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MONEY BOX LIVE

Presenter: VINCENT DUGGLEBY

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DUGGLEBY: Good afternoon and welcome back to the new series of Money Box Live, which began 21 years ago, as it so happens, in the midst of a recession. Fast forward 10 years and the 100 share index had risen threefold from just over 2000 to more than 6000; base rate had fallen from 15% to 6%; inflation was down from 11% to a little over 3%; house prices were soaring and there were bumper payouts on life insurance and pension plans. How things have changed. A couple of years later the market had fallen to 3500, which proved to be a massive buying opportunity, and then it moved ahead steadily to 6700 by autumn 2007. We all know what's happened since in the wake of the banking and financial crisis, but the big question is are things set to get worse or better in the light of forecasts for UK growth, energy prices, sovereign debt, the American budget deficit, never mind what's happening in the Middle East? Investors' nerves are certainly being tested to the limit with fluctuations in the stock market round the world and seemingly very few safe havens apart from National Savings Certificates or cash, which is vulnerable to inflation; maybe gold, which has had an astonishing run, but it's certainly not risk free. Savers who've tried to spread risk through unit and investment trusts and other managed funds could be down by 10% or 15% since the beginning of the year, and on the longer term view they may be no better off now than they were 5 or 10 years ago. So it's against that background my guests have steeled themselves to answer your investment questions. Louise Oliver is a certified financial planner and a partner in Taylor Oliver; Mark Dampier is Head of Research at Hargreaves Lansdown; and Christine Ross is Head of Financial Planning at SG Hambros. The number for your calls: 03700 100 444. And we'll hear first from

Susan in Lincoln.

SUSAN: Oh hello.

DUGGLEBY: Hello Susan.

SUSAN: I have to move my cash ISA as the rate is going very low. Should I put savings into another cash ISA or add to my existing stocks and shares ISA despite the risks and charges incurred by the fund managers? Which will give me a better return?

DUGGLEBY: Okay, well let's just get the technicalities of this first, Louise. You can move cash to shares, but not the other way round. That's just the fundamental principle of it.

OLIVER: Yes that's correct. That's correct, you can do that.

DUGGLEBY: So the choice that Susan could make - not to say she would. So okay, so she could make it, but would you make it or would you stick it in cash and get a better rate?

OLIVER: Well the first thing that I would do, Susan, is that I would check with your existing cash ISA provider just to see whether they can offer you a better rate, first of all, because quite often they rely on apathy and you might be on a poor rate, but there might be something that they can offer for you. So that's the first port of call. The second thing I would do is ask yourself whether or not you're an investor. That means do you have a capacity for loss? And if the answer is yes, how much are you prepared to lose?

DUGGLEBY: How much have you got actually, Susan, in this cash ISA that's the issue?

SUSAN: It's about £12,500.

DUGGLEBY: Okay, so it's more than one year's allowance - £12,500.

OLIVER: Okay. So given that, if you're looking to move from the cash arena to investments, you really need to take on board a longer term view. That will be 5 years plus, so this needs to be money that you can park there for a considerable period of time. So first of all decide whether you're willing to take a risk. If you are, what would the degree of risk be? And then you can move on to have a look at what is available in the investment arena because there are various different options.

DUGGLEBY: Susan, what ISA product have you got? Have you had a sort of fixed rate that's now disappeared?

SUSAN: Yes, I had it for nearly 15 months, which was very nice …

DUGGLEBY: *(over)* Yeah, so you had a guaranteed fixed rate.

SUSAN: … and now it's going to go right down.

DUGGLEBY: It's our old friend, the bonus, Christine …

SUSAN: Yes.

DUGGLEBY: … which unfortunately disappears and they don't always tell you.

ROSS: It does and you do have to be prepared to transfer. And, Susan, I'm sure you've heard over time that ISA transfers used to be quite an ordeal, but the Office of Fair Trading have laid down pretty strict guidelines now and one can expect that the transfer should take no more than 15 days and you do get interest over that period as well.

DUGGLEBY: But you still won't get a very good rate if you want instant access to the money, so probably you'll have to go to at least a year to get a rate of, what, Christine?

ROSS: Well, you'll get over 3%. If you really are willing to tie up and leave that money in a cash ISA, a 4 year deal from the Yorkshire Bank will give you 4.5%. Now that's not bad for a tax free return. It's difficult to compare with stock markets, but I still think 4.5%'s a pretty good rate.

