Appendix D

Critique of Content of MAS website

This appendix is not designed to be read in its entirety. It constitutes evidence for our statement that website content is unreliable, thus also calling into question the reliability of advice delivered through other channels.

1. General style

1.1. There is a tendency to avoid direct advice but to deliver lists of warnings ('think about this', 'be careful about that'). These are sometimes helpful, but not much use to those who want to know what to actually do.

1.2. By failing to explain the underlying principles of dealing with money, the site does not give the individual the tools to make his own informed decisions, or the knowledge framework to seek further advice.

2. Specifically wrong advice

2.1. Description of investments

2.1.1. The description of investments is incomprehensible – only if you know the answer can you understand what the writer is trying to express:

'You may have heard of all sorts of investments – ISAs, shares, property, unit trusts – the list goes on. However, the best way to understand investments is to think about them as having three 'layers':

- ***Asset class**. This is the underlying investment. There are four main asset classes – cash, bonds, shares and property. You can invest in each of these directly if you wish.*
- ***Pooled investments**. This is when you pool your money with money from other investors to invest in one or more of the above asset classes. This can help spread your risk and save on costs. Open-ended investment funds, investment trusts and life assurance bonds are the most common pooled investments.*
- ***Tax wrappers**. These are tax breaks that you can – subject to certain rules – wrap around your investment, to shield it from some or all tax. The wrapper can be around either the underlying investment (such as shares or bonds) or the pooled investment. Two of the most common tax wrappers are ISAs and pensions'*

So, I understand the three different concepts but not how they are connected as 'layers'. If an ISA is a tax wrapper (correct), how can it frequently be described elsewhere (indeed in the adjoining left panel) as an investment (incorrect)?

2.1.2. The way to lay this out, after introducing the idea of asset classes, is to help the saver decide on his asset allocation. Only then should he consider the best way to execute this, making use of pooled investments, if appropriate, and tax wrappers, if appropriate.

2.1.3. The statement that pooled investments save on costs is just wrong.

2.1.4. The panel of links on the left vertical menu lists nine types of investment, three of which are spread-betting, contracts-for-difference (where do they lie in the three layers?) and land-banking. It does not mention hedge funds, premium bonds, National Savings, infrastructure, overseas investing, gold, other commodities, EIS (though VCTs are there), currencies……..

2.1.5. The advice takes the conventional course of making a distinction between Savings and Investments. *'There are two ways to save – short term and long term. Savings accounts are for times when you may need to get at your money quickly. They're different from investments, which are really for the longer term'.* So what's a 'contract for difference' then? Or a 5-year fixed interest cash deposit with no withdrawal options? Or, indeed, a share in Vodafone, which is immediately fungible?

2.2. On inflation

2.2.1. The tabs describing cash deposits or money investments invariably describe them as 'low-risk'. There is no mention of inflation, or link to the (brief and superficial) mention of inflation risk elsewhere on the site. When it comes to that section we find:

'Inflation happens when prices go up throughout an economy. The effect of inflation on your money means that the money you save will buy less each year. To protect your savings against this, you should look for an after-tax interest rate that is more than the rate of inflation.'

First, the general description needs a far clearer explanation than it gets. Second, the last sentence is so superficial as to be close to wrong. If *historical* inflation is 2% and I put my money in a variable rate cash account at 2.5% have I 'protected myself against inflation'?

Following that we have: *'Or if you want to put your money away for a longer period and are prepared to take the risk that your money could fall in value (as well as rise), you could put some into an investment linked to the stock market.'* We understand what the writer is trying to say, but he hasn't said it. What does 'taking the risk that your money could fall in value' mean in the context of a stock market investment? Sounds like inflation to me. Why the word 'linked'?

2.2.2. That last sentence ends the inflation advice. There is no link to it's own page: 'Inflation-linked Products'. Scandalously, that page only mentions 'products', but not National Savings Index-linked investments or government index-linked bonds? These are in fact perfect hedges over the described period (provided your basket of goods is the same as that backing the RPI or CPI) and it's incompetent not to mention them.

2.2.3. The page includes the advice: 'Remember too that the rate of inflation can fall as well as rise, so the return you get might be less than the rate you saw advertised'. Nobody who understands the

investment purpose behind inflation protection could write that sentence.

2.3. On risk and return

2.3.1. 'Liquidity, 'Risk' and 'Return' are the three pillars of the savings decision. Risk, particularly, is widely misunderstood but not difficult to explain (provided the different types of risk are carved out and explained separately). This site does not do so, despite many references. Without that, the question 'What is your attitude to risk?' – beloved of IFAs wanting to discover which product to sell you, and used on this site – is quite frankly meaningless, and therefore discouraging.

2.3.2. There is no explanation of 'Return' either, or even of 'Interest' in any helpful way. The page on credit cards has no mention of interest (apart from the fact that it would be charged) and no links to anything to help understand how it works or the effect of different rates, particularly rolled up over time, and no suggestion that credit card borrowing should be a last resort.

2.3.3. There is no mention of cost drag – probably second only to 'diversification' as the most important single factor the long-term saver should understand.

2.4. Dealing with debt

2.4.1. The treatment is superficial. The master page divides enquirers into two classes: 'Struggling' or 'Managing'. Fair enough. But if you are 'struggling' you are directed to a page that gives the advice that you should seek advice. If you are not struggling you are directed to a page that gives some very simple advice on managing your money (budget, watch your spending, etc). Within that page, under the heading 'getting into difficulties' you are given two choices – either seek advice (again) or link to 'Dealing with Debt'. And that takes you back to the master debt page ('Struggling' or 'Managing'?).

2.4.2. There is nothing at all about the different types of debt, the various consolidation or negotiation options or how to plan your way out of it. That would be OK if clear advice was given on how to apply for free help from the various agencies that offer it, but it is not. Links to five of them are given without comment.

2.4.3. This is slightly odd because the Health Check includes some quite helpful general points about debt that could usefully be linked here.

2.5. Health Check – minor error

2.5.1. The Health Check sometimes delivers the message 'It's reassuring to know you have enough money put by to deal with the unexpected' when the profile does not justify it.