

Make sure you're not out of pocket

Take a good look at how much you are paying for your investments, says Barry O'Neill, investment director with financial planning, investment and pension advice firm Carbon Financial Partners in Aberdeen

Tough economic times force us to re-evaluate various aspects of our lives.

This often includes having a much closer look at how hard our investments are working for us and how much we are paying to invest.

When returns are harder to come by, it makes intuitive sense to try to squeeze every last penny of value from our assets.

A recent study into the published cost of investing in traditional, actively-managed UK equity funds showed the average cost was 0.91% per annum.

The study heralded this as great progress from a previous finding in 2008, in the days before invest-



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ment costs were “unbundled”, when investors paid an average of 1.6% per annum. However, this ignores the fact that the 1.6% figure included the cost of buying the fund and a payment to the ad-

viser who recommended it. Neither of these costs are included in the new “streamlined” 0.91%.

Also not included in this annual running cost is the impact of the trading that takes place within

the fund. By definition, “active” managers trade regularly and try to second guess, or “time” the market. Each trade costs the end investor money and the total can be eye-watering. Are the trading

and market-timing decisions involved routinely adding value in the form of additional returns for the end investor?

Sadly, the vast weight of evidence demonstrates they are not. A recent

study by a team of academics for the Pensions Institute concluded that the overwhelming majority of active managers were not simply unlucky with their stock selection and market timing, but



Barry O'Neill

were “genuinely unskilled”.

Where they did find evidence of managers picking the right stocks, any extra returns that could have been passed on to investors were wiped out by their fees. In a world where every penny saved in costs goes straight into your pocket, the sensible solution is to pay as little as possible to capture the return from investment markets.

It is possible to get the return from the UK stock market for one-tenth of the cost of the average actively managed fund, and to pay very little in additional trading costs by adopting a long-term, “buy and hold” approach.

It is difficult to think of any other costs you might currently be paying that could be reduced so dramatically without any detriment to your prospects of success.

Success adds up for north-east accountants

AWARDS

North-east number crunchers enjoyed success at the British Accountancy Awards (BAA) 2015 in London.

Aberdeen-based accountancy and business advisory firm Johnston Carmichael (JC) picked up two gongs - restructuring project of the year and corporate finance team of the year.

Granite City-based Infinity Partnership was named

Scotland's independent firm of the year.

The honours follow hot on the heels of a double triumph for Scotland at the 2015 Personal Finance Society Chartered Awards in London.

Simon Glazier of Aberdeen accountancy firm Anderson Anderson and Brown won the PFS individual award.

Carbon Financial Partners, which has offices in Aberdeen, Edinburgh and Perth, as well as consulting rooms in Glasgow and Lon-

don, scooped the PFS corporate title.

JC's success at the BAAs, hosted by comedian Rufus

“Awards like these are testament to the hard work and commitment”

Hound, also came after the firm received the insolvency team of the year accolade at the 2015 Scottish

Accountancy and Finance Awards in June.

Sandy Manson, JC chief executive, said: “We are extremely proud to be recognised in front of our national industry peers at these prestigious awards.

“As our firm continues to grow, awards like these are testament to the hard work and commitment of our team across Scotland who provide our clients with a high-quality service, tailored to meet their needs.”

Infinity Partnership managing director Simon

Cowie said: “We're thrilled to win this award. It is a tremendous honour for the team; one that highlights the effort and commitment of everyone connected to the business.

More than 500 guests from across the UK attending the BAAs at The Brewery.

Winners were chosen by a panel of industry experts from organisations including PwC, Taylor Wessing, KPMG and the Association of Chartered Certified Accountants.



Host Rufus Hound, left, and Donald McNaught of Johnston Carmichael

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