DUGGLEBY: The thing about that, that's the "income" because there's no capital growth in it, Mark.

ROSS: That's right.

DUGGLEBY: And the interesting thing is that 4.5% doesn't sound that exciting when you can see some of the yields on what I suppose we might term as good shares.

DAMPIER: *(over)* Individual shares could give you 5%, 6%.

DUGGLEBY: But with the capital?

DAMPIER: But you've got the capital risk on that. Or if you don't want to go to individual shares, buy a fund - something like Invesco Perpetual's High Income deal yielding almost 4.5%. So not far away. It just depends whether you want to take the risk with the capital value, which is certainly going to fluctuate - there's no doubt about that.

DUGGLEBY: One thing you do need to do, Susan, is you do need to move it. You need to do something.

SUSAN: Yes.

DUGGLEBY: So really in a sense it's well do you want to settle for 3% for a year and see what you can do, or 4.5% tying your money up in cash, or take a chance with the stock market? In the end, it's your choice.

SUSAN: *(laughs)* Right.

DUGGLEBY: So I mean the stock market, the last few months haven't been for somebody with a nervous disposition. If you're of nervous disposition, I wouldn't advise you to go there, but you know maybe you can take a long-term view, as Mark says …

DAMPIER: It's whether you can sleep at night. That's always my guide. If you can sleep at night and not worry about it, it's fine. That's what investment should do. It's supposed to improve the quality of your life.

DUGGLEBY: But perhaps the most important thing, Louise, is if you are minded to invest in an ISA - it is a tax free investment, it is only available in yearly chunks, so if you don't use it, you lose it.

OLIVER: Yeah, I think it's a good thing to use your ISA allowance. And if you have cash to park, then ISA is a first choice.

DUGGLEBY: And it's £10,680 for this year of which half can go in cash?

OLIVER: Half can go into cash, correct.

DUGGLEBY: Indeed, right. We'll go onto Mary in Leeds. Mary, hello.

MARY: Good afternoon. My question is I do have cash ISAs at the moment. And I've heard about stocks and shares ISAs, but I would like a do-it-yourself for beginners - how to actually buy stocks and shares ISAs, please.

DUGGLEBY: Well, Mark, first of all you've got to hand the money over.

DAMPIER: Yes, they want the money first. But the best thing is if you're not sure about timing and things like that, you can put the money into cash. It's not the same as a cash ISA because it gets taxed and the rates aren't very high, but then you can then move that money very quickly. And given the market's volatility at the moment, you know if you can invest on a bad day - and you don't normally have to wait too long for one of those bad days, preferably when you actually see it on the news - that's the sort of day to invest and actually make your investment, so you can physically move it over on that day.

DUGGLEBY: So it's a maximum of £10,680, Christine, because all the money can go into a stocks and shares ISA …

ROSS: *(over)* That's right. Only half of it can go into cash.

DUGGLEBY: … so if you reject the cash, then you've got that pot of money. So what would you do with that pot of money, assuming that you've put it into the ISA? That's what Mary wants to know.

ROSS: I mean not knowing as much about Mary you know from a point of view of risk …

DUGGLEBY: *(over)* No, you need to know more.

ROSS: … I would think that if there is a will to leave that money alone, there is no known need for that money, then if you can invest for the longer term. And I think we used to say always 5 years. It's more than 5 years now. Then, just as Mark was saying, there's some excellent funds around. I wouldn't go into individual shares. I would actually look at a wide spread through an investment fund, or possibly to start with you know just retain some cash from the annual allowance and have some of it in stocks and shares. But I do think there's some buying opportunities if you can stay the course.

DUGGLEBY: But basically you're going to have to get interested in the market, Mary. You can't just expect it all to be left there for years.

DAMPIER: It's true.

DUGGLEBY: You know start reading newspapers.

MARY: Oh so the Financial Times?

DUGGLEBY: Well yes, read the tips.

DAMPIER: The Saturday papers, Saturday newspapers are really good. The big sheets are really good on Saturdays.

DUGGLEBY: And also whatever provider or whatever investment advisers you choose, they will send news …

MARY: *(over)* So in practical terms, how do you actually do it? I mean do you have to ring a broker up or somebody …

DUGGLEBY: No, you contact one of the firms. I mean almost every firm of stock brokers, financial advisers and everybody else will operate an ISA for you. You will have to fill in a form, right?

