PERSONAL ACCOUNT

Richard Dyson PERSONAL FINANCE JOURNALIST OF THE YEAR

Four shares to buy for your bottom drawer: they should prosper for decades

The fact that stock markets have risen so strongly in recent years (and the fact that I'm getting older) means I am increasingly asked by friends and family what investments they should buy for their pensions and their children.

They could pay an authorised financial adviser for their ideas, or they can take the following investment tips from (unauthorised, unregulated) me.

My advice is to buy and hold shares in one or more of the following four investment companies: **British Empire Trust, RIT Capital Partners, Caledonia Investments and Witan.**

These are "bottom-drawer" investments. They have done well for decades. Literally decades – two of these firms have weathered both world wars. And I think they will do well for decades to come. They define "buy and forget": they are actively managed in a consistent and credible way. That means you do not have to digest every scrap of news about them or track their share prices day by day.

I want to demonstrate that there's some method to my suggestions and so, for what it's worth, here is why I like them. First, they are all companies with shares listed on the London Stock Exchange and the smallest is valued at £1bn. So they are sizeable.

There is plenty of trading in their shares, which means you can invest easily and in small amounts.

All four invest in dozens of other businesses from all over the world. That means when you buy shares in these companies, you are ultimately buying into a far broader spread of companies across a range of markets with earnings in multiple currencies.

All four publish detailed and comprehensible accounts. You're in the company of other small shareholders, as well as big institutional investors. If you really want to get engaged, all these businesses hold annual shareholder meetings at which you can ask any questions you like of the board.

And the boards, to me, are the big differentiator. They comprise named individuals whose personal reputations (and often, reassuringly, whose personal fortunes) are at stake. These companies aren't hiding behind a big fund brand or bank or insurer. They rarely, if ever, advertise. They are not being promoted by marketing people who will change jobs in 18 months and cease to care.

Most of them are quite cheap to own: the portfolio managers and board are paid, of course, out of shareholders' funds, but this too is transparent. In any case, cheapest is not best here, as in so many fields.

ALAMY

At more than 100 years old, some of these companies have enriched generations of shareholders

The four companies are not all the same. They would work well as "bottom-drawer" holdings on their own or collectively. I particularly like British Empire and Caledonia and have owned both for more than a decade. British Empire buys into "holding companies" (businesses rather like itself in structure, which in turn own other businesses) whose share prices do not fully reflect their real value. It then holds on to them until, hopefully, their valuations better reflect their assets and performance.

British Empire has a fascinating history, with land in South Africa being among its earliest holdings. It was only in 1906 that its remit expanded to include other regions.

Caledonia is a multi-part company: about a third of it is invested in private businesses that are not listed on any stock market. Some might say this adds risk, but over time it has enhanced returns.

That's because unquoted businesses are often overlooked and undervalued. They can realise substantial profits if and when they are sold or floated on a stock market. The resulting windfalls represent a different type of return from the one you would get from, say, owning shares in British American Tobacco (although Caledonia owns those types of underlying investment too).

All four of these companies share a conservative outlook. Their boards try to preserve shareholders' wealth over time through the careful selection and management of investments which, in general, are held for long periods. All have lengthy track records and Caledonia and Witan in particular are committed payers of dividends that grow. Caledonia, in fact, has been increasing its dividend each year from well before I was born.

PERSONAL FINANCE TEAM

Richard Dyson
Head of Personal Finance
@RichDyson1

Richard Evans
Personal Finance Editor
@richardevans10

Contact us
money@telegraph.co.uk
020 7931 2000
@moneytelegraph

Your information
Many readers share their personal information with us and this plays an invaluable part in our articles and investigations. If you are sending documents to our offices, please only send copies. Any physical documents you send will be securely destroyed once we no longer require them. We are unable to return documents.

Neither physical nor digital documents will be forwarded to other people or organisations without your permission.

