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MONEY BOX LIVE

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DUGGLEBY: With rock bottom interest rates and rising inflation, more and more investors are turning to the stock market in search of better returns. Hence the steady improvement in share prices over the past year, which has seen a 15% rise in the 100 share index and much bigger gains for those companies involved in commodities and raw materials. These days you can find dedicated funds to cater for every conceivable market worldwide as long as you're prepared to take a risk, put your faith in the skill of the manager concerned, and accept that you can lose money even in the long-term. The fact is that although shares have done well on a 1 or 2 year view, if you go back 10 years the index is lower now than it was in February 2000 and 2001, and of course some shares - the banks, for example - are still 80 or 90% below their pre-crisis levels with no dividends being paid. Despite that, figures from the Investment Management Association show that ISA sales were the highest for a decade, and net retail sales last year were only just below the record of 2009. Much of this investment was global, and spreading the risk is the golden rule even if you regard gold itself as a bit too risky. On the other hand, if you're looking for security, are bank and building society deposits, corporate bonds or National Savings Certificates the only sensible solution? After all, inflation is again heading towards 5%, as measured by the latest Retail Prices Index. And as far as I can tell, there is only one inflation proof bond on the market, which we're talking about later. So if you'd like to check out the best rates or get some expert advice on which sectors of the stock market are likely to outperform, my guests are at your disposal. Justin Urquhart Stewart is Managing Director of Seven Investment Management; Darius McDermott is Managing Director of Chelsea

Financial Services; and Clare Francis is the Site Editor of Moneysupermarket.com. 03700 100 444 is the number to call, and we'll hear first from Christina in Bedfordshire.

CHRISTINA: Oh hello. I recently retired and I have very modest savings which amount to about £6,500 in ISAs, and I'm looking for a way of increasing that through maybe an investment ISA. But I've no idea how to decide what to do and I'm hoping you might be able to give me some guidance, please.

DUGGLEBY: Well £6,000 in an ISA of course isn't even the annual allowance that you have. Are you asking us whether you want to put more money in or merely get a better return on what you've got?

CHRISTINA: Well both. I will be continuing to contribute to a new ISA. I do one every year.

DUGGLEBY: Okay, with as much as you can afford?

CHRISTINA: Yes.

DUGGLEBY: And at the moment you haven't taken any risk on this? You're just in cash or some sort of cash ISA?

CHRISTINA: Yes, cash ISAs all of them.

DUGGLEBY: Cash ISAs. Okay well let's start with a cash option, Clare. Rates are in fact improving a little.

FRANCIS: They are improving, yeah. I mean they sound quite low, but that's because the base rate's at 0.5% at the moment. But if you want to keep your money in cash because you don't want to risk losing any of it and want to keep it accessible, the highest paying cash ISA at the moment is from Nationwide Building Society. Its eISA is paying 2.9% and that does allow you to transfer money in. However in order to qualify for that account, you've got to have another Nationwide account. There are various accounts that make you eligible. You could apply for one of those and also the ISA. But if you don't want to do that, Halifax cash ISA Direct Reward is paying 2.8%, and if you've got a Halifax current account you actually earn 3% on that. And again that allows transfers in. You can earn slightly more if you're prepared to lock your money away for a couple of years. The best rate on a 2 year fixed rate ISA is 3.3%, and Bank of Cyprus and Aldermore are both offering that. And if you can afford to lock your money away for up to 4 years, Halifax has got a 4 year fixed rate ISA at 4.25.

DUGGLEBY: And when you go to 5 years, of course, you're getting up to not far short of 5%. There's a couple around at 4.65, 4.75. Saga. And what's the other one, Clare - the one that's up to 4.75, I think?

FRANCIS: I haven't got that one here.

DUGGLEBY: I think I've got it somewhere. I've got a note of it. But 4.65 is definitely the Saga one. Coventry have got one at 4.75 according to me.

FRANCIS: Oh right.

DUGGLEBY: Have you got that one?

FRANCIS: No, I haven't, but …

DUGGLEBY: Okay. And Aldermore apparently have got a 5 year bond at 4.75 as well.

FRANCIS: Yeah, the Aldermore one I think is a non-ISA one.