DAMPIER: You can fill in a form. You can either do that online or physically fill it in and send it with your cheque to the group.

OLIVER: And I would just encourage you, Mary, to make sure how much you're paying for the ISA. The initial fee and annual fees are often involved in purchasing investment ISAs, so make sure that you do get some transparency of charging there.

DUGGLEBY: Yes, indeed, look at the charges because most investment advisers will make a charge for their services and they don’t give the advice for free - although some think they do.

MARY: So that’s just a one off payment? It’s not an annual percentage?

DUGGLEBY: Well there are charges which are deducted, but they’re usually deducted, I think Mark, from the capital or income of the funds concerned.

DAMPIER: Yes they are. It’s not an extra bill.

DUGGLEBY: It’s not an extra bill. You’ll just find that you’ve got slightly few units or you’ve got a small deduction from the total funds.

DAMPIER: Yeah, that’s correct.

MARY: Could I ask what a wrapper is?

DUGGLEBY: Yes you can. *(laughter)* Alright, Christine?

ROSS: When people talk about wrappers, an ISA is just a tax free shell and you hold some investments in it - some cash, shares, funds - and people refer to wrappers when it’s really a shell around your money to change the tax treatment. So you often hear some pensions called wrappers and it’s where you have some freedom of choice choosing your investments, but overall it holds it together or it changes the underlying tax treatment. So it’s the ISA wrapper …

DUGGLEBY: Or the pension wrapper.

ROSS: … or the pension wrapper holds your money inside and just determines what the tax rules are.

ROSS: Yeah. So a lot of people use this term, and I’m afraid I’m guilty of that as well.

DUGGLEBY: Okay, we must move on to a question …

MARY: Thank you. Thank you very much.

DUGGLEBY: Thank you for that, Mary. … to a question from Martin in Hampshire. Martin?

MARTIN: Hello. I would like to know if absolute return funds are worth considering as a defensive hedge in the current economic climate, or are they just another investment gimmick?

DUGGLEBY: Well they're certainly a bit flavour of the month-ish, I think. Probably you'll confess to that being the case, Mark? They're quite well regarded, but …

DAMPIER: Well the trouble is they really move from the hedge fund. I mean we're really talking about hedge funds here, but we're also talking about a huge variety of different funds. So don't believe that absolute returns will give you an absolute return, so the name itself is somewhat misleading.

DUGGLEBY: Have they got a much wider brief then for their investment strategy?

DAMPIER: Well yes they have, and some will use shorting techniques of actually selling shares they don't actually own and others will be much more geared at much more leverage and actually effectively more risky. Others don't do anything like that at all. So you have got to look - what I always say - got to look under the bonnet very carefully at the fund.

DUGGLEBY: So when you see the word you know Joe Soap's Absolute Return Fund, you have no idea what he's doing?

DAMPIER: No, actually you don't. You must do your homework.

DUGGLEBY: So what do you do?

DAMPIER: Well I do my homework. And I've got a number in my own SIPP to dampen the volatility.

DUGGLEBY: So have they been any good in the last …

DAMPIER: *(over)* No some of them have been really poor and some of them have been really good. And that's the trouble with it - it's a very in… It's a new class if you want as well, so it's hard to say precisely who will do well or who'll do badly. In a bull run, when the market goes up very strongly, a lot of them get left behind; but they've done extremely well in the last few weeks.

DUGGLEBY: *(over)* I think Martin's asking us though you know is it good for me? And I suppose the risk factor is, on a number of 1 to 10, is towards the top end of the scale, is it?

ROSS: If I may jump in.

DAMPIER: No, you go for it Christine.

ROSS: When I started looking at these, certainly absolute return was synonymous with hedge fund investing, but absolute return should mean that you're looking to make a return above cash, so cash plus something; whereas Martin you'll know most investment funds say they are benchmarked, meaning they compare themselves with an index like the FTSE 100 top shares in the UK. So you can't expect an absolute return fund to return double digit performance.

DUGGLEBY: So it's absolutely brilliant, absolutely dreadful or …?

ROSS: Well it's supposed to lower volatility, so what you're looking for is a steady return. It's supposed to be the bird in the hand rather than two in the bush.

DAMPIER: Unfortunately, Martin, they don't all do that either.

ROSS: No.

