

DO YOU KNOW ALL OF THE COSTS OF YOUR INVESTMENT PORTFOLIO?

Following the Retail Distribution Review all charges and fees taken from your investments must be explicit. This means you should be able to see clearly the costs incurred at each level of managing your investments. Most recommended investment portfolios are created using collective investment funds to pool investors' money. Typically there will be annual costs for the underlying fund holdings, the platform which the fund is held on and a fee for the adviser or stockbroker who is reviewing and maintaining the portfolio.

Collective investment funds have annual costs ranging from 0.07% up to 1.5% and even beyond. Active funds will characteristically have higher annual costs than index tracking funds: this is due to the additional costs involved in investment selection; with an index tracker this doesn't need to occur.

The platform charge allows for holding investments via a fund supermarket or wrap. Both options allow easy access to the underlying investments from many different providers in different tax wrappers, for example ISAs, Personal Pensions or a General Investment Account. The typical platform we use charges 0.24% annually; one direct to investor platform charges 0.45% annually on the first £250,000 invested.

If your investments are placed with an independent financial adviser or stockbroker there is likely to be an Adviser Ongoing

Fee of some description. This will typically be in the form of a percentage of the investments' value (normally ranging from 0.5% to 1%) and will cover the costs of an annual review service.

As you can see the ongoing charges for an investment portfolio are made up from three main elements, the funds, the platform and the adviser/stockbroker charges and any one of these could make the charges within an investment portfolio high.

At Scrutton Bland we have worked hard to reduce the overall annual cost by utilising model portfolios of index tracking collective investment funds. For a £250,000 portfolio invested via Scrutton Bland this equates to a total annual charge (including the funds, platform and adviser fee) of 1.24% (£3,100) per annum.

If the average fund charge was 0.7% instead of our average 0.22% this would equate to an additional annual charge of £1,200. Being aware of all the costs incurred by a portfolio can make a big difference to performance as these charges are incurred annually.

If you are currently looking for investment advice or would like to review the costs of an existing portfolio you have, please do contact me on: james.wright@scruttonbland.co.uk or 01473 267000. Scrutton Bland Ltd are authorised and regulated by the Financial Conduct Authority

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