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MONEY BOX LIVE

Presenter: VINCENT DUGGLEBY

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DUGGLEBY: Good afternoon and welcome to the new series of Money Box Live, back in Broadcasting House in a brand new studio ready to field your calls every Wednesday afternoon at 3 o'clock on Radio Four. You can find details of the programme on our website: bbc.co.uk/moneybox. You can email your questions and comments in advance, as well as picking up the phone any time after 1 o'clock on the day and calling us on 03700 100 444, and of course the lines are open throughout the programme. And we're talking about saving and investment. Interesting to look back at what's been happening in the past year. You may remember the turmoil in August and September 2011 with headlines such as 'Markets dive as panic spreads', and 'Europe's money markets freeze as crisis grows.' Well the Euro crisis certainly hasn't gone away yet, but shares have done rather well and a bold investor prepared to take a risk could have made 15% capital growth plus dividends in the last 12 months. However, if you go back 5 years to shares bought during 2007 before the financial crash, you'll almost certainly be down by at least 10%. With hindsight, gilts and corporate bonds were the right solution, but is that still true with the economy in recession and no sign from the Bank of England that base rate is likely to rise any time soon? When people ask, "Where is the best place for my money?," the answer depends on your own personal circumstances and advisers have to do fact finds before offering detailed recommendations. That said, you have to decide in broad terms how long you can tie the money up, your need for income, your tax position, how much you'll be charged in fees and commission and so on. My guests have a broad perspective on the markets in the UK and overseas, and they monitor the performance of fund managers with billions of pounds of your money to look after. Christine Ross is Head of Financial Planning at SG Hambros; Darius McDermott is Managing Director of Chelsea Financial Services; and Kevin Mountford is Head of Banking at Moneysupermarket.com. 03700 100 444 and off we go with Richard in Newcastle.

RICHARD: Oh good afternoon.

DUGGLEBY: Good afternoon.

RICHARD: Since there are very few savings accounts that are paying a decent rate of interest, when I do find a good rate, how safe is my money if I invest an amount above the Government's compensation scheme of £85,000 - bearing in mind that the investment limit of most providers is a million pounds? I haven't got that amount. Another problem that I've encountered is that savings products offered by different providers use the same bank, so I'm again limited to the £85,000. I am single. Would the Government allow a bank or building society to fail; and if the FSA are doing their job properly, should this happen?

DUGGLEBY: Interesting question. I mean we generally offer the answer, Kevin, that no major financial institution in this country taking retail deposits has been allowed to fail, but I use the word "allowed" with a kind of quotation marks around it.

MOUNTFORD: Yeah because I think clearly the previous government helped everybody post the Icelandic collapse …

DUGGLEBY: *(over)* And Northern Rock of course, you know, wasn't allowed to go bust.

MOUNTFORD: Yeah. But I think they've been very clear to reiterate the fact that the compensation scheme limits have been increased over recent years, but it is what it says: it's 85,000 pounds worth of cover. So I think to be, you know, as strict as you ought to be, then you need to spread your money beyond that. So, first of all, Richard it’s great that you’ve got that awareness; and you’re also right to point out, I think through a period of consolidation and mergers, not just across banks and building societies, but some do come under the same licence. But there are still lots of choice and I think it makes sense to split that money and possibly look across different types of accounts. So if you can afford to lock some away for say you know 12 months, you might get a better rate of interest and leave some that you can access for a rainy day.

DUGGLEBY: On the other hand, I mean if you’re looking at a risk rating, Christine, of say 1 to 10 and you’re looking at the sort of typical banks and building societies in this country, where would you rate the risk of actually losing money if you put in more than £85,000? I mean would it be high or low?