DUGGLEBY: Is it? Oh right. Maybe they're not in … This is one of the problems, of course - is that the ISA rates are often lower than the ones that are available on a normal bond. So maybe I've mixed up the two. I'll bring in Gwen from Newmarket just for a moment. Gwen, you also are looking for the best ISA cash rate.

GWEN: Well yes, it's just that we've stayed with HSBC all our married life and we're in our mid-70s, and listening to what's being said it seems rather foolish what we've done.

DUGGLEBY: Well I have to say loyalty's not rewarded these days. I don't know whether the panel would generally agree. Darius?

McDERMOTT: Well you should certainly shop around. Clare has already given a number of different rates from different providers, and cash is really quite diverse in the rates they're paying at the moment. So certainly shopping around and hunting for that best rate is something you should do in the current climate.

DUGGLEBY: And we're assuming these are all going to remain in cash ISAs, Justin, but of course there are fixed rates or semi fixed rates and bonds and things which can have higher returns than are available from banks and building societies.

URQUHART STEWART: Yes there are if you're willing to take higher risks with it. And the point that Gwen makes is quite right: I mean you may love your bank, but sadly these days your bank doesn't love you. So really have a look at not just necessarily income, but get total return - that's to say where you're getting capital growth and income. Now that way you could actually take a broader look at what you're going to be getting and so not necessarily just have cash and, therefore, get a return. But it depends very much on your risk profile and how long you want to tie this up for.

DUGGLEBY: It does puzzle me sometimes, panel, that there are some very high yields on what I suppose people might regard as pretty safe shares. I mean it would be inconceivable … well okay kind of you could say but what about BP? You know there they were and they were one of the major income producers. How much risk are you really taking, Darius, if you dip your toe into say an income unit trust?

McDERMOTT: You're exposed to the stock market and we've seen some really quite volatile stock markets in recent times. The FTSE 100 was down 30% in 2008 and then up in excess of 40% in 2009. And clearly it's when you enter as to whether you've had a good experience or a bad experience. But if you're prepared to take a long-term view - and by that, absolute minimum 5 years - your income unit trust is investing in the sorts of companies like Vodaphone, like Glaxo - fairly stable, sometimes boring cash generative companies that do have the ability to pay steady dividends but high and steady dividends.

URQUHART STEWART: So at the moment we have to be quite careful. I mean we only have to look back a couple of years when we were talking about Lloyds Bank, and that used to be almost a guaranteed income earner for you on its dividend paying you know what people were saying, getting more out of your dividend than you would out of a bank account, and there we are not paying any dividend at all now.

DUGGLEBY: Clare, in general terms we're entering quite a good period for people looking for high interest because there is competition out there. I mean we've got the 2 months running up to the end of this ISA year and of course there will be products which I suspect - well we call them sort of straddle products - where you know they'll give you the same guaranteed rate both before and after April 6th.

FRANCIS: Yeah, I think it's good news for savers this year in terms of the ISA market because last year you know we usually expect what we call the ISA season and the sort of clamour for banks and building societies to try and get our money in the run up to April 5th, but we didn't really see … It was a bit of a damp squib last year. But the indications are that this year's going to be much more competitive. Despite the fact we've had no change in base rate over the last 12 months, the leading rates on Easy Access ISAs on the top rates are actually higher, 11% higher we calculated than they were this time last year. And we're still quite early on in the ISA season, so I'd expect over the next few weeks more products to come onto the market paying competitive rates.

DUGGLEBY: Going back to this question of what is the highest rate - and almost all our listeners believe we have a magic wand - but Peter who's emailed us from Hornchurch has specifically said he's spotted the Birmingham Midshires inflation rate 5 year bond paying RPI plus .25%. Does he think or do we think that this will be overtaken by other accounts as base rate rises? In other words, what about a punt on inflation?