DAMPIER: Some actually will give you double digit returns, and that's why you need to look under the bonnet. But it also means if it gives a very big return, it could also give you a very big fall as well.

DUGGLEBY: So all you can do is just pick your favourite financial adviser or - again we're back to the newspapers …

DAMPIER: Yes.

DUGGLEBY: … look at the names, the funds, and a lot of them are called absolute returns.

DAMPIER: Yes, they are.

DUGGLEBY: Ask who the fund managers are. And you know if your adviser says well this fund manager's done pretty well?.

DAMPIER: The answer is you need three or four of them together. There is no one solution to it.

DUGGLEBY: Okay.

ROSS: And look at the return for volatility, not for absolute performance. So you're looking at how steady it's been along the way rather than how high or low.

DUGGLEBY: Riding the bumps …

ROSS: Absolutely. It's therefore a smooth return.

DUGGLEBY: Right, back down to earth now with an email from Daphne in Newport. And she says, 'I'm a pensioner with savings I can tie up for several years. I want the money to be absolutely safe.' So another absolutely fund. 'Must keep pace with inflation and I don't want to have to take any action over it.' Is there any other investment than Index Linked National Savings Certificates or is that it?, Louise?

OLIVER: Well NS&I is a very good solution - half a percent over inflation, tax free, which is excellent. I think if you absolutely wish to take no risk at all, then we are looking at cash based instruments. We're looking at cash deposits. Don't go over the counterparty risk, which is around about £85,000 sterling.

DUGGLEBY: She doesn't say how much she's got, but we should remind people there's a £15,000 limit on the Index Linked Certificates themselves.

OLIVER: Yeah, £15,000.

DUGGLEBY: That's the maximum. But if they put another issue out, then you'll be able to invest in those.

OLIVER: Absolutely.

DUGGLEBY: So anybody voting against Index Linked Savings Certificates perhaps as a core holding?

DAMPIER: No.

ROSS: Not at all. I mean I'm surprised they've lasted this long.

DAMPIER: So am I.

ROSS: There was a will to maintain these when they were issued. I thought they would just fly out straightaway and they closed down 2 weeks later.

DUGGLEBY: Yeah I thought they would, yeah.

ROSS: But I think the limit, the £15,000 limit has helped there.

DAMPIER: You have got the 97th issue as well. I know that's only fixed at 2.25% …

DUGGLEBY: 97th, is it?

DAMPIER: Apparently so.

DUGGLEBY: I remember when it was about 15.

ROSS: Yeah. *(laughter)* One other observation. I know it's not quite the question we're being asked here, but I don't know whether Susan is also looking at her own estate planning. Sorry to be morbid here, but she has inherited from her brother …

DUGGLEBY: This is a question that's actually coming up. It's not the one we've just had, which is about investing in National Savings Certificates. In fact Susan, we've anticipated your call, but nonetheless perhaps you'd like to put your question?

SUSAN: Hello. Yes, I'm here listening. Well my youngest brother and I inherited a third share each from £350,000 of my brother's estate. We've been paid £100,000 as an interim payment and I'm just waiting to see the tax and any other things that are due before the final payment. Now we're both a bit overwhelmed. We've both lived probably in unusual circumstances: neither of us have any debts, we've no children, we're not married, we each own our house, we don't live together. I've put £30,000 into premium bonds. The rest of it is in ING Direct, which I'm a bit bothered about with it being a Dutch bank, about this £85,000. But I just wondered if you've got any better ideas really?

DUGGLEBY: Yeah 63 with no children. I mean this is quite a complicated one, isn't it Louise, because you've really got to do a pretty detailed fact find which every financial adviser has to do this by law. And you know things cross my mind like inheritance tax. It's the need for income. You know all sorts of things have to come in at the age of 63. Your current pension provisions.

OLIVER: Yeah, I think Susan it's an opportunity for you to embark on some serious financial planning and you know to use this money to add to what you want out of your life. So what are your objectives? They're the key things really to have a serious think about.

DUGGLEBY: What do you want to do essentially?

OLIVER: What do you want to do with the money. And then you would make provision for the short to medium-term. So you know you might want to go on a holiday and there might be things you want to do in the house, so keep that short-term, and then start to build your portfolio. We've touched on NS&I Index Linked Savings Certificates. They're fantastic for the minute as long as they're available.

DUGGLEBY: No objection to premium bonds …

OLIVER: No objection to premium bonds. I don't know if you've had any wins yet. Have you just bought them, Susan?

