating and allowed us to roam and rummage where we wanted to and time and space to explore."

Martin, 47, says he didn't miss having a middleman. "I've always felt the home-buying process was flawed by vendor and buyer not being able to liaise closer together," he says.

"On such an emotive purchase, a degree of paranoia always seeps in when you get information through a third party which is not always easily validated," he adds. mw

MARC SHOFFMAN is freelance journalist who writes for This is Money, Mail Online and Financial Times Business.

WOULD an offset mortgage SUIT YOU?

It may be tempting to overpay your home loan while interest rates are low, but we look at whether there are scenarios where borrowers would be better off with an offset mortgage

BY **ESTHER SHAW**

With interest rates at rock bottom, some borrowers may be tempted to use savings to overpay their mortgage.

As a general rule, if you have a substantial amount of cash earning next to nothing in the way of interest, it can make sense to overpay on your mortgage once you've cleared more expensive debts, such as credit cards or personal loans.

Adrian Anderson, director at broker Anderson Harris, says: "This is particularly true if the rate of interest you are paying on your mortgage is higher than the rate of interest you earn on your savings after tax."

But before rushing in to this decision, it is worth exploring whether you might be better applying for an offset mortgage. These products allow you to use your savings to reduce your mortgage term or monthly payments. Mr Anderson adds: "This still reduces the interest you pay, but you still have access to savings in case of emergency."

How does an offset mortgage work?

This type of loan links a mortgage and a savings account to help you save money on mortgage interest; you do this by forgoing interest on your savings.

Brian Murphy, head of lending at the Mortgage Advice Bureau, says: "This arrangement allows you to 'offset' the amount that you've got in your savings against the interest you pay on your mortgage. For example, if the balance outstanding on your mortgage is £200,000 and you have £50,000 in your savings account, with an offset you would pay interest on the £150,000 difference."

As you pay interest only on the amount left after you subtract your savings from your mortgage, the

more cash you have to offset, the more interest you save. As well as reducing the interest you pay, you can also cut your mortgage term by maintaining the original mortgage payment and overpaying slightly.

"Some lenders will give borrowers the choice of reducing payments or paying off their mortgage more quickly," says Mr Hollingworth. "For example, a £150,000 repayment mortgage over 25 years at a rate of 3% would cost £711 a month. However, by offsetting £20,000 in savings, this would mean you would repay the mortgage two years and two months early – and save almost £19,500 in interest."

While you can pay in and withdraw cash from the separate savings account, you need to be aware that an early repayment charge (ERC) could apply to the mortgage itself.

Current best buy offset mortgage deals

If you are looking to offset, cheap two-year fixes currently available at 60% loan-to-value (LTV) include Scottish Widows Bank at 1.35% with a £1,499 fee and First Direct at 1.59% with a £1,450 fee.

Cheap two-year fixes available at 75% LTV include Scottish Widows Bank at 1.49% with a £1,499 fee, and Yorkshire Building Society at 1.52% with a £1,495 fee.

At 90% LTV, Yorkshire Building Society has an offset at 2.29% with a £995 fee and also has an offset at 95% LTV at 3.59% with a £995 fee.

Rates are correct as of 11 January 2017.
Source: Moneyfacts and London & Country

Hang on to your savings

"With mortgage rates at record lows, this actually lessens the case for paying off your mortgage," says Mark Harris, chief executive at broker SPF Private Clients. "As your home loan is not costing you much in the way of interest, it may make sense to hang on to your savings in case you need them. The beauty of an offset is that you can retain access to your cash as a safety net while at the same time reducing the interest you pay on your mortgage. It's a win-win."

If you're struggling to find a decent return, an offset mortgage deal could also help you make the most of your money. "Those hoping to pay off their mortgage early while interest rates are at record lows should be wary," says David Copland, director of TMA Mortgage Club. "Disciplined borrowers looking to keep a rainy-day fund would be wise to explore offset deals as an alternative."

"The average easy-access rate now stands at a disappointing 0.39%, while the average offset fixed-rate mortgage comes in at 2.28%," says Rachel Springall, a finance expert at analyst Moneyfacts. "It's clear to see how a borrower who opts for an offset could use their savings to reduce the interest paid on their mortgage while simultaneously having instant access to their savings pot."

> "Some lenders will give borrowers the choice of reducing payments or repaying their mortgage more quickly"

Mr Copeland adds: "While today's dire savings rates may tempt customers to bite the bullet, most mortgages only allow a certain amount of capital to be paid off each year."

In most cases, lenders will let you overpay by up to

10% a year without penalty. However, the degree of overpayment permitted can vary by lender – and also by the specific deal. At the same time, ERCs can typically be in the region of 3% to 5% of the amount repaid. These penalties are levied against borrowers if more than the capital allowance is repaid, and can make it expensive to pay off your mortgage early.

Plus you need to bear in mind that once you've overpaid your mortgage, it might be difficult to get the money back again. The key is to think about what access to your savings you might need in future.

"Most deals will not have the flexibility to allow the borrower to draw back on previous overpayments," says David Hollingworth of broker London & County. "It's important not to throw every spare penny at overpaying the mortgage, as you should keep a rainy-day savings fund. An offset could prove a good solution as it essentially provides the same benefits of overpaying but without sacrificing easy access to the cash."

"While an offset means you can access your savings, you will typically pay a higher rate of interest for this flexibility"

Offset deals are tax-efficient

With an offset, you are effectively earning the mortgage rate on your cash. However, as you are reducing the interest charge – rather than earning interest – there is no tax to pay.

"Although the personal savings allowance enables savers to earn some interest without paying tax, this can still be of real benefit," says Mr Hollingworth. "For example, a borrower offsetting cash against a mortgage with a rate of 3%, say, would need to earn a gross savings rate of 3.75% as a basic-rate taxpayer, rising to 5% as a higher-rate taxpayer – and 5.45% as an additional-rate taxpayer."

Higher interest rates

While all of this may sound appealing, the downside of an offset mortgage is that rates are likely to be higher than other less flexible mortgages.

Ryan Tuff, a senior adviser at online broker Trussle, says: "While an offset means you can access your savings at any time, you will typically end up paying a higher rate of interest for the privilege of having this flexibility."

Shaun Church, associate director at broker Private Finance, agrees: "Many offset mortgages carry an additional charge, which can be larger than the amount of mortgage interest borrowers with modest savings are able to offset."

When it comes to offsetting, high-net-worth individuals and self-employed borrowers stand to benefit the most, as they tend to have significant savings or are typically locked out from the best mortgage deals; this type of deal may suit also those who receive bonuses. Equally, with returns on cash savings at rock bottom right now, offset could increasingly appeal to a broader range of borrower, including those with a small savings pot, who save into it regularly. This is especially true now the premium for taking an offset has decreased, meaning an offset deal is no longer significantly more expensive.

Mr Murphy says: "If you want the flexibility of having savings available, yet the ability to make those same savings work harder by reducing the monthly mortgage payment – or term of the mortgage – an offset could be an option that offers the best of both worlds."

As a borrower, it can be hard working out what products may be suitable for you, what fees may be applicable, and what level of savings – and equity in your property – you would need to be considered for an offset in the first place. If you are struggling, it is worth seeking professional help from a broker or independent financial adviser who can help weigh up all the options available to you. mw

"I used an offset mortgage to reduce my loan by 10 years"

Simon Luckings from Bury St Edmunds recently opted for an offset mortgage to make his savings work harder for him in the low-interest rate environment.

The 30-year-old, who manages his family's commercial landscaping business, bought his first home, aged 20, with the help of his parents. "At the time, I took out a mortgage with Santander with a 35-year term," says Simon. "My aim was to have the lowest monthly repayments possible."

However, after splitting up with the girlfriend whom he had been living with at the time, he then rented out his property. "At that stage, the monthly payments were around £700, but as the rent covered my mortgage, there was no impetus for me to change the deal I was on," he says. "But when I moved back into the property with my current girlfriend in October 2015, I had a bit of a shock at the cost of the repayments. This motivated me to shop around for a better deal."

Simon is now on a two-year fix offset with the Yorkshire Building Society (YBS) at 1.39%.

"As I already had some savings with YBS, an offset made sense – as this meant I was putting my money to better use when savings rates are so low," says Simon. "I was able to secure a very competitive deal, which left me a lot better off financially. This mortgage has also enabled me to reduce the term of my loan by 10 years – from 27 years down to 17 years. Better still, if I maintain the level of savings I currently have, the term could reduce even further to just 14 years – meaning I could potentially have paid off my mortgage while in my 40s."

ESTHER SHAW is a freelance writer who has worked for *The Independent on Sunday*, and *Daily* and *Sunday Express*.

Building a granny flat?

Sort out the finances first

More and more families are realising that having an elderly parent living with them could pay off. It will be cheaper than paying for a separate dwelling or care home fees, but it's something to go into with your eyes wide open

BY KARA GAMMELL

Thanks to rising property prices and costly care home fees, a growing number of families are choosing to live with older relatives.

Figures from the Valuation Office Agency show that there are more than 30,000 granny annexes in England in Wales – an increase of 39% in just two years.

"A granny annexe can offer a useful bridge between independence and the provision of care," says Martin Bamford, a chartered financial planner at adviser Informed Choice. "It can be a lot more cost-efficient than providing care either in a separate home or residential care home."

In the past few years, the government has taken steps to encourage families to live together and has reduced social care costs for the taxpayer by discounting council tax and scrapping stamp duty increases on annexes.

But how do families make it work? And with so much money at stake, how can you decide if this is the right option for everyone? *Moneywise* takes a look.

How does it work?

Rather than moving a relative into the spare room in your home, setting up an annexe is more complex. Most often, both parties chip in cash to build the annexe. But how you share ownership of the property has financial – and legal – implications.

A 'joint tenancy' is where the property is owned in equal shares and if one 'tenant' dies, their share is automatically divided equally between the other owners.

In contrast, owning as 'tenants in common' means that while each party has a fixed share of the property, the shares may not always be equal and if one of the owners

dies, their share will be inherited by their named beneficiary.

It may seem obvious to buy the property as tenants in common, particularly if you have invested different amounts of money. However, it is vital to consider who would inherit any shares and how this could affect your living arrangements.

To further complicate matters, if a mortgage is needed to buy the property – or even to buy just a share – securing a home loan could prove challenging. Typically, lenders are unwilling to provide a mortgage to buy part of a property. This is because, should you default on your payments, they will be unable to recoup their costs as they cannot repossess and sell a home if someone else owns the rest.

Putting all owners on the mortgage is not an easy alternative either, as many lenders are reluctant to give mortgages to people past retirement age.

Mark Harris, chief executive of mortgage broker SPF Private Clients, says: "Lenders routinely ask for details of the dependants living in a property.

"If one generation does not contribute financially, then the lender could make assumptions about how their lifestyle is afforded – for instance, the non-earning dependant becomes a financial drain on the others, which will affect the amount you can borrow."

What is more, explains Mr Harris, some lenders do not like annexes with a separate entry and no access to the main house because of the risk of it being let out.

"Sharing can mean living in a nicer house and having more disposable income"

What are the benefits?

Despite these obstacles, there are obvious advantages to setting up an annexe – and many of them are financial – says Patrick Connolly, certified financial planner at adviser Chase de Vere.

"Sharing a home in this way can lead to the family as a collective living in a nicer house and having more disposable income, which can be used to pay off existing mortgages, for school fees or university costs or for better standards of living generally and more luxuries such as foreign holidays," he says.

This approach is ideal for combating the high costs of childcare, and care for the elderly, particularly if family members have health problems.

"From a societal perspective, an increase in the number of multi-generational homes should also mean that people are less reliant on the state, because they're looking after their own relatives, which means that taxpayers generally could end up paying less," says Mr Connolly.

However, should the health of the elderly relative deteriorate and they need round-the-clock care, local authorities will look at the person's assets to determine eligibility for financial assistance. Under current rules, assets need to be below £23,250 in England and Northern Ireland (£26,250 in Scotland and £24,000 in Wales) before support will be offered. If they still own property, or even part of it, this will be included in the funding assessment.

However, there are situations where your property must be disregarded, should a spouse or another relative over the age of 60 live there, for instance. Local authorities also have further discretion to disregard the property in other circumstances where a relative under this age lives in the home, but it does not have to exercise this power. To find out more, check out Age UK's Guide to Paying for Permanent Care at: http://bit.ly/2iGocIB.

What are the pitfalls?

While it can make financial sense to set up a multi-generational household, living arrangements such as this can cause family disputes. There might also be legal or tax planning considerations, particularly if properties or other assets are bought by more than one person. It may, therefore, be sensible to take the advice of a solicitor or independent financial adviser.

"The inheritance tax position will depend on how the unit is purchased or funded, and the legal ownership of the annexe," says Mr Bamford.

"If the older member of the family is gifting money from the sale of their main residence, then the seven-year rule will apply before that gift becomes exempt for inheritance tax purposes. To avoid the property being treated as a gift, a market rent should be paid."

Another common issue faced by families in this situation involves property ownership. For instance, if one generation owns the property, it will have control over whether the property is sold in the future and other generations may feel that they have less of a say in household matters.

On the other hand, if family members own shares in the property there are potential problems if somebody wants to sell up and move to a different property, and the others don't want to sell.

To further complicate matters, there may also be problems if there are any family breakdowns. If somebody moves out of the home because of a relationship breakdown, they may demand their share of the property or claim a share through divorce proceedings. mw

There will be a problem if someone wants to sell up and others want to stay

KARA GAMMELL is freelance journalist who has written for *The TImes, The Daily Telegraph* and *Saga* magazine.

Four tips to make it work

When it comes to sharing the roof over your head with another party, it is essential to get professional advice to avoid both short-term and long-term problems.

1 Set boundaries

Before you start moving your elderly relative in, it is essential to have an open and honest discussion about how the living situation will work. For instance, who will do the chores, how household bills will be paid, what element of privacy will be afforded and what type of behaviour is acceptable.

"When groups of people are living together there will always be tensions that arise, even if that is just over minor details such as queuing for the bathroom in the morning," says Mr Connolly.

"However, to stop these tensions from escalating it is sensible to have a means of addressing them; perhaps through a regular family meeting where any grievances can be aired."

2 Sort out the cash

You need to consider how this living arrangement will work financially. For instance, how much will each party invest in the sale price of the property, but also, who will be responsible for major repairs and garden upkeep. It makes sense to get this agreement in writing so that there will be no disputes in the future.

A joint account for paying out rent and bills in a shared house can seem convenient, but the risks might outweigh the advantages – so steer clear. Should you open an account with someone, for example, you will create a financial association with the other account holders on your credit file. If you are linked to someone with a poor credit score – or even no credit record – lenders may turn down any future applications.

3 Consider changing needs

One of the biggest advantages to multi-generational living is that family members are on hand to help one another – whether it is by providing childcare or looking after an aging parent.

But you need to think carefully about how everyone's needs may change. For instance, will the house still be practical if the older generation becomes unable to climb a flight of stairs? How will the location suit if one of you becomes unable to drive?

