

The Investor

118

How to avoid making
rash decisions under pressure



St
James's
Place



W

elcome to *The Investor*.

The history of investing is littered with examples of people who panic-bought – or panic-sold – and made losses. In our cover story, we examine why we panic, the effects it can have and how to keep calm under pressure.

Tapping into expert advice is key to resisting panic – and this issue highlights the role of this specialist knowledge. Explore the incremental benefits of personalised financial advice on page 7, and read how working with an adviser helped one client to start a new life after divorce, in our 'Things I wish I'd known' feature on page 34.

On page 14, we reveal how advice can empower us to support loved ones while not giving up on our own goals. Financial guidance from the wrong source, however, can have the opposite effect. We discover this on page 32, where we get to grips with so-called 'finfluencers' on social media – and how to sort good actors from the bad in this new 'Wild West'.

There's plenty more – including our conversation with Daniela Silcock of the Pensions Policy Institute (page 24). And on page 28, we investigate the minerals driving a revolution in clean-energy production and storage, and their significance for investors. We also explain our recent announcement about future charges on page 6.

We hope you find this issue thought-provoking and useful. As always, we value your feedback, so please get in touch with your comments.

C Blackwell

Claire Blackwell

Chief Client and Reputation Officer, St. James's Place

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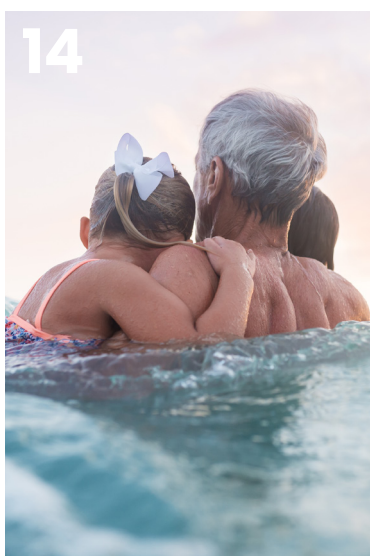
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How financial advice smoothed the path of divorce for a client

In brief

From left: Justin Onuekwusi, Hetal Mehta, Joe Wiggins, Mark FitzPatrick



St. James's Place has welcomed a host of new faces to its senior leadership team in recent months.

Mark FitzPatrick took up the post of CEO Designate on 1 October, joining the team from Prudential.

"SJP is a business full of people who are passionate about helping families and individuals secure their financial futures," says Mark. "The distinctive quality of the service provided by its Partners is more important now than ever, and I cannot wait to join the team. By continuing to do the right thing for clients and adapting to our fast-changing world, I'm confident that SJP will be in a strong position to create value in the years to come."

SJP Chair Paul Manduca says: "I am delighted to announce the appointment of Mark FitzPatrick as SJP's next Chief Executive Officer. Mark has a well-established track record in retail financial services and the Board believes he will bring expertise and energy to the role. We all look forward to working with him."

Mark succeeds Andrew Croft, who will step down in December after 30 years'

tenure at SJP. Andrew has served as CEO since 2018, following 13 years as Chief Financial Officer. "Andrew will be greatly missed by everyone at SJP, and we wish him our very best in his retirement," says Paul. "On behalf of the Board, I would like to thank him for his unwavering commitment to St. James's Place over the past 30 years."

In August, SJP welcomed Hetal Mehta to the newly created position of Head

of Economic Research. And in September, Joe Wiggins joined as Director of Economic Research. Their appointments are part of SJP's drive to enhance the expertise in its Investment division, which is also supported by the hire of new Chief Investment Officer Justin Onuekwusi, who took up his role in October.

Joe says: "I'm looking forward to working with a high-quality team and creating an environment

where we can produce rigorous research based on sound decision-making principles, which can help our clients meet their long-term objectives."

Hetal echoed his sentiments, saying: "It's an exciting time to be joining the Investment team at SJP. We are in a challenging period for monetary policy, and I look forward to helping the business navigate the economic impacts."

Changing of the guard: new leadership at SJP

Incoming CEO Mark FitzPatrick joins alongside a flurry of new senior appointments



Have you tipped over the threshold?

The recent rise in interest rates has been good news for cash savers. However, more could find themselves having to pay additional Income Tax this tax year, as the Personal Savings Allowance (PSA) remains frozen.

The PSA is the maximum interest you can earn per year on cash savings free of tax. It is:

- ◆ £1,000 for basic-rate taxpayers
- ◆ £500 for higher-rate taxpayers
- ◆ £0 for additional-rate taxpayers

Any interest earned above the allowance is taxed at the highest rate of Income Tax you

pay. That means anyone with more than £20,000 in cash savings in an account earning 5% or more annual interest may be taxed on some of the interest.

There are ways to mitigate this, however – such as moving savings into an ISA and making use of the £20,000 annual ISA allowance before the end of the current tax year on 5 April 2024.

To make sure your savings are in the best tax wrapper for you, check in with us before 5 April. We can also make sure you're making the most of all tax allowances available to you.

The levels and bases of taxation and reliefs from taxation can change at any time.

The value of an ISA with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than you invested.

Cash savings of more than £20,000 earning 5% interest could incur a tax liability – unless they're in an ISA

To make sure you're using your full ISA allowance, get in touch before 5 April

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Daniela Silcock, Head of Policy Research at the Pensions Policy Institute



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In brief

THE ROUND-UP



Promoting simple and comparable charges for the future

Over the next two years, updates to our fund charges and charging structure will take place. Overall, these will make sure we continue to offer our clients good value for money. They will also ensure that our charges are easy to compare and understand.

Here's what's going to happen:

Changes to our charging structure

In 2025, our overall charging structure will change. It's important to know that you won't pay higher ongoing charges on your existing investments as a result. These changes will comprise:

◆ Replacing the Early Withdrawal Charge with an explicit initial charge

Our charges on bonds and pensions currently have an Early Withdrawal Charge instead of an

explicit initial charge (as we have on our ISAs and Unit Trusts). This can seem complex, so we will be replacing it. From 2025, new bond and pension investments will have an explicit initial charge and ongoing charges.

◆ Separating the charges into component parts

To help you understand and compare our charges with other providers, we'll separate the advice charge, the product or platform charge and the funds charge.

◆ Realigning the component parts

These component charges have been reviewed to ensure they more accurately align to where you're receiving the most value – from the advice received; the product or platform holding your investments; or the funds you're invested in.

Changes to our fund charges

From 2024, we'll be making some changes to our future fund charges. This is based on taking a consistent approach across all investment products, to better align the price you pay with the value you receive.

The impact will be different depending on which products you hold and which funds you're invested in. We will write to you about how these changes affect you and your investments.

The impact of these changes overall will vary based on the nature of your investments. As they take place, your Partner will be able to help you better understand how these changes will affect your savings and investments. When the time comes, be sure to make an appointment with your Partner.