SUSAN: I did own about £10,000. I occasionally get £25.00, which isn't much.

DUGGLEBY: That's the minimum prize now.

SUSAN: I had considered moving. That's why I don't want to tie the house up. But I just live on a very low income (prior to getting this money of about £7,500 a year), as does my brother, and so of course it's a massive amount of money. And I had thought about making the money work for me, if you like, but short of buying another property and getting …

DUGGLEBY: I think your first question to a financial adviser - and I do strongly recommend you go and see one - would be … Because they will ask you … you know you've obviously got a low income, so the first thing we probably need to look at is to try and get as much extra income for you within your risk threshold, Louise?

OLIVER: Within that. And also to think about taxation - to make sure that you're not paying unnecessary taxation.

DUGGLEBY: 63. You're coming up to 65 when you get a higher personal allowance.

OLIVER: You'll have an age allowance there kicking in shortly. And just to make sure that there's sufficient income for your everyday expenditure, some money for the short-term for your immediate scenario. But you know you can generate a reasonable amount of income from investments, but what I would consider is perhaps for the short-term to park some provision there for the next 12 months or so to top up your income and then, moving forward, to use maybe some investment vehicles if you do have a certain amount of risk tolerance - you are willing to go into investments, which you may not - and then generate an income from that area.

DUGGLEBY: So set aside enough money. I don't know whether you'd agree with me, Christine, but I would firstly sort of set aside £5,000, maybe even 10,000. I mean for heaven's sake, spend a bit of money.

ROSS: Spend some.

DAMPIER: Yeah enjoy.

ROSS: I agree absolutely.

DUGGLEBY: You've got a legacy that you must enjoy.

DAMPIER: Precisely.

ROSS: Susan, do you like the idea of perhaps taking the chance to actually spend some of it and get a feel for how much income within reason you would like to be able to have? If perhaps a financial planner were to outline what the possibilities were, then you would actually have a chance to spend a bit and enjoy it, knowing that you're not overspending.

DUGGLEBY: But also take a year or so to think about this.

DAMPIER: Exactly, take it slowly.

ROSS: Absolutely.

OLIVER: I agree.

ROSS: It's just the same as when one retires. This is no different to any other major change in circumstances. You have to live it. Writing a budget is all very well, but you actually have to live it to get a real idea of what it is you need. The observation about the premium bonds, Susan - I think it's a great idea, but it's not going to give you any income or no certainty of income, and perhaps this is a time where you would like to be able to have a good increase to your regular income to improve your day to day standard of living.

DUGGLEBY: We could go on for a long time with this conversation, Susan, but I'm afraid we'll have to call it to a halt there. But, as I say, you are definitely somebody who needs to contact a financial adviser, and if you get in touch with the programme we can tell you how to do that. This website of course can also help you with the means of doing things rather than the products you end up with because a lot of the time financial advisers will differ on the advice they give and you must be comfortable above all with your financial adviser. If you don’t like him or her, don’t go there. Right, now Roger in Prestwich, you’ve been to a financial adviser and I don’t think you’re very happy.

ROGER: Well that’s exactly right. I’m a 73 year old pensioner and I invested with a financial adviser who advised me to invest £150,000 just less than 12 months ago, and now it is worth £141,000. I am not a happy bunny.

DUGGLEBY: Right, can I just stop you there? What did he put you in?

ROGER: Sorry?

DUGGLEBY: What did he put you into?

ROGER: He put me into a bond. I’m not exactly sure, but I did ask for something that was no risk …

DUGGLEBY: A no risk bond.

ROGER: It was a growth bond with an income which pays out every 3 months. And in the 12 months or nearly 12 months, I’ve received £1,000, that’s all. I would have done better by putting money in the bank.

DUGGLEBY: It disturbs me when somebody 73 years old says they’ve been put in a no risk bond because I don’t know … You should have had it fully explained to you because there is such a thing as mis-selling and if the proper inquiries weren’t made into your circumstances and your attitude to risk and so forth, then the financial adviser was not doing his or her job properly.

DAMPIER: Absolutely.

ROGER: Well I'm in poor health. I have a heart condition and also bladder cancer, so I really was concerned that it didn't go on a long-term investment or even a medium- term investment.