It also makes sense to consider future caring responsibilities – in other words, when would it be sensible to consider long-term care – to avoid anyone suffering undue stress.

4 Don't overlook other legal aspects

When buying with relatives, getting your will written or revised is a no-brainer, but few will consider what would happen if they were unable to make decisions due to short-term issues such as an accident or a long-term problem such as dementia.

All owners of the property should apply for a Lasting Power of Attorney (LPA) to ensure that all financial obligations can be met should their health change.

This legal document allows you to appoint one or more people as an 'attorney' to make decisions on your behalf should you be unable to do so. Find out more at the Office of the Public Guardian or visit www.moneywise.co.uk/investing/financial-planning/how-to-set-lasting-power-attorney-while-you-can.

Easy portfolios for 2017 and beyond

We explain how beginner investors can use the tracker funds in *Moneywise*'s **First 50 Funds** to construct simple, low-maintenance investment portfolios

BY **MOIRA O'NEILL**

The Financial Conduct Authority (FCA) recently highlighted 'closet tracker' funds as a big problem for investors. In its market study into the asset management industry, the city regulator estimated £109 billion of investor money is held in such funds.

'Closet tracker' refers to the fact that these funds are supposedly actively managed, but are nonetheless run in a very conservative manner that makes them little different from tracker funds.

The FCA also found evidence that some actively managed funds use inappropriate benchmarks when comparing performance. It was also critical of the ability of active funds to add value in general, stating that "looking at the relationship between price, performance and how actively the fund is managed, its evidence suggests actively managed investments do not outperform their benchmark after costs".

The study adds fuel to the arguments of those who advocate tracker funds over active funds.

Index tracker funds aim to closely track the performance of a stock market index (such as a FTSE 100 tracker fund) by investing in companies within the index they track.

The purpose of this 'passive portfolio' management is to generate a return that is the same as the chosen index, instead of outperforming it. Because this investment strategy is not proactive, tracker funds are often cheaper than funds, which are actively managed by fund managers.

And *Moneywise*'s own experience adds further food for thought: the tracker funds selected for *Moneywise*'s First 50 Funds list for beginner investors beat the performance of the active funds on the same list during 2016.

The average performance across the entire First 50 Funds range in 2016 was 14.6%. However, the 20 tracker funds posted average returns of 19.4%, with the 20 active open-ended funds posting average returns of 10.3%, and the 10 investment trusts posting returns of 13.9%.

This compares to a total return of 19.1% from the FTSE 100 index and 16.8% from the FTSE All Share Index in 2016. However, bear in mind that not all funds in the selection would benchmark against these indices. The First 50 Funds includes funds that invest across all major asset classes, including UK and global shares, government bonds, corporate bonds, commercial property and gold.

The best performer in the selection was **Murray International**, a global actively managed investment trust, which returned 50.4% to its investors. Fund manager Bruce Stout is a 'contrarian' investor, which means he takes the opposite view to other investors. In second place was the **Vanguard Global Small Cap Index fund**, posting a 34.2% return, followed by **Fidelity Index Emerging Markets** and the two US index funds.

The worst performers in the selection posted negative returns to investors in 2016. These included the two property funds, which were forced to close to investors after the Brexit vote in June 2016, plus **Jupiter European Opportunities investment trust. Marlborough Multi Cap Income fund** and **Henderson Smaller Companies investment trust** also made small losses.

Meanwhile, Neil Woodford's fund, **CF Woodford Equity Income**, was in the bottom 10 performers, due to its lack of exposure to oil and mining stocks.

Visit **www.moneywise.co.uk/first-50-funds** for the full list of performance tables.

TEN WORST PERFORMERS

First 50 Fund	Calendar year performance 2016 %
M&G Property Portfolio	-7.1
Jupiter European Opportunities	-6.9
Henderson UK Property	-4.3
Marlborough Multi Cap Income	-3.2
Henderson Smaller Companies	-2.3
Kames Absolute Return Bond Fund	1
CF Woodford Equity Income	3.2
Fidelity MoneyBuilder Income	3.4
Vanguard Global Bond Index	3.5
AXA Framlington UK Select Opportunities	4

TEN BEST PERFORMERS

First 50 Fund	Calendar year performance 2016 %
Murray International	50.4
Vanguard Global Small Cap Index Fund	34.2
Fidelity Index Emerging Markets	34
HSBC American Index	33.5
Legal & General US Index	33.4
Man GLG Japan CoreAlpha Professional	32.4
L&G International Index Trust	30.2
Vanguard FTSE Developed World ex-UK Equity Index Fund	29.3
Fidelity Index World Fund	29
Fundsmith Equity	28.2

TRACKERS

First 50 Fund	Calendar year performance 2016 %
Vanguard LifeStrategy 20% Equity Fund	10.4
Vanguard LifeStrategy 60% Equity Fund	18.3
Vanguard LifeStrategy 100% Equity Fund	26.1
BlackRock 100 UK Equity Fund	18.2
Fidelity Index UK Fund	16.1
HSBC FTSE 250 Index	6.1
Vanguard FTSE UK Equity Income Index	12.4
Fidelity Index World Fund	29
Vanguard FTSE Developed World ex-UK Equity Index Fund	29.3
L&G International Index Trust	30.2
Vanguard FTSE Developed Europe ex-UK Equity Index	19.3
Vanguard Global Small Cap Index Fund	34.2
Fidelity Index Emerging Markets	34
HSBC American Index	33.5
Legal & General US Index	33.4
Vanguard UK Gov Bond Index	10.8
L&G Short Dated Sterling Corp Bnd Index	4.9
BlackRock Corporate Bond Tracker	10.3
Vanguard Global Bond Index	3.5
Source Physical Gold P-ETC	8.8

Source: Moneywise.co.uk for tracker fund and active fund data. Morningstar for investment trust data (shows share price return) and Source Physical Gold. Data sourced on 9 January 2017

Moneywise's easy portfolios

To help *Moneywise* readers make the most of their investments, we've created four portfolios from tracker funds in our First 50 Funds list.

I am calling our newly created portfolios "easy" to signify that they will take very little effort to run and maintain.

However, if you want absolute minimum effort, then you could buy one of the three Vanguard LifeStrategy Funds, which are instant portfolios in themselves.

These *Moneywise* "easy" portfolios are the next step up in terms of effort required, but managing them will help you understand the investment process better.

The trick when you start investing is to not make it too complicated. As you learn more, you can add different funds to the mix – including actively managed funds if you, like many investors, want to mix the two approaches.

We propose rebalancing the easy portfolios every six months – so you're not trading them too much. During a six-month period, one portion of the portfolio might have performed better than another. Rebalancing means returning the portfolio allocation to the original percentages by selling some of the 'winners' and buying more of the 'losers'. But as there are only a handful of funds in each portfolio, the rebalancing process won't be too onerous – you'll just need to set a diary reminder to remember to do it.

We'll monitor the performance of these portfolios. Plus we'll explain how to do the first set of rebalancing in the August 2017 issue.

Note: Check what charges you'll incur on your chosen platform. Fund trades on many platforms don't cost extra over the annual platform charge, but some may charge extra for trading or may have a fixed fee plus trading charges on top. mw

THE EASY PORTFOLIOS

Tip: We've selected the 'Acc' share class – otherwise known as accumulation. This is where any money earned is reinvested. If you don't want your earnings reinvested, you need to look for the 'Inc' (Income) share class.

Home and Away shares

This is a shares-only portfolio for someone with a high appetite for risk or a long investment time frame of 10 years or more. We've used a simple split between UK and global shares (with the bulk in global). Many investors make the mistake of being too focused on their home stock market.

30% Fidelity Index UK Fund W Acc

This fund aims to replicate performance of the FTSE All Share Index. This index represents 98% of companies traded on the London Stock Exchange.

70% Vanguard FTSE Developed World ex-UK Equity Index Fund Acc

This fund is a good diversifier if you already have a lot of UK exposure in your portfolio.

Home and Away shares +

In addition to the two funds selected for the Home and Away portfolio, Home and Away shares + introduces small weightings in two additional funds to add a bit of spice – exposure to global small companies from developed countries, plus emerging market equities. This portfolio is for someone with a larger portfolio of £50,000+ or so, who has time to keep track of more funds or who has some experience of investing.

25% Fidelity Index UK Fund W Acc

60% Vanguard FTSE Developed World ex-UK Equity Index Fund Acc

10% Vanguard Global Small Cap Index Fund Acc

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

5% Fidelity Index Emerging Markets W Acc

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

Simple two assets

This portfolio is suitable for a medium-risk, long-term investor with five years or more to invest, or for someone who is nearing retirement or in retirement. The bulk of the portfolio is in global shares, but it also has a large portion in UK government bonds for diversification.

60% Fidelity Index World Fund W Acc

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

40% Vanguard UK Gov Bond Index Acc

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

Simple two assets +

This portfolio adds a bit more complexity in the form of small-cap equities and some corporate bonds. The portfolio would suit a medium-risk, long-term investor with a larger portfolio of £50,000+ or who feels more confident about investing.

50% Fidelity Index World Fund W Acc

10% Vanguard Global Small Cap Index Fund Acc

30% Vanguard UK Gov Bond Index Acc

10 % L&G Short Dated Sterling Corp Bnd Index I Acc

Holds bonds consisting mainly of large, corporate investment-grade bond issues with maturities of between one and five years (the safer end of the maturity spectrum because interest rate changes will have less of an effect on the outcome to the investor).

These portfolios have been selected by Moira O'Neill, editor of *Moneywise*, based on independent editorial criteria, and using her knowledge of investments based on 20 years of writing about investments. If you are at all worried about making a selection or feel that you don't have enough expertise to know if these portfolios are right for you, please contact an independent financial adviser.

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EXCLUSIVE VIDEO

How to be a property investor

Moneywise editor Moira O'Neill talks to LendInvest co-founder and CEO Christian Faes about why UK investors love bricks and mortar. The video is part of 'How to be a property investor' – a new ten-part online beginners' property investment series from the Moneywise team.

The video covers:

- Should property be the nation's first choice asset?
- What would you say to someone who says my 'property is my pension'?
- What is the main risk of investing in property?
- What's your top tip for a potential property investor?

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moneywise FIRST 50 FUNDS THE Q&A

Henderson UK Property Fund

Ainslie McLennan

Ainslie McLennan, manager of the Henderson UK Property Fund – one of our **First 50 Funds** for beginners – gives *Moneywise's* **Helen Knapman** the lowdown

What is the Henderson UK Property Fund?

The fund is a plain vanilla, tangible assets, bricks and mortar fund, which invests in mainly commercial properties based in the UK.

We also hold some liquid assets [assets that can be quickly converted into cash], which are mainly formed of cash, but also include a few REITs [Retail Estate Investment Trusts], such as British Land and Hammerson.

The fund aims to provide a steady income for investors by investing in properties that we believe will provide reliable rents. The average lease length of the properties in the fund is about 10 years, which is a long guaranteed income.

What kind of person invests in the fund?

The fund has a wide reach with people using it in everything from individual savings accounts (Isas), self-invested personal pensions (Sipps) and more. My mum and dad, are both retired and they've invested in the fund, as have I. The fund's wide reach, as well as the fact myself and others I know are invested in it is a big incentive for it to do well.

How many properties does the fund own?

We own about 100 properties and they're very diversified both in terms of their use and what they're worth – some assets are sub-£10 million, while others are worth over £100 million.

What do you look for when picking new properties?

We look at a number of things: Do we think that the tenant is good for their money? Do we think we could

Henderson UK Property Fund key stats:

Launched: June 1999

Fund size: £3.17 billion

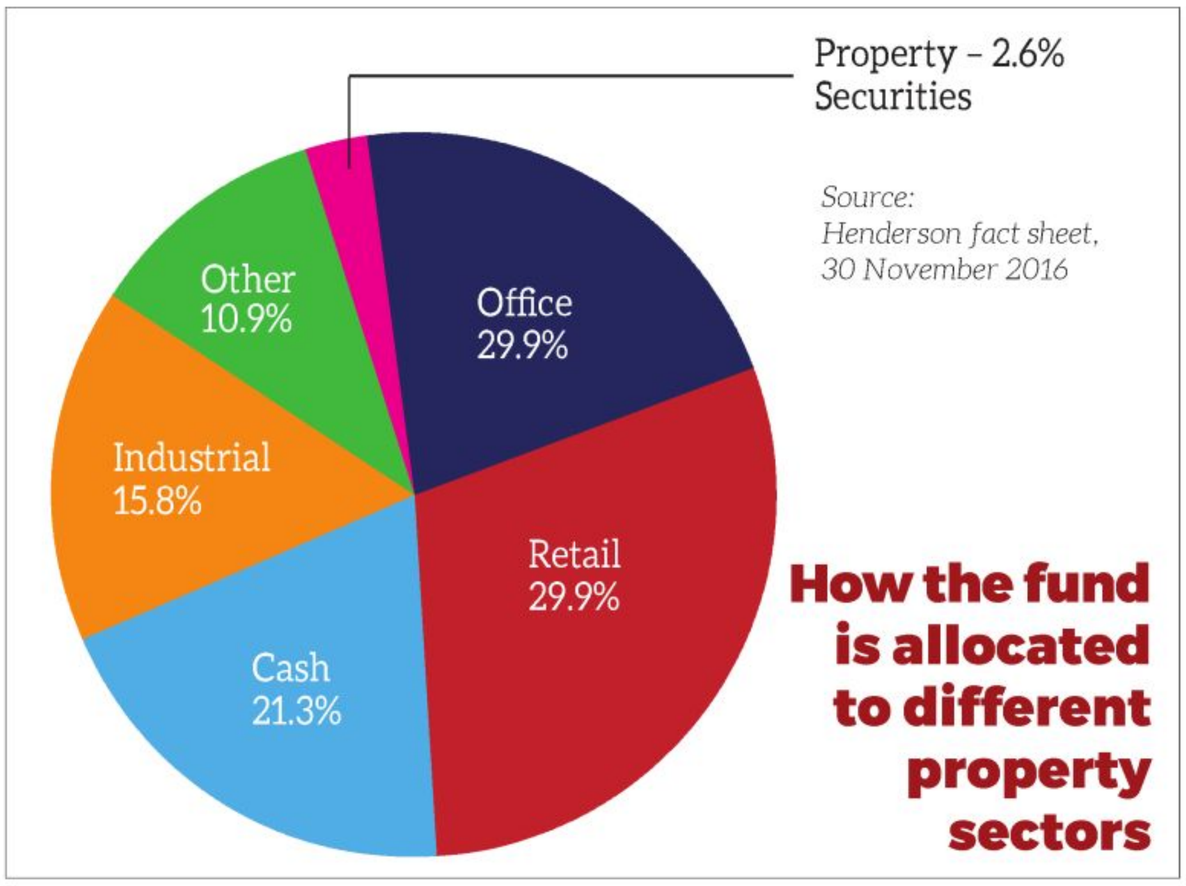
Net yield: 3%

Ongoing charges: 0.84%

Source: Henderson fund fact sheet, 30 November 2016

The team behind the fund

Ainslie McLennan and Marcus Langlands Pearse co-run the fund. Ainslie joined Henderson in 2002 before transferring to TH Real Estate in 2014 in a joint venture between Henderson and TIAA-CREF. TH Real Estate is now solely owned by TIAA-CREF. Prior to this, Ainslie worked for a private property practice. She has a BA in Land Economy from Aberdeen University. Marcus joined Henderson in 2009 and also transferred to TH Real Estate in 2014. Prior to this, he worked at New Star and HypoVereinsbank.