You might think that as a Chartered Financial Planner with more than 30 years in the

industry, I'm capable of looking after my own finances. After all, I'm confident about matters such as investments, pensions and tax, and I have plenty of experience in helping other people manage their money.

So why do I pay a fee for a financial planner? It's because I want the peace of mind that, if I got hit by the proverbial bus tomorrow, my family would have someone whom I trust to help them when I'm not there.

Others will have different reasons for taking financial advice. But whatever the thinking, those who use a financial planner value highly the impact it has on their lives in the long term.

People who take advice are likely to feel more confident, better prepared and more in control of their money. They feel reassured that their finances are overseen by an expert who can guide them

What's the true value of advice?



You'll find the incremental benefits of working with an expert on your finances build up over a lifetime, says Eddie Grant, Director responsible for Advice Policy at St. James's Place

guidance is especially useful when you're navigating investments and pensions.

We can be particularly vulnerable to behavioural biases when making investment decisions. Overconfidence, negativity bias (only paying attention to bad news, for example) and 'home bias' (when investors hold a disproportionate amount of investments from their own country) can all have a detrimental impact on our financial decisions. Advice can help mitigate these biases.

It's also essential for the things we don't know that we don't know. Governments change the rules and regulations around tax and pensions all the time. An adviser can demystify those changes, help you understand the small print and tell you what the implications are.

The non-financial benefits of advice are equally valuable, yet often underestimated – partly because many people don't recognise their own vulnerability. But everyone is at risk of becoming vulnerable. That can be due to life events (such as bereavement or divorce), physical or mental health issues or the impact of wider events such as a pandemic.

Financial decisions driven by emotions such as anxiety and fear rarely deliver good outcomes. An adviser can take the emotion out of decisions and distinguish noise from useful information so you make considered choices.

It's the non-financial value that makes a difference – having an expert you trust, who can help you as a family and future-proof your financial wellbeing. You can't put a price on peace of mind.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

in making decisions and help them navigate a way through life's challenges.

Financial advice can add value to people's lives in many ways, with both financial and non-financial benefits.

The financial advantages are the most obvious, but no less compelling for that. Whether it's building up a savings buffer, managing your day-to-day finances better, buying a house or building a retirement fund, you need a plan of how to get there. Financial advisers can help you create that plan and put all the steps in place to help you get where you want to go.

It's also about understanding how products – such as insurance policies, investments and pensions – fit into your bigger picture, including your goals, circumstances, risk appetite and long-term aspirations. Professional





Scare tactics

Investors can panic when stormy markets threaten portfolios, but there are plenty of strategies to beat fear and stay calm – from behavioural coaching to acting like a fighter pilot...

BY OLLIE PICKUP

CLICK TO SHARE

In May 2007, as the dark clouds of a global financial crisis closed in, Dr Sarah Ruggins was beginning her career as a researcher for a hedge fund in Canada. She can still recall the panic she felt as the scale of the disaster hit home.

"I was filled with fear daily – not just for my job but for our investors' livelihoods," she says. "It was incredibly eye-opening: some people had their wealth eroded by more than 50% in 48 hours."

While she was feeling overwhelmed, the way her more-experienced colleagues kept calm has stayed with Dr Ruggins, now Head of Multi-Asset Research at St. James's Place.

"I was panicked, but most of the investment professionals kept cool heads," she remembers. "Yes, there was some fear, but we used processes and frameworks to overcome that natural inclination to react without logic. It was a big lesson about

Illustrations: Justin Metz

trusting prior planning, identifying objectives and not being distracted by the noise in the market.”

Panic is a dangerous feeling for investors. As fear and anxiety escalate beyond a tipping point into panic, our ability to make rational decisions is diminished. We might, say, offload stocks that have lost some value – despite the overwhelming historical evidence that markets tend to recover.

Fight, flight or freeze

But what is actually going on when we panic?

According to US-based clinical psychologist Dr Donna Marino, our body is responding to a perceived threat by preparing us for survival actions, such as attacking our predator or running away.

“The body switches over into the sympathetic nervous system,” she explains. “It’s the half of the autonomic nervous system that is responsible for our stress responses – often referred to as fight, flight or freeze.”

Many of the physiological effects of fear or anxiety are the same as those of excitement – when we get that adrenaline rush before going on a rollercoaster, for example. The neurochemicals that respond to stress – adrenaline, norepinephrine and cortisol – are released, our heart rate rises, our breath becomes rapid, and blood flow increases to vital organs.

In addition, says Dr Luke Egan of Neuroscience Research Australia, the stress hormones can influence various regions of the brain such as the amygdala (involved in detecting threats), the hippocampus (helping with memory formation) and the frontal cortex (for decision-making and attention control).

It is here that rational fears and anxieties can become something more. “Cognitive distortions, such as catastrophising or all-or-nothing thinking, escalate our fears while heightening the responses of the sympathetic nervous system,” says Dr Marino. “The body and brain think the system is protecting us, but in the case of panic, it is actually overreacting to a stressor in the environment, it scares us more and the cycle intensifies.”

News of adverse events might cause us, understandably, to feel scared or anxious about our investments. These fears are compounded by certain quirks of human psychology, such as loss-aversion bias or herd mentality. The former is our tendency to avoid a loss because the pain of losing – according to the prospect theory, developed by psychologists Daniel Kahneman and Amos Tversky in 1979 – is stronger than the satisfaction of gaining an equivalent amount. The latter is our natural tendency to follow what our peers are doing, for better or worse.

“Our perception of risk in the immediate term is not always accurate, so people will tend to sell irrationally based on fear before or during the adverse event, often making it worse than it would have been originally,” Dr Ruggins says.

But there are a number of strategies investors can apply to prevent or face down feelings of panic, to

help them avoid making the wrong decisions.

They range from breathing exercises to planning for anxiety-inducing market events and adjusting investment strategy accordingly.

We may not be able to prevent adverse events from happening, but the good news is that we can influence how we respond when they do. Well-known strategies include deep breathing to regulate the heart rate, meditation to anchor in the present moment, and reducing stress and anxiety through physical activity.

“If you perceived a threat and your breathing rate suddenly increased, the discomfort might cause you to feel mentally perturbed or distressed as well,” explains Dr Egan.

“But if you then decided to slow your breathing rate deliberately, the rest of your bodily stress response would begin to subside too. Normally, we breathe automatically without paying attention to it, but we can also exercise voluntary control over our breathing, and that’s why breathing is the key.”

Prepare for stress

The higher the stakes, the more likely you are to panic – and the more important it is to remain calm and level-headed in the face of anxiety or fear. Pierre-Henri Chuet, a former French navy fighter pilot and founder of Paris-based coaching company D.Brief, says anxiety can be ‘leveraged’ into a positive motivator.