FRANCIS: Well because of the way inflation is at the moment and it's so hard for savers to beat inflation, any of these index linked bonds are always hugely popular. National Savings and Investments used to offer them, but they withdrew them from sale last summer because the demand was so great. So what we've seen since then is a few providers coming into the market and offering products for a short period of time and then pulling them again. And obviously the Birmingham Midshires one, the BM, is available at the moment, and it looks attractive because it's offering to pay more than inflation. However think carefully about it because it's a 5 year product - your money's tied up, you can't get at it for 5 years - and over the next 5 years inflation is likely to start edging back down. The other thing to bear in mind is that the return for your first year will be based on the RPI next January. So it's not this month's RPI, which is 4.8%. It's next January's. We've no idea what that could be and it could be slightly lower.

DUGGLEBY: But a very difficult one to call.

FRANCIS: Very.

DUGGLEBY: I mean if you're choosing between 4.75% fixed - this is not an ISA incidentally - a 4.75% fixed, Darius, and a whatever it is RPI link, what's your gut feeling about the performance of those two?

McDERMOTT: I quite like the look of the RPI linked bond over a 2 year view, but unfortunately none of our crystal balls go out much beyond then. And I agree with Clare: if it was a 2 year bond, I'd be keen on it, but at 5 years I think I'd probably hold my fire.

FRANCIS: One thing to note about this is in comparison with some of the other … It's the only product available like this at the moment, but some of the ones we've seen in the last sort of 6 months have had higher margins above RPI, so you know 1, 1.5%.

DUGGLEBY: Watch this space, I think.

FRANCIS: So we might see another provider or two come out with a similar product.

DUGGLEBY: Right. Now let's change direction and concentrate a bit on shares with Matthew in Chepstow. Matthew?

MATTHEW: Hello Vincent. I've got a small portfolio of shares at the moment and I'm seeking to invest a further maybe £2,000, £2,500 in a share - not unit trust, a share. I've been looking at a yield of 3% plus with you know potential growth in that share. I've looked at the newspaper cuttings at the start of the year when they give their best answers for the year and I've looked at one called Stannah in the industrial sector. He's already mentioned two there - Vodaphone, which I bought and sold last year (their shares are now round about £1.75) …

DUGGLEBY: They've done quite well.

MATTHEW: … and also BP. I was thinking about BP.

DUGGLEBY: Well they of course have recovered quite sharply from the problems in America.

MATTHEW: Yeah.

DUGGLEBY: I take it, Matthew, you're a bit of a share picker then, are you?

MATTHEW: I am really. Yes, I'm an ex-banker.

DUGGLEBY: *(over)* How successful have you been over the years?

MATTHEW: Sorry?

DUGGLEBY: How successful have you been? Have you had more winners than losers?

MATTHEW: Tend to. I mean Vodaphone last year, I bought at 1.24 and sold at 1.64.

DUGGLEBY: Right. But let's hear one that you didn't make any money on.

MATTHEW: My old employer is Royal Bank of Scotland …

DUGGLEBY: Oh. *(laughter)* The trouble is, Justin, well the reason I ask these questions is Justin will confirm that most people like to talk about their winners, not so much about their losers.

URQUHART STEWART: Very rarely.

DUGGLEBY: One bad egg can actually destroy the whole basket.

URQUHART STEWART: Absolutely. Matthew, I'm sure you know this, but really very good stock picking really consists of some very straightforward rules to it. Pick a very small number of very liquid shares which are easy to trade. Don't necessarily go for the small caps because you may buy them at a time when they're interesting, and when you want to sell them no-one wants to buy them off you, so you're stuck with them.

MATTHEW: Yeah.

URQUHART STEWART: So be expert in half a dozen shares. And you're quite right - there's BP, Vodaphone. Not so much BP - I'm slightly more concerned about them now - but Shell, those sort of ones. Pick big ones in every field, no more than half a dozen, and you become expert in it and within a few months you'll know more than most of the analysts. Mind you, that's not difficult.

MATTHEW: *(laughs)* Terrific.

DUGGLEBY: Darius, of course this is what you pay fund managers to do - to do the work for you. Clearly Matthew isn't going to be tempted by that. And I mean fund managers themselves have a fairly chequered record.

MATTHEW: I'm an ex-banker actually, Vincent.

DUGGLEBY: Are you? Okay. Well I mean the point is, as you well know, more than 50% of fund managers don't actually get it right either.

