

“What’s his is mine and what’s mine is my own”

The wife of a couple for whom I have been investing funds for at least 15 years recently inherited some money and wanted my advice on what to do with it. Now historically the husband has been the major breadwinner and it has been his money we were investing jointly between them but for the first time it was the Wife’s money and that made a difference.

When investing client’s money, we tend to use Unit Trusts either within an ISA (Individual Savings Account) or freestanding i.e. not within an ISA account. So, in her circumstances I recommended a combination of Premium Bonds and three new Unit Trust funds within her ISA account.

She wanted to understand exactly what she was doing with her money and I found myself explaining why she should invest at all and what a Unit Trust is and does, even though she has held some for many years!

With Inflation at 2.9% and if you are lucky 1% interest from the bank, you are simply losing money I explained. You may have the same or a few more pound notes but they will buy you less next year than today, so you need your money to grow by more than inflation.

Investing in company shares can produce both income and capital growth and historically shares have returned over 7% per annum pretty consistently. The problem is however company share prices rise and fall and very rarely companies fail meaning you could lose all your money.

The way to avoid this problem is not to have all your money in one company’s shares, (you should not have all your “eggs in one basket”) but to hold several companies shares needs a lot of money, research into what companies to buy, and paperwork.

Around 100 years ago someone suggested that if people combined their money in a Trust for themselves then with a larger sum a manager could do the research, paperwork etc and invest in around 50 Companies rather than one or two.

If one company fails then it will not be a disaster and one of the others could perform better without the competition, making up the loss. So, Unit Trusts were born and we use these to invest client’s money as they are safer than individual shares.

They still go up and down in value daily but, over time, good Unit Trusts have produced far higher returns than cash but you should have some cash for safety and emergencies hence the premium bonds.

“You’ve never wanted to know all this before” said the husband, “well that was your money” she said, “this is mine and mine alone!”