



Investments - Broaden Your Horizons

Although the idea of investing to provide for future financial security is gaining wider acceptance, for the would-be investor, finding the most appropriate investment can be a daunting prospect.

Consulting us is an obvious first step, particularly if you are looking at the various types of collective investment vehicles available rather than planning to invest directly yourself.

As well as savings vehicles designed for specific purposes – such as school fees provision – there is also a whole range of opportunities open to the investor wishing to generate extra income or build up a capital sum for the future.



Pooled Investment Schemes

In the UK there are three principal types of collective or pooled investment schemes – unit trust, investment trust and Open Ended Investment Company (OEIC).

All three will take the pooled monies of a large number of investors and put them in the hands of a professional fund manager. He or she will choose a broad spread of instruments in which to invest, depending on their investment remit. The main asset classes available to invest in are shares, bonds, gilts, property and other specialist areas such as hedge funds or 'guaranteed funds'.

There are key differences between the three types of scheme structure.

Unit Trusts



An investor in a unit trust 'buys' a number of units, while an investor in an investment trust or OEIC 'buys' shares. Unit trusts are open-ended, which means that units can be issued as demand requires. The price of these units is dependent on the value of the underlying assets, and they can be sold back to the fund managers by the investor. Most UK collective investment schemes are authorised by the Financial Services Authority (FSA).

Investment Trusts

Investment trusts are structured as companies, so their shares are traded in the same way as any other limited company's shares. Investment trusts offer a wide range of investments.



Open Ended Investment Companies (OEICs)

The OEIC is structured along similar lines to the unit trust, but it differs as it has no bid/offer spread. This means buyers and sellers get the same single price.

Additionally, the OEIC has an “umbrella” structure allowing numerous sub-funds investing in different types of assets, so the investor can switch easily between different investment funds.

Given the range of options of unit trusts, investment trusts or OEICs, the choice can be confusing – consulting us could help simplify your investment choice.

There are hundreds of collective investment schemes to choose from. Our services can greatly simplify the investment process.

Stocks and Shares

So why should the saver, who has been content to build up a nest egg in a deposit account, move into the riskier area of investment in equity or bond markets? Well, the main reason is the chance of a higher return than can be obtained from deposit accounts. If the investor is prepared to be patient, over time he or she should expect a higher return.

The investor must also consider the question of risk. In a low interest rate environment the return on your deposit account may decrease, but there is no threat to your capital. Investing in shares is different.

Potential returns can be much greater than those offered by cash deposits. But if the shares in which you have invested were to fall in price, there is a real threat to your capital itself. If you are forced to sell your shares at a time when they are performing poorly, you could actually end up with less money than you started with.

We can help establish what level of risk you should take with your investments.



Collective Investments

- Unit trusts and OEICs can be bought directly from the provider of the fund or more commonly, through ourselves.
- Investment trusts are most commonly bought through a stockbroker, but again we can also advise on their purchase.

Tax Efficiency

If you are looking to invest in collective investment schemes, a tax-efficient method of doing so is through an Individual Savings Account (ISA).

An ISA is not an investment in itself – it is a tax-efficient “wrapper” which you may use to hold a range of investments.

As the UK’s principal tax-efficient investment plan, an ISA can incorporate a stocks and shares element, within which you can invest up to £7,200 for the current tax year. Alternatively, you may open a cash ISA where you can invest up to £3,600 in all kinds of building society and bank accounts, money market unit trusts and some National Savings products. Any interest earned on cash held in an ISA will be free of tax.

Within the stocks and shares element of an ISA you may invest directly in shares or bonds or collective investment funds.

It makes sense to take advantage of all the existing tax allowances and we will be able to help you do this.



Offshore Investments

In specific cases, offshore investment may be worth considering. From the UK perspective, offshore funds have traditionally been used mainly by expatriates. Because UK expatriates do not generally pay UK income tax, it makes sense for them to invest in funds based in a low-tax centre such as Luxembourg or the Channel Islands. However, some funds, accumulation funds in particular, can offer a tax efficient use of offshore funds to the UK resident.

As well as offering tax advantages, lighter regulation in offshore centres means funds can invest in a much wider range of markets than most onshore vehicles – a big attraction for the more adventurous investor.

But do remember that capital and income values may go down as well as up and you may not get back the amount invested, also exchange rate variations may cause the value of overseas investments to increase or decrease. Past performance is no guarantee of future performance.

The offshore sector presents all manner of pitfalls for the unwary, so getting specialist advice is of paramount importance.



Managing Your Investment Portfolio

Keeping on top of all your investments and rebalancing the mix of your portfolio as circumstances change can be very time consuming.

Monahans Tailored Wealth Management Service is an online service that allows us to manage your entire portfolio of

investments from one web page, regardless of where these assets are held.

Pensions, ISAs, mutual funds and stocks and shares, can be viewed in one place, and managed simply and effectively as part of one overall plan to meet your financial goals and objectives.

Questions and Answers

Whatever the nature of the investments you are considering, the starting points should be the same. We will be able to help you identify the type of vehicle best suited to your needs, based on your own preferred balance between risk and return.

Most obvious among the questions you should ask is “How much will it cost?” All collective investment schemes have built-in charges, but these will vary. For the newcomer, the charges can be

difficult to understand, so it is important that we explain this properly.

Another key factor is how long you intend to invest. It is important that we understand your wishes clearly when it comes to short, medium and long-term investments. Lastly, and most importantly, we will make sure you understand all the risks of your chosen investment.



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For further advice and assistance

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