ROSS: Well I think the risk of losing - and we don’t know how things are going to be treated in the future - I think the risk is incredibly low. I’ll say that to start with. But, first of all, Richard’s part of the way there certainly being aware of the limits, but of course he said that the share of banking licences … for example, I’ll pick on Santander. Abbey National (as part of Santander) had its UK banking licence and I believe that Alliance and Leicester that was taken up actually had its own as well; but Bradford and Bingley, because Santander only bought part of the book and not the company, actually does share the same banking licence. Therefore you’ve got to be very careful. The risk of a retail deposit taker being allowed to fail, I think is very, very low indeed. The Government gave an implicit guarantee some years ago that no UK deposit taker would be allowed to fail. But I should say that some people have, for example, their own Self Investment Pension Schemes that place money on deposit with banks, but that pension scheme isn’t a person. Is that a retail depositor still? There’s too many questions. The easy way, if it doesn’t dilute the interest too much or the rate of interest, is to put your money with more than one bank and to know whether it has a UK banking licence or a European or other overseas banking licence.

DUGGLEBY: And that information actually is on our website because there are various organisations. Lloyds Bank, for example, is a good case in point, Halifax Bank of Scotland. I mean in one sense it’s all one organisation, but there’s a number of different licences and there are a number of different people, so if you put your money in I think Birmingham Midshires, I mean it's the same as if you put it into …

MOUNTFORD: *(over)* Lloyds Banking Group.

DUGGLEBY: … the Halifax. So you have to …

ROSS: *(over)* Correct.

MOUNTFORD: And I think the only other thing I would add - as I say, it's the same for building societies. So take Nationwide, they've got Derbyshire and …

DUGGLEBY: What about shares, Darius, if you've a share portfolio?

McDERMOTT: I mean if you're prepared to take a higher risk, you can get sort of a good mix of dividend return either paying shares or paying funds.

DUGGLEBY: But you don't get any compensation if you lose money. That's the point.

McDERMOTT: You don't get any compensation if the equities or the funds that you hold go down, but then …

DUGGLEBY: No, there isn't any guarantees for that.

McDERMOTT: … but they also can go up as well.

DUGGLEBY: But, on the other hand, of course if your financial adviser does a runner, then you are protected.

McDERMOTT: Indeed.

DUGGLEBY: Okay. Thanks for that call, Richard. And onto Kate now in Tyne and Wear. Kate?

KATE: Oh hello. Yes, my question's about short-term savings. I'm aged 65. I'm about to inherit about £45,000 from the death of my mother. I intend to spend most of it next summer on updating my house, so I don't want any long-term savings plan. Could you advise as to the best place to place the money - in a short-term account or any way of getting a decent amount of interest over 6 to 9 months?

DUGGLEBY: It depends what you mean by decent. I'm afraid when you've got a short-term horizon like that, Kate, you just have to shop around for the best rate. You'll probably regard it as absolutely measly, but I would say, Kevin, that 2%'s about the rate, isn't it, for instant access money?

MOUNTFORD: I mean the thing is you want access to it. You clearly don't want to risk it.

KATE: No.

MOUNTFORD: I think when you say a decent rate, it is relative to market conditions. But there are actually 3% products available in what we call the easy access stakes.

DUGGLEBY: Such as?

MOUNTFORD: Such as you've got …

KATE: *(over)* Oh right, yeah I was quoted 1.75.

DUGGLEBY: No, you can do better than that.

MOUNTFORD: Yeah, yeah, you've got the likes of Manchester Building Society, Barclays, Post Office, Santander. Most of the major players within the saving space will have headline competitive products. A lot of these carry short-term bonuses, but the fact that they don't mature for 12 months, it's likely you'll spend it before you have to worry about that.

KATE: Yes, okay. Alright, thank you very much. Thank you. Bye.

DUGGLEBY: Okay and we'll now take Margaret in Stoke-on-Trent. Margaret?

MARGARET: Hello.

DUGGLEBY: Hello. Your call.

MARGARET: Yes, yes. I've got about £100,000 thinking about it now and it's at different places like Britannia, HSBC, Halifax, premium bonds and AXA - which I don't really understand AXA. But I'm just wondering if there's anything that I can do? Oh and this AXA thing, it keeps getting changed from one thing to another. It's now in something Life.

McDERMOTT: Yeah, it's likely the AXA product is some form of life bond or life policy that …

MARGARET: *(over)* Yeah one of them is, yes.

McDERMOTT: … either AXA have taken over from someone else or has merged into AXA over time.

