

Forget Bitcoin and the National Lottery! Here's what SIPP and ISA millionaires invest in

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Image source: Getty Images.

If you want to know where to invest, follow the millionaires. Investors who have built a £1m portfolios should know a thing or two about money, regardless of whether they have done so inside a Stocks and Shares ISA, or a self-invested personal pension (SIPP).

Forget the Lottery!

Some people dream of getting rich quick, say, by winning the Lottery or having a flutter on Bitcoin. I don't, because the odds are stacked against you.

However, building a £1m portfolio is possible, provided you are patient, and stick at it. Although Stocks and Shares ISAs are more popular, a SIPP is an equally good way of building a million. You can invest in a vast choice of funds and stocks, and claim tax relief on your contributions, at either 20%, 40% or 45%.

If you are a basic rate taxpayer, to pay £100 into your pension you only need to fork out £80 yourself, the remainder comes as tax relief. Higher rate 40% taxpayers can claim a further £20 through their self-assessment tax form. Effectively, each £100 costs them just £60.

The downside of a pension is that you may pay income tax on your withdrawals, which you don't with an ISA. Although your pension escapes inheritance tax.

Get on target

Hitting the £1m mark isn't easy, you have to start early and invest enthusiastically, but even if you don't hit that magic figure, you should still end up a lot better off. So where do those SIPP millionaires put their money?

Investment platform Interactive Investor reports that 2.5% of its SIPP accounts hold £1m or more. Most invest in actively managed funds, including investment trusts, followed by individual stocks, cash and exchange traded funds (ETFs).

You may not be surprised to learn that Fundsmith Equity, run by star manager Terry Smith, is the most popular of all. This £18.3bn fund has returned a massive 136% in the last five years, from a portfolio of mostly US stocks, with some UK exposure as well.

The second most popular is Lindsell Train Global Equity, run by Michael Lindsell and Nick Train, which manages £8.4bn and has performed even better, growing 149% over five years. Both are firm favourites among ISA millionaires as well.

Past performance is no guide to the future, but many investors are clearly chasing it with these two funds. Yet as Neil Woodford showed, it is hard to keep beating the market forever.

The old phrase never put all your eggs in one basket applies. So always, always spread your money around.

Top holdings among Interactive Investor's SIPP millionaires

Funds	Investment trusts	ETFs	Stocks
Fundsmith Equity	Scottish Mortgage	iShares Core FTSE 100 UCITS	Royal Dutch Shell
Lindsell Train Global Equity	Alliance Trust	WisdomTree Physical Gold	Lloyds Banking Group
Vanguard FTSE Developed World ex UK	RIT Capital Partners	iShares Physical Gold ETC	GlaxoSmithKline
Vanguard LifeStrategy 60	Finsbury Growth & Income	Vanguard FTSE 100 UCITS ETF	BP
Vanguard US Equity Index	Murray International	Vanguard FTSE 250 UCITS ETF	Vodafone Group

Fans of passive index tracking funds (I'm one) will be pleased to see the Vanguard low-cost fund range heavily represented. I'm a longstanding supporter of investment trusts, especially Scottish Mortgage, while iShares Core FTSE 100 UCITS is one of my core holdings.

The top five direct equities are familiar names and a sign that investors still treasure blue-chip dividend growth stocks.

You Really Could Make A Million

Of course, picking the right shares and the strategy to be successful in the stock market isn't easy. But you can get ahead of the herd by reading the Motley Fool's FREE guide, "10 Steps To Making A Million In The Market".

The Motley Fool's experts show how a seven-figure-sum stock portfolio is within the reach of many ordinary investors in this straightforward step-by-step guide.