

Investing for trusts

It is now almost four years since the Trustee Act 2000 became law and allowed trustees the same investment opportunities as if they were investing their own money.

Unsurprisingly, the extended powers are accompanied by additional responsibilities:

- Investments must be suitable in terms of their risk profile and tax-efficiency
- They must include holdings from across a range of sectors and markets and even managers
- The trustees must take investment advice if they are not themselves investment experts
- Trust investment portfolios must be regularly reviewed

These requirements are having a major impact on the construction of investment portfolios for trusts. Traditionally, most trusts have been invested in individual shares on the recommendation of stockbrokers, but increasingly it is being recognised that packaged investment products may be more suitable. They are more tax-efficient (and hence less expensive to administer); and they are much better diversified. The Financial Times has also commented "for most investors, collective funds are the most sensible option".

For larger trusts, a balanced portfolio of funds is likely to commend itself. For smaller trusts, an all-in-one solution such as fund of funds or a distribution fund might be the better option. Funds of funds are the fastest growing type of collective investment because they invest in carefully selected combinations of other funds. Distribution funds concentrate on producing an attractive level of income from a portfolio of shares and fixed interest securities.

Whatever your situation, packaged investment products are certainly worth exploring. There are so many different types, a good financial advisor will be able to put together a package that suits your circumstances.

Martin Silverman is Head of Financial Planning at IBB Solicitors. For further advice contact martin.silverman@ibblaw.co.uk or tel: 01494 790041