DUGGLEBY: What you've got there, Margaret, is you've obviously got a mixture of deposit accounts and cash, what we call cash investments if that's not a contradiction in terms.

MARGARET: Yes, yes.

DUGGLEBY: Before we answer that in a bit more detail, I want to bring in Stewart who's a similar situation to you with his mother. Stewart?

STEWART: Ah yes, hi, good afternoon.

DUGGLEBY: Yes, your mother's 83, I think, isn't she?

STEWART: Yes that's right, yeah. She is proposing to invest in proceeds from a recent house sale. I mean we're talking of a figure north of £200,000 here, so she's keen to extract a better rate of return than she was currently getting from banks and building societies. Recommendations from IFAs are products run by fund management companies and she's rather taken by charts that show growth rates between 5% and 9%, which seem to be nonsensical to me. My question is twofold, I suppose. Should an 83 year old be considering such a large investment in funds operated by the fund management groups? Are we not likely to see a hefty downturn in value of such funds as and when the next financial tsunami hits? And, secondly, can the panel suggests other ways to invest a sum of this size for someone at her stage in life?

DUGGLEBY: Yeah, I mean both you and Margaret are raising this issue of risk.

STEWART: Yes.

DUGGLEBY: And I suppose the first question, panel, is do 80 year olds take risks? And I suspect, Christine, the answer is no.

ROSS: It's mixed. And I suppose if I put myself in the position of talking to somebody in their 80s and telling them if they're completely of sound mind and want their financial independence they shouldn't be investing, I suppose I'd have to question you know that same advice. At the same time, we have to be very, very cautious that what are the needs of that individual? If they have a relatively modest income need but they want to grow that money and they're also looking to pass it on as an inheritance, there are different things we can look at. If somebody needs the maximum possible to maintain their standard of living, we actually have to look at very, very secure investments or cash deposits.

DUGGLEBY: But we are looking at very low rates of interest. I mean this is …

ROSS: We are.

DUGGLEBY: If we take Margaret as a measure, Kevin, £100,000 - I mean let's assume we split that between interest paying accounts perhaps with a 5 year fix on some and instant access on another. The amount of income you're going to get is, what, going to be £3,500 maybe before tax?

MOUNTFORD: *(over)* Yeah. And I think this is where if we look at the savers that really suffered in recent years since the base rate dropped to .5%, I think it tends to be those that are looking to supplement their income, particularly with monthly interest, who are wedded to the idea of cash for a variety of reasons. They've relied on it and I think there is you know the area where people have suffered most.

DUGGLEBY: I mean we've got an investment adviser, we've got a stockbroker, Darius McDermott, in the studio. I mean somebody coming to you with £250,000, I mean if they were 40 or 50, I think the answer is pretty simple: you then give them a varied mix of investments with a risk profile …

McDERMOTT: Yeah.

DUGGLEBY: … shares, bonds, that sort of thing.

McDERMOTT: Absolutely.

DUGGLEBY: It's the 83 year old bit that worries me.

McDERMOTT: Yeah, I mean if you need a higher rate of income to live on and you just can't get it in cash …

DUGGLEBY: You can't.

McDERMOTT: … you may want to put a portion, a small portion of that into something that's a bit higher risk that pays a higher income. But if you can't from a timescale point of view afford to take any risk with the capital, then I'm afraid it has to be the lower risk sort of end of the market and cash at these pretty paltry rates.

DUGGLEBY: I mean corporate bonds. In terms of the risk profile, where do you place a corporate bond? What's the rate on a corporate bond at the moment? What could you get?

McDERMOTT: You can get sort of 4% to 6% on corporate bond funds.

DUGGLEBY: Okay, but there is a bit of risk?

McDERMOTT: There absolutely is. I mean sort of cash is the lowest risk. Then gilts, government bonds. Then corporate bonds, which are just debt issued by companies. Then you go up to sort of high yield bonds, which are debts issued by high risk companies, and they by definition do pay a high yield but they are greater risk. But they're not deemed to be quite as high risk as actual equities at that stage.