Source: Henderson fact sheet, 30 November 2016

How the fund is allocated to different property sectors

Five-year performance of Henderson UK Property Fund

Year	2012	2013	2014	2015	2016
Henderson UK Property Fund I Acc (NET)	6.3%	7%	12.3%	8.8%	-4.3%
IPD UK Monthly Property Index	2.2%	10.6%	18.6%	13.6%	1.5%*
FTSE 100 Index	10%	18.7%	0.7%	-1.3%	19.1%*.

*Source: Henderson for fund performance, MSCI for IPD index performance, and FTSE Russell for FTSE 100 index performance, as at 5 January 2017. *Performance in year to 30 November 2016 Notes: The fund doesn't have a benchmark because the Investment Association property sector contains funds investing in global properties and property related equities, but we have included the FTSE 100 index and the IPD UK Monthly Property Index for comparative purposes. The IPD index tracks performance of 3,130 property investments, with a total capital value of GBP 44.6 billion as at November 2016.*

Top 10 properties

1 RD Park, Hoddesdon
2 169 Union Street, Southwark
3 Capital Park, Cambridge
4 Dalton Park, Murton, Durham
5 Robin Shopping Park, Wigan
6 K & N, Derby Commercial Park, Derby
7 Tower Retail Park, Crayford
8 Data Centre, 3 King George Close, Romford
9 Windsor Office Park, Windsor
10 2 Roundwood Avenue, Heathrow

Source: Henderson fund fact sheet, 30 November 2016

lock in a larger rent at the rent review? What are the risks and is there a back-up plan if a tenant misses rent payments? Could we have a Plan B for the building – for example, changing the use?

You recently suspended the dealing of shares in the fund. What happened?

There was turbulence at an investor level, which led to the suspension of five funds, including our own [on 5 July 2016]. It was the first time that the fund had been frozen.

We had 15% in cash in the fund at the time of the Brexit vote [on 23 June 2016], which was enough to deal with withdrawals, but it wasn't enough to deal with the impact from other property funds being suspended.

> "We own properties throughout the UK, so drive by and take a look"

From our own perspective, it was the right thing to do to preserve the integrity of the fund and we reopened it on 14 October 2016.

I've worked on this fund for seven years, so it's quite close to my heart and we've got some good assets. I wanted to start the next chapter with a nice feeling about the assets we hold and to know we got a good price for the assets we sold rather than just taking what we could get. But I understand the frustration of investors at not being able to move money in that period.

Some of these properties had been earmarked in our strategy to sell anyway, because, for example, on one building we'd hit the ceiling of how much we could raise rents. In other cases, we sold assets we'd done well on, but if tested economically may not have been as robust as they previously felt. We sold some larger assets and lots of smaller assets, but we didn't sell our top 10 holdings.

When will you start buying property again?

Acquisition at this point feels quite far away. We stopped inquiring [about new properties] in 2016 as we had just spent substantial sums of money.

What has been the fund's worst investment decision?

Our regional office in Manchester. I know there is vibrancy in the North and people talk of a northern powerhouse, but while it's a great office and we've done well on the capital, the occupational market can get fragile in these regions quite quickly. It's hard work to keep the tenants – never mind grow the rents – and that's not what we're about.

What has been the fund's best investment decision?

I like logistics properties [warehouses or buildings owned by firms that transport goods to consumers]. There is so much mileage in them because of the change in our shopping habits, and how we now order online.

I also loved the building we had on The Strand in central London. We sold it prior to the Brexit vote because of a perceived risk about having financial companies as tenants in case they moved their businesses to the EU – two thirds of the rental income from this building came from Coutts bank. But it was a super asset – we bought it for £175 million and two years later sold it for £198 million.

What's your top tip for a beginner investor looking to invest in the fund?

Look at the tenant base and look at the assets. We own properties right across the UK, so whoever is investing will have one of our assets nearby – drive by and take a look.

Visit www.moneywise.co.uk/first-50-funds to view Moneywise's First 50 Funds for beginners.

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HOW CAN MY EX-PAT DAD INVEST IN THE UK?

Living in Spain is a headache for one UK taxpayer who has £12,000 to invest

BY **ROB GRIFFIN**

My father lives in Spain and has a £12,000 insurance payout following my mother's death. He's holding the money in a UK current account and plans to keep it there until the Sterling to Euro exchange rate improves. I've been told he can't have a UK investment account as he's not a resident – even though he still pays tax on his pension in the UK before it is sent to Spain. Surely as a UK taxpayer and British citizen he can obtain a better return?

Initial diagnosis

Unfortunately, he may be out of luck, says Ben Yearsley, investment director of Wealth Club. "The main reason is that opening an account with most, if not all, providers will require you to have a UK address."

There is also a danger of waiting until Sterling recovers – especially given the political risks associated with both Sterling and the Euro. "The currency may never get to the level he deems acceptable to transfer over," he says. "My view is that the rate seen this time last year, when it was close to the €1.36>£1 level, was artificially low."

Alternative medicine

However, the good news is that your father does have some options to consider, according to Justin Modray, founder of Candid Financial Advice. One of the most viable is opening an offshore bank account in Sterling.

"In this low interest rate climate the rates aren't great, but they're still better than a current account," he says. "Santander Isle of Man pays 0.75% on its easy access International Saver account and Standard Bank (Jersey) pays 1.4% on its 196-day notice International Saver 196 account."

"The rates offshore are better than in a current account"

He suggests Moneyfacts.co.uk as a good source of offshore banking best buys.

"When considering these accounts, your father should check the protection offered by local compensation schemes, much like the Financial Services Compensation Scheme (FSCS) in the UK," he adds.

Investment treatment

If he wants to invest the money, then Mr Modray suggests he takes a five- to 10-year view, as volatility can be high over the shorter term. The most practical way to hold investments in Sterling, since UK-based options are a non-starter, is an international dealing account.

"TD Direct Investing offers a Luxembourg-based dealing account with multiple currencies including Sterling," he says. "It offers access to shares and funds, so a wide choice of potential investments are available. But it's more expensive than UK investment platforms, with most funds costing between 1.5% and 2% a year and buying UK shares costs €14.95 plus 0.10% per trade."

Another option is Keytrade Bank Luxembourg. "It also offers fund and share investing, but again costs are a lot higher than the UK," he says. "Unfortunately, this is a marketplace that smacks of little competition – hence the relatively high fund fees."

Other investment medicine

An alternative might be for your father to give the money to you, so you can invest via a UK account in your name, suggests Ben Yearsley. "You can then give the money back to your father in the future," he adds.

Obviously how you invest the money will depend on your overall attitude to risk as a family and whether your father needs the money for a specific reason. This will determine the type of assets you can consider.

Mr Yearsley suggests it is probably sensible to consider splitting the £12,000 three or four ways rather than pinning your hopes on one area. Being diversified also lessens the overall amount of risk you are taking.

"If you want to take a medium or low-to-medium level of risk with the money, then I would consider 'targeted absolute return' funds," he says. These aim to deliver positive returns – often over one to three-year periods – regardless of market conditions. However, many haven't delivered on their goals (for more on this, read Fund Briefing on page 68).

Mr Modray recommends Standard Life Global Absolute Return Strategies and Invesco Perpetual Global Targeted Return. He also suggests Troy Trojan and Gam Global Diversified. mw

Moneywise says: We like the Newton Real Return fund, a member of the Moneywise First 50 Funds for beginners.

moneywise FIRST 50 FUNDS

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*

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moneywise CUSTOMER SERVICE AWARDS 2017

Will China's Year of the Rooster bring joy to investors in 2017?

CHINESE NEW YEAR begins on 28 January, with celebrations for the Year of the Rooster continuing into February. People born under this zodiac are said to be hardworking, confident and popular. Is this a good sign for Chinese equities? Before we crow too loudly, there are a few things to keep in mind.

Investors could be forgiven for seeking a bit of celestial guidance when it comes to China, given its ups and downs over the past year. Last January, China's stocks were plummeting amid fears of devaluing currency, high company debt levels and slowing economic growth.

Lo and behold, though, the market staged a comeback and ended the year up 20% in sterling terms[1]. The curious thing is that none of investors' concerns have really gone away. Instead, the Chinese government stepped in, encouraging state-owned banks to issue yet more loans to boost the economy. While this has worked in the short term, it doesn't provide the best platform for future growth. What is more, these old state-owned businesses comprise a hefty part of China's stock market and loading them up with bad debts isn't doing them any favours.

With a strong US dollar after Donald Trump's election, investors are withdrawing their money to re-invest it in places such as the US, where they believe they have the potential to get better returns for less risk. If (or when) the US raises interest rates again, the dollar could go higher still, making China even less attractive.

Trump's protectionist trade stance is also worrying, given how much of China's growth over the past decade has come from cheap exports. That said, there may be a silver lining for China here. Trump recently announced he would not proceed with the Trans-Pacific Partnership – a 12-country agreement that placed the US as the central trade power in the Asia region and of which China was not part. China has wasted no time since in promoting its own Regional Comprehensive Economic Partnership, which is a proposed trade deal between south east Asian countries.

Also, on the plus side, it's easy to forget the sheer size of China's population – around 1.4 billion, so more than four times the size of the US. As China's middle class expands, the potential for consumer spending growth is enormous. If you're investing for your long-term future, you probably want some exposure. But you need to choose wisely.

My two picks are the First State Greater China Growth fund and the Invesco Perpetual Hong Kong & China fund, both of which have soundly beaten their peers over the past decade, as you can see in the chart below.

Demand for the First State fund has been so fierce since its launch in 2003 that it closed to new investors for four years, re-opening in February 2016. Its manager, Martin Lau, invests broadly in 'greater China', taking a heavy weighting to Taiwan in particular. This gives his fund defensive characteristics that many China funds don't have.

Performance of recommended funds compared with their fund sector average

Source: FE Analytics

The potential for consumer spending in China is vast

The Invesco fund has fewer holdings. It just invests in Hong Kong and China, and is well placed to benefit from demographics, given it has over 50% in the consumer discretionary and staples sectors[2]. It mostly avoids financials and energy stocks, making it a solid play on the 'new China' rather than the 'old'.

1 FE Analytics, MSCI China, TR in GBP, 01/01/0216–31/12/2016
2 Invesco Perpetual Hong Kong & China fact sheet, December 2016

Past performance is not a reliable guide to future returns. You may not get back the amount originally invested, and tax rules can change over time. Mr McDermott's views are his own and do not constitute financial advice.

DARIUS MCDERMOTT is managing director at Chelsea Financial Services and FundCalibre

Fund Briefing

Your guide to investing in stocks and shares

THIS MONTH: TARGETED ABSOLUTE RETURN FUNDS

It's no surprise that the Investment Association's Targeted Absolute Return fund sector has become so popular with investors. With the global economy so unpredictable, it's natural to be drawn to funds that aim to deliver positive returns in any market condition.

BY ROB GRIFFIN

More than £5 billion has been ploughed into this sector over the past year, according to an analysis of data compiled by the Investment Association (IA), which represents the fund management industry. As a result, it has been the best-selling sector in the past four quarters and eight of the past 12 months.

Justin Modray, founder of Candid Financial Advice, attributes the increased enthusiasm for the sector to volatile stock market conditions over the past year, but warns that they don't provide a guaranteed route to riches.

"It's not surprising investors have flocked to the perceived safety of the IA Targeted Return sector – but, given the patchy track record of funds in this sector, it remains to be seen whether this is a wise move," he says.

A key problem is that although funds in this area all aim to make money in any market conditions, these returns are not actually guaranteed – and the success they've had in hitting this target has varied enormously.

"Picking funds in this sector is incredibly tough because none can be relied upon to consistently deliver what's on the tin," says Mr Modray. "Some funds are so cautious they struggle to deliver better than cash returns, while others are very aggressive and far more volatile than you would expect for this sector."

> "These funds can't be relied on to consistently deliver what's on the tin"

Targeted absolute return funds embrace a variety of assets and investment strategies. The strategies used range from fairly straightforward long/short approaches, where managers take 'long positions' in shares that are expected to appreciate and 'short positions' in those predicted to decline*, to more complex investment strategies.

** Moneywise says: A long position is the buying of a security such as a stock, commodity or currency with the expectation the asset will rise in value. A short position is a directional trading or investment strategy where the investor sells shares of borrowed stock in the open market.*

The differences mean it's virtually impossible to carry out a detailed like-for-like analysis of funds due to widespread confusion over their aims and approaches, especially as they all have different names, risk parameters, and investment time horizons.

It is a point acknowledged by the Investment Association (IA) – its sector guidelines insist funds state the timeframe over which they aim to meet their objectives, although this period must not be longer than three years.

In addition, the IA provides a monthly breakdown that shows how many times each fund has failed to deliver returns greater than zero after charges for rolling 12-month periods – and in some cases this makes for alarming reading.

The most recent statistics show the worst performers have failed to achieve this goal a staggering 22 times out of the past 24 periods. In fact, only three out of the 78 funds that can be analysed over the maximum timeframe have always hit this target.