“When you’re a pilot, anxiety helps you prepare and show up at stressful events. It’s not just turning in your bed at night worrying, but sitting at your chair and being clear about your objectives and what mission success looks like,” he says.

“Our perception of risk in the immediate term is not always accurate, so people will tend to sell irrationally based on fear”





Another important strategy for remaining calm is scenario planning, so any eventuality is in scope. "In aviation, you always go with at least three plans: the 'most likely' plan, 'worst case', and what we call 'no enemy'. If you have those three plans present in your mind, the truth will be somewhere in the middle."

If the worst happens, pilots are ready as these three plans have been outlined and, to an extent, expected, Pierre-Henri says. "We always verbalise those plans and we make sure our teams understand, because when something happens, you don't have to restart all the training and reflection. It is already somewhere in the mind, so you can have an impact very fast."

Resisting the panic

How susceptible investors are to panic often depends on two factors, Dr Ruggins says: their investment experience and whether they have a financial adviser. Those without either are more susceptible to missteps.

Dips in the market are common and to be expected within a normal market cycle. "An investor's feelings of fear and their impulse to panic-sell is natural and normal, but you need to zoom out and look at the longer-term financial trends," says Dr Ruggins. "What separates good outcomes from bad is your ability to resist that, trusting the evidence and financial advice. Go with your head instead of your gut."

Working with an adviser can help you plan how to respond to scenarios. "Having a sounding board to review your options, and their expert knowledge, can lessen the burden and help you make smart decisions when needed," says Shalini Khemka CBE, founder of E2Exchange, which brings together entrepreneurs, advisers and mentors to scale up businesses.

"Working with a financial adviser or investment professional can be invaluable in developing an

investment plan that considers worst-case scenarios and aligns with your financial goals and risk tolerance."

By setting and sticking to a clear investment strategy, staying well informed and "keeping emotions in check", rationality will prevail and "reduce the risk of being swayed by group thinking or panic", she says.

Dr Ruggins offers some final tips. "Number one, refuse to panic. Fear-based reactions to negative news are completely normal, but they have been proven to erode your wealth over time. So hold steady.

"If you're uncertain, lean on your chosen investment professional. As well as selecting your investments, their job is to provide emotional and behavioural coaching and education when there is negative news, recessions or bear markets. Ultimately, it's better to stay strapped into the rollercoaster when it's going."

For any investor, the key takeaway is that true rewards often come to those who are able to remain calm and steadfast in times of market chaos.

How to play it cool

Tips on keeping your composure – from professionals whose livelihoods rely on handling pressure

Control the controllable

"In sport, we talk about controlling the controllable, and this is the source of dealing with pressure," reveals vision-impaired Irish sprinter Jason Smyth, the winner of six Paralympic 100 metres and 200 metres gold medals. For Jason, who is legally blind, this means controlling his physical preparation, and sticking to a warm-up routine and meticulously planned diet.

He can, he says, "block out all distractions, stay focused and adapt to the unknown" by drawing confidence from a clear process. Jason says mental preparation is vital and controllable. "I focus on different technical elements that have cues, rather than the environment around. For instance, I split my arms fast and aggressively on the first noise of the starting gun."

His team also plays a vital role when preparing for different eventualities. Jason relies on the expertise of a training coach, a strength and conditioning coach, physio and nutritionist.

"These experts come from a different angle so nothing gets missed, or we get the best out of preparation or can adapt better to changes," says Jason. "You can't do it alone. I rely on those people to help me think differently and shift my perspective when needed."

Visualise the challenge

In high-pressure situations, success or failure can come down to split-second decisions, says Reza Nassab, a consultant plastic surgeon and Medical Director of

CLNQ clinics in northwest England. He uses a visualisation technique before particularly challenging procedures, so he is ready for all eventualities when it comes to the real thing. "I play through a difficult operation in my head numerous times before I come to perform it. I will have envisaged the steps in my mind and mentally prepared."

Take the time to decide

Even in situations that demand a swift response, take a moment to decide on your course of action, advises Sam Webster, a Senior First Officer at Qatar Airways. When he was a more junior pilot, a serious situation arose. "I was

flying with a senior flight instructor. After a few seconds of scanning the system on the overhead panel, he proceeded to run through the troubleshooting process methodically. That extra experience and knowledge ensured the captain gave himself that all-important thinking time."

As a more experienced pilot himself now, Sam knows not to be reactive. "I know I have all the necessary tools; I must trust the process. If a situation arises, I find it far more effective to count to ten, move my seat back – physically and metaphorically – and look at the wider picture. Time is a great tool when it comes to dealing with pressure."

"Experts come with a different perspective so nothing gets missed, and we get the best out of our preparation"



YOUR FINANCIAL LIFE



“So, it’s you,
me or
the family?”

CLICK TO SHARE

BY RACHEL LACEY

How on earth can you save for your future, support your loved ones now *and* hope to leave them an inheritance? It's tough – but sound financial advice can help you do it all

Parents may recognise this three-pronged financial dilemma: you want to enjoy life as much as possible, despite the rising cost of living, while also planning for a comfortable retirement. You want to leave a legacy for your children or other loved ones after you pass away. And you want to support your children now with things such as education, buying a house or paying for a wedding, rather than making them wait until after your death or watching them delay these milestones.

If that rings true for you, you're not alone. Research from St. James's Place¹ has found that more than two-thirds (69%) of clients expect to provide some form of financial support for their family in the near future. More than a quarter (28%) valued leaving an inheritance rather than supporting children during their lifetime, while 21% preferred to help family throughout their life – and around half (48%) said both were equally important.

But clients don't want gifts to loved ones to harm their own financial security. Two-thirds (66%) said that it was more important to support themselves,

with only 2% saying that their children were their biggest financial priority.

The cost-of-living crisis isn't just hurting younger generations, after all. You might be worried about rising prices and your own needs in retirement. And, as you get older, the prospect of paying for care might start to come into greater focus, too.

Melloney Underhill, Head of Marketing Insights at SJP, says it's these challenges that reveal the biggest insights from the research. "There's a lot of juggling going on," she says. "Previously, there was a tilt towards legacy planning, but now it's much more equal, with people wanting to support family now *and* leave an inheritance. But, of course, people still have their own needs and retirements to plan, and they want to sort themselves out before helping others. So ultimately, the question they are hoping there is an answer to and would like support on is, 'How can I do it all?' The hope and optimism is there. But unfortunately, so too is their struggle to be confident that they won't be making the wrong decisions, which are often felt to be irreversible."

However, although achieving all three goals may feel like a challenge, it's not impossible. With careful financial planning, you might be able to do more than you realised. There are many ways your SJP Partner can support you – here are some of the most common.