MATTHEW: No. *(laughs)*

DUGGLEBY: I think I agree with Justin - you know study a limited number of shares and watch the market very closely and then pounce when you think they're undervalued and sell when you think they're overvalued.

MATTHEW: Was Shell a tip then from Urquhart Stewart? *(Urquhart Stewart laughs)*

DUGGLEBY: Is Shell a tip? Well Shell's gone up quite a lot.

URQUHART STEWART: It has.

DUGGLEBY: I don't know, are you still sticking with it?

URQUHART STEWART: No, Shell's a very good company indeed. I'm not too sure I'd call it a tip. But a 5 year view on a company like Shell - although they too are now supping with a long-handled spoon with the Russians, so be wary.

DUGGLEBY: I'd want to have a company certainly with a pretty secure dividend. What do you think, Darius?

McDERMOTT: I mean secure and growing dividends are very important. I'm afraid I would go for a unit trust and I'd look at something the like of Invesco Perpetual High Income, which has been run by the same fund manager for 22 years, and he is certainly yielding above that 3% target that you're looking for. And by buying a unit trust, you do of course get a diverse portfolio - 60 to sort of 100 shares with plenty of experts looking at it.

DUGGLEBY: Indeed.

MATTHEW: Okay. Thank you very much indeed.

DUGGLEBY: *(over)* Right, moving on now. Thank you for your call, Matthew. And Phil now calling us from Broadstone in Dorset. Hello Phil?

PHIL: Hello. My wife and I are in our mid-60s and we're reasonably provided for. We both are fortunate in having two pensions each. Our savings are based on capital investment. I prefer mid to high risk investments. My wife obviously low to medium. We both use or try and use our ISA allowances each year. With this scenario, do we ever need to transfer to income producing products?

DUGGLEBY: Let me get your situation correct. You've got two separate portfolios?

PHIL: Yes.

DUGGLEBY: Is that right? Okay. These are equity based portfolios?

PHIL: Yes.

DUGGLEBY: With funds or directly holding in shares?

PHIL: Well both really.

DUGGLEBY: Both. Okay, so we've got a mix. Well that's good. So we've got to be a bit more cautious for your wife and a bit more adventurous for you?

PHIL: Yes.

DUGGLEBY: Right. And what's the size of the portfolios?

PHIL: Well it's, I would think, in excess of £100,000.

DUGGLEBY: Alright. Well that's a nice one for you, Justin.

URQUHART STEWART: That's a very nice, round portfolio to have. Yes, I mean certainly one of the issues I think people get very concerned about is about income and capital. Depending on the structure of the portfolio, look at the total return you're getting and then you can sort out the tax implications afterwards whether it's income tax or capital. For instance, if you were putting them all into units then it's not going to be such an issue to you. The total return, it means you can use your capital gains allowance every single year. Now in terms of medium to high, this means actually what level of risk you actually want to try and take. Traditionally you'll find that stock brokers will often have 60, 70% in equities and call that balanced, and I actually call that quite a high risk. And so I far prefer a balanced portfolio to have about 50% in equities and then after that you'll have fixed interest bonds. But also now increasingly other asset classes you've got exposure to - be it in terms of infrastructure, currency funds, timber, commodities - so now your portfolio will often have 8 to 10 different asset classes in there and that'll give you greater stability. For your wife then, having something which is therefore slightly more defensive, the same model applies; it's just a lower level of equity exposure, probably something down at about 28% exposure to equities and then broadly spread thereafter. And I would expect a balanced portfolio on that basis to give you about a 7% return overall.

DUGGLEBY: There's one thing that I think has changed dramatically, certainly in the last 4 or 5 years, and that is what constitutes world investment or global investment, Darius. I mean we used to think that you could sort of have a UK based portfolio, but actually now UK based portfolios often just aren't that at all. It's not quite what you see on the wrapper is what I'm trying to get at in terms of funds.

McDERMOTT: Well in excess of 60% of the earnings made by companies on the FTSE 100 actually come from overseas, and some of the companies on the FTSE 100 have no presence in the UK whatsoever. Some of the mining companies that have businesses in Chile or whatever, they're just listed in the UK.