DUGGLEBY: I mean, Stewart, just bringing you back in again. I mean you're going to have to take some responsibility for your mother's investments, so what do you feel? *(Stewart laughs)* I mean nobody's going … I can't give you a list of shares and say in 5 years time that …

STEWART: *(over)* No, I know.

DUGGLEBY: I can give you a list of shares or somebody can give you a list of shares …

STEWART: *(over)* No …

DUGGLEBY: … saying they'll yield 5%.

STEWART: No, I don't want a list of shares. There are some that pay good dividends obviously and we might want to look at those.

DUGGLEBY: Of course.

STEWART: But I mean I suppose these management funds that offer up cash and OEICs and UK equities and bonds and a whole range of, a whole slew of things which can you know contribute over the years, I suppose, to some sort of reasonable growth. But you know it just seems to me to be very … a lot of money for someone at that stage in life who you know wants a return and is probably not going to see it in her lifetime possibly, with the attendant risk of …

DUGGLEBY: I wish we could put the clock back to the time which I remember when there was an assumption that if you invested for say 5 years, you were virtually 99% certain to be up.

STEWART: Yeah.

DUGGLEBY: Unfortunately that era ended in 2000.

STEWART: Yes, that's right.

DUGGLEBY: Now I couldn't tell you whether you're going to make any money in 20 years time.

STEWART: No, I know.

DUGGLEBY: I just don't know.

McDERMOTT: Stock markets have been as volatile as they ever have in their history in the last 13 years …

DUGGLEBY: *(over)* Yeah, exactly.

McDERMOTT: … and, as you rightly say, they peaked in sort of 99.

STEWART: I've already downgraded her risk profile to cautious. I think a little bit of adventure perhaps, but stay in cash is my feeling.

McDERMOTT: I mean you would think gilts would be an obvious next stage, but …

DUGGLEBY: *(over)* The next disaster, I would think. *(laughs)*

McDERMOTT: … gilt yields are so low and the price is so high …

DUGGLEBY: *(over)* And inflation is well, well above it.

McDERMOTT: And interest rates could go up - all things which could be sort of very painful for gilts. With somebody of that age, if minimal risk is what you want, I'm afraid minimal return given that cash is pretty poor at the moment.

STEWART: Yeah, I think you're probably right.

DUGGLEBY: You'll just have to stick with it. Just keep your eyes open. There's plenty of good websites where you can see what the latest rates are. You can check them against our website as well because we've got some cross-references. But it is literally, it's pretty much peanuts. And if you look at the value of the money 5 years down the line - if inflation remains stubbornly high at around 3%, it's the purchasing power that you're going to lose. So …

STEWART: I think she should buy a classic car actually myself. *(laughter)*

DUGGLEBY: Ah well, yeah I could go on about classic cars.

MOUNTFORD: The one thing I would add, Stewart, I like the fact you're allowing her a little bit of adventure at 83. I think that's great.

STEWART: Yeah, I think I'll allow it. Okay, thanks a lot.

DUGGLEBY: Good to talk to you. And we'll move to Chris now in Leamington Spa. Chris?

CHRIS: Hello. The point is that I think people are going to be interested in money for a very long time from say Child Trust Funds to funeral expenses. It's going to be the best part of a century, yet most financial advisers think in terms of 10 or 20 years. The question I vaguely want to ask is if you had say £20,000 50 years ago and you invested it in equities, did very little trading, how much would you expect that to be worth now? I would point out that I think that just to have the same value in purchasing power, it would need to be about £400,000 …

DUGGLEBY: *(over)* Yeah, Chris, there is a booklet or a book published by Barclays …

CHRIS: *(over)* Yes, I know.

DUGGLEBY: … which does give you the long-term picture on that. I haven't got it in front of me and unfortunately we haven't been able to just check out the exact figures, so …

McDERMOTT: I mean equities over the long-term, even given the last 13 years, are somewhere between 6% and 7% …

DUGGLEBY: Per annum.

McDERMOTT: … per annum. And if you compound that up …

CHRIS: *(over)* Well that's including the dividends, isn't it?

McDERMOTT: That is the total return. Yes, absolutely.