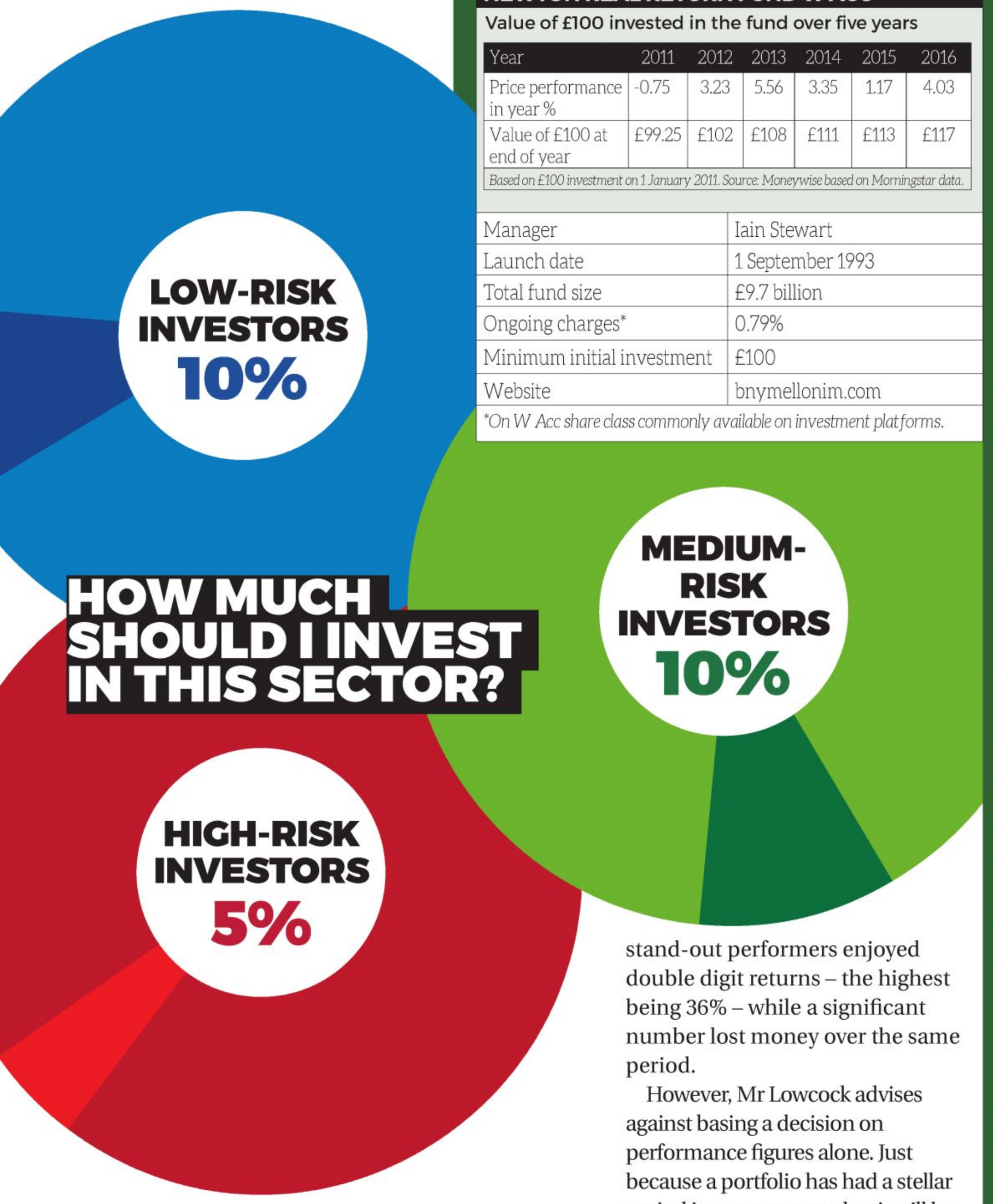
Of course, not all of these funds are looking to achieve positive returns over one year, so prospective investors need to examine the targets, benchmarks and timescales for funds to see which best match their objectives.

They must also understand a particular fund's goal, the assets in which it invests, and the charges that are applied. It is also important to establish whether they will have to pay performance fees for returns above a certain level.

Adrian Lowcock, investment director at Architas, suggests some funds in this sector can appeal to

QUICK GUIDE:
Is this area right for me?
Consider investing in these sectors if...

- You are looking for a global multi-asset approach
- You want a fund that aims to deliver positive returns in any market condition
- You are willing to analyse different funds to understand how they operate



less adventurous investors, pointing out that capital preservation and diversification are among their strongest attributes. "They are very useful for investors looking to protect capital from volatile markets as they effectively offset some potential gain by taking a more cautious defensive approach," he says.

However, the mixed nature of the sector makes it difficult for investors to draw any meaningful conclusions. This is illustrated by Morningstar data that reveals that the best performing portfolios over the year to 15 December 2016 returned an impressive 25%, while the worst were actually down by a similar amount.

There is a similar disparity over longer timeframes. Over the three years to 15 December 2016, the stand-out performers enjoyed double digit returns – the highest being 36% – while a significant number lost money over the same period.

However, Mr Lowcock advises against basing a decision on performance figures alone. Just because a portfolio has had a stellar period is no guarantee that it will be automatically repeated, so a degree of research is required.

"Some funds will have very specific strategies, which means they might win big one year, but not do so again for a while," he explains. "Look for funds that have consistent performance and do particularly well when equity markets are falling."

Mr Modray agrees. "All you can do is look for a manager who takes a common sense approach, has reasonable charges and appears to have weathered storms better than most in the past, but even this is no guarantee of future success," he adds. mw

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

NEWTON REAL RETURN FUND W ACC

Value of £100 invested in the fund over five years

Year	2011	2012	2013	2014	2015	2016
Price performance in year %	-0.75	3.23	5.56	3.35	1.17	4.03
Value of £100 at end of year	£99.25	£102	£108	£111	£113	£117

Based on £100 investment on 1 January 2011. Source: Moneywise based on Morningstar data.

Manager	Iain Stewart
Launch date	1 September 1993
Total fund size	£9.7 billion
Ongoing charges*	0.79%
Minimum initial investment	£100
Website	bnymellonim.com

**On W Acc share class commonly available on investment platforms.*

Iain Stewart

Fund to watch: Newton Real Return Fund

moneywise FIRST 50 FUNDS

This fund aims to deliver a minimum return of what you would get from holding the money in cash plus an additional 4% over five years, before fees, from a portfolio of mainly UK and international securities. For the cash benchmark, it uses the one-month sterling LIBOR rate, the interest rate at which a panel of selected banks borrow funds from one another in sterling with a maturity of one month.

It also aims to achieve a positive return on a rolling three-year basis.

Iain Stewart, its experienced manager, adopts an absolute-return style, while also looking to preserve capital through security selection, diversification and hedging strategies.

The fund, which takes a global multi-asset approach, has the flexibility to invest in conventional and alternative assets.

Mr Stewart's fund focuses on a stable core of predominantly traditional return-seeking assets with a capacity to generate capital and income, alongside an insulating layer of stabilising assets that are used to hedge risks and dampen volatility.

Return-seeking assets include 44% in equities – with the highest exposure to health care, consumer services and utilities – plus investments in corporate bonds, infrastructure funds and renewable energy.

The stabilising side accounts for 49% of assets under management, with around 28% in government bonds and 12% in precious metals, plus cash and index-linked positions.

PENSION VERSUS your future starts

Over the past couple of years, new pension freedoms have meant that over 55s have a lot more choice about how they fund their retirement, and Isa rules have also changed for the better. So which is the best home for your retirement savings?

BY RUTH JACKSON

One main factor to consider when deciding whether to invest into an individual savings account (Isa) or a pension is where you are in life. Below, we consider the pros and cons of saving into (and drawing from) an Isa, a pension or both at three different life stages.

EARLY CAREER: AGE 20-45

At first glance, pensions seem the obvious choice as they offer hefty initial benefits. Any money paid into a pension enjoys immediate income tax relief: adding £1,000 to your pension fund would cost a basic-rate taxpayer just £800 and a higher-rate taxpayer £600. Plus once you get to 55, you can take 25% of your pension pot as a tax-free lump sum.

These tax advantages make pensions hugely attractive, but there is one chink in their armour: accessibility.

Unless you take a punt with a dodgy 'pensions unlocking' scheme – or scam, quite possibly – and risk having to pay a 55% penalty tax, your pension savings are, in most cases, entirely out of reach until your 55th birthday.

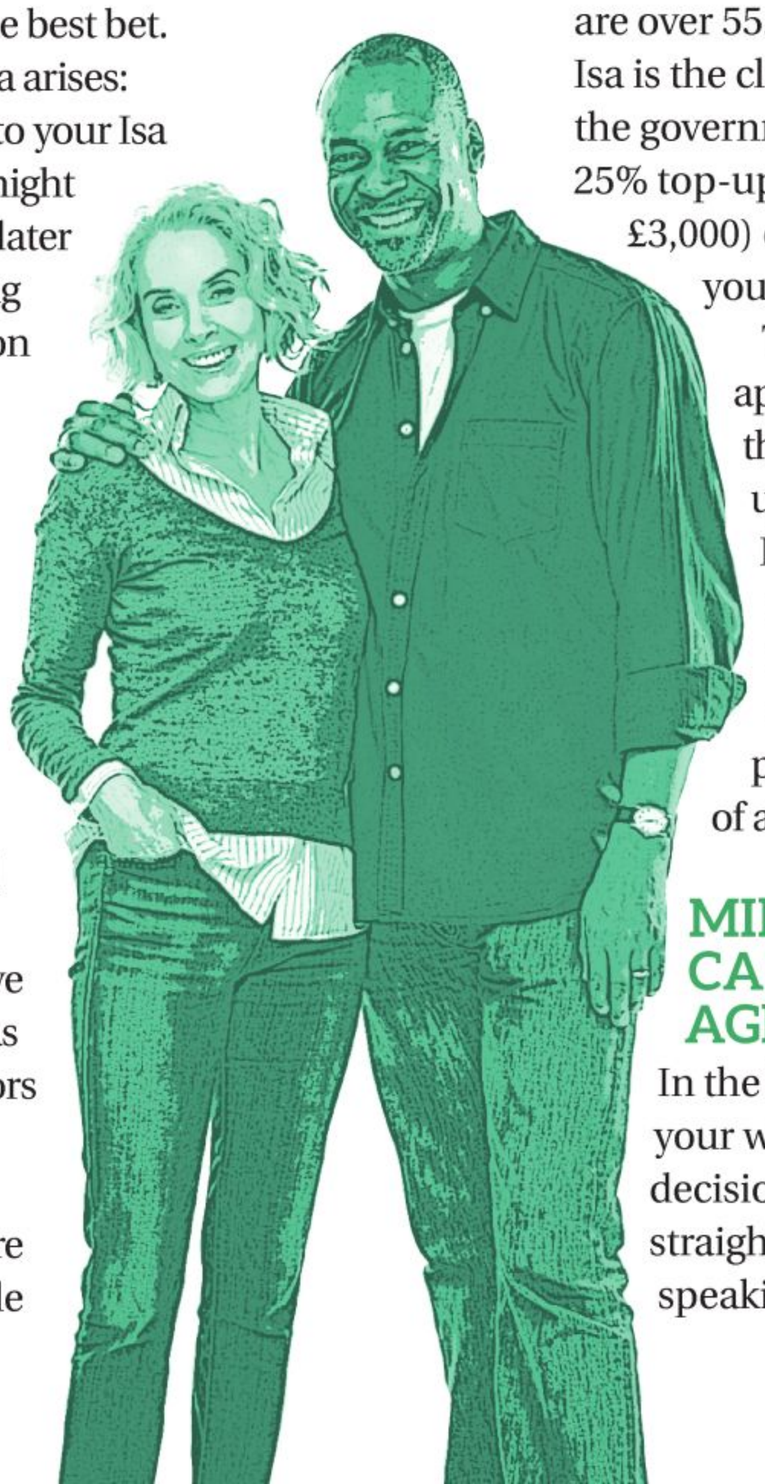
So for younger savers likely to need access to their savings before they reach state pension age, or as an emergency or medium-term fund at any age, an Isa becomes the best bet.

However, a new dilemma arises: every deposit you make into your Isa – because you worry you might need it sooner rather than later – is one that's not benefiting from the tax relief you get on pension contributions.

"The best and most tax-efficient approach to long-term savings is a combination of pensions and Isas," says Patrick Connolly, a certified financial planner at Chase de Vere.

"Pensions provide initial income tax relief, which makes them more attractive to higher earners, while Isas are more flexible as investors can access their money whenever they want it, which can make them more attractive to younger people who usually have financial goals other than saving for retirement."

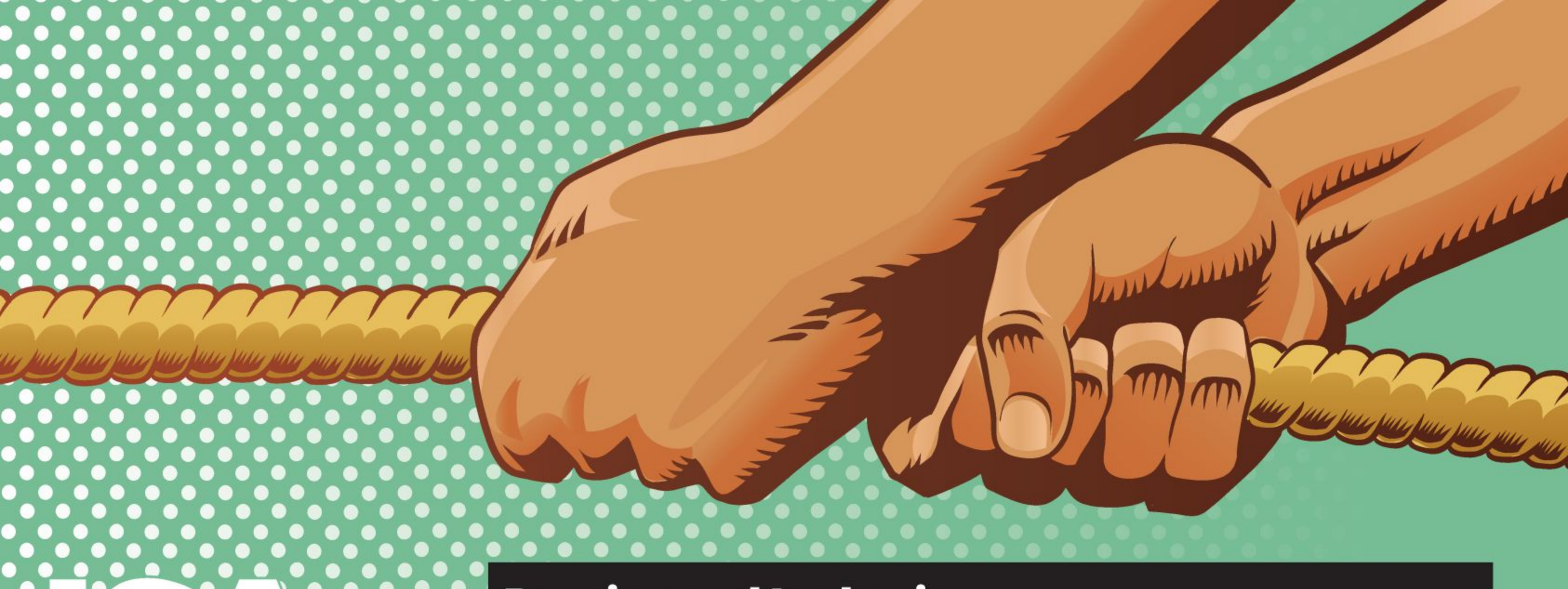
If you are saving for a house, for example, then an Isa obviously beats a pension – unless you don't want to buy your house until you are over 55. Here, the Help to Buy Isa is the clear winner as it means the government will give you a 25% top-up (up to a maximum of £3,000) on your savings when you buy a home.



The most sensible approach for someone in this age bracket is to build up savings across both Isas and pensions, so you can benefit from the tax relief and employer contributions of a pension and the flexibility of an Isa.