DUGGLEBY: *(over)* When we used to sort of look at conservative based equity portfolios, we used to start by saying okay take a UK broadly based unit trust, but now we sort of have to think of well is the Far East really risky or not. I mean should we be in China? Should we be in the BRICs countries - you know Brazil, Russia?

McDERMOTT: You have greater risks directly investing in those countries. You have currency risk, you have geopolitical risk. We've seen obviously with the events in Egypt that you know some of the higher risk emerging markets can be quite volatile. You can actually get access to those areas by buying developed company shares like on the FTSE 100 or in the US. There's plenty of companies like Colgate-Palmolive in the US. You know the word for toothpaste in Thailand is Colgate.

DUGGLEBY: *(laughs)* Really?

McDERMOTT: You know that's how strong some Western brands can be.

DUGGLEBY: But Phil, getting back to you though, I mean it seems to me that you're of an age when quite a lot of people would be downgrading their risk, but I don't think you're that sort of person.

PHIL: Well I think really that that's my point - is that no, I'm not. I suppose I'm not that sort of person overall, but I do recognise that - and I think this is the basis of my question - is there a time that one should actually be moving into income based products as opposed to, for example, accumulation units?

DUGGLEBY: Well that's rather the question that Justin's already answered, which is total return. I mean it doesn't really matter …

McDERMOTT: It depends on your need for income. If you need the income today, you move more of your growth product into income, but you also have to be aware of if the need for income is only a short while away that you don't want to take too much risk with the pot that you've built up over the years and have it dwindled away in volatile stock market conditions.

URQUHART STEWART: I think it's worth also adding that you know go back 30 years ago. If Phil was in his 60s then, you would have a different view as to you know your lifespan. Now of course we're going to be living to our 80s and 90s …

DUGGLEBY: That's a good point, yeah.

URQUHART STEWART: … and so therefore we need that money to be working harder for us for longer.

DUGGLEBY: Chris telephoned us a short time ago saying he's got just under 30% of his portfolio or savings overall in investments - I take it he means shares - and the rest in cash or in building society investments, and he wants to know whether that's a sensible balance. Now the trouble is he doesn't tell us his age. There used to be a rule of thumb that you put as much into cash or readily realisable investments as your age, so that would argue if you're 70, then that would be a fair balance. But if you're say in your 40s, I would have thought that was a pretty unwise balance.

URQUHART STEWART: I think very unwise. You've got to be able to these days you know expect that an awful lot of us are going to be centenarians and so therefore you're going to expect your money to be providing you returns well into that period. And the sooner you move to cash, therefore the chance of you seeing any growth which is going to be above inflation, you're really going to be effectively devaluing your funds.

DUGGLEBY: And I want to bring in Clare because, Clare, a lot of the investments that are supposedly the best yielders don't give you any access at all. There are a few that will give you monthly income though. Can you tell us more about those?

FRANCIS: Yeah, I mean that's the other thing I was going to say. You know the amount you hold in cash just depends on you as an individual - on your outgoings and you know the size of your mortgage and things like that. So you've got to have a buffer that is accessible, so it's always worth retaining some money in an easy access account. But then if you need income from it, you know look for a fund, look for a savings account that pays interest monthly. So a lot of fixed rate bonds - you know money, your capital is locked away for up to 5 years, but your interest can be paid into a separate account and you can receive that on a monthly basis as well as an annual basis. So you know look for that sort of thing. It is possible to benefit from one of the highest cash rate returns as well as being able to derive an income from it.

DUGGLEBY: Okay, well thanks for that call, Phil. And Sandra now is calling us from Kington, Sandra?

SANDRA: Oh hello. I've got about £26,000 which I would like to invest just on a 1 year basis or instant access. And I just wondered where might be the best place to keep it?

DUGGLEBY: Keep it safe. Okay £26,000 on a 1 year fixed rate, do you want? You don't need to get access to it, Sandra?

SANDRA: Well yes, I would like either instant or 90 day access really.

DUGGLEBY: Alright.