Online
All articles in this section, and in its sister supplement on Sunday, appear online, where readers can also comment and share with their friends via Twitter and Facebook. For reasons of space, some articles are online only.
telegraph.co.uk/money

Ask an expert
Our expert reporters are on hand to answer your money questions. Email moneyexpert@telegraph.co.uk or write to Telegraph Money Ask an Expert, 111 Buckingham Palace Road, London SW1W 0DT

Dividends payable next week

	Payment	Reg closed	Ex-Div
Monday			
Invesco Asia Trust	4.3p (3.65)	Jul 14	Jul 13
Investec	13p (11.50)	Jul 28	Jul 27
Mountview Estates	100p (100)	Jul 14	Jul 13
Tuesday			
Blue Planet Inv Trust	4.7p (3)	Jul 07	Jul 06
InvesPerp Sel Gbl E	1.45p (1.40)	Jul 21	Jul 20
InvesPerp Sel UK E	1.45p (1.40)	Jul 21	Jul 20
Marsh & McLennan Co,	$0.375 (0.34)	Jul 11	Jul 07
Wednesday			
Halma	8.38p (7.83)	Jul 14	Jul 13
Majestic Wine	3.6p (0)	Jun 23	Jun 22
National Grid	29.1p (0)	Jun 02	Jun 01
Shoe Zone	3.4p (3.30)	Jul 21	Jul 20
Thursday			
Fair Oaks Income	$0.007 (0)	Aug 04	Aug 03
Murray Intl	11p (10.50)	Jul 07	Jul 06
Treatt	1.45p (1.35)	Jul 14	Jul 13
U and I Group	3.5p (3.50)	Jul 21	Jul 20
Friday			
Abrdn Asian Income Fd	2.25p (2)	Jul 21	Jul 20
APQ Global	1.5p (0)	Jul 28	Jul 27
Blackstone / GSO Loan Financing	€0.025 (0.02)	Jul 28	Jul 27
Castings	10.59p (10.33)	Jul 14	Jul 13
Creightons	0.23p (0)	Jul 21	Jul 20
Crystal Amber Fund	2.5p (2.50)	Jul 21	Jul 20
D4t4 Solutions	1.7p (1.50)	Jul 14	Jul 13
Downing One VCT	4.5p (3)	Jul 21	Jul 20
DP Aircraft I	$0.0225 (0.0225)	Jul 28	Jul 27
Heath (Samuel) & Sons [Final]	6.875p (6.8750)	Jul 21	Jul 20
Heath (Samuel) & Sons [Interim]	5.5p (5.50)	Jul 21	Jul 20
ImmunoDiagnostic	4p (1.20)	Jul 21	Jul 20
Investment Co.	5.7p (5.70)	Jul 28	Jul 27
NB Global Fltg Rate USD	$0.0086 (0.0108)	Jul 14	Jul 13
NB Global Fltg Rate GBP	0.84p (1.08)	Jul 14	Jul 13
Safestore	2.1p (1.80)	Jul 14	Jul 13
Sanderson Group	1.1p (1)	Aug 04	Aug 03

If you transfer, choose the right adviser and beware of high fees

CONTINUED FROM PAGE 1

age of 75. If the member died after the age of 75, tax is paid at the income tax rate of the person who inherits the pension, or a flat 45pc if it taken as a lump sum. The inheritor can access the money immediately, rather than waiting until their own retirement.

With careful planning around when income is taken [...] sense to exhaust all other assets, including savings accounts and Isas, ahead of pensions. Money held in pensions does not form part of your estate for inheritance tax purposes.

IHT is charged at 40pc on an individual's assets over £325,000. For the 2017-18 tax year there is an extra £100,000 per person allowance relating to the family home. By 2020-21 a couple will be able to pass on a £1m property [...] substantial IHT bill anyway, it may be worth taking advice about whether some of the transferred money could be better spent on a life insurance policy that will pay a tax-free sum on your death to cover the bill. Overall, this could result in a smaller tax liability.

Alternatively, you could keep your final salary pension and buy such a policy to reduce your IHT bill.

A non-smoking male aged [...]

How to pick the right adviser

Government rules mean you must seek advice from a regulated financial adviser before you give up a final pension worth £30,000 or more. It is common to be offered a "transfer value" of 30 times the annual income produced by a final salary scheme, so you may need to take advice even if your pension is expected to pay just £1,000 a year.

Only specialist advisers are [...] as high as £30,000.

Some advisers will charge only if the transfer goes ahead, so there could be an incentive to recommend a move. *Telegraph Money* readers have run into problems when an advisory firm declines to facilitate a transfer that it refused to recommend. Some pension companies may also be unwilling to accept a transfer when the adviser has not recommended it.