DUGGLEBY: I've got the picture. The point is I mean in actual fact if you invested in shares a year ago and you've only lost £9,000, actually amazingly you've done better than average …

DAMPIER: *(over)* Pretty well.

DUGGLEBY: … because most people looking at the index would have lost about £15,000. So that might be a plus point. But it's the risk factor that I'm concerned about, Mark. I mean if he wanted a safe investment …

ROGER: I did.

DUGGLEBY: … it doesn't sound to me as though he got a safe investment.

DAMPIER: Well a safe investment to me would be something like some kind of cash deposit or something like that …

DUGGLEBY: *(over)* Cash or National Savings.

DAMPIER: … National Savings, that type of thing. It's not anything to do with investment in that way.

DUGGLEBY: Yeah. So I mean I don't know, none of you could ever recommend an investment that wouldn't go down if it's got the chance of growing.

DAMPIER: I would think you have a case against the adviser by the sounds of it.

DUGGLEBY: If the adviser has given you the wrong advice and put you in a product you didn’t want.

OLIVER: I think the worry here, Roger, is that I don’t know if a commission was resulted from the sale of this, which is probably …

ROGER: Yes.

DUGGLEBY: Certainly it would have done, a bond.

OLIVER: A capital investment bond. And the worry …

ROGER: They took £3,000.

OLIVER: Yeah, the worry there is that these vehicles aren’t ordinarily appropriate for individuals. They are taxed within, so that might not be a positive thing for you. And did you have an explanation of the individual fund that you’re invested in? Do you know what that is?

ROGER: Yes, I did have an explanation. But the point really what I’m trying to ask you is whether or not I should cut my losses, take the £141,000 out, losing £9,000, or stick with it?

DUGGLEBY: Well if you’ve made an investment of this type on a one year view, that would be mad. I mean you know unless there’s some pressing reason for it, I can’t see why you’d want to take it out at this stage unless it’s completely unsuitable. But before you do that, Roger, you need to get this financial adviser. You need to get it set out in writing the reasons why he said you should have this investment because if he’s mis-sold it to you and collected his commission, you have a case for the financial services.

ROGER: Yuh.

ROSS: May I suggest. In the first instance, Roger, when dealing with complaints, an adviser or an advisory company has to put someone back in the position they would have been if this advice is deemed unsuitable. Every adviser, as has been said, has to assess your risk tolerance, but if you wanted no risk - and taking your health issues into account - then if you cash it in, you could be in a worse position because you have incurred exit costs. So I would complain in the first instance to the adviser. If it's a company, address it to their compliance officer. They have a period of time within which they must resolve your complaint.

ROGER: Right.

ROSS: If it's not to your satisfaction, then you can go at no cost to yourself to the Financial Ombudsman Service, which you can look at the FSA website. But don't encash because they could then say you have incurred losses, and you may not - I wouldn't say would not - get as much compensation, draw full compensation to put yourself back in the same position.

DUGGLEBY: If you contact the programme later, we'll try and deal with the actual mechanics of doing that, Roger.

ROGER: Yes, could I just say one thing further, finally, and that is I have always handled my own affairs and that's been very successful, and I'm not happy at all with financial advisers.

OLIVER: *(over)* Don't tar us all with the same brush.

ROGER: Sometimes the best financial adviser is yourself.

DUGGLEBY: Okay, well you've made the point. Thank you Charles for that. I beg your pardon, Roger I meant, again anticipating Charles's call from Tyneside. Charles?

CHARLES: Hello, I hope you're going to have time to deal with it. You may not.

DUGGLEBY: Well make it fairly quick because we're running out of time.

CHARLES: I'll be as quick as I can. I have currently invested about £50,000 in various unit trust managed funds - much of it in the same funds for many years, all within ISA wrappers. I am now reviewing these policies. How would you recommend me to spread these funds between equities, commercial property and corporate bonds with a view to optimising growth over a minimum period of 5 years and are there any particular funds you would recommend? I'm willing to take a moderate level of risk and have separate cash reserves. I am particularly interested in what you suggest - a percentage split between the various types of investment mentioned, excluding cash, and a percentage split geographically.

DUGGLEBY: Okay, asset allocation is what you're asking us.

CHARLES: Yes. It's rather a big question.

DUGGLEBY: Yes, it's a huge, huge question and we could spend the next half hour dealing with it. However asset allocation as between property, equities and corporate bonds - what's the current thinking, Mark, for you?