1. Planned gifting

Gifting is potentially the simplest way to help your loved ones now, but it's often spontaneous or sporadic, and many parents fail to plan ahead for what experts call 'intergenerational wealth transfer'. Equally, potentially complex situations can push some people into a state of paralysis, where they're wanting to take action but don't, because they aren't sure how best to go about it.

Andrina Nisbet, Head of Development and Consultancy at SJP, says: "Gifting can really be quite emotive. Parents may not want to look like they're favouring one child over another, especially if they're all in different places. So it's not surprising that our research also found that people with more than three children were reluctant to make decisions."

By having a clear idea of how you would like to help your family while also addressing your own concerns, it's possible to create a plan that works for everyone. Seeking expert advice can really help here. "Your SJP Partner will have a lot of experience and can be an impartial sounding board," says Melloney.

It helps to start planning your gifting strategy long before your children need the money. When you save for a specific expense over a longer period (be it a wedding fund or a house deposit), it will cost you less overall than it would if you don't plan for it, thanks to the power of compound returns on your investment.

Andrina says: "If you don't want a gift to affect your standard of living when you're older, start saving for it sooner. Also, taking the time to do a bit of cash-flow planning with your adviser and compartmentalising your money into pots can really help and start you off with a ballpark figure you can confidently afford to gift."

Image: Stocksy

There are also some worthwhile tax benefits from gifting that can help to increase the overall amount you pass to your loved ones after your death.

While you always need to be mindful that you don't give away more than you can afford, making use of the various Inheritance Tax (IHT) gifting allowances, for example, means you can not only help your family now, but also reduce their tax bill in the future.

In addition to tax-free gifts from income, each year you have an annual exemption of £3,000, which you can give without it being added to the value of your estate for IHT purposes. You can also use any allowance from the previous tax year if you haven't done so already.

There are separate allowances for wedding gifts – up to £5,000 per child and £2,500 per grandchild.

And you can also give small gifts of up to £250 per person, which won't be counted for IHT purposes as long as you haven't used up another allowance on the same person. Plus, you can make regular payments, free of IHT, to help someone with their living costs, if it's paid from your regular monthly income and you can afford the payments after meeting your own living costs.

2. Regular savings

Starting a Junior ISA (JISA) for your children can be a great way of supporting them, as everything it earns is free of Income Tax and Capital Gains Tax. You can pay up to £9,000 per year into a JISA.

However, there are also potential drawbacks. "The challenge is that the child will have access to it at 18 and you'll have no control over how they use that money," says Andrina. "If you're going to be saving for them for 18 years, with compound returns, that could be a huge amount of money to hand over."

It's may be worth seeking advice on other options. For example, a couple can save up to £40,000 a year between them in ISAs (£20,000 each). By earmarking funds within your own ISA savings for the children, you will get the same tax benefits but will have greater control over when and how you pass on the money.

3. Help with house-buying

According to research from the Institute for Fiscal Studies (IFS), the most common reason for parents to give money to their children is to help with home ownership² – and figures from estate agent Savills suggest that in 2022, the 'Bank of Mum and Dad' helped first-time buyers in the UK to the tune of almost £9 billion³.

But funding a deposit may not be easy. The average UK house deposit is now £34,500, according to property

website Zoopla, and that figure rises to £72,000 in the South East and £144,500 in London⁴.

This is another area where expert advice can help and potentially put alternative options on the table. "Gifting a deposit isn't the only way to help a child to get on the property ladder," says Andrina. "There are a lot of mortgage-based solutions."

One common example is a family-assistance mortgage, where you can use your savings or your home as security on your child's mortgage. Another is a joint-borrower-sole-proprietor (JBSP) mortgage, where you can have your name included on the mortgage, thereby increasing the amount your child can borrow, without having your name on the deeds or needing to put down any money.

4. Taking out protection

If you feel you can't help your child buy their home, you might be able to do something to help protect it – for example, by paying for life or critical illness insurance. This is essential for anyone taking on a mortgage to ensure they'll be able to keep up with payments if their partner dies or they're unable to earn an income.

"In some situations, that might end up being much more valuable than help with a deposit," says Andrina. "If it's paid out of your monthly income, it could benefit from the gifts-from-regular-income IHT exemption."

5. Setting up a trust

For wealthier families, there are also ways you can use trusts to take control of how you pass on your wealth while sheltering it from tax. For example, a beneficiary income plan can help you provide an income to a family member without actually handing over the capital.

"This can be helpful if your child needs extra support," says Andrina. "Or it can be used to supplement a child's income – for example, enabling them to change career or do a poorly paid job they love."

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount you invested.

The levels and bases of taxation, and reliefs from taxation, can change at any time and are generally dependent on individual circumstances.

The home on which the mortgage is secured may be repossessed if repayments are not maintained.

Trusts are not regulated by the Financial Conduct Authority.

Sources: 1, 5 St. James's Place, 'Intergenerational wealth transfer', June 2023 (From two online surveys by the Wisdom Council of 887 SJP clients and 211 Partners, May 2023) 2 IFS, 'Bank of Mum and Dad drives increasing economic inequalities in early adulthood', February 2023 3 Savills, 'Bank of Mum and Dad paid out almost £9 billion in 2022', March 2023 4 Zoopla, 'What's the average first-time buyer deposit by region in 2023?', June 2023

"Compartmentalising your money into pots can really help and start you off with a ballpark figure you can confidently afford to gift"

Images: Stocksy

How are clients giving away their wealth?

42%

large, ad-hoc sums

39%

regular form of income

38%

small gifts up to £250

69%

of SJP clients expect to give their family financial support before they die. **But...**

88%

still want to leave some money to loved ones after they're gone

We can help you plan how to save for your own future, support your loved ones today and leave them a legacy. Talk to us today

Why is a Will not enough?

An up-to-date Will is essential. However, it's only the start of the estate-planning process.

If you have a private pension – which falls outside of your estate – it's vital to complete an expression of wishes form so that your provider knows who you would like to receive any remaining funds after you die.

Your SJP Partner can help to ensure that your wealth will be managed in the best way and that as much as possible will go to the people you intend it to.

"It's important to get advice to ensure your money is being invested well and in a tax-effective way," says SJP's Melloney Underhill. "It can also be helpful to think about the order in which you spend your assets, to help reduce the amount of tax your loved ones pay on their inheritance."

Wills are not regulated by the Financial Conduct Authority, and the writing of Wills is a separate and distinct service to those offered by SJP.

The big freeze

Watch out: Inheritance Tax allowances are frozen until 2028, meaning you might end up passing a lot less to your loved ones than you hoped

A growing number of estates could be liable for Inheritance Tax (IHT) in the coming years unless owners plan ahead to mitigate it. That's because the government has frozen the threshold above which IHT becomes payable until at least April 2028 – while the value of your estate could continue to grow.