MID-LATER CAREER: AGE 45+-55

In the latter stages of your working life, the decision becomes more straightforward. Generally speaking, a pension should be



ISA now

your first port of call – provided you have some accessible savings.

You're unlikely to retire at 55 and probably won't want to draw from your pension pot while you are still working, but it's not too long to wait before you can access it if you need to – and the tax reliefs outweigh the benefits you will get from an Isa investment.

If you are a higher-rate taxpayer, the benefits are particularly appealing, especially if, like most people, you will become a basic-rate taxpayer in retirement.

The time to consider Isa investments once you are over 45 is if you are approaching your maximum pension allowances (see box above).

The lifetime allowance, which includes investment growth, not just contributions, is currently £1 million. Anything above that will probably be taxed at 55%.

If you are in the enviable position of approaching your lifetime allowance limit, you could begin redirecting contributions, not only into your Isa but also into any unused Isa allowance belonging to a spouse or child. Be aware, though, that if you put money into someone else's Isa or junior Isa, it belongs to them.

PRE-RETIREMENT AND RETIREMENT: 55+

If you retire before the current state pension age of 65, you will have to turn to other sources of income, including your pension savings, which can be accessed from age 55. Keep in mind, though, that your retirement could last maybe another 40 years, so plan carefully how much you can afford to draw from your pot.

You will need to decide which sources you will draw your income from and whether you should start by taking the whole of your 25% tax-free lump sum from your pension. If you opt not to take the tax-free lump sum initially, only three-quarters of any sum then or subsequently withdrawn will be taxed.

Importantly, however, once you are drawing from your pension pot, taking too much at a time could bump you into a higher tax band. There is, therefore, an argument for drawing income from your Isa at this time: if you use Isa holdings for income, you don't pay tax on withdrawals and you can leave your pension to grow for longer.

This is where pensions and Isas really complement each other. Because Isas aren't taxed on withdrawals, it makes sense to keep pension income under the tax threshold, and then turn to your Isa – maybe drawing capital as well as income to boost your cash flow while avoiding higher-rate tax.

Pension and Isa basics

Pension

- £40,000 annual allowance
- £1 million lifetime allowance
- Marginal rate tax relief added to your contributions
- Fund grows free of income or capital gains tax
- Pot can be accessed after age 55
- 25% tax-free lump sum can be withdrawn. Further withdrawals taxed at marginal rate
- Can be inherited free of tax if you die before 75

Isa

- £15,240 annual allowance (£20,000 from April 2017)
- Contributions from taxed income
- Savings split any way between cash, and stocks and shares, and peer-to-peer investments
- Fund grows free of income or capital gains tax
- No lifetime limit
- Tax-free withdrawals
- Can be passed on to your spouse

> Anything above the lifetime allowance is likely to be taxed at 55%

DEATH AND TAXES

Pensions are also an effective way to pass your wealth on to your next of kin, so it is sensible to conserve them where possible. Although Isas can be passed on tax free to your spouse, they will otherwise count as part of your estate, with the balance above the £325,000 threshold (£650,000 for couples) liable for inheritance tax at 40%.

Pension funds, in contrast – whether or not you have drawn from them – can be left to your heirs tax free if you die before the age of 75. If you die after 75, income from the pension pot will be subject to tax at the beneficiary's marginal rate, and lump sums taxed at 45%.

"This might be an important consideration and for many people could mean that it is more tax efficient to draw income from Isas, and to leave pension investments untouched," says Mr Connolly. mw

RUTH JACKSON writes regularly for *Moneywise*. She also writes for *MoneyWeek*, *The Times* and *The Guardian*.

Should you cash in your

Despite the pension freedoms, final salary schemes don't allow you to access the cash in your pension pot. But before you decide to transfer out, make sure you understand what you'll be giving up

BY **SAM BARRETT**

With their reputation as the gold standard of pensions, having a final salary scheme can make you the envy of your peers. But rising transfer values and the new pension freedoms might make it worth ditching the guaranteed income that they offer on retirement.

Nearly all final salary schemes allow you to transfer what is known as the 'cash equivalent transfer value', which represents the value in cash terms of your existing benefits. But Martin Tilley, director of technical services at Dentons Pension Management, says he has seen clients whose transfer value has increased from £300,000 to £400,000 over the course of 2016.

The main reason transfer values are on the up is the low interest rate environment. Steven Cameron, pensions director at Aegon, says: "Final salary pension scheme trustees set transfer values to give those who leave a fair deal. As most of their assets are held in bonds, which have seen their yields plummet as a result of low interest rates, it now costs more to compensate a member who transfers out."

The high cost of maintaining pensions to final salary scheme members can also be an incentive for trustees to offer enhanced transfer values, as it may reduce their costs over the long term.

"Transfer values are at a peak," adds Mr Tilley. "It's impossible to say where they might go but, with interest rates so low, they may well fall back again in the future."

Flexible freedoms

The pension freedoms introduced to defined contribution (DC) schemes in 2015 can also make a transfer more compelling. A DC scheme is based on how much money is paid into your pot and investment growth on top of that, rather than being linked to your

Moneywise top tip: Take independent financial advice

Given the complexities surrounding a transfer, and the ramifications if you make the wrong decision, independent financial advice is highly recommended. Indeed, if your transfer value is greater than £30,000 it is a legal requirement.

Central to this advice is a transfer value analysis. This assesses the investment return – known as the critical yield – you would need to achieve on the transferred cash to replicate the pension benefits on your final salary scheme. As well as taking this figure into account, an adviser will also look at your circumstances to determine whether you would be better off transferring.

Advisers typically charge £1,500 upwards to carry out the analysis plus a percentage of the transfer value if you do move.

You also need to be aware that an adviser might recommend that you don't transfer. In theory, you can still move your pension, but, thanks to mis-selling issues in the past, some advisers may refuse to arrange the transfer. Likewise, pension providers may not be willing to accept the case. Given you'll be paying fees, it's worth checking their stance on this at the outset.

To find an independent financial adviser in your area, visit **www.moneywise.co.uk/find-an-ifa.**

‘gold-plated’ pension?

salary. If you transfer a final salary scheme, it would usually be to a personal pension, where after age 55 you can withdraw as much or as little capital and income as you like, using the drawdown facility.

Fiona Tait, business development manager at Royal London, says: “Instead of having to buy an annuity, you can now choose to access your pension pot when you need it. This isn’t an option with a defined benefit scheme such as a final salary pension.”

These freedoms allow you to leave any unused pension pot to a relative or friend. Not only is it free of inheritance tax but, if you die before age 75, it can be taken income tax-free too. Even if you die after age 75, your beneficiary will only be taxed when they make withdrawals.

What’s your final salary scheme worth?

Putting a figure on how much your defined benefit scheme could be worth if you transferred isn’t easy. James Baxter, partner at Tideway Wealth, says: “How much you’ll get will depend on everything from your age and the scheme details through to the size of the employer. We’ve seen people being offered transfer values ranging from 15 to 40 times the pension income they had built up under their defined benefit scheme, so it’s definitely worth exploring what’s on offer.”

Although valuations can vary enormously, certain criteria can tip the balance in your favour. “The most attractive valuations tend to be for people aged 50-plus and where the retirement age was 60 rather than 65,” says Mr Baxter. “Smaller schemes can also be less generous than those offered by large companies.”

The level of inflation built into your pension income can also affect your transfer value. For example, someone with a pension linked to Retail Prices Index (RPI) inflation can expect an income multiple of around 28 for a retirement age of 65 or around 35 if the retirement age is 60. But if there is a fixed increase, this can lead to a higher multiple. “The highest I’ve seen was for a pension with a fixed annual increase of 3%. The transfer value was 40 times the annual income,” adds Mr Baxter.

> “The most attractive valuations tend to be for people aged 50-plus”

To help you get an idea of the figures you’re dealing with, Tideway has developed a series of calculators, which are available on its website (Finalsalarytransfer.com). These include a calculator to give you a rough estimate of the transfer value you

What transfer value might you get?

Predicted annual pension in today’s money (and starting age)	Your pension transfer value is likely to be in the range
£10,000	
Due to start at age 60	£250,000 to £330,000
Due to start at age 65	£190,000 to £270,000
£15,000	
Due to start at age 60	£375,000 to £495,000
Due to start at age 65	£285,000 to £405,000
£20,000	
Due to start at age 60	£500,000 to £660,000
Due to start at age 65	£380,000 to £540,000
£25,000	
Due to start at age 60	£625,000 to £825,000
Due to start at age 65	£475,000 to £675,000

Source: Finalsalarytransfer.com

"Transferring my scheme suited my needs"

After 22 years working at Weetabix as an IT developer, 65-year-old Stewart Bailey (pictured above with his wife, Shani) was made redundant just 18 months before he was due to retire. "I received a compensation package, which gave me time to consider what I should do with my pension. I'd been a member of the final salary scheme, so I'd built up a decent pension but I wasn't sure I wanted to take it."

The issue was his home, which had been in his family for more than 65 years and was also where he'd been born. But when he and his wife, Shani, bought it in 2000, they'd taken out an interest-only mortgage, intending to repay the loan from Stewart's tax-free pension cash. "We didn't want to move, but the lump sum I would have got from my final salary scheme wasn't enough to clear the mortgage," he explains. "We would have had to take out another mortgage and keep paying that in our retirement."

As this didn't appeal, Stewart spoke to a financial adviser from Grove Pension Solutions about transferring his pension. "He recommended that I transfer my pension into a drawdown scheme. This enabled me to release enough tax-free cash to pay off the mortgage," he explains.

"Some people don't want the worry of having to invest their money"

would receive and how much you might be able to leave your beneficiaries under different scenarios.

Pension schemes are also able to provide details of your transfer value online or by post.

Stay or go?

To transfer out, you'll need to have not retired and started taking benefits. Deferred members who have left the company but not retired may also transfer out.

However, not all defined benefit schemes allow transfers out. Ms Tait explains: "Some public sector schemes, such as those for nurses, teachers and civil servants, don't have a 'pension fund' as such, so members can't transfer out."

When you receive the transfer value figure, Simon Nicol, pensions principal at Thomas Miller Investment, recommends a quick calculation to determine how attractive it is. "Divide the transfer value by the annual pension income you've built up to get your income multiple," he says. "If you're close to retirement, anything over 25 offers value with 30-plus particularly good. If you're younger, the multiple will be lower – for instance, 23-plus is good if you're in your 40s.

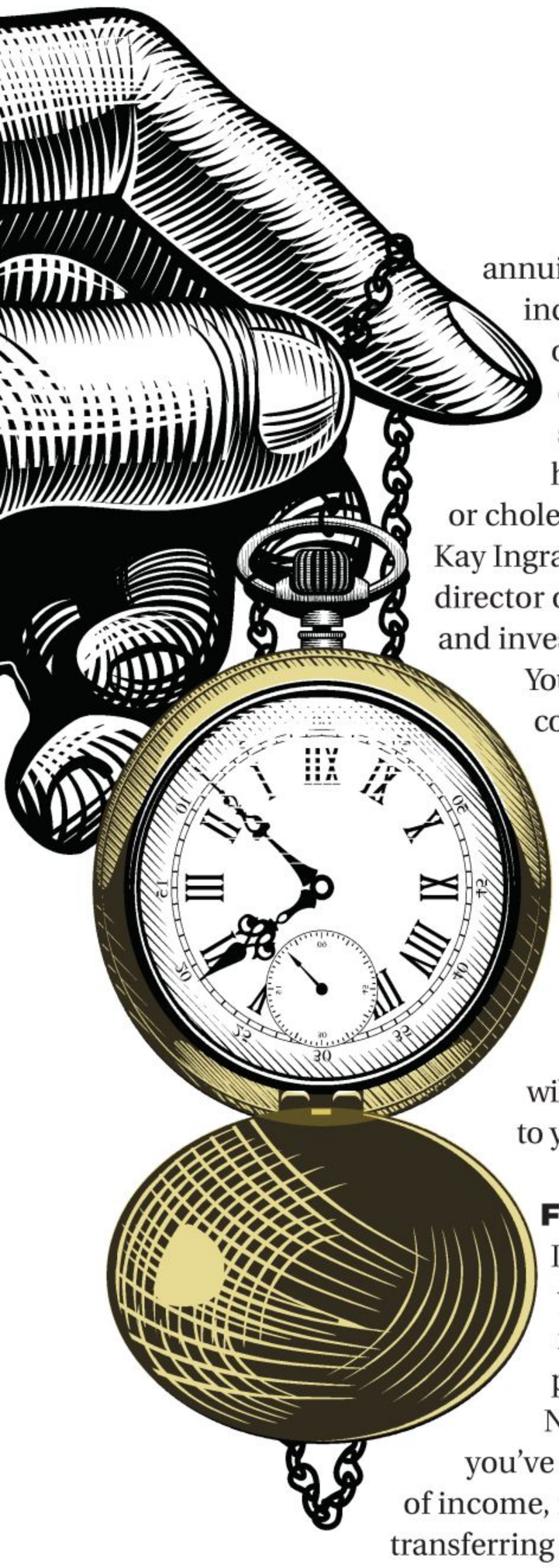
"This is a rough guide, though, as all sorts of other factors can affect your decision too."

Factors to consider

First and foremost, you need to be comfortable with how a transfer might affect your retirement. "Some people prefer the certainty of receiving a guaranteed income; they don't want the worry of having to invest their money," says Mr Tilley. "Being able to sleep at night is important."

As well as your appetite for risk, other personal circumstances can affect your decision. "Poor health can be a reason for transferring," says Claire Walsh, a chartered financial planner at Aspect8. "If your life expectancy is shorter than average, it can be more attractive to take the money."

This money could go into drawdown, with any remaining fund going inheritance tax-free to your dependants, or it could be used to buy an enhanced annuity. "Defined benefit schemes don't take your health into consideration, but through buying an



annuity you could get an income enhancement of up to 30% for common issues such as smoking, high blood pressure or cholesterol levels," says Kay Ingram, divisional director of individual savings and investments at LEBC.

Your marital status could also influence what you do. Many final salary schemes provide a pension for your spouse if they live longer than you. If you're not married, check whether your scheme will provide this benefit to your partner.

Financial position

It may also be that you simply don't need this extra pension income. Mr Nicol explains: "If you've got other sources of income, it could be worth transferring into drawdown to leave the money to your dependants." If you left it in the final salary scheme, then the amount paid to your dependants after death would depend on the scheme's rules.

You may also want to consider the financial position of your pension scheme. If the employer becomes insolvent, and there isn't sufficient money in the pension scheme to cover all its future pension liabilities, it could end up being transferred into the Pension Protection Fund.

This safety net doesn't guarantee you'll get the same pension benefits. Anyone already retired will receive the same pension, but if you're under the scheme's normal retirement age you'll only get 90% of your entitlement, subject to a further cap of £33,678 a year (tax year 2016/17).