DUGGLEBY: *(over)* Yes, it is. That's a very critical point. If you spend the money …

CHRIS: I was making the point that you're not re-investing the dividends. The point of that is that once you start allowing for compound reinvested dividends or interest, then this introduces all sorts of accounting sleights which really allows probably the majority of pension funds, particularly over say 40 or 70 years when people might be interested in this amount, to be siphoned off …

DUGGLEBY: *(over)* Yeah, I'm going to … Chris, the problem with your question is it does depend very critically on the exact time that you invested.

CHRIS: Well this is about 50 years ago …

DUGGLEBY: *(over)* Yeah, but the trouble is about 50 years. It really does matter sometime…

CHRIS: *(over)* Before the 1970s crash, that is.

DUGGLEBY: Yeah, well the 1970s crash was of course a very significant point. There is a huge difference. Sometimes it's in as little as a single year. It really is..

CHRIS: Oh yeah, I do recognise that. But generally speaking, you have sort of enormous inflation in the 1940s and 1970s. I was trying to go back before one of those periods.

DUGGLEBY: I think, much as I respect your … You know shares are shares. I'll give you one statistic which might be interesting. I bought my first house in 1966 in London …

CHRIS: *(over)* Oh a house is a different thing.

DUGGLEBY: No, I'm just talking about rises, okay, so just have a listen to this figure. First house bought, £7,500 1966. Current value: £1.25 million. That's a capital sum. It's not income.

CHRIS: Yeah, but …

DUGGLEBY: Now I don't think shares have done as well as that.

CHRIS: House values didn't go up under the gold standard like that. It's just because …

DUGGLEBY: *(over)* No, but you gave me 50 years.

CHRIS: … economists have enjoyed the value of money and you don't have to pay any annual income tax on the imputed rental value of the house, which you did until the mid-1960s. If you restored those two elements, then you would find that the house prices wouldn't go up like that. Personally I think that most people over the really long-term would do better in certificate indexed bonds issued by the Government say yielding about 2%, and the Government couldn't afford that.

DUGGLEBY: *(over)* Well I'm going to interrupt you, Chris, because we could go on all afternoon. But that's your opinion. I could argue with great detail on the various asset classes starting with gold, housing, property, shares, bonds, gilts and everything else, but we'd be here all afternoon. So I'm going to ask you to forgive me and move onto Morris in the Isle of Wight. Hello Morris?

MORRIS: Oh hello. I've got a granddaughter who's 3 and I wanted to save a small amount of money for her on a monthly basis, about £50 a month. And I've set up a trust document with a solicitor to do this, so that she can get the money as a lump sum when she's 18, and I'm thinking of setting up a purchase of unit trusts regularly over that period of time. And then the difficulty arises there are hundreds, perhaps thousands of different unit trusts. Have you any advice what I should be looking for over that period of time, what sort of unit trusts I should look out for?

DUGGLEBY: Yeah, okay, well good question, and of course the Government does encourage this with the Child Trust Fund. Christine?

MORRIS: It isn't going to be in a Child Trust Fund.

DUGGLEBY: It isn't?

MORRIS: No.

DUGGLEBY: Why not?

MORRIS: She's already got a Child Trust Fund set up.

DUGGLEBY: Okay, fine. Christine?

ROSS: Yes, there's a few sort of *(clears throat)* good tax things that come to mind straightaway, if you excuse me, before you even get to the actual selection of a fund. The fact that the saving is for a grandchild, the child's tax allowances can be used in full rather than with a parent there's a restriction on that.

MORRIS: Right.

ROSS: And also Morris, for you it's rather significant … I don't know if you're planning your estate for the future, but from an estate …

MORRIS: *(over)* Well we're about to, yes.

ROSS: … from an estate planning point of view, the fact that you've actually put in place an express trust for your granddaughter rather than just relying on sort of fallback legislation is good. On top of which, the fact that you plan to save on a regular basis - and there's a clear intention to do that - if the sums are of a similar nature on a regular basis and at least there is the intention of regularity at the outset, then all of those gifts will be immediately out of your estate for inheritance tax purposes because they fall within the exemption 'normal expenditure out of income'. So as long as you do actually use your income rather than to draw that from your capital …

MORRIS: Yes, it would come from my income, yeah; from my pension, yeah.