At present, IHT is charged for estates that are worth more than £325,000 (the nil-rate band or NRB). Plus, there's an extra £175,000 allowance (the residence nil-rate band or RNRB) towards your main home if you pass it to your children or grandchildren, bringing the final allowance up to £500,000 (as long as the total value of the estate is less than £2

million). If you die and leave your estate to your spouse or civil partner, they also inherit your NRB and RNRB allowances. So, as a couple, you can leave a combined total of £1 million tax free. Everything above that is taxable at 40%.

The current £1 million threshold has been in place since 2020. After eight years of compound growth, an estate – which might typically be made up of investments and at least one property – could be worth much more by 2028, potentially leaving a nasty tax surprise for your loved ones (see chart opposite).

But there's good news: there are many effective ways of reducing your IHT bill. Three of the most common to consider are setting up a trust, using your

annual gifting allowance (which is £3,000 a year per person) and taking out life insurance to cover any possible tax charges. Speak to your SJP Partner to discuss the best approach to estate planning for you and your family.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than you invested.

The levels and bases of taxation, and reliefs from taxation, can change at any time and are generally dependent on individual circumstances.

Trusts are not regulated by the Financial Conduct Authority.

**If the total value of your
estate in 2020 was:**

£1,000,000 *

**The amount of
Inheritance Tax
payable would have been:**

£0 *

**By 2028, the same estate
could be worth:**

£1,507,545 **

**And the Inheritance
Tax bill would be:**

£203,018 ***

* Assuming a couple combine their nil-rate bands (NRB, £325,000 each) and residence nil-rate bands (RNRB, £175,000 each, if their main property forms part of their estate and it's passed on to a direct descendant).

** Assuming the value of the estate in 2020 is made up of: investments worth £500,000 with growth after charges of 2.4% per year and property worth £500,000 with an annual increase in value of 7.67% (based on the average annual increase in UK property prices from 1953 to 2022, according to the Nationwide House Price Index).

*** That's because the NRB and RNRB have remained the same since 2020 and will be frozen until 2028. Everything over the combined NRB and RNRB (£1 million) would be taxable at 40%, so this tax bill represents 40% of £507,545.

**Get in touch
today to find out
how you can
mitigate your
Inheritance Tax
liability**



BY JAMES LAWRENCE

Flying on top

A handful of technology giants have ruled the US market this year – but what investment lessons can we learn from the soaring success of these mega-cap tech stocks?

The dominance of a small number of American technology companies is a hot topic right now.

At the end of September, the top ten constituents of the MSCI All Country World Index (which tracks nearly 3,000 companies across 47 markets covering 85% of the world's investable equities) made up 18% of its total value. Seven of them are the US tech giants often referred to as the Magnificent Seven: Apple, Microsoft, Google owner Alphabet, Amazon, Nvidia, Tesla and Facebook owner Meta.

And when it comes to investment returns, these stocks have been leaving almost all the others way behind in the past 12 months. The S&P 500 index of the US's biggest listed companies added \$7.6 trillion

in market capitalisation (its total value) between October 2022 and July 2023. And \$5 trillion of that came from the Magnificent Seven. As *The Economist* puts it, these companies "have left the rest of the stock market in the dust".

This performance comes off the back of a considerable loss in value for the tech giants in 2022, with some commentators predicting their long-term demise. But their turnaround, largely triggered by the sudden emergence of high-quality generative AI, has been remarkable.

Here, our panel of experts consider the reasons for this resurgence, discuss whether it's possible to predict how long it will continue and explain what lessons smart investors can learn from this.

[CLICK TO SHARE](#)



Mandeep Singh

Senior Technology Analyst,
Bloomberg Intelligence

THE FUNDAMENTALS ARE very strong for the tech sector. Its success has been driven by the shift to cloud computing, accelerated by COVID-19 and the increase in remote working. Then everyone wanted to upgrade their IT infrastructure, and new types of chips made it possible to leverage large amounts of data and take artificial intelligence to the next level.

Now, generative AI, such as ChatGPT, is one of the biggest movements in technology we've ever seen, and all the tech giants are likely to benefit. We predict that over the next decade, generative AI will produce \$1.3 trillion in revenue for the tech industry, which will account for 10% to 12% of all technology spending¹.

So tech giants are well placed to expand revenue over the next several years. However, although we can talk about their likely future growth, we must emphasise that we don't know what will happen to their stock prices.

The fact that these companies are already so big, and yet the outlook for their growth prospects is still so positive, shows they have real moats around what they're doing. They have revenue stability and operate on high margins, while the three top companies – Apple, Microsoft and Alphabet – generate a lot of cash. So there's a genuine reason why they are still growing.

Yet there are no guarantees in tech. Now, markets believe these companies are strong. But that doesn't mean you couldn't have, say, a generative AI start-up that could affect at least one of them in a big way.

Source: 1 Bloomberg, 'Generative AI: Assessing opportunities and disruptions in an evolving trillion-dollar market', September 2023

◆

Markets believe tech giants are strong. But a generative AI start-up could affect at least one of them in a big way

◆



Aswath Damodaran

Professor of Finance, Stern School
of Business, New York University

THE CURRENT SITUATION is not unusual: markets have always been driven by a few big companies at the top. Over the past decade, that's come from tech companies, and the reason for that is simple: the tech giants essentially take a lot of our time and our money, and have become a big part of our lives.

The reason why a few dominant businesses have been able to get so big is that they're in spaces where there are no natural physical limits to growth. For a manufacturing company to expand into another country, it will have to build a plant, obtain licences and so on. But for Facebook, for example, they just have to be online: people will find them and they're off to the races. They also have a networking benefit, which means the larger you are, the easier it is to get even larger.

In 2022, the drop-off in market value of the tech giants was partly caused by people having made a lot of money on these companies, so opting to cash out. The other reason was the uncertainty about how these firms would handle the adversity of rising inflation and recession, which most of them had never faced in any real sense, other than Apple and Microsoft. But the answer in 2023 is that they've done pretty well. Earnings have been remarkably resilient.

When it comes to investing, the problem is that we have hindsight bias, a kind of tunnel vision that focuses so much on what's happened in the recent past that we can't step back and look at the wider perspective. But here's another way to think about what happened in 2022: maybe we're returning to a more normal time period of higher interest rates and risk premiums that we used to have before the most recent decades.

The dominance of the 'big seven' tech companies also highlights a strong argument for diversification. If you did not have those companies in your portfolio in the past 15 years, I don't see any way you could have beaten the market. Their performance shows how dangerous it is to miss out on the winners. But no one knows who the winners are going to be, so instead of trying to pick individual stocks – which is exactly how people get in trouble – put your money in index funds, which will hold a wide range of stocks and reflect overall market performance, then go and live your life. Because no matter what the market trends are, your index fund is going to capture it.