DAMPIER: Well I wouldn't actually have commercial property personally.

DUGGLEBY: Why?

DAMPIER: I actually don't think the outlook looks good for that.

DUGGLEBY: So no commercial property from your point of view?

DAMPIER: No. And I would look at combination of maybe equities and corporate bonds. But within that, you don't get much diversification. When all the markets go, they all go, so you need to actually start to look at things like absolute return funds as well to give you real diversification.

DUGGLEBY: Yeah, but I mean in terms of the question, which is equities versus corporate bonds, are you going to go for a 50-50 split in the present market, 60-40?

DAMPIER: I’d probably go something like 60-40 in the present market.

DUGGLEBY: 60-40 in favour of equities?

DAMPIER: Yeah, probably.

DUGGLEBY: Christine?

ROSS: I agree with that. And you know if gold doesn’t keep on going up, or rather if it’s still possible to buy at these prices, then look at some commodity funds as well or commodity trackers. It will be more volatile …

DUGGLEBY: Natural resources …

ROSS: … but it adds some more diversification within the portfolio.

DUGGLEBY: And the other thing, of course, is we haven’t discussed the equity split, which of course has to be between domestic or UK versus international. So let’s take your 60 and divide it between …

DAMPIER: Well then I’d probably … I’d actually have half at home. I’d have half at home.

DUGGLEBY: You’d have 50% of an equity thing?

DAMPIER: Yeah, and I’d probably then look at places like Asia Pacific and emerging markets. And I wouldn’t be rushing in these areas because they’re actually putting interest rates up. They’re in a completely different cycle to where we are, and I think it’s probably just a bit too early to rush into that area right now.

DUGGLEBY: Indeed, so you can see the difficulty. We haven't had time to start looking at the individual funds because we'd be discussing it, as I say, for the next half hour. I'm sorry to cut you off there, Charles.

CHARLES: It's alright.

DUGGLEBY: I'm going to take one more call from Robert, if I can, in Wimbledon. Robert, make it quick please.

ROBERT: Hello there. Yes, I've got £5,000 that I've been saving up for my daughter when she's 18. It was in a PEP and an ISA. What's best to do with it now?

DUGGLEBY: Okay, so you've been saving for your daughter. She's entitled to the money?

ROBERT: Correct.

DUGGLEBY: And is she going to go to university?

ROBERT: No, she isn't.

DUGGLEBY: Right, so she's going to get her first job. An 18 year old comes to you …

DAMPIER: *(over)* Charles, don't give her the money. *(laughter)*

DUGGLEBY: An 18 year old, Louise. £5,000 and she comes to you and says, "What do I do?"

OLIVER: I still think ISAs are a good thing for an 18 year old. It's a good start. Start some discipline of saving tax free. You need to encourage her. Does she know it's there, by the way? Maybe not tell her.

ROBERT: Yes, yes - she does know it's there, yes.

OLIVER: You know encourage her to start saving. And I think if you start an ISA for her with this money, it would be a really good start to her savings.

DUGGLEBY: Christine?

ROSS: Very finally, I don't know whether she's got to the age where she's going to learn to drive, already done it, buying a car. I think it's a nice thing to reward with some of it and leave some of it saving, so she doesn't start off with forms of debt and gets an idea that savings have done some good.

DAMPIER: Nice idea.

ROBERT: That sounds like a good idea.

DUGGLEBY: Yes, yes.

DAMPIER: Yeah, but don't give her the money.

ROBERT: Don't give her the money.

DAMPIER: My son's 21 and I'm still saving for him. *(laughs)*

DUGGLEBY: Well there we are. But the great thing is I mean when young people do get money, do let them spend a bit, don't we agree? I mean don't sort of say you're going to have spend absolutely nothing. I've heard of people who say I'm going to invest it all in a pension which she won't get until she's 55. Don't do that, please! No pensions come later, and indeed they come on this programme next week because we've run out of time on this investment programme. With thanks to Louise Oliver from Taylor Oliver; Mark Dampier from Hargreaves Lansdown; and Christine Ross from SG Hambros. You can get more information and contacts from the website, have your say, listen again, sign up for a podcast, all at bbc.co.uk/moneybox. Paul Lewis will be here with the latest financial news and comment in our next programme at 12 noon on Saturday, and I'll be back same time next Wednesday afternoon, as I say, taking your calls about pensions on Money Box Live.