Tax angles

Tax can also affect your decision, especially as high transfer values can mean you bust the £1 million lifetime allowance for pensions if you move your money. For example, with a final salary scheme a calculation of 20 times your annual pension plus any tax-free lump sum is used to determine the value of your pension.

But with transfer values often using higher multiples, if you move the money there is a risk you will exceed the lifetime limit and face tax penalties on any excess. "A tax charge is not a reason not to transfer," says Ms Tait. "But you do need to be aware of the tax implications if you have a large pension pot."

These higher multiples for transfers can also work in your favour on the tax front. Ms Ingram explains: "You'll usually get a higher amount of tax-free cash if you transfer, which can be useful if you want to pay off a mortgage or clear credit card debts."

Modernising transfers

All the focus on transfers is likely to lead to changes in the regulation surrounding them. This could see transfer value analysis including more focus on pension freedoms rather than the investment return.

It could also introduce greater flexibility, including partial transfers.

"This could be the optimal solution for some people, giving them a smaller guaranteed income from the final salary scheme to cover their expenditure, plus a cash lump sum to invest more adventurously," explains Ms Tait, whose firm is calling on the government to facilitate this.

But whether or not this comes into force, with transfer values at a high, shifting your final salary scheme may be worth considering. "Transfer values have increased significantly over the past few years," says Mr Nicol. "It'll cost you nothing to get a transfer value from your scheme to see how things stack up." mw

> "It costs you nothing to get a transfer value to see how things stack up"

"I've decided to stay put for now"

Alan Smith* a 55-year-old bus driver lives in Sussex with his partner, Dawn. Although he enjoys his job and has no plans to retire, all the publicity surrounding pension transfers grabbed his attention. "I have two personal pensions and membership of two final salary schemes, including one from the 15 years I worked at Scottish & Newcastle brewery. I'd read about transfer values increasing and, as my partner and I aren't married, there's no guarantee of a widow's pension, so I wanted to know whether I would be better off transferring these schemes."

To find out, he spoke to Claire Walsh, a chartered financial planner from Aspect8 in Brighton. She carried out a transfer value analysis for Alan, which showed that it would be difficult to replicate the benefits he would get from his final salary schemes.

"It didn't make any sense to transfer my final salary schemes," says Alan. "I did want to release some cash to get a new bathroom, though, so Claire recommended that I cashed in one of my personal pensions."

She also recommended that if his circumstances or health changed, it could be worth assessing the situation again.

** Names have been changed to protect anonymity.*

SAM BARRETT is a personal finance journalist and regular contributor to *Moneywise*

ADAM'S PRODUCT PICKS

Adam Williams has hunted through the mass of financial products and data to bring you this month's best deals for Isas, savings accounts, loans, credit cards and mortgages

January was another tough month for savers, as rates sustained their recent downward trend. The decision to lower the base rate back in August continues to have repercussions, with easy-access Isas now returning less than the rate of inflation.

There is the option of fixing for longer, but the best returns continue to be offered by current accounts (see our feature on page 32) and regular savers. While most banks and building societies have also slashed the rates on their current accounts, there are still good deals for people looking to get the most out of their money.

The Nationwide FlexDirect account offers 5% interest on balances up to £2,500, although this rate only lasts for a year. For those with a bigger sum to save, the Santander 123 current account pays 1.5% interest on balances up to £20,000. A £5 monthly fee applies, but users can earn cashback on their everyday spending with this account.

The best regular savers also pay 5%, although most banks require you to hold a current account with them before you can access these top rates. A rate of 3.5% is on offer at Saffron Building Society, and savers don't need to hold any other accounts with it.

But this is all good news for borrowers because cheap mortgage rates are available across the market – whether you're a first-time buyer or a homeowner looking to remortgage. If you're on a standard variable rate (SVR), then it is likely you can switch and save.

These low interest rates won't last for ever (see page 9), but that will probably be a welcome relief for savers.

SAVINGS: www.moneywise.co.uk/best-savings-rates

These tables show the best going rates for various savings accounts. Don't forget the personal savings allowance means basic-rate taxpayers can earn £1,000 tax-free, from savings. Higher-rate taxpayers get £500 tax free.

Product/provider	Type	Headline rate (before tax)	Minimum/ maximum balance	Access	Notes	Change
RCI Bank Freedom Savings Account	Instant access	1.02% AER	£100 to £1 million	Online only	Can be openeed with £100	↑
Secure Trust Bank: 90 Day Notice Variable Issue 3	Notice	1.32% AER	£1,000 to £1 million	Phone or post	90 days' notice required	↑
Atom Bank 1 Year Fixed Saver	12-month fixed rate	1.4%	£50 to £100,000	Online only	No early access	↓
Atom Bank 5 Year Fixed Saver	60-month fixed rate	2.05%	£50 to £100,000	Online only	No early access	↑
Nationwide Flexclusive Regular Saver	Regular Saver	5%	Up to £500 a month	Branch or online	Open to current account holders only	=
Halifax Kids Regular Saver	Children's Savings	4%	£10 to £100 a month	Branch	Maximum age 15, no early access	=

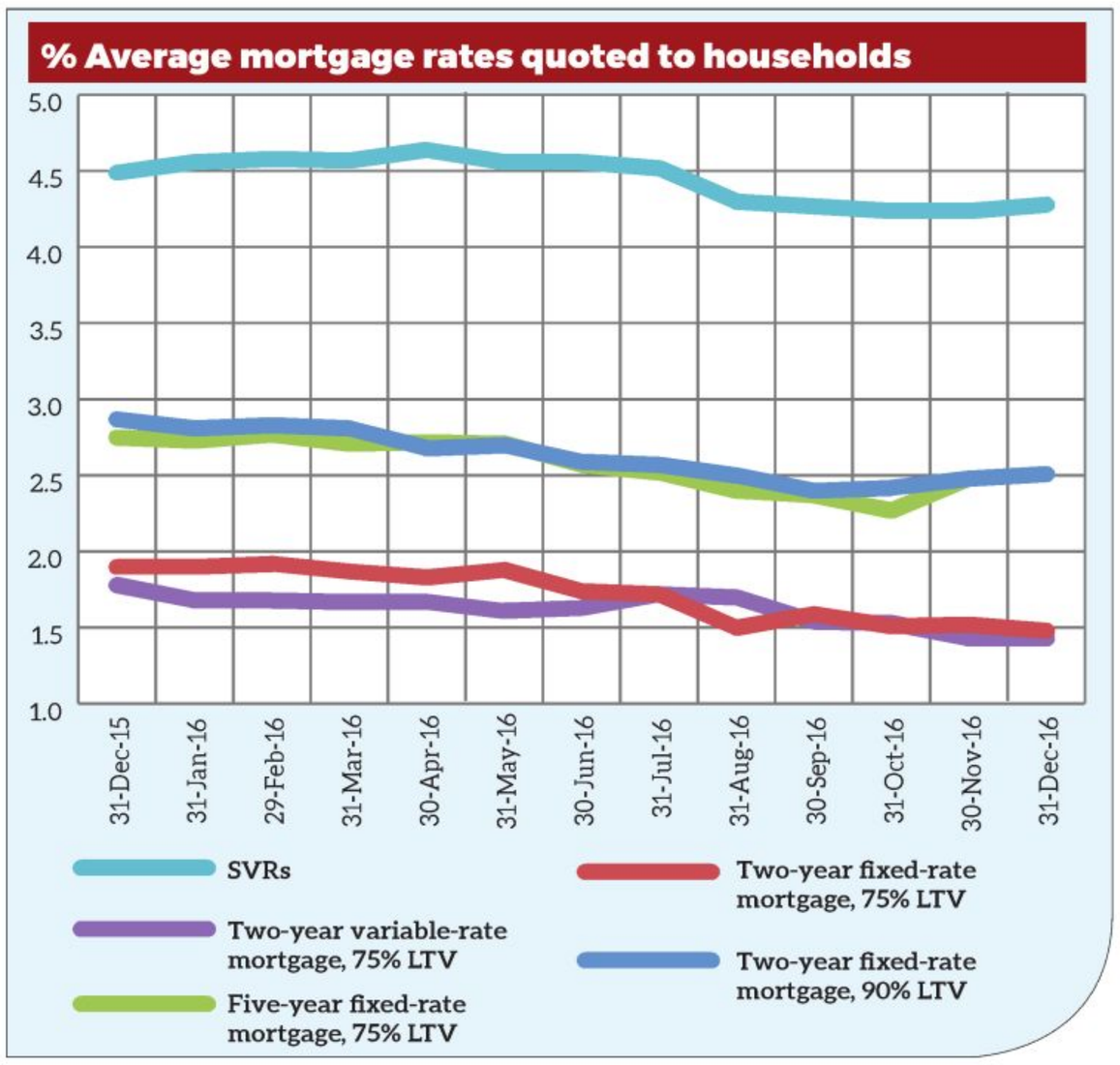
Note: All accounts are protected by the FSCS unless stated otherwise. AER (Annual Equivalent Rate) shows what the interest rate would be if interest was paid and compounded each year. Rates correct as of 12 January 2017

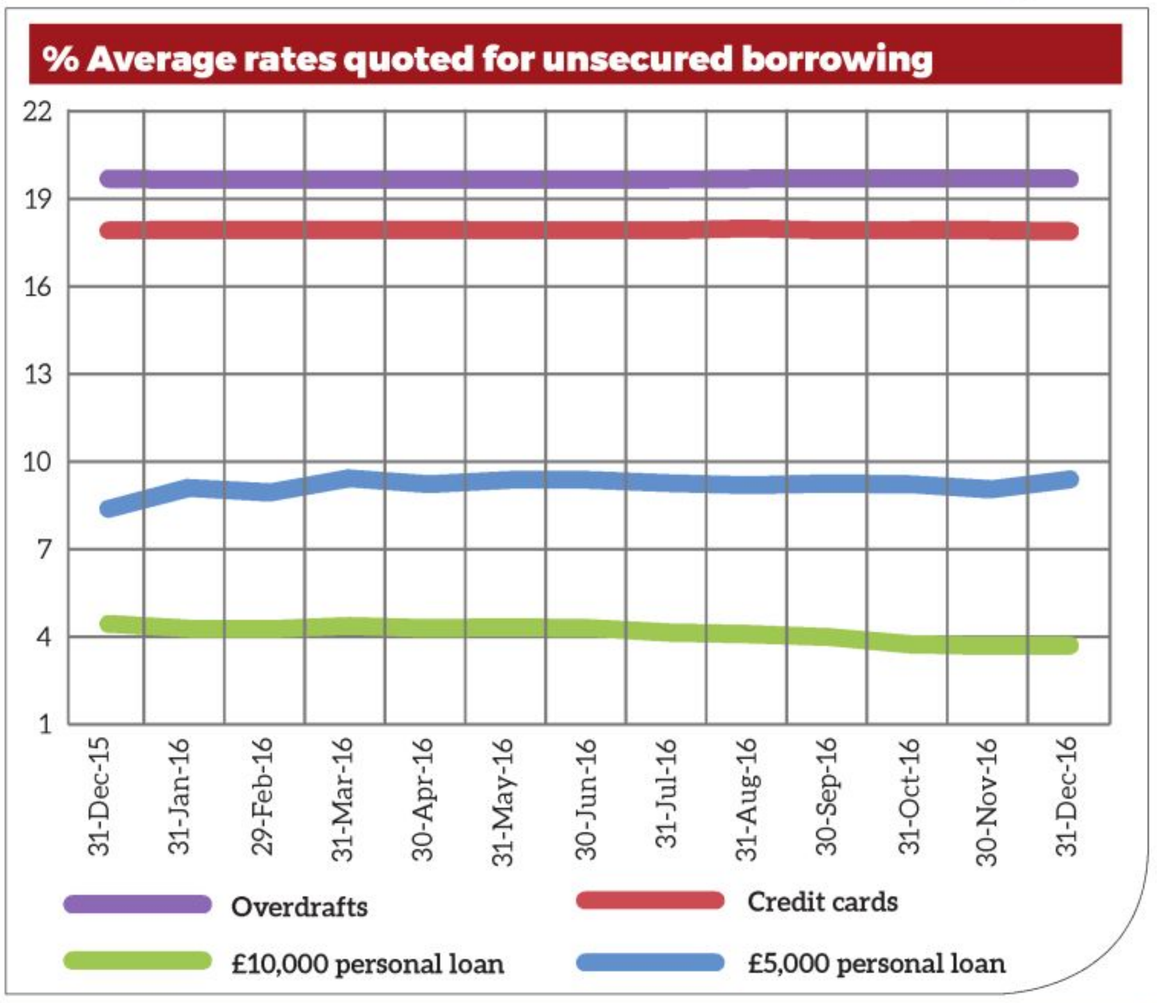
ISAS: www.moneywise.co.uk/best-cash-isa-rates

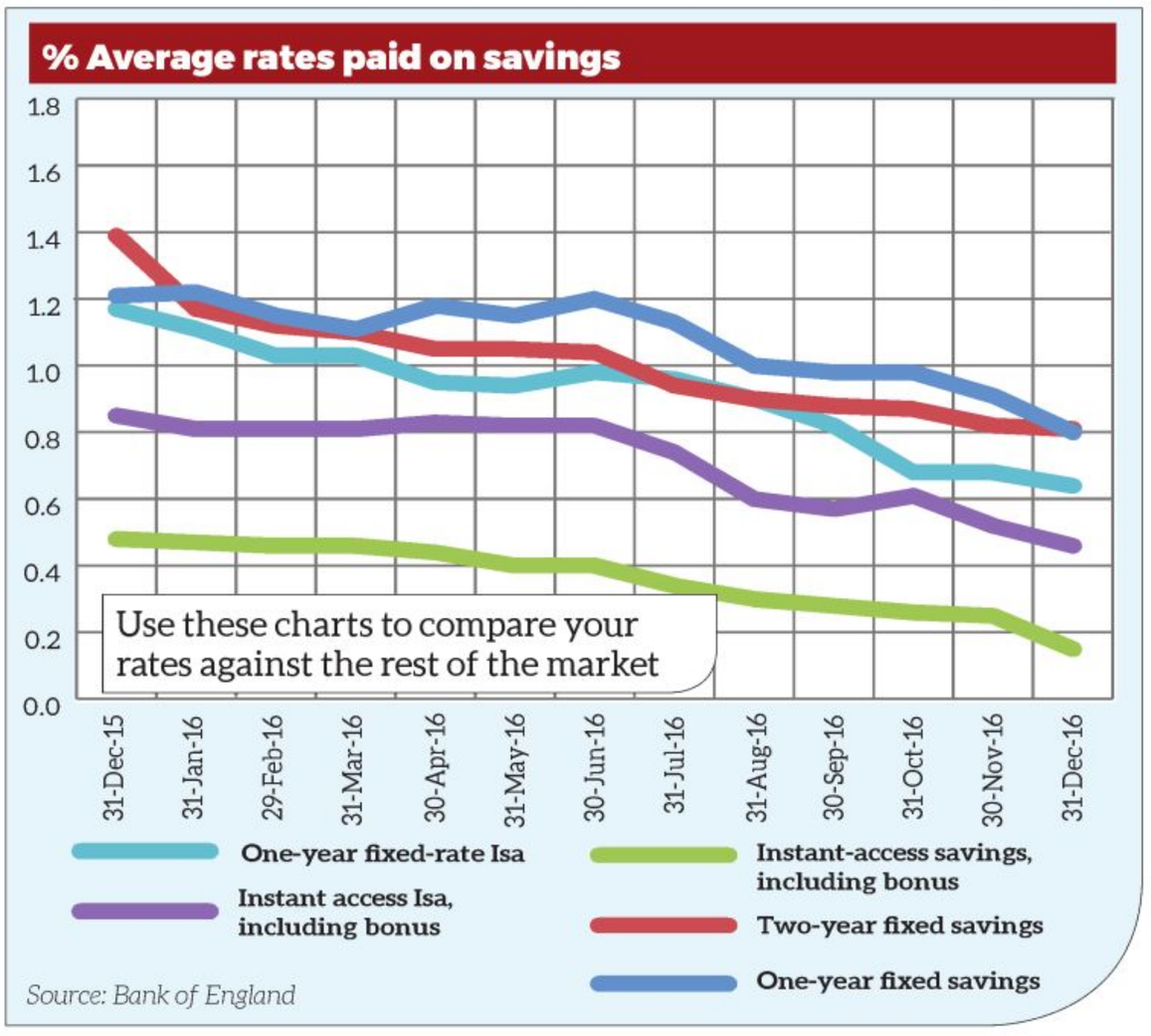
Cash Isas work just like the savings accounts above, but you don't pay tax on the interest you receive. You can put £15,240 into an Isa this tax year, split however you like between cash and investments. You're only allowed to open one of each in a tax year. Don't forget you can transfer to a new account if better rates become available. The annual limit for Junior Isas (Jisas) is £4,080.