Joe Wiggins

Director of Investment Research,
St. James's Place

I HAVE ABSOLUTELY NO IDEA if the dominance of the big tech companies is set to continue, as short-term market predictions are impossible to get consistently right. So I would encourage everyone to try and avoid such predictions, as tempting as it might be. On the other hand, taking a long-term approach is probably the biggest advantage anyone can have in investing, thanks to the compound impact of long-term returns.

It's important to remember that markets are inherently cyclical. They move through phases of euphoria and excitement, fear and anxiety. In these periods, we are always told stories about things that are compelling and believable – and the strong temptation is to abandon diversification and just focus on what is working now. But that's exactly the wrong approach.

Being diversified means owning stocks that aren't flavour of the month or performing as well as others. We can't confidently predict the future or what themes will be driving markets one, two, three or ten years from now. It's important to be diversified and spread risks across different types of investment.

So we spend time with fund managers in the St. James's Place network: we invest with managers with different market views on matters such as whether the tech giants can sustain their market performance.

We'll talk to managers who are positive on that and those who are negative. We'll make sure we've got a broad range of approaches in the various blends we've put together. The vital thing is to avoid getting swept up in the minutiae of individual companies or beguiled by any narratives that might surround them.

But it's not just about investment research. It's about investing behaviours. The behaviours we exhibit, and the decisions we make, will most likely be as influential as any piece of fundamental analysis.

When we go through periods like the present, when the market is so concentrated and there are strong narratives about certain aspects of it, my focus is very firmly on behaviour. What types of mistakes could we make in that environment? And how can we protect ourselves from making damaging, costly errors?

That means helping clients with their own investor behaviours and also being disciplined ourselves. For all of us, the key is to make balanced, educated decisions based on being humble and being diversified. That will leave us, and our clients, well placed over the long term.



Speak to us
about working
out the best
investment
portfolio for you

“It starts
with getting
in touch
with your
older self”

The Pensions Policy Institute's Daniela Silcock talks defined contributions, flexible savings and connecting with your future self to ensure financial security

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INTERVIEW BY ANDREW SAUNDERS



Providing for a comfortable retirement remains a fervent desire for most of us – but also a somewhat daunting prospect. The thorny question of how much you might need versus how much you can afford to save is compounded by the increasingly fluid nature not only of retirement – now potentially one of the most active phases of life for the healthy and wealthy – but also the nature of pensions and retirement savings.

Defined Benefit company pension schemes – which pay out a guaranteed income in retirement, rain or shine – have been largely superseded in the private sector by Defined Contribution (DC) pensions, which are less certain and require more active engagement by savers to get the most out of them.

Topping it off are the many legal changes over the past decade, from the introduction of workplace pensions and auto-enrolment to the Pension Freedom Act of 2015, which allowed the right to access pension savings earlier and more easily. It's almost enough to make you keep working until you're 75, just to put it all off for a bit longer.

But the Pensions Policy Institute's Head of Policy Research Daniela Silcock – co-author of its latest DC Future Book report – explains that with the right guidance, pensions are more flexible than ever, and taking control of your post-retirement prospects is one of the greatest gifts you can give your future self. She answers our questions.

What's your assessment of private pensions after a decade of regulatory change?

One of the good things about the system in the UK now is that it provides a lot of freedom and flexibility for savers, especially for those who can afford to save a decent amount. People require different things from their retirement income; different levels of secure, guaranteed income; and flexible access – to meet unexpected costs or support other family members, for example. So if you've got sufficient savings, there are products and advisers that can help you address that.

Thanks to auto-enrolment [the requirement for all eligible employees to be enrolled in a workplace pension], we now also have around 14 million people paying into Defined Contribution workplace pension schemes. It's been very successful at getting people to save for a pension and at getting employers to contribute as well. A lot of those DC pension pots are still quite small, however – where we do

still need to do some work is on helping people who can't afford to pay for advice to navigate a system that is alien to them. There is some guidance available, but not many people are using it – only around 16% of people accessing their DC pension savings for the first time are using the free Pension Wise service, for example. It's an excellent service, but that's a very low take-up. So we need to improve our communications.

When and how should you start saving for a pension?

As soon as possible. Auto-enrolment starts at the age of 22, for example. But human nature being what it is, people don't really believe that they are going to get old until they hit their 40s – that's when pension contributions really ramp up. That's by no means too late, but you have already missed out on a lot of time and compound interest by then.

One thing you can do is increase your pension contribution by one percent[age point] per year, whenever you get a pay rise. I used to do that myself, although there are limits to what you can afford, of course. That can be a fairly painless way for people to boost their pension.

Pension planning is also important – simply sitting down and thinking about the kind of lifestyle you would like to have in retirement and how much you might need to fund it. Will you want to travel, for example? How long might you be retired for, and will your needs change as you get older? Lots of people simply don't do this; instead, they just anchor on a figure that sounds like a lot of money – “If I have £100,000, I'll be OK.” But spread over 30 years, that's not very much at all.

How can we make thinking about retirement income more of a priority?

I think it starts with trying to get more in touch with your older,

retired self. It can be very hard to think about that when retirement is 20, 30 or 40 years away in the future. Often, there are more immediate things for people to deal with, too, such as the cost-of-living crisis.

A lot of human behaviours that have evolved make sense for survival but don't make sense financially. If you are starving, you are interested only in what you can eat today, not whether you'll have more food if you wait for three weeks. But the whole point of a pension is consumption smoothing – we need to stop thinking of our pension as a tax or a burden and instead as something good you are doing now that will benefit your future retired self.

Is a pension the only way to provide for retirement? What about other investments?

A pension is a unique vehicle, created to help you support yourself in retirement. The advantages to saving in a pension are tax relief [at the highest rate of Income Tax you pay, so up to 45% for those taxed at the additional rate] and if you're employed, employer contributions [an average of around 4.5% of salary in the private sector and as much as 20% in the public sector].

It's easier to plan for your retirement with a pension compared to, say, property, because you don't know how much a property will be worth when you retire, or how easy it will be to sell. If the property is your home, it can be particularly difficult.

People who think of their own homes as their pensions often don't take into account the relatively small amount of money they'll be able to get out of downsizing, because they will still need somewhere to live.

Diversifying is always a good idea, though – if you can afford to save into a pension and have additional investments

on top, that's never going to be a bad thing. But if you're choosing one or the other, a pension is probably the more sensible route to take.

What are the pros and cons of a self-invested personal pension (SIPP)?

A SIPP gives you complete control over how the money you pay into it is invested [you can also invest in a wider range of potentially riskier assets – including commercial property such as offices and hotels].

That is in contrast to the majority of pension funds, where the investments are chosen by someone else – and the person paying in doesn't have much control. SIPPs are expensive, however, because they have to be administered by an adviser. They provide freedom to those who can afford it, but they are a bespoke product rather than a mass-market product.

