



# Guide to Unit Trusts

## What is a Unit Trust?

A Unit Trust is a savings vehicle which provides investors with a route to investing in stocks and shares. When you invest in a Unit Trust your money will be pooled with the money of other investors and used to buy units in that fund. This pot of money is then used by the fund manager to buy for example, stocks and shares.

Each Unit Trust is managed by a professional fund manager and gives both novices and experts an easy way to invest in the stock market.

Unit Trusts are similar to OEICs, the main difference between the two being how the units are priced.

Unit Trusts are dual priced. This means you can sell units at one price and buy units at another. The difference between the two is called the bid/offer spread. Units in an OEIC are bought and sold at the same price.

## Should I buy a Unit Trust?

If you want to invest in the stock market, but have already utilised your ISA allowance then a Unit Trust is one option available to you with the benefit of not being restricted as to how much you can invest.

The management of your money is in the hands of skilled professionals and so you have access to a wealth of expertise not normally available to the public. In addition, as Unit Trusts are pooled investments, you can usually benefit from lower charges and dealing costs.

## Who can invest in a Unit Trust?

If you are 18 or over and are looking for a home for your savings then a Unit Trust could be right for you.

## When can I buy a Unit Trust?

You can buy a Unit Trust at any time.

## How much can I invest in a Unit Trust?

You can either invest a lump sum or make monthly contributions to your Unit Trust and there are no limits to the amount you can invest. There is however a minimum investment amount for a Unit Trust:

	Lump Sum	Monthly
Min:	£1,000	£50
Max:	No Max	No Max

## How often can I invest in a tax year?

You can invest as much and as often as you like.

## How long should I invest for?

Stocks and shares should be seen as medium to long term investments. SFS Invest Direct suggests that you always consider investing your money for at least five years, preferably longer, to increase your chances of a greater return.

## Can I switch between funds?

Once you have bought your Unit Trust you will have an online account. You can then go online and sell shares in one fund and use the proceeds to buy shares in another within your Unit Trust. This is called switching.





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## What are the charges?

There are two types of charges which are payable when you take out an investment of this nature, an **Initial Charge** and **Annual Management Charge**. You may want to print off the section on 'Charges and commissions' from [SFSinvestdirect.co.uk](http://SFSinvestdirect.co.uk) for further information.

## Can I withdraw from my Unit Trust?

You can make withdrawals from your Unit Trust at any time. However, you will need to seek tax advice to establish whether a further tax charge is payable.

## What about the risks of investing in shares?

Stock market investments are subject to greater risk than, for example, a building society account and the initial capital and returns are not guaranteed. Consequently, if you are unhappy with the prospect of losing all or part of your capital you should not invest. Generally, the level of investment risk and potential reward go hand in hand.

## Can I re-register my existing Unit Trust?

Most Unit Trusts can be re-registered. For a full list of re-registerable funds, please see the section 'Can I re-register my existing Unit Trust?' on [www.sfsinvestdirect.co.uk](http://www.sfsinvestdirect.co.uk) in 'Guides'.

## What are the tax implications?

Unlike an ISA/PEP any income, dividends or capital gains that you receive from your Unit Trust investment will be subject to income and capital gains tax.

## I've read the guide but I'm still unsure, can you help?

If you are unsure about making a Unit Trust investment or choosing a suitable fund, please contact Skipton Financial Services to see whether it is worthwhile seeing one of our 120 whole of market financial advisers.