ROSS: … then straightaway you have done a little bit of inheritance tax planning that's free just by organising things well.

DUGGLEBY: I'm going to bring in Eva from Huddersfield because, Eva, you're also wanting to save money for your 19 month old grandson?

EVA: That's right, yes.

DUGGLEBY: Again presumably you're happy to obviously take a long-term view? You want a decent return?

EVA: Oh yes, yes.

DUGGLEBY: Well that, as I'm sure Darius will say, does involve taking a risk, but it is over a long-term period. I mean it's 20 years maybe.

EVA: Yeah.

McDERMOTT: For young children, if you're looking at sort of 18/20 years, I think you really should, especially given cash is so low at the moment, you should be taking equity risk.

EVA: Really?

McDERMOTT: There is a vast range of different equity type of funds you can invest in. Some are higher risk than others, so you can have your own risk tolerance guiding which type of fund. If you're a lower risk investor, you could look at a large cap UK equity income fund that tends to invest in more mature type of companies like Tesco's and Glaxo and Vodaphone. The sort of fund you might like to consider there is Invesco Perpetual High Income or Threadneedle UK Alpha Income. They have got proven managers and good track records at delivering in that sphere.

EVA: I'm a little bit … I'm not terribly happy with sort of stock market type stuff really for sort of moral reasons.

DUGGLEBY: Quite understandably. I mean obviously people have different wishes and aims. We're not dissuading you by any means from just putting it into a safe and secure bank or building society account. It's just that the rates of interest are terribly low.

EVA: *(over)* Yes. Are there accounts with a reasonable rate of interest which don't depend on a lump sum going in because what we'd like to do is to just …

DUGGLEBY: Oh yes, yes, I mean …

EVA: … you know put aside something every month?

DUGGLEBY: Kevin Mountford will tell you. Plenty of them.

MOUNTFORD: Yeah, I mean you know traditionally we've had children accounts where effectively you can save on behalf of either a child or a grandchild, and we've got Junior ISAs as well, which have got the tax benefit.

EVA: But they can only be taken out by the parent, can't they?

MOUNTFORD: For £3,600, yes.

DUGGLEBY: But they can be contributed to …

McDERMOTT: *(over)* They can be contributed by grandparents.

EVA: Oh I see, yes, yes.

DUGGLEBY: But in the end …

EVA: I mean I did look at the … Halifax have got a children's account, but that's only for 12 months. That's got a good rate of interest, that's got 6% …

DUGGLEBY: Yes, but …

EVA: *(over)* … and I thought will if that's compounding up for 18 years.

MOUNTFORD: *(over)* It's a regular saver.

DUGGLEBY: It's a regular saver. These rates will vary and obviously the children are encouraged to save or their parents and grandparents are encouraged to save on their behalf. So they do offer very high rates, but of course they don't guarantee them for all that long. They won't sort of say save for 20 years and get 6% because it just isn't like that.

EVA: Well that one only last for a year, then you have to start again.

DUGGLEBY: *(over)* Yeah well you have to …

MOUNTFORD: *(over)* Move it.

DUGGLEBY: Then you start again, yes, and you switch it around. But that's part and parcel of managing money, I'm afraid.

EVA: I suppose it is, yes.

McDERMOTT: Yeah with interest rates so low, if you're looking to use cash, you are going to have to be prepared to do a little bit of work and find the best rates and move it around.

DUGGLEBY: Indeed.

EVA: So get online and start researching.

DUGGLEBY: But going back to the two calls on this question, it's a matter really of saying well do I really want to put it all into cash or do I want to take a risk on behalf of the children? I mean I suppose the answer is where is the world economy going? We might spend a minute or so saying where on earth do we think we are, Darius? I mean are we recovering or are we stuck in the doldrums or what?

McDERMOTT: Global growth is definitely going to be very, very low for the next couple of years. Even the sort of major emerging markets are slowing down.

DUGGLEBY: China's no longer growing nearly as fast.