◆
**We need
to stop
thinking of
our pension
as a burden
and see it as
something
good**
◆



In 2021, the numbers of pension-scams reports to Action Fraud increased hugely. How can people spot potential scams?

Any unsolicited approach about accessing your pension savings is a red flag, especially from an organisation that you don't know. No one should be approaching you about what to do with your pension; you should seek guidance yourself and then decide what to do.

If you're unsure whether something is a scam or not, you should contact the Pensions Regulator or the government's MoneyHelper advice scheme.

Are there gender and cultural gaps in pensions as well as in pay?

We have done a lot of work about women and ethnic minorities, and I think there are issues in the labour

market and care provision as well as the pension system. Women often work more flexibly because they're caring for their children, and there can be penalties for that [such as lower earnings and smaller pension savings]. If there was greater equality between men and women in childcare, I think the market would start to adapt.

Some ethnic-minority groups in particular have an intergenerational history of being excluded from the financial system – so if we are now asking them to trust and engage with that system, it has to adapt to the experiences they have had.

If you could change one thing about the UK pension system, what would it be?

It would be better State Pension provision. We

talk so much about private pensions, but people over the age of 80 typically get more than 50% of their income from the State Pension. In the UK, provision is only around 20% to 25% of national-average earnings. If you look at other OECD countries, their State Pension is typically around 30% to 40%.


Such a low State Pension also makes private pensions much harder to manage: if we had more generous State Pension provision, people wouldn't have to save so much in private pensions – at levels that they often can't really afford.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

The levels and bases of taxation and reliefs from taxation can change at any time. Tax relief is generally dependent on individual circumstances.

A SIPP will not be suitable for everybody, as they require investors to be happy in making their own investment decisions and may incur costs not usually associated with other types of pension schemes. There are strict rules on what property can be held and how. The value may fall as well as rise and you may get back less than the amount invested. Pension and tax rules can change at any time and will be dependent on individual circumstances.

**To discuss how
your pension fits
into your retirement
planning, speak
to us today**



THE BIGGER PICTURE

BY DAVID PROSSER

The race is global. Every country accepts that climate change is an existential threat, with an increasing number of governments setting demanding targets on greenhouse-gas levels and deadlines for achieving net-zero carbon emissions.

But one big challenge could frustrate their ambitions: producing clean energy requires a multitude of natural resources. And many of them are scarce.

The International Energy Agency (IEA) is worried. “An energy system powered by clean-energy technologies differs profoundly from one fuelled by traditional hydrocarbon resources,” it warns in a recent report. “Building solar photovoltaic plants, wind farms and electric vehicles generally requires more minerals than their fossil fuel-based counterparts.”

Indeed, a typical electric car needs six times the mineral input of a conventional vehicle, while an onshore wind plant requires nine times more mineral resources than a gas-powered energy plant¹.

Inevitably that means there will be competition for resources – and the potential for tension. “Today’s supply and investment plans for many critical minerals fall well short of what is needed,” warns Dr Faith Birol, IEA Executive Director. “These rapidly growing markets for key minerals could be subject to price volatility, geopolitical influence and even disruption to supply.”

Recent events bring this into sharp relief. The average price of seven metals used to manufacture offshore wind turbines rose by 93% between January 2020 and March 2023, according to Energy Monitor².

In geopolitics, critical minerals are increasingly a top-table agenda item. Indonesia has pushed for trade deals with the West in return for selling more of its nickel – vital for electric vehicle manufacturing³. China’s recent decision to restrict exports of two rare earth minerals, gallium and germanium, is a major headache for electronics manufacturers – particularly silicon-chip makers⁴.

Rebuilding the world

In effect, the producers of these resources – from cobalt and lithium (used in batteries) to uranium (for nuclear energy) – are beginning to command the same sort of power as fossil fuel-rich nations have wielded over the past century. Today’s economy cannot function without the cooperation of oil producers; the economy of the future will be similarly beholden to sellers of clean-energy minerals.

“There are going to be some huge opportunities,” says Neil Goddin, Co-manager of the Positive Future Fund run by investment manager Artemis. “We built the world around oil and gas; now we are going to have to rebuild it around cobalt, lithium

CLICK TO SHARE



The race for money- making metals

The global shift to cleaner energy sources is creating a growing demand for many of the Earth's scarce minerals. So how are investment decision-makers responding?

and rare earths [a group of 15 scarce minerals].” Investors are positioning themselves accordingly. Pension funds, for example, are increasing their exposure to this part of the natural resources sector.

Sustainable investment funds that might previously have rejected holding shares in mining companies are now reconsidering: JP Morgan Asset Management has published criteria for including mining-sector holdings in its sustainable funds.

However, the accelerated energy transition required to combat climate change will make this a bumpy journey. “In the long term, there is good reason to be optimistic that we can secure the resources we need for clean energy,” says Leonardo Buizza, an Associate at the Energy Transitions Commission, a think tank focused on economic growth and climate-change mitigation. “But in the short to medium term, we face some really pressing challenges.”

Leonardo is particularly worried about three issues. First, the current pace of the energy transition makes it very difficult to scale up the supply of clean-energy minerals at the required rate. Production of lithium, for instance, has increased 180% since 2017, but sales of electric vehicles, which need lithium in their batteries, are up by around 1,000%⁵.

A second concern is that the supply of many clean-energy minerals is concentrated in a handful of countries, making it harder to diversify supply chains to manage risk. Western nations trying to reduce their dependence on Russian oil and gas may soon find themselves just as dependent on China for resources such as rare earth minerals, graphite and zinc.

That not all resource-rich countries are politically stable adds to this worry. Take the Democratic Republic of the Congo, a crucial source of cobalt that has been wracked by civil war. Niger, the scene of a recent coup, is a key player in uranium production.

Sales of electric vehicles are up 1,000% since 2017⁵

Leonardo’s third concern is not to repeat past mistakes: “We need to address the social and environmental impacts of securing these resources from the outset.”

The mining industry has come under pressure to crack down on child labour in cobalt mines but reports of abuses persist. Similarly, in Indonesia, now developing new nickel resources, there is concern about deforestation – as well as its dependence on fossil fuels.

New world, new opportunities

These problems all have solutions, however. Diversity and expansion of supply can be addressed through exploration. Recent finds range from rare earth resources in Sweden to lithium deposits in Maine, USA.

Another possibility is to use alternative materials. For example, China’s bestselling Kei electric car is powered by a sodium (rather than lithium) battery. It works well

over short distances, which is all many commuters need.

As for ensuring responsible and sustainable development of clean-energy materials, here too there are reasons to be hopeful. Policymakers and regulators are working hard to improve transparency; campaign groups and investors are willing and able to hold countries and companies to account.

