MONEY BOX LIVE

Presenter: PAUL LEWIS

TRANSMISSION: 14th OCTOBER 2009 3.00-3.30 RADIO 4

LEWIS: Hello. Today Money Box Live has left its studios in London and is coming live from a shopping centre in Glasgow. You can probably hear it in the background. They don't let us out often, so we're very pleased to be here in the Buchanan Galleries as part of the BBC Money Matters Roadshow. We have a live audience. *(applause)* Brilliant! And there'll be pictures of our glamorous location on our website later. Now today's Money Box Live is concentrating on three things: saving, investing and pensions. And they all have problems. For savers, interests rates are as low as they've ever been. The chances are you're getting a fraction of 1% by way of interest. Share prices have been all over the place. Even with the recent rally, they're pretty much back where they were 12 years ago in October 1997. And as for pensions. After all the bad headlines, is it really worth putting money all your working life into a pension when you don't know what retirement income it will provide? And of course there is the spectre of redundancy. How should you organise your money in case that happens? Now we're not taking phone calls today because we're taking questions and comment live from that very lively audience you heard. With me today to answer those questions are a trio of independent financial advisers. John Douglas is a senior consultant with Finesco Financial Services based here in Glasgow; Graham Hooper, a consultant with Bestinvest, which is based in the West End of London; and Jackie Coyne is a senior adviser from another Glasgow financial adviser, MacDonald Reid Scott. Now just before we come to your questions in the audience, let's hear what people queuing up here for advice here today were concerned about when I spoke to them earlier.

VISITOR 1: I'm here just to get a bit of advice on savings and pension and stuff. I recently got made redundant, got a baby on the way, and just trying to make sure that we're looking after the future as best we can.

LEWIS: Have you ever been to a financial adviser and paid for advice?

VISITOR 1: I've always had it through work before.

LEWIS: Excuse me, sir, Paul Lewis from Money Box on Radio 4. Can I ask what you're here to find out?

VISITOR 2: Well having got some money from a pension fund, I've decided I need to invest it in some manner, so I was hoping to get a piece of advice on investment.

LEWIS: Sir …

VISITOR 3: Hello.

LEWIS: Paul Lewis from Money Box. Hello.

VISITOR 3: How do you do?

LEWIS: What are you here to find out today?

VISITOR 3: I'm here to find out if I can increase my savings somehow or other. It's been very difficult over the last few years. Interest rates have dropped down dramatically, and that's why what I thought was going to be my extra income has come down to very little. I'm using my savings, which I hoped to have for rainy days and things, but I'm using that to top up my pension basically.

LEWIS: Hello. Could I ask you why you're here, what you're trying to find out?

VISITOR 4: We really just want to find out a wee bit about savings. My husband's just had a redundancy scare, and we realised that our savings weren't really enough to cover us if that were to happen. So just really want to know what would be the best way to go about that really.

LEWIS: Hello, excuse me …

VISITOR 5: Hello.

LEWIS: I'm Paul Lewis from Money Box.

VISITOR 5: Yes, I recognise … That's what I was saying: the Money Box men are here.

LEWIS: May I know what you're asking for advice on?

VISITOR 5: I'll ask for advice just on Royal Bank of Scotland shares.

LEWIS: Ah, you've got some, have you?

VISITOR 5: Too many. *(laughs)*

LEWIS: So you've got quite a lot and you've seen them plunge in value.

VISITOR 5: Indeed.

LEWIS: So what are you hoping people here might say to you?

VISITOR 5: Well, what do I do? Do I hang on? Do I take a medium, long-term view, or do I start getting rid of them?

LEWIS: Well that was five visitors to the Money Matters Roadshow. Redundancy, investing a lump sum, savings, interest, and, finally, the lady with shares in RBS. John Douglas, let me just ask you first. Shares in Royal Bank of Scotland. There must be a lot of people who are very disappointed. What are they worth today?

DOUGLAS: They're trading the market around 40 pence as we speak.

LEWIS: And what were they a couple of years ago?

DOUGLAS: Oh, they were up at £5 plus.

LEWIS: Yes, so that's a big drop, isn't it? What do you say to people like that?

DOUGLAS: Well those people that get advice on this matter can also be bankers because, after all, they are, believe it or not, human beings, and behavioural finance says that people will do what they know. So we act for a number of clients who are bankers and they in fact have accrued lots of shares in their own bank as a sort of secondary pension fund to find in fact the value of that has plummeted. And in terms of where we are in the specifics, the market will always reflect the price. So with a share - we had a listener talking about Royal Bank of Scotland shares - of course there is no dividend. The prospect of a dividend is far, far away in the future. It ultimately looks like a sort of penny share at the moment, and it would be unwise really to cut your losses at this stage because the loss is too great.

LEWIS: And in terms of a simple answer: keep or sell, what do you do?

DOUGLAS: You have to hold it. You have to hold it for the long-term.

LEWIS: Okay, let's leave it there. That's a good, sound piece of advice. Jackie Coyne, you've been here all day - I think since about half past seven this morning.

COYNE: Yes.

LEWIS: Are those five people typical of what's been coming to you, what questions have been coming to you?

COYNE: Absolutely, Paul. The majority of the people that I've met this morning have been mainly retired, and most of them, apart from a couple, are really concerned about the low savings rate on their cash sitting in bank accounts. So most people are here to find out how they can go about maximising their savings.

LEWIS: And that's people with money. Graham Hooper, you've also been here all morning and half the afternoon. What have people been asking you?

HOOPER: Well again it's about interest rates, getting the most from their money. I mean if we go back 6 months ago, the main issue was around security. And that seems to have just ebbed away now, so people aren't worried about security. How can I get my income? How can I bolster my income? A bit more confidence in the stock market as the stock market's come back up since March, but it's primarily involved about interest rates and how can I get the best interest rate on the money I've got invested.

LEWIS: So they're not worried about banks going bust, but just hoping they pay a bit more money to people with a bit of cash?

COYNE: Yes.

LEWIS: Let's go to our audience now. Ian has got a question on fixed rate bonds. Ian?

IAN: Good afternoon, panel. Ian Kilpatrick's my name. I have been running my own business for about 10 years now, 8 of which I've been making regular contributions to a pension. To say the least, I've been very disappointed with the returns on the pension. However, today I've got the opportunity to perhaps buy some commercial property for the business. Does the panel suggest that I would be more prudent to go down this road than perhaps put my investments straight into the stock market?

LEWIS: Right. And when you say commercial property - just before I pass over to the panel, do you mean buy a building or buy shares in a fund?

PATRICK: More … Buy a building, yeah.

LEWIS: Buy a whole building, okay. Buy a whole building in Glasgow. John?

DOUGLAS: Sounds like a good idea. Well it is an asset and I think it's a very relevant question at the moment because of course with commercial property prices the way they are, there's a perceived opportunity. But to do so, if I understand it correctly, you have a pension fund at the moment, so you would be selling out the units that you have. So you have to be careful that you're not selling out of the market just as the market's rising. Secondly, you run your own business and a lot of business people find this an attractive way for them to invest into the pension fund because they can see the market closely, the rent's being paid by the business. But you realign the risk. It's not a great risk diversification because should something happen to your business, then ultimately the tenant is also affected and would not be able to pay the rent and, consequently, your long-term income potentially could be compromised. So theoretically it's a useful idea, but it doesn't help your risk diversification.

LEWIS: And Jackie Coyne, people who can't buy a building but might want to invest in commercial property, there's been a lot in the papers recently about how commercial property is now becoming a good investment, whereas a year ago everyone was very cautious about it.

COYNE: Well certainly if Ian didn't want to physically invest in bricks and mortar, there are property funds out there available that does give you access to the asset class - i.e. commercial property - but doesn't physically mean that you own the building. And the great thing about the collective investment funds is you're diversifying your risk exposure. You're not wholly relying on one property at a given time. A collective fund will invest in a whole basket of properties throughout the UK, so if you want diversification I would perhaps think about looking at funds as well as natural bricks and mortar.

LEWIS: Nothing quite like bricks and mortar though, is there, or glass and steel I suppose now? Graham Hooper?

HOOPER: I think that's a really good point you make there, Paul. I mean with your own building, you're in control, you own it, you feel part of it. It's something you can get your hands round if you know what I mean? Whereas with equities and that sort of stuff, it's sort of slightly ethereal sometimes and you're disconnected from it. I mean I wouldn't necessarily put you off from doing that, but it does need looking into in some great depth. And I think the one thing, as John said earlier, it's almost coming back to a one horse race and your business has to do well. You're the tenant. You know you have to run it. There are tremendous tax efficiencies through it, but you're sort of … it's like betting on the horses and putting your money on the nose rather than an each way bet over diversification really. So, yes, but look into it very, very carefully and really understand the implications of what happens if the business doesn't carry on flourishing.

LEWIS: Okay, thanks very much for your question. Ian is nodding. I think he's reasonably satisfied with those answers. Now just to confuse everyone, we have another Ian now. Ian on fixed rate bonds. Ian Murray, your question?

IAN MURRAY: Hello, I have a fixed rate bond which is about to mature in the next couple of weeks. I was wondering in the current climate what length of time I should reinvest for and what sort of rate I might expect on that?

LEWIS: Okay. And we've had another question, very similar: how long is good for fixed rate bonds and where do you get the best rates? Jackie Coyne?

COYNE: Well surprisingly there aren't very good returns on short-term deposits just now, so that's why we're all trying to shop about for fixed rates. And fair to say there are some decent fixed rates out there for maybe 3, 5 years, but it really depends on how comfortable you are with tying up your money for that period of time. Interest rates are expected to be low for a wee while yet, but, as has happened before, they will start to rise at some point, but we don't have a crystal ball to say when that would be.

LEWIS: Give us some examples of good rates, Jackie.

COYNE: There's a couple of 5 year rates out there at the moment - Abbey and Alliance & Leicester, 5.5% - but, again, it depends whether or not you want to leave your money tied up for 5 years. If you're looking at perhaps 3 years, maybe 4.5, 4% is available out there as well. And I would urge you just to try and shop about. Whether you're using Internet or your financial papers on a Sunday, just shop about to see which accounts are giving you the best returns. But make sure you're absolutely comfortable with the length of time that you're tying it up for.

LEWIS: Yes because 5 years is a long time.

COYNE: It's a long time.

DOUGLAS: Well it is indeed, and of course there's also the danger that the rate looks attractive now, but in fact with a potential inflation risk, which we don't see in the short-term, but 5 years is a long time. So looking at the rates this morning, there's a very tempting fixed rate from Yorkshire at 5.3%, which you might think is quite attractive. But I'd be very uncomfortable tying money up for 5 years.

LEWIS: Because interest rates are going to be low for a couple of years, but they may well go up after that and that may not seem that great a return?

DOUGLAS: The buying power from that is questionable.

HOOPER: Short-term overrun, 1 or 2 years, you can get about 3.7%, and I think the key thing here is you might be paying a big price in the future for that 1, 2% differential that you can almost get. Tying your money up, you may pay the price in the latter 2 years of that, so I would definitely be looking shorter term rather than longer term simply because of the flexibility, the uncertainty as we go further away from where we are now.

LEWIS: Okay, are you happy with that advice? Does that answer your question?

IAN MURRAY: That's very good advice, I think.

LEWIS: Okay. The gentleman next to you, I think has a question he wants to add or a point to add.

MALE: Could he put his money in the stock market and get a good interest on a company?

LEWIS: Sorry, could you say that again?

MALE: Could he invest his money in the stock market and get a good interest in a company?

LEWIS: Oh I see, put his money in the stock market instead of a fixed rate?

DOUGLAS: Well I think possibly what you may be suggesting is a corporate bond rather than the stock market, so you know there's an opportunity to invest where you typically invest in the stock market for capital appreciation and potentially dividend. But there's a middle ground, which is where you buy debt. Now it's not your debt, it's someone else's, typically an institution, where you lend your money in exchange for a return. And that has seen an impressive return in the past 12, 18 months. Current yields are sitting around 5 or 6%. The difference of course is the fact that your capital is not guaranteed, unlike a deposit, but the risk is not as great say as the capital variation that you would have by direct equity purchases in the market.

LEWIS: And what about investing in shares directly? Graham Hooper, is that an alternative to cash investment because of course your capital's at risk there as well, isn't it?

HOOPER: Well in terms of … The common factor is they both will give you income, and yes you can get around 3.7% in a dividend yield or, as John was saying, from a corporate bond. But the characteristics of what happens to the capital are absolutely you know chalk and cheese, and you’ve got to be really careful that you’re not trying to compare something that’s completely different. Obviously in the fixed rate bond, you’re covered up to 50%.

LEWIS: £50,000?

HOOPER: £50,000, sorry.

LEWIS: If you get 50% on one, you’re doing very well, Graham.

HOOPER: You will get your capital back over a period of time, but there’s no guarantee of that with a share and you know it’s a very, very different proposition. You need to be completely clear about why you’re investing and the risk you’re willing to stand before you go into it.

LEWIS: Okay, let’s take the next question from Alan who has a question on SIPPs - Self Invested Pensions. Alan?

ALAN: Yes, do you think SIPPs should come with a health warning or be restricted in who can actually buy SIPPs?

LEWIS: Right. Now let’s just start by explaining to people listening who may not know what a SIPP, a Self Invested Personal Pension, is. Who wants to do that? Jackie is going to volunteer.

COYNE: A Self Invested Personal Pension is quite a sophisticated personal pension, but it just allows you to invest in a wider asset base effectively. For example, you could put stocks and shares, you could have commercial property in a SIPP. So it is a pensions vehicle with the main aim of saving for retirement, but it just gives you a bit more opportunity in terms of what you can invest your capital in.

LEWIS: But you have to make all those decisions, don't you?

COYNE: Yes, absolutely.

LEWIS: Whereas for most of us, we just want to put our money away and then get a pension at 65.

COYNE: So you're more in control of your SIPP as opposed to your traditional insured pension, if you like.

LEWIS: And, Alan, let me ask you. Why do you think it *should* come with a health warning?

ALAN: Because people could transfer a large lump sum into a SIPP and gamble it, maybe invest it in the Royal Bank of Scotland, Northern Rock, Railtrack, and suddenly the pension pot has been totally diminished.

LEWIS: Yes, you've picked three very bad investments there.

ALAN: Of course I have, yes.

LEWIS: But Graham Hooper, that is possible, isn't it?

HOOPER: I think what you've highlighted there are really good reasons … You know when we talked about the difference between a fixed rate bond and a share, you know you need to know what you're going into. And that's not so much a problem with a SIPP. A SIPP is a fine vehicle and it gives you flexibility, puts you in control. There's a lot you can do with it. It's more the underlying investments that you've highlighted that actually can be a problem. And you know you can invest in cash in a SIPP, sort of commercial property. There's other things you can do. And if you don't like the risk of individual shares, don't invest in them. You can go within funds, you can go within corporate bonds. There's other things you can invest in. But I wouldn't like to think that people are put off investing in pensions because of the nature of the investment they're going into. They're sort of two different things really.

LEWIS: John Douglas?

DOUGLAS: Just two points on that, Alan. When you talk about transferring in, you're leaving behind a pension that would also have some form of risk in it. So it's not that it is without risk; it's just that the risk has been modified. And, secondly, if you're taking professional advice when you're setting up a Self Invested Personal Pension, the first thing you should do is conduct some form of risk reward analysis, which looks at you as an individual and takes account of your circumstances, your length to retirement, your experience of investment. And from that, we can create a portfolio that looks across different asset classes, so that you don't have the wild exposure that you've alluded to.

LEWIS: I suppose no-one has actually answered Alan's question though, have they? Should it come with a health warning? In a word.

DOUGLAS: Yes, all financial transactions must come with clear warnings.

COYNE: I would agree with John on that score.

HOOPER: And the FSA are looking into SIPPs - so yes, you've got a fair point to be fair on it.

LEWIS: So in the past, there may have been less warnings than there will be in the future. So can be good if you're the right person. And I should say also actually a very quick word on charges, Graham, because we tend to think of them as very expensive but you can get cheap SIPPs.

HOOPER: Yes, you can. I was only talking to Paul before that I think you can get down to about a quarter of percent SIPPs, so again the charges needn't put you off. But, again, that's you know the old age adage of shopping around to make sure you get decent value for money out of this. All SIPPs are not the same is the message.

LEWIS: All SIPPs are not the same. Right, well thanks very much for your question, Alan. And we'll move onto now Darren who has a question. Darren is a student. Darren?

DARREN: Hi there, panel. My name is Darren Miller. And just now you know I'm a student but I'm looking for ways to kind of make my money go further for me, to maybe plan for the future. What sort of options do I have?

LEWIS: Well Darren, you're a student. Have you got money?

DARREN: To a certain extent, yes. Maybe not through the sort of …

LEWIS: *(over)* Have you got a student loan?

DARREN: I do, yes.

LEWIS: Right. But you've also got some savings and you want to know what to do with them?

DARREN: Yes.

LEWIS: Okay. Jackie?

COYNE: Is this money that you've got in the bank, Darren, that you want to keep in cash?

DARREN: Yeah. Currently I've just got a standard current account and that's my only financial product I've got, and I'm looking for sort of ways to make it go further.

COYNE: Okay. Well the first port of call I would say for Darren is to speak to your bank about Individual Savings Accounts. It is still … They can be cash based, they can offer you instant access. But the terrific thing about the ISAs is you tend to find that they might offer you a slightly better return on your capital, and the other thing to remember is that the return is tax free. You might be working, you might be a working student where you've got income coming in - which you're nodding to say that you have - so you could be paying a wee bit of tax; and if that's the case, you should try and maximise your tax free savings as your first port of call.

LEWIS: Right, so an ISA. Though ISA rates are not as good as they used to be. They can actually be less than ordinary rates, can't they?

DOUGLAS: I think what's happening in the market just now is there is no loyalty for staying with a particular provider - so if you shop around and you're new money coming into an institution, you tend to get a better rate. Can I just ask, are you a taxpayer?

DARREN: I've got a tax free allowance because of my student status, I believe.

DOUGLAS: Well one thing you should think about here is a stakeholder pension contribution. If you can tuck money away for a long period of time - now of course the rules are changing next year, which means the retirement age is pushed back to, at the earliest, age 55 - but the reason I'm suggesting that is you would get 20% tax relief whether you're a taxpayer or not. And the fact that you are not using your allowance would mean that you would get a 20% return on your capital overnight courtesy of HMRC before you actually start considering investing your capital. And when we're looking at yields being so low, that tax relief becomes extremely attractive.

LEWIS: Graham, briefly.

HOOPER: Just in terms of if I was a student - and I remember what I was like all those years ago - I don't think I'd be too interested in a pension even though it's got all the tax advantages, it's a really sensible thing to do. But I think I'd be going for the ISA because of the flexibility even though the rates are pretty paltry, around 3% at the moment.

LEWIS: And I suppose it's worth saying that if you've got a student loan that you don't need, you're paying a very low rate on that; so if you can earn more in a savings account, it's worth doing.

COYNE: Yeah.

LEWIS: Good. Arbitrage I think they call it. Douglas Lyon has got a question. Douglas?

DOUGLAS LYON: Yeah, I'd just like to ask … I had some savings this time last year, which I took right out of the bank and put it into property. Was this a wise thing to do given the interest rates were so low?

LEWIS: What property did you put it into?

DOUGLAS LYON: Just a house down in the South of England.

LEWIS: Ah right, so this is residential property -

DOUGLAS LYON: Yeah, that's right.

LEWIS: … buy-to-let property perhaps or just a house that you hope will appreciate in value?

DOUGLAS LYON: That's correct.

LEWIS: Is that a good idea, Graham?

HOOPER: Well it depends on how much you bought the house for and when you bought it really. It's such a specific sort of thing. It comes back to risk. If you bought it at the right time in the right area, you might do phenomenally well out of it. At that time, I think going back if my memory serves me correctly, probably prices were a bit lower than they are now, so you may well have bought at the right time. It depends on the local area that you bought in really. But, again, some people say it's a risky thing to do because you've got one house in a specific area and I don't know what other investments you've got. Whereas you know there should be a spread of investments across cash, fixed interest and equity related investments as well. But you may well have done well out of it.

LEWIS: It's a bit of eggs in one basket, isn't it? Very briefly, John.

DOUGLAS: Are you taking an income from that property, Douglas?

DOUGLAS LYON: Not at the moment, no.

DOUGLAS: Is that something you could look at potentially?

DOUGLAS LYON: I would do in the future, yes.

DOUGLAS: That might be something to consider because the actual capital value of the property long-term will certainly recover.

LEWIS: Okay Craig is asking us, Craig, about ISAs. Craig?

CRAIG: Yeah, I'm an apprentice just now and I was wondering if it's sensible to start investing in an ISA account?

LEWIS: Right, and have you thought whether you want a cash ISA or an ISA on the stock market?

CRAIG: See I don’t really know much about it, so I just want some advice.

LEWIS: ISA basics.

CRAIG: Yeah.

LEWIS: ISA basics for Craig. Graham?

HOOPER: ISA basics. You have to be over 18. What sort of income are you earning at the moment?

CRAIG: Well I’m an apprentice just now, so …

HOOPER: Okay. And in terms of saving, what would you be aiming to save for? Is it just for the longer term? Anything in particular?

CRAIG: Well at the end of the month, I usually find myself pretty skint, so …

HOOPER: Well actually that’s a really good point. It’s a throwaway line, but the point is if you save into a regular savings ISA over a period of time, you will have the discipline of putting money into an ISA on a regular basis, and my bet is at the end of the month you won’t actually have missed it too much. So as a tax shelter, it’s a good place to be. If you want to save for the longer term, something equity rated within the stock market would be a great starting point at your age to build up a tax free lump sum.

LEWIS: Craig, can I ask you a personal question? Do you have any debt?

CRAIG: No.

LEWIS: That's the right answer because if you have debt, you should pay that off first.

DOUGLAS: Yes, I think you're young enough to build up a nice portfolio, so I would think about equity. I would think about investing in the stock market, probably through a collective investment rather than trying to pick shares specifically. The classic model for us is that when you're young, you build up exposure to the stock market; and the closer you get to retirement, you then switch your portfolio into a fixed interest, corporate bonds, government bonds to try and catch the yield.

LEWIS: So saving a good thing. Jackie?

COYNE: I would say to Craig what John said is perfectly valid, but also remember that with any portfolio that you're building, large or small, the first thing you've got to make sure that's correct is your cash. If you've got it invested in the market and perhaps you need money - say you're buying a new car or whatever - you might have to sell shares at an inopportune time. So make sure you save in a cash ISA; and once you've got a sufficient base there to give you a bit of a safety net, then think about putting it into funds which give you potential for reward but come with a wee bit of a risk.

LEWIS: And that would have to be over long-term.

COYNE: Yes.

LEWIS: I mean cash ISAs are certainly more popular and it is tax free, which is a big advantage. Does that help you with your point, Craig? Thank you very much. A young saver there. David has a question about pensions. David? David Perry?

DAVID: 25 years ago, I put a lump sum into a pension fund. I'm now able to draw it out. Should I or should I just let it roll up?

LEWIS: Right, should you draw your lump sum? Presumably you are of pension age?

DAVID: Yes.

LEWIS: Jackie?

COYNE: Do you need the income just now, David?

DAVID: No, I've got other pensions coming in, so I don't need to take it.

COYNE: Right. Well one of the problems that we have just now is the factor which converts your pension fund into income, we refer to them as annuity rates. Now annuity rates are linked to interest rates and gilt yields and also your age and your sex. So at the moment with interest rates and inflation for example being down, the annuity rates are down at quite a low level. So the problem you have is if you convert your pension fund into an annuity or a pension at a time when rates are low, you might not get the best return. However, what you also need to think about is are you better off with that income just now as opposed to perhaps waiting in the hope that rates go up in a couple of years time and hoping that you might get more of an income? It's a bit of a number crunching exercise for you, David.

LEWIS: Right. And who's going to do that for David, Graham?

HOOPER: Well just one question I'd quite like to add. Where's the money invested at the moment? Is it in the stock market or is it in cash or … ?

DAVID: It's with Zurich in a pension fund.

HOOPER: Okay.

DAVID: So it's in units.

HOOPER: Okay. In terms of what you could do now to find out the rates that you've got available from annuities is to go to an independent financial adviser, give them your name, age, whether you're sort of physically impaired in any sort of way at all, and they will do a calculation from the best of the rates on the market that will give you a comparator of what you would get if you were taking that out today both with a tax free lump sum and without. Then you'd be able to sort of you know this is where we are today and make a judgement call about what might happen in the future in terms of leaving it for another 5 or 10 years and where you're getting best value for money.

DAVID: Should I die before 75, what happens with the money? Does it disappear?

HOOPER: It depends on the sort of pension fund you've got really. But most of them are written subject to a trust that would accrue to your estate, so it's not lost forever.

LEWIS: Right, I'd just like to squeeze in a final question before we go off air. Mary has a question about grandchildren. Mary? Mary? There she is. Mary, your question?

MARY: Hello. I'm a new grandmother. I would like to invest some money for my grandchild. I've thought about an investment bond, but I just wonder if that's the best way of doing things?

LEWIS: An investment bond for grandchildren. John?

DOUGLAS: Mary, good afternoon and congratulations. I think what you should be thinking about here is probably two things. First of all, the fact that the money is for your grandchild, so you're investing for a very long period of time, but possibly it's something that the grandchild wants to receive maybe when he or she is in their early 20s. So in this instance, I wouldn't go rushing putting money into a pension fund. I would recognise that whilst an investment bond would be sensible, but of course investment bonds simply buy you cash and a cash return. You want to maybe look at some equity funds for longer term because over the period of time - you could be looking here at 15 to 20 years - then there's a good probability that the performance will give you a far better return for the grandchild in the future, which may go towards a house deposit or something.

LEWIS: Equity fund, you mean shares?

MARY: So is that a better bond than another bond, another type of bond?

DOUGLAS: I think better is subjective. I think it depends on where we are and the climate in the economy at any given time. I think you maybe want to think about a bit of both perhaps. You don't have to have an exclusive thing. You could maybe share the amount that you're thinking of investing 50/50 between an investment bond and some form of stock market exposure.

LEWIS: And Graham Hooper, you have ten seconds.

HOOPER: Ten seconds. If you want cash, the Halifax will give you 6% on a regular savings children's account. Children's Bonus Bond is no good. And equities for the longer term.

LEWIS: Well thank you very much. I'm afraid that's all we have time for on Radio 4. But don't stop listening at home just yet or you'll miss the surprise. Thanks to our experts: John Douglas of Finesco; Graham Hooper from Bestinvest; and Jackie Coyne of MacDonald Reid Scott. Thanks of course to our wonderful audience here in the Buchanan Galleries. You can find out more about saving and investing in pensions from the Action Line - 0800 044 044. Our website, bbc.co.uk/moneybox. Listen again on the website, and in a couple of days read a transcript. And we are carrying on here in Glasgow for another half hour. Not on Radio 4, but you can hear that later today when we put the recording on our website. Another half hour by tea-time: bbc.co.uk/moneybox. And I'm back at mid-day on Saturday with Money Box. Back with Money Box Live next Wednesday afternoon. Thank you everyone. *(applause)*