McDERMOTT: But global growth is not directly correlated to stock market performance, certainly over the short-term, and I would think for a young grandchild or child, I would want certainly to have some equity risk either in a Junior ISA or in a fund. And, as I say, I've mentioned some UK examples, but if not you could go with a global fund, a broad global fund - either a dividend paying one (again if you'd prefer slightly lower risk), or a global growth fund, something like Rathbone Global Opportunities, again with a manager with a long-term track record. And you know you do need to do a little bit more with your money over that longer period of time if you want to get any form of decent return.

DUGGLEBY: And I think we have to face that whatever happens in the next year or so, Christine, it's going to be an awfully bumpy ride. I mean the newspaper headlines go from extreme pessimism to optimism almost in a matter of days.

ROSS: It's exactly this phrase I wrote down earlier - that investors do seem to be able or you know willing to ride out the bumps at the moment. We've still got the impact of the Eurozone crisis, the double dip, and all these other financial issues, but at the end of the day the FTSE, although not highly representative of a private investor's portfolio, is still up. Only just. But you know we've had some profit taking in the last two days, but still it's up because it's all these investors looking for yields. They're prepared to buy shares with decent dividends, and I suspect to some extent that's what is keeping it going.

DUGGLEBY: Indeed. We've got one final question from Haydn in Macclesfield. Hayden?

HAYDEN: Hi there. I have a Friends Provident pension and also life assurance, I believe. Like many other policyholders, I received a leaflet telling me that they're simplifying their business and condensing several Friends Provident companies I didn't even know existed into Friends Life Limited. Does the panel have any opinion as to what effect this is likely to have on the value of my pension and whether I'm better off being somewhere else?

DUGGLEBY: Well yes, I mean there are some good old-fashioned names, all of whom gradually disappear into other … they're morphed into some other sort of products. It is a bit confusing. In terms of the insurance companies like Friends Provident, you've got policies that may have been taken out 20, 30 and 40 years ago.

So can you enlighten us on this one, Christine?

ROSS: Friends Provident is now part of Friends Life. It's all owned by a big what I'm going to call consolidator called Resolution. They've bought up over the years, if I'm correct, Royal and Sun Alliance has become Phoenix and that's all under the same umbrella. And actually we had a call earlier, I think it was Margaret, also mentioned her AXA policy. AXA sold what they call their retail business, their sort of non-wealth business that used to be sort of directly sold some years ago, and that's all become Friends Life now. So what they're going to be doing is they're going to find that they're going to have portfolio managers perhaps from AXA, from Friends and other insurance companies within that group, and they're going to try to streamline that. That would …

DUGGLEBY: *(over)* Yeah, but are they going to be any better at managing it? Is it going to affect management performance?

McDERMOTT: Hayden, the key thing here is what is the Friends Life invested in. If it is in their with-profits fund, which I think there's probably a high probability that it is …

HAYDEN: Yes.

McDERMOTT: … I would suggest you're looking at fairly meagre returns. If you take the experience of Resolution before, they've merged lots of similar companies and returns are really poor in what are sort of these zombie life funds now. Friends Life is quite a good company, but if it's in with-profits, I think it's likely to give you a fairly meagre return over the coming years.

DUGGLEBY: But the important thing with some of these - it's insurance of course, which we're not dealing with specifically - but you've got to look at some of the terms of these policies because sometimes they have little bonuses or benefits in them, particularly pension policies. You must, must look at the small print because you might have some very valuable guarantees.

McDERMOTT: Yeah terminal bonuses they tend to be. And you're absolutely right, Vincent - very care…

HAYDEN: I think there's a guarantee - the usual sort of optional thing, yes.

McDERMOTT: Yeah, I mean if you are to move it, do take care before doing so.

DUGGLEBY: Okay. I'm afraid we've run out of time, but my thanks to Christine Ross from SG Hambros; Darius McDermott from Chelsea Financial Services; and Kevin Mountford from Moneysupermarket.com. You can get more information from our website, listen again and have your say at bbc.co.uk/moneybox. Paul Lewis will be here with the latest personal finance news and comment and our next programme at 12 noon on Saturday, and I'll be back same time next Wednesday afternoon taking your calls, as I said, about insurance on Money Box Live.