If western governments succeed in expanding supply closer to home, they can demand higher standards. One plank of President Biden’s landmark Inflation Reduction Act is support for nearshoring and friendshoring (sourcing from countries that are close by or politically allied, respectively) of the clean-energy supply chain. Elsewhere, The European Union’s Critical Raw Materials Act carries similar provisions. “There are going to be pinch points, but it is our responsibility to develop these industries in the most



sustainable way possible," says Artemis's Neil Goddin.

This new world also provides opportunities to pursue goals such as addressing inequality, argues Gracelin Baskaran, a Fellow at US think tank The Brookings Institution. "With their rich endowment of key commodities, African countries can leverage this search for new sources of rare earth elements to bring in much-needed revenue, to finance socioeconomic objectives and reduce poverty," she says.

"A clean-energy system differs profoundly from the hydrocarbon system"

All of this, however, will rely on new capital and investment. The Energy Transitions Commission estimates that the world has invested an average of \$45-50 billion a year in metals mining (excluding gold and iron) since 2012, but says that this needs to increase to \$70 billion a year⁶.

The investment case

The prize for those prepared to provide this capital is valuable. The IEA says the global market for clean-energy minerals was worth \$320 billion last year, and it expects that demand for these minerals will double by 2030⁷. That trajectory is set to continue as more countries approach their net-zero targets.

Investing in this area is not straightforward. Many of the businesses at the forefront of the exploration and development of clean-energy minerals are also big players in, for instance, mining coal. For sustainability-focused investors, that will not sit comfortably.

Overall, however, Gracelin believes that investors should be excited by what's at stake. "There are always compromises to make, but the caveat should always be that today, one in five deaths are a result of burning fossil fuels," she says, pointing to the devastating

effects of air pollution. "That alone drives the case for responsible investment in clean energy."

Sources: **1** IEA, 'The role of critical minerals in clean energy transitions: The state of play', 2021 **2** Energy Monitor, 'The cost of energy transition minerals has soared since 2020', May 2023 **3** Reuters, 'Indonesia to propose limited free trade deal with US on critical minerals', April 2023 **4** Reuters, 'China's rare earths dominance in focus after it limits germanium and gallium exports', October 2023 **5** IEA, 'Supply and demand of lithium for batteries, 2016-2022', 2023 **6** Energy Transitions Commission, 'Material and resource requirements for the energy transition', July 2023 **7-13** IEA, 'Critical minerals', accessed November 2023 **14** US Geological Survey, 'Mineral commodity summaries 2023: Zinc', January 2023 **15** World Nuclear Association, 'World Uranium Mining Production', August 2023

Who's got the minerals?

Clean-energy minerals, their uses and their primary sources (% of global supply, 2022)

Copper

Widely used as a conductor in turbines, generators, cabling and transformers.

24% Chile, 11% Peru⁸

Nickel

In lithium-ion batteries for electric vehicles and in renewable-energy storage.

49% Indonesia, 10% Philippines⁹

Cobalt

In lithium-ion batteries for electric vehicles and in renewable-energy storage.

74% DRC, 5% Indonesia¹⁰

Graphite

Production of solar panels and batteries.

70% China, 12% Mozambique¹¹

Lithium

Vital component of electric-vehicle batteries and in energy storage.

52% Australia, 22% Chile¹²

Rare earth metals

Around 15 minerals used in wind turbines, solar panels and batteries.

68% China, 11% US¹³

Zinc

Production of wind turbines, solar panels and rechargeable batteries.

32% China, 11% Peru¹⁴

Uranium

Key fuel in nuclear power plants.

43% Kazakhstan, 15% Canada¹⁵



CLICK TO SHARE

BY ELIZABETH ANDERSON

What is a finfluencer (and why should I care)?

TikTok and Instagram may be the last places you'd think of looking for financial advice. But social media is changing the way young people get their information about managing money

What are we talking about?

Financial influencers – or 'finfluencers' – are social-media users who post written or video content about finance. There's been a surge of them in recent years, says the Financial Conduct Authority (FCA)¹. People document all elements of life on social media, so it's not surprising some share finance hints and tips, points out Izzy Price, Head of Social Media & Digital Sentiment at St. James's Place.

What sort of thing do they share?

They might be breaking down complex finance topics or explaining their own savings

and investment choices. Many influencers share personal stories, such as how they got out of debt or saved for their first home. Some share tips on things such as reading a payslip or creating a budgeting spreadsheet.

That sounds good, right?

Well, many say money isn't taught well enough at school. So young people being educated about finances in a way that's accessible and interesting to them is a positive thing. But while some influencers offer sound, reliable information, there's a lot of misinformation out there, too. And there are even malicious accounts that exist to take your hard-earned money.

What kind of misinformation?

Finance is complex. People often post on social media with their own thoughts and experiences. If they're giving incorrect information relating to money, they will likely not be aware of it. Watching or reading an individual post may also not give the full picture. For example, a influencer may talk about having invested money in a particular stock. The danger is someone follows their lead without appreciating how it fits into a wider investment strategy.

Ah, I see.

Cryptocurrency is a great example. It's a popular topic on social media. Many accounts talk about investing in crypto to make money, but don't say how volatile cryptocurrencies are and how easy it is to lose your money or find you can't withdraw your investment easily.

OK... so how can you tell if someone is trustworthy?

It's not easy! If you don't know much about finance, it can be hard to know if someone is giving genuine or correct advice. This is a real problem: one study found that more than a quarter of Gen Z get financial information from TikTok². Izzy points out that anyone can claim to be a influencer as it's not regulated – that's quite scary! Some accounts offering 'advice' may even be scammers.



That's worrying. What are the warning signs?

Be wary of any account that encourages you to part with your money through get-rich-quick schemes that seem too good to be true. If you're directed to a website, check that the URL starts with https, not http – that tells you it's secure.

You can also check the name of a company or individual. Search the name on Companies House to see if it's a registered business and how long it has been in operation. Then check the FCA register (register.fca.org.uk) to see if it's authorised and regulated.

How do the legit influencers make their money?

They aren't just sharing financial tips out of goodwill. They make money with paid partnerships, sponsored posts, speaking engagements and referral links. So bear this in mind when they are talking about a product or service. If it's not clear why they're promoting it, be cautious about following their recommendation. And always do your own research.

The FCA is currently consulting on how financial promotions should be regulated on social media to make sure they're fair, clear and not misleading. Its final guidance is expected soon³.

So how would I go about finding influencers to follow?

To find personal-finance content, search these terms on Instagram or TikTok: #moneygoals #financialwellness #moneymatters #financialwellbeing #moneytips #savingmoneytips #managingyourmoney #personalfinanceuk

And don't forget to follow St. James's Place @sjpwealth.

Good finance accounts on social media can offer a great way to learn more about various topics – from investing and saving to budgeting and pensions – in a digestible format. However, social media shouldn't be your only information source. Don't part with any money until you've done your own research and talked to a regulated professional.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than you invested.

Sources