FRANCIS: Okay, for instant access, the Post Office online saver is paying 2.9% and Santander has just launched a new version of its eSaver account, also paying 2.9%. These are great for 1 year, but bear in mind that they both do carry 12 month bonuses, so the rate will drop back at that. But you know you can get your money instantly with that. You can earn slightly more if you're willing to give a bit of notice - there are some accounts paying just over 3% - but you know it's not a huge difference. So they're the best ones. I mean if you want to, if you can afford to lock some of the money away for 12 months, then again you can get up to 3.1%. But you know the differential between the best easy access accounts and the best 1 year fixed rates at the moment isn't that much.

DUGGLEBY: And make sure, Clare, that you do check these wretched bonus rates when they're withdrawn because you know there will be people out there coming up to the last ISA year and they were promised what looked like a great rate, like 3%. Then you look at the small print and you suddenly think good heavens, 2.8% or 2.5%, that's suddenly going to disappear.

FRANCIS: Absolutely.

DUGGLEBY: And unless you do something, they will put you back to a half percent rate.

FRANCIS: Yeah. If you opened an easy access account (whether it was an ISA account or a non-ISA account) this time last year or earlier, check what you're earning because the rate has probably dropped or is about to drop. So move your money again.

DUGGLEBY: I seem to remember Barclays is one to watch because they took in a lot of money and I think theirs has got a guarantee on it. Sorry, not a guarantee - got a bonus on it, which is going to be withdrawn. I think it's on an ISA account.

SANDRA: Yes, I had this money in the Coventry account and it has dropped now.

DUGGLEBY: *(over)* Right. They've got some good rates, I think. Generally they've got some quite good rates, I think.

FRANCIS: On the other hand though, that's why we can get savings rates that are so much higher than the base rate. So it's well worth taking advantage of them. You've just got to sort of put a post-it note on the fridge and remind yourself to move your money again when it comes to an end.

DUGGLEBY: Right, we must move on now.

SANDRA: Thank you.

DUGGLEBY: Thank you for the call, Sandra. Douglas in Glasgow, your call now.

DOUGLAS: Hello, thanks for taking my call. As I explained earlier, I or we - my wife and I - had an endowment mortgage, paying an endowment into Canada Life a number of years ago, and at one time it transpired that the monthly premium I was paying in, the endowment was losing more than I was paying in the month. So I took out … I cashed in the policy, which gave me about £23,000. And I split this with shares between Bradford and Bingley, sadly, and the Royal Bank of Scotland, which was almost as bad.

DUGGLEBY: Oh dear!

DOUGLAS: Yes indeed. So the Bradford and Bingley, I've just accepted the fact that my money, I might as well have put in the fire. Royal Bank of Scotland, I paid £4 for those shares. And within I think it would be 4 months between Bradford and Bingley and …

DUGGLEBY: *(over)* So what advice do you want from us then?

DOUGLAS: I want to know if I should just hang onto the Royal Bank shares that I've got.

DUGGLEBY: Alright.

DOUGLAS: They're about 40p now and I paid £4 for them.

DUGGLEBY: Yeah, you've lost about 90% of your money. Yeah to hold or not to hold, Justin?

URQUHART STEWART: I'm afraid that's history and I'm afraid it's a very painful decision. My decision on something like that, I'm afraid, is I cut and I start again and I start things growing. And you start with the money you've got left and you give yourself a really good balanced portfolio which is going to grow back over time.

DUGGLEBY: Not too much money left to do that.

URQUHART STEWART: Sadly not.

DUGGLEBY: Are you pro or anti bank shares, Darius?

URQUHART STEWART: I'm afraid there's …

DUGGLEBY: We know you're against it, but what about Darius?

McDERMOTT: I mean without them yielding, you know I think in the short-term I would agree with Justin and cut. And if you are looking for something speculative to try and make some of your money back, I'd consider something linked to agriculture or mining stocks.

DUGGLEBY: And possibly a managed fund because putting all your eggs in one basket for a portfolio is always a bad thing.

McDERMOTT: This is a really sad lesson to do with exactly that point.

DUGGLEBY: Indeed, indeed. I want to raise another issue. Not got much time left, but we've got a couple of questions about tracker funds and exchange traded funds. One of our listeners, Francis in Solihull, says he's actually made a loss on a tracker over 10 years. Well, yeah, that's possible. And Paul in Peterborough says how do you actually work out what these exchange traded funds are doing; you know how do I judge one against the other? Darius … Or perhaps Justin, give us a quick rundown of those two approaches.