Product/provider	Type	Headline rate/AER	Minimum/maximum balance	Access	Notes	Change
NS&I Direct Isa	Instant access	1% AER	£1 upwards	Phone or online	Full balance guaranteed by HM Treasury	↓
The Family Building Society 35 Day Notice Cash Isa	Notice	1.05% AER	£3,000 upwards	Branch, online or post	35 days' interest penalty for withdrawals	↑
Bank of Cyprus UK	12-month fixed rate	1.1%	£500 upwards	Branch, online or post	Accepts transfers	=
Paragon Bank 5 Year Fixed Rate Isa	60-month fixed rate	1.6%	£1 upwards	Online only	Accepts transfers, limited offer	↑
Coventry Building Society Junior Isa	Junior Isa	3.25%	£1 to £19,000	Post, branch, phone	Normal Jisa rules apply – see HMRC for details	=
Barclays Help to Buy Isa	Help to buy Isa	2.27%	Deposit up to £1,000 and make regular savings of up to £200 a month	Branch, online	Open to first-time buyers only	=

Note: Some other accounts advertise higher rates on balances over £15,240 but don't allow transfers, meaning it's impossible to get the advertised rate until you've been saving for years. AER (Annual Equivalent Rate) shows what the interest rate would be if interest was paid and compounded each year. Rates correct as of 12 January 2017







Source: Bank of England

MORTGAGES

BEST FOR FIRST-TIME BUYERS Loughborough Building Society has the most competitive fixed-rate deal for first-time buyers. Its two-year 2.19% fix with £499 product fee is available to borrowers with a 10% deposit. Despite being a smaller mutual, Loughborough lends across England and Wales.

BEST FIVE-YEAR FIX West Bromwich Building Society offers a 2.29% rate, fixed until 28 February 2022. This mortgage comes with no fees and is available up to 75% loan to value. Following the fixed period, the rate reverts to the society's standard variable rate (SVR), currently 3.99%.

LONGER-TERM FIXES If you're looking to protect yourself against any future interest rate rises, then even longer fixes are available. Barclays offers a product at 2.59%, fixed until 30 April 2027. This loan is on offer to customers with a 25% deposit or higher, although a hefty £999 product fee applies.

VARIABLE RATES Loughborough Building Society has the best deal at 1.89% for two years, a discount of 2.95% off the SVR. There is an upfront product fee of £499 payable. The product reverts to a 4.84% SVR after two years.

SAVINGS ACCOUNTS

BEST REGULAR SAVERS First Direct, M&S Bank and Nationwide all offer 5% regular savers for their current account customers. The best option not linked to a current account is the Saffron Building Society regular saver at 3.5%.

BEST SAVERS FOR CHILDREN Halifax and Saffron Building Society lead the way, offering kids a 4% return on their regular saver accounts. Both allow deposits of up to £100 a month and have a fixed rate for 12 months.

BEST INSTANT ACCESS Our top pick is RCI Bank, which pays 1.02% on balances between £1 and £1 million. The account needs to be opened with at least £100 and is only operated online.

PERSONAL LOANS

£2,500 OVER TWO YEARS Metro Bank has the cheapest short-term loan at 5.9% APR representative, but borrowers must be existing customers. Borrowing £2,500 over two years costs £110.69 a month, and borrowers will repay £2,656.53 in total. If you're not a Metro Bank customer, the best deal comes from RateSetter. It charges 7.4% APR for a £2,500 loan over two years. Repayments are £112.39 a month, and the overall interest due is £197.25 plus the original £2,500 loan. RateSetter charges no penalty if you want to settle the loan early, while Metro Bank charges up to 1% of the outstanding loan.

£20,000 OVER FIVE YEARS The cost of a larger loan has fallen further. Cahoot now charges 3% APR representative to people borrowing £20,000 over five years. That will cost £359.37 a month and £1,562 over the life of the loan. You'll be charged 30 days' interest to settle the loan early. On the high street, Santander charges a marginally higher rate of 3.1% APR. It will cost £360.26 a month and a total of £1,615.80 over the five-year term of the borrowing. mw

Our selection criteria:

We prioritise products that are widely and easily available. We look for accounts that will be available for the foreseeable future, though this is subject to factors outside our control. Our latest recommendations are available at www.moneywise.co.uk/best-buys. If you find something better, contact us at: editorial@moneywise.co.uk

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COMPARE

Find all the latest deals at Moneywise.co.uk/compare

Annuities Top three example rates on £50,000 purchase price (as at 2/1/17)

The Annuity Bureau from Alexander Forbes

CONVENTIONAL ANNUITIES (GROSS ANNUAL INCOME)

Age	Level		RPI-linked	
60	£2,269	Hodge Lifetime	£1,204	Legal & General
	£2,218	Legal & General	£1,184	Aviva
	£2,213	Canada Life	£1,154	Retirement Advantage
65	£2,661	Legal & General	£1,634	Legal & General
	£2,596	Hodge Lifetime	£1,503	Aviva
	£2,540	Canada Life	£1,416	Retirement Advantage
70	£3,008	Hodge Lifetime	£1,926	Aviva
	£2,982	Aviva	£1,821	Legal & General
	£2,959	Legal & General	£1,688	Canada Life
75	£3,657	Aviva	£2,569	Aviva
	£3,639	Legal & General	£2,501	Legal & General
	£3,634	Hodge Lifetime	£2,229	Canada Life

ENHANCED ANNUITIES (GROSS ANNUAL INCOME)

Age	Level		RPI-linked	
60	£2,484	Just Retirement	£1,481	Scottish Widows
	£2,482	Legal & General	£1,352	Just Retirement
	£2,397	Aviva	£1,334	Aviva
65	£2,875	Just Retirement	£1,870	Scottish Widows
	£2,797	Aviva	£1,730	Just Retirement
	£2,792	Scottish Widows	£1,702	Aviva
70	£3,364	Just Retirement	£2,245	Scottish Widows
	£3,169	Scottish Widows	£2,188	Just Retirement
	£3,008	Hodge Lifetime	£1,926	Aviva
75	£4,161	Just Retirement	£3,013	Scottish Widows
	£3,961	Scottish Widows	£2,934	Just Retirement
	£3,657	Aviva	£2,569	Aviva

Annuity rates based on purchase price of £50,000. Single life, nil guarantee period, income payments monthly in arrears. Enhanced annuity rates based on Type 2 diabetes, one tablet a day, diagnosed for 10 years. Source: Annuity-bureau.co.uk

Unit trusts Top five funds in the most popular sectors based on three-year returns (as at 5/1/17)

UK ALL COMPANIES

Fund name	1yr	Rank	3yr	Rank	5yr		TER	M'star rating	M'wise
Old Mutual Equity 1 A GBP Acc	111	142	149	1	272	2	1.1	★★★★	
Old Mutual UK Mid Cap R GBP Acc	110	155	148	2	294	1	0.85	★★★★★	50
MFM Bowland	114	102	148	3	179	95	2.09	★★★	
Castlefield CFP SDL UK Bufftlgy Inst Inc	113	121	147	4	268	3	-	★★★★★	
Old Mutual UK Dynamic Eq R GBP Inc	110	147	144	5	265	4	3.62	★★★★★	
Sector average/Total	111	258	118	258	176	246	0.99		

UK EQUITY INCOME

Troy Trojan Income O Acc	110	28	134	1	177	26	1.05	★★★★★	
Franklin UK Equity Income W Acc	115	7	130	2	181	18	0.91	★★★★	
BlackRock UK Income D Acc	109	37	129	3	165	44	0.92	★★★	
CF Miton UK Multi Cap Inc Instl B Acc	103	72	128	4	230	1	-	★★★★★	
Jupiter Income Trust I Acc	120	3	127	5	174	34	0.94	★★★★	
Sector average/Total	109	74	120	74	174	69	1.08		

UK SMALLER COMPANIES

MFM Techinvest Special Situations A Acc	114	7	158	1	258	4	1.84	★★★	
Old Mutual UK Smaller Coms Foc R GBP Inc	124	3	153	2	281	2	1.8	★★★★★	
MI Downing UK Micro-Cap Growth B	110	17	150	3	242	9	2.04	★★★★	
TB Amati UK Smaller Companies B	116	5	149	4	220	23	1.39	★★★★	
Liontrust UK Smaller Companies I Inc	113	10	146	5	256	6	-	★★★★★	
Sector average/Total	109	45	128	45	226	43	1.13		

STERLING CORPORATE BOND

Fund name	1yr	Rank	3yr	Rank	5yr		TER	M'star rating	M'wise
F&C Institutional Lng Dated Corp Bd 3 £ Acc	117	3	138	1	-	-	-	★★★★★	
PIMCO GIS UK Long Term Corp Bd Ins £ Acc	115	5	137	2	160	1	0.46	★★★★★	
Schroder Instl Long Dated Corp Bd I Acc	117	2	136	3	152	4	0.27	★★★★	
Henderson Inst Long Dated Crdt I Inc	117	1	136	4	149	8	0.55	★★★★	
Fidelity Instl UK Lng Corp Bd Inc	116	4	134	5	154	2	0.42	★★★★★	
Sector average/Total	109	81	120	81	138	69	0.62		

STERLING HIGH YIELD

Schroder Monthly High Income Z Acc	111	13	123	1	161	2	0.82	★★★★★	
Aviva Investors High Yield Bd 2 GBP Inc	108	24	118	2	156	4	0.74	★★★★	
Aberdeen European High Yield Bond I Acc	108	28	116	3	158	3	-	★★★★	
AXA Pan European High Yield Bond Z Acc	109	21	116	4	155	5	-	★★	
Marlborough High Yield Fixed Int P Inc	108	27	115	5	155	6	-	★★★	
Sector average/Total	110	29	111	29	143	22	0.87		

STERLING STRATEGIC BOND

GAM Star Credit Opp (GBP) Instl GBP Acc	110	9	129	1	183	1	1.14	★★★★★	
GS Sterling Broad Fixed Inc+ R Acc	112	5	128	2	138	23	0.75	★★★★	
NFU Mutual Gilt & Corp Bond C	112	4	126	3	130	42	-	★★★★	
GS Sterling Broad Fixed Inc R Acc	111	8	125	4	130	38	0.6	★★★	
Sanlam Strategic Bond P GBP Acc	110	10	125	5	-	-	0.44	★★★★★	
Sector average/Total	107	73	114	73	135	61	0.85		

Unit trusts (continued) Top five funds in the most popular sectors based on three-year returns (as at 5/1/17)

ASIA PACIFIC EXCLUDING JAPAN

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
Fidelity Emerging Asia W Acc	127	49	159	1	177	9	-	★★★★★	
Hermes Asia Ex Japan Equity F GBP Acc	131	19	156	2	-	-	0.85	★★★★★	
JOHCM Asia ex-Japan Sm & Md-Cp A £ I	111	96	156	3	200	3	3.77	★★★★	
Stewart Invs Asa Pac Sstnbty B Acc GBP	123	73	156	4	215	1	1	★★★★★	
Stewart Investors Asia Pacific B Acc GBP	126	58	154	5	192	6	1.04	★★★★★	
Sector average/Total	126	89	135	89	160	80	1.2		

EUROPE EXCLUDING UK

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
Marlborough European Multi-Cap P Inc	134	1	170	1	241	2	-	★★★★	
Man GLG Continental Eurp Gr Prf Acc C	117	63	164	2	264	1	1.06	★★★★★	
Liontrust European Growth I Inc	126	4	144	3	188	49	1.02	★★★★	
Aviva Investors Euro Eq MoM 2 2 GBP Inc	125	9	143	4	194	37	1.07	★★★★	
Schroder European Alpha Income Z Acc	124	10	141	5	-	-	0.92	★★★★★	
Sector average/Total	117	97	128	97	194	88	1.05		

UK EQUITY & BOND INCOME

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
Jupiter Monthly Income I Acc	113	1	128	1	178	3	0.97	★★★★	
Threadneedle Mthly Etr Inc Z Inc GBP	113	2	126	2	182	1	-	★★★★★	
M&G UK Income Distribution GBP I Acc	113	3	123	3	166	6	0.91	★★★★	
Threadneedle Managed Inc Z Inc GBP	112	4	123	4	170	4	-	★★★★	
CF Canlife UK Equity and Bd Inc C Acc £	107	11	122	5	158	8	0.8	★★★	
Sector average/Total	111	12	120	12	163	12	1.09		

MIXED INVESTMENT 0%-35% SHARES

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
MFS Meridian Global Multi-Asset W1 USD	128	1	136	1	143	1	1	★★★	
BlackRock Consensus 35 D Acc	118	2	129	2	-	-	0.29	★★★★★	
Royal London Sustainable Mgd Gr C Acc	110	23	123	3	-	-	-	★★★★★	
Old Mutual Cirilium Cnsrv R GBP Acc	113	3	123	4	-	-	1.09	★★★★★	
Vanguard LifeStrategy 20% Equity A Acc	110	18	122	5	133	12	0.29	★★★★	
Sector average/Total	109	47	116	47	130	33	1.14		

