No savings at 50? I'd buy these 2 investment trusts to retire wealthy

25 January 2020

By Rupert Hargreaves

If you have reached 50 years of age, and have no savings for the future, don't panic. There's still plenty of time to build a sizable nest egg to retire on.

Investment trusts are a great tool to use to help you accumulate wealth quickly. Experienced managers usually run these trusts, and they have more flexibility than traditional open-ended funds.

Scottish Mortgage Investment

The Scottish Mortgage Investment Trust (LSE: SMT) is a great example. This company, which has been managed by James Anderson since 2000, invests in high-growth businesses around the world.

Its global mandate means Scottish Mortgage can invest in regions most individual investors would struggle to get exposure to. Around 20% of the trust's assets under management are invested in Chinese equities, for example.

Anderson also employees a high conviction portfolio approach. In other words, he's happy to devote as much as 10% of the trust's assets to one particular investment. The largest holding is currently Amazon.com. This accounts for 8.8% of assets under management.

While most investment managers would try and stay away from using this much concentration in a portfolio, over the past two decades, Anderson has proven that he knows how to manage his holdings. Scottish Mortgage has produced a cumulative return for investors of more than 156% over the past five years, outperforming its benchmark by 66% since 2015.

The trust is currently dealing at its net asset value and charges a total operating cost of 0.4% per annum. The dividend yield stands at 0.5%.

RIT Capital Partners

Another trust that you can trust to manage your wealth is RIT Capital Partners (LSE: RCP).

RIT is committed to growing its investors' wealth over the long term. Founded by the Rothschild banking dynasty, the founding family still owns a majority shareholding. Its investment managers also own a stake in the enterprise.

The fact that the trust's managers are happy to invest alongside regular shareholders implies that they will work tirelessly to produce the best results for all stakeholders over the long term. Certainly, since its inception, the trust has not disappointed.

Founded in 1998, £10,000 invested in RIT at inception would be worth around £326,000 today, including dividends.

RIT has achieved this performance by investing in a range of assets. The trust owns real estate, private equity investments, public securities and investments in hedge funds. This collection of assets has helped the firm weather market downturns and profit from upswings.

Considering this performance, and the fact that management is a significant stakeholder, it is unlikely the trust will change its strategy anytime soon. That implies that these market-beating returns could continue for the foreseeable future.

Unfortunately, the one downside of this trust is its cost. The overall cost is around 4% per year, but considering RIT's total returns, it seems this is a price worth paying.