

# MONEY

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## Learning from Volkswagen

The emissions test scandal afflicting Europe's biggest car-maker holds an important lesson for savers, says **Barry O'Neill**, investment director with Carbon Financial Partners in Aberdeen

Volkswagen (VW) is engulfed in the worst scandal in the car-maker's 78-year history after admitting it misled regulators and customers by manipulating emissions test data on diesel vehicles.

VW shareholders are reeling more than most in a general environment of weak stock markets.

So what lessons can be learned from this sorry episode?

The first and most fundamental one is that your investment portfolio should not be overly exposed to any one security.



Barry O'Neill: Advice



**BRAND NAME:** Volkswagen's famous logo not only appears on cars but football tops too. However, their reputation has taken a big dent

VW's share price fell by more than 42% during September, so any significant holding in it will have been painful.

For those of you who were investing 10 or more years ago, you might recall the perceived wisdom that shares in the big banks were the bluest of blue chip investments?

The parallels between the two stories are easy to spot.

The banks and VW set out to win at all costs, including it would appear

the use of tactics designed to deliberately mislead customers.

The next lesson centres on the practice of market timing, or more accurately the futility of it.

Trying to time your entry into or exit from an individual stock or a whole market is fraught with danger.

Consider the fact that like the big banks prior to 2008, VW was widely seen as a steady and stable investment the day before the news broke

but a virtual basket-case the day after.

Who could have foreseen such dramatic developments? Not fund managers, that's for sure.

Any that claim to have a crystal ball should be treated with the same suspicion as the emissions data in a new car brochure.

VW's problems arose because it wanted to sell more diesel cars in the US and was prepared to mislead consumers to do so.

Such unethical practices

always come to light eventually.

The investment industry has its own version of the emissions scandal. Consumers are routinely misled about the true cost of investing.

In the same way that actual fuel economy figures for new cars are always worse than those advertised in the brochure, the annual running costs of investment and pension funds are also routinely understated.

The brochure for my

car says I should get 64 miles per gallon. I'm getting around 45, which is bad but not as bad as being told you're paying 1.5% per annum to invest when the real cost could be closer to 3%.

Lift the bonnet and have a good look at your investments and pensions to make sure you're not being misled on costs.

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