MIXED INVESTMENT 20%-60% SHARES

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
Artemis Monthly Distribution I Inc	118	6	139	1	-	-	-	★★★★★	
AXA Global Distribution Z Acc	123	1	135	2	159	8	1.01	★★★★★	
HSBC Open Global Return C Acc	118	5	128	3	151	19	-	★★★★	
Vanguard LifeStrategy 40% Equity A Acc	114	20	128	4	147	34	0.3	★★★★	
M&G Episode Income GBP I Acc	115	15	127	5	148	29	0.81	★★★★	
Sector average/Total	110	114	118	114	144	99	1.36		

MIXED INVESTMENT 40%-85% SHARES

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
Orbis OEIC Global Balanced Standard	137	1	150	1	-	-	-	★★★★★	
Royal London Sustainable World C Acc	116	29	140	2	198	1	-	★★★★★	
Vanguard LifeS-trategy 80% Equity A Acc	122	2	137	3	176	4	0.29	★★★★★	
Vanguard LifeStrategy 60% Equity A Acc	118	9	133	4	161	32	0.31	★★★★★	
McInroy & Wood Balance Pers Inc	119	7	131	5	162	24	1	★★★★★	
Sector average/Total	113	118	123	118	156	102	1.29		

FLEXIBLE INVESTMENT

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
CF IM Global Strategy A Acc	127	2	143	1	171	26	1.49	★★★	
Newton Osprey Sterling Inc	117	50	141	2	207	2	1.14	★★★★★	
Premier Multi Asset Global Gr C Net Inc	122	14	141	3	196	5	1.98	★★★★★	
IP Managed Growth Z Acc	125	4	138	4	194	6	-	★★★	
Courtiers Total Return Growth	119	29	137	5	190	8	2.01	★★★★★	
Sector average/Total	115	127	124	127	160	106	1.47		

GLOBAL

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
Fundsmith Equity T Acc	128	69	183	1	258	2	1.17	★★★★★	
MS INVF Global Opportunity Z	120	198	175	2	252	5	0.94	★★★★★	
GS Glbl CORE Equity R Snap Acc	129	65	167	3	236	11	0.75	★★★★★	
Old Mutual Global Equity R GBP Acc	131	32	166	4	262	1	1.14	★★★★★	
Lindsell Train Global Equity B	124	137	163	5	236	12	-	★★★★★	
Sector average/Total	124	234	139	234	191	202	1.11		

GLOBAL EMERGING MARKETS

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
Templeton Em Mkts Smaller Coms W Acc £	124	76	150	1	189	1	1.65	★★★★★	
JPMorgan Emerging Markets Small Cap A (dist) perf GBP	132	42	149	2	176	2	1.8	★★★★	
UBS Global Emerging Markets Equity C Acc	137	13	140	3	134	41	-	★★★	
Hermes Global Emerging Markets F	130	52	139	4	162	5	1.14	★★★★★	
UBS Global Emerging Markets Opp Q GBP	133	41	138	5	-	-	1.25	★★★★★	
Sector average/Total	132	74	126	74	139	63	1.29		

NORTH AMERICA

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	TER	M'star rating	M'wise
Fidelity American Special Situations W Acc	134	31	186	1	275	3	-	★★★★★	
Old Mutual North American Eq R GBP Acc	137	24	182	2	272	4	0.9	★★★★★	
Old Mutual Schroder US Mid Cp U2 GBP Acc	142	7	181	3	-	-	-	★★★★★	
VT De Lisle America B GBP	158	1	180	4	298	2	1.33	★★★★★	
Schroder US Mid Cap Z Acc	142	8	180	5	250	11	-	★★★★★	
Sector average/Total	130	107	162	107	230	97	1.1		

Investment trusts Top five trusts in popular sectors based on three-year returns (as at 5/1/17)

UK ALL COMPANIES

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	M'star rating	Discount	M'wise
Crystal Amber Ord	134	1	140	1	269	2	★★★	-6.77	
Invesco Perp Select UK Equity Ord	104	9	133	2	228	6	★★★★★	-3.28	✔
Fidelity Special Values Ord	116	3	131	3	267	3	★★★★	-1.51	
JPMorgan Mid Cap Ord	89	18	130	4	287	1	★★★	-8.01	◎
Mercantile Ord	96	13	120	5	232	5	★★★	-9.25	
Sector average/Total	106	18	114	16	191	16			

UK EQUITY INCOME

Chelverton Small Companies Dividend Ord	114	2	141	1	302	1	★★★	-3.07	
Troy Income & Growth Ord	109	12	136	2	173	14	★★★	0.49	
Finsbury Growth & Income Ord	113	7	134	3	227	4	★★★★★	0.67	50 ✔
Edinburgh Investment Ord	103	19	132	4	184	7	★★★★★	-2.82	◎
BlackRock Income and Growth Ord	105	17	126	5	175	11	★★	-4.05	
Sector average/Total	107	24	117	24	187	23			

UK SMALLER COMPANIES

Rights & Issues Investment Trust Ord	140	1	190	1	353	1	–	-10.42	
Invesco Perpetual UK Smaller Ord	111	3	147	2	270	4	★★★★	-6.99	
Chelverton Growth Trust Ord	124	2	140	3	250	6	★★★	-15.92	
Athelney Trust Ord	106	4	138	4	232	9	★★★	-6.85	
Strategic Equity Capital Ord	91	14	138	5	279	3	★★★	-11.93	◎
Sector average/Total	102	16	124	14	237	14			

EUROPE

Henderson EuroTrust Ord	106	4	130	1	229	3	★★★★★	-9.44	◎
Henderson European Focus Trust Ord	104	7	130	2	238	2	★★★★★	-8.49	
JPMorgan European Income Pool Ord	104	6	130	3	213	4	★★★★★	-12.92	
Jupiter European Opportunities Ord	93	8	129	4	245	1	★★★★★	-5.95	50 ✔
Fidelity European Values Ord	108	3	128	5	203	6	★★★★	-12.77	
Sector average/Total	105	8	126	8	214	8			

GLOBAL

Lindsell Train Ord	162	1	271	1	422	1	★★★★★	68.64	◎
Majedie Investments Ord	111	18	163	2	230	5	★★	-8.04	
Scottish Mortgage Ord	117	14	160	3	291	2	★★★★	3.74	50
Mid Wynd International Investment O Inc	124	9	157	4	202	12	★★★★★	1.49	
Independent Ord	101	24	154	5	237	4	★★★	-7.3	✔
Sector average/Total	120	24	144	24	209	24			

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GLOBAL EMERGING MARKETS

Fund name	1yr	Rank	3yr	Rank	5yr	Rank	M'star rating	Discount	M'wise
Terra Capital Ord	128	8	158	1	152	3	-	-13.5	
JPMorgan Emerging Markets Ord	128	6	131	2	140	5	★★★★★	-12.35	◎
BlackRock Frontiers Ord	131	4	125	3	210	1	★★★★	-2.17	✔
Aberdeen Emerging Markets Ord	128	7	122	4	125	8	★★★	-12.41	
Genesis Emerging Markets Fund	133	3	120	5	133	7	★★★★★	-11.71	
Sector average/Total	124	14	116	12	131	12			

ASIA PACIFIC EXCLUDING JAPAN

Fidelity Asian Values Ord	142	1	166	1	205	2	★★★★★	-7.79	
Pacific Assets Ord	128	6	162	2	233	1	★★★★★	0.41	✔
Schroder Asian Total Return Inv. Company	137	2	153	3	183	5	★★★★	-4.02	
Invesco Asia Ord	129	5	150	4	177	6	★★★★★	-11.31	
Schroder Oriental Income Ord	136	3	150	5	193	3	★★★★★	1.09	◎
Sector average/Total	125	16	131	16	171	15			

NORTH AMERICA

BlackRock North American Ord	153	2	168	1	-	-	★★★	-0.09	
North American Income Trust Ord	156	1	164	2	227	2	★★★★	-5.71	
JPMorgan American Ord	135	4	161	3	230	1	★★★★	-2.46	✔
Middlefield Canadian Income Ord	143	3	115	4	126	3	★★★★	-13.76	
Gabelli Value Plus+ Trust Ord	133	5	-	-	-	-	-	-4.72	
Sector average/Total	144	5	152	4	195	3			

Data produced in association with: MORNINGSTAR® www.morningstar.co.uk

HOW TO READ THE INVESTMENT DATA TABLES

Unit trusts/Oeics
The tables show a selection of popular Investment Association (IA) fund sectors. Only funds with a minimum initial investment of £1,000 or less are included in the data. We show the performance of the top five qualifying funds over three years, plus their performance and rank within the sector over one and five years to show how consistent their performance is. The figures show returns on £100 invested, calculated in sterling on a bid-to-bid basis, with income reinvested net of basic-rate tax.

Investment trusts
The tables show a selection of the main Association of Investment Companies (AIC) investment trust sectors. We highlight the performance of the top five trusts over three years, plus their one- and five-year performance and ranking within the sector. The figures show returns on £100 on a mid-to-mid basis, with income reinvested net of basic-rate tax.

The total expense ratio (TER) is a measure of a fund's annual operating costs, including management and performance fees.

The Morningstar rating is calculated on a fund's total returns, adjusted for risk and sales charges, relative to other funds in its Morningstar category. The rating is based on a weighted average of a fund's three-, five-, and 10-year ratings, depending on its track record.

The Moneywise column indicates whether a fund has been awarded a Moneywise award in the past year: ✔ = winner; ◎ = highly commended; ○ = commended. 50 = *Moneywise*'s pick of its **First 50** Funds for beginner investors.

The discount column (investment trusts) shows the percentage difference between the value of a trust's underlying assets and the value of its share price.

True money stories from smart people:

The naked truth

Have you noticed how much British people like to get their kit off nowadays? So much for 'reserved' Brits, it seems we can't wait to bare all and have as many people check out our vitals as possible.

You can see this in the Channel 4 series *Naked Attraction* where three members of the public stand buck-naked in the studio while a (fully-clothed) 'chooser' tries to pick one as a partner.

"Ooh, I don't know which to choose," says the chooser, flustered, "Number Two is usually my sort, but looking at Number Three's… um… well, it's so hard to decide!"

Not too long ago this whole programme would have been seen as an affront to public decency, but not now.

We've seen this greater 'openness' manifested on MoneyMagpie.com too (no photos though, thankfully). An article about how to make money as a life model has hundreds of comments on it, mostly from people who want to get naked and show their all to a bunch of strangers brandishing paint brushes.

They're certainly not shy. For example, Robert Marshall says: "I'm a young 74 years of age, have been a nudist now for over 40 years, so I have no problem with nudity, and would love to be a life model in Devon. I can travel too," adding his contact details.

Then there's Anthony Underwood who says: "I'm 39 and want to be a life nude model. I'm very confident at being around anyone naked, so I'm available evenings after six. Get in touch."

Some of them are happy to strip off on their way to other gigs. Vince Gorman says: "I'm a 53-year-old guy living in Kettering in Northants. I've never done life modelling before but it wouldn't be a problem stripping off. It's possibly unusual, but I don't have any body hair due to alopecia. I'm available at random times due to other work and music interests."

Admittedly, life modeling does have the attraction of paying you £12 to £15 an hour for really just sitting around, but then there are people such as Dominic, 21, who says he's "interested in being a nude model more than making some extra cash".

You can almost hear the eagerness as these would-be nude models dash off their vital statistics, height, weight, phone number and email. In my head I can hear Father Jack in the *Father Ted* sitcom thumping his chair and exultantly chanting "Nudie Father Jack!"

So who says the British are reserved?

Well, financial organisations, actually.

Because for all our desperation to let it all hang out, we are as shy as ever when it comes to stripping our finances bare. If not more so.

The mobile payments company Paym reported recently that more people know how many previous relationships their partner has had than their sort code and account number.

We are as shy as ever about stripping our finances bare

Certainly from my experiences of trying to get people to open up about their finances on TV or in print, I've felt as if I was asking them to do something disgusting and immoral. I should have just asked them to talk about their sex lives.

Just watch TV for a while and you'll find that many people are happy to talk about every sexual partner and position they've had, to the point of tedium (have you seen *The Jeremy Kyle Show*?), but as soon as you ask them about the state of their bank account they tell you to "wash your mouth out with soap… how very dare you!"

Maybe that's why the Money Advice Service reported that, in 2005, 9% of us couldn't pick out the balance on our bank statements while, 10 years later, in 2015, a whopping 22% couldn't do it.

Now, if we could just turn those spreadsheets into bedsheets maybe Brits would finally start to read them. mw

JASMINE BIRTLES is a financial journalist and founder of MoneyMagpie.com. Email her at **columnists@moneywise.co.uk**

BUILD A SOLID FOUNDATION TO ENSURE YOUR RETIREMENT INCOME WILL LAST

The 2015 pension freedoms allow you to be your own retirement architect. So it's essential to ensure that you build a solid foundation for your income in later life so neither you or your partner miss out.

Thinking about retiring or simply cutting back on work? Here's some useful points to consider when creating your solid foundation:

Perhaps start by reviewing your finances. You may have debts and we believe the repayment of these should be prioritised as they could cause you financial instability, emotional stress and hardship in retirement.

See how much income you'll need to cover the essentials, such as household bills

- If you're lucky enough to have a final salary scheme pension or guaranteed annuity rate then this may cover your essential expenditure.
- Alternatively, a guaranteed income for life provided by an annuity could give you peace of mind and help you achieve a solid foundation.

By having a rainy day fund set up it could help alleviate any unexpected costs – for example a boiler needing replacing.

If you've covered the essentials and have some pension savings left, why not plan some days out with friends and family or even work on your bucket list!

[1]

Up to **27%*** more income

Shop around and provide details of your health and lifestyle to get up to 27%* more income for your foundation.

An annuity is still the only way to guarantee your income lasts as long as you do. And remember, you don't have to buy from the company holding your pension savings. **With the Moneywise Compare Annuities service we'll do the hard work for you.**

Call free today on **0800 028 7359**† and quote **MW23 to find a better deal**

Or visit **www.moneywise.co.uk/foundation**

*18/11/2016. 27% is achieved by comparing the lowest standard annuity rate against the best enhanced rate for a 65 year old male, 5'10", 9.5 stone, who has been diagnosed with bowel cancer in the last three years, has had surgery, chemotherapy and radiotherapy and is on medication, including one for high blood pressure. He is a smoker. Quotes have been obtained from a representative sample of providers via Just Retirement Solutions Limited and are based on an RH2 7RU postcode, pension pot of £25,000, with a 5 year guarantee period, no escalation and no value protection, with monthly payments in advance. The comparison is based on rates available via the open market option only and it should be noted that smaller increases will be achieved for less serious medical or lifestyle conditions.

†Lines are open from 9am to 8pm Monday to Friday except for bank holidays. Calls may be monitored and recorded.

[1]Model based on http://www.nextavenue.org/article/2014-04/determine-your-hierarchy-needs-retirement copyright 2003 Mitch Antony

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Dave made £2000 whilst showing off his skiing prowess

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