URQUHART STEWART: Okay, well an exchange traded fund is basically just a tracker fund that trades as a share and that's what they started as. However, they have grown like topsy and you've now got thousands of them, so it's a very good question how do you differentiate between them. And the answer is I'm afraid you need to do some homework because they vary. Some will just straightforwardly track an index or a price - be it something like gold or be it the FTSE 100 - and virtually any index around the world can be tracked. Some will then also properly replicate that. Others will have something hideous known as 'synthetic replication', which means that they're effectively betting against their own balance sheet of a bank, whoever is backing it. So you need to look into them, I'm afraid, very carefully.

DUGGLEBY: *(over)* So you have to pick your market in order to find your fund? You've got to say well I'm going to go worldwide or I'm going to go UK or whatever I'm going to do, and I'll find a fund that does that?

URQUHART STEWART: And you find a fund that does that. They can be very, very low cost indeed, but you need to go into the charging structure. Bearing in mind that some 70 to 80% of active fund managers can't beat their target, then actually these can be very cost effective and that's why so many institutions use them.

DUGGLEBY: Okay. Well trackers versus ETFs. Darius quickly.

McDERMOTT: I would go with a simple tracker because they are a bit more simple.

You can get the L&G UK All Share Tracker, which tracks the whole of the market.

DUGGLEBY: *(over)* We had an email incidentally saying there's a difference in cost on these things. Is that a low cost one?

McDERMOTT: That's 0.5 AMC with a TER of under 70.

DUGGLEBY: So if someone wanted to go into the market for the first time, picking a tracker to dip their toes in?

McDERMOTT: If it says FTSE 100 on a tracker, it's FTSE 100 on the tracker.

DUGGLEBY: Okay.

McDERMOTT: Nice and simple.

FRANCIS: So go for the lowest annual fee.

McDERMOTT: Look for the lowest annual fee. Absolutely.

DUGGLEBY: I mean are we still in favour though for cautious first time dippers of toes into markets that are trackers worth starting with?

McDERMOTT: I'm not a huge fan of trackers because, as your caller pointed out, you can own one for 10 years and get zero return where the average active …

DUGGLEBY: He was unlucky.

McDERMOTT: … the average active fund in that period was sort of a return between 10 and 40%.

URQUHART STEWART: You've got a blend of passives around the world, you would have actually found yourself seeing some pretty good returns at much lower costs, and that can be the real benefit that you can find yourself with.

DUGGLEBY: Susan, if you can ask your question in about ten seconds, you can get it answered in about thirty.

SUSAN: *(laughs)* With investment fund managers taking excessive annual charges on investments, giving them large profits, would I be better in a fixed rate savings bond with a bank or building society as there's no risk to the capital?

DUGGLEBY: Darius?

McDERMOTT: They're quite different and the risk is clearly the obvious difference. Shares carry risk and fixed rate bonds do not, unless you're taking into account inflation with a real return.

DUGGLEBY: But that's not to say, Clare, that there isn't a charge behind these rates that you get - you know 5 or 6%. They are making a bit of money out of them.

FRANCIS: Yeah they are. I mean the difference between obviously an active fund and a fixed rate bond is you don't know what returns you're going to get on your investment fund. So at least with a fixed rate bond, you know what you're going to be earning over the next 5 years.

DUGGLEBY: Last word for you, Justin. Ten seconds.

URQUHART STEWART: Be careful. Go for the opportunity of getting growth, be it active or passive, but please look at the charges.

DUGGLEBY: Alright. We've run out of time I'm afraid on this Money Box Live, but thanks to Justin Urquhart Stewart from Seven Investment Management; Darius

McDermott from Chelsea Financial Services; and Clare Francis from Moneysupermarket.com. Remember you can get more information and contacts from our website, have your say, listen again and sign up for a podcast - all at bbc.co.uk/moneybox. Paul Lewis will be here with the latest personal finance news and comment on our next programme at 12 noon on Saturday, and I'll be back same time next Wednesday afternoon when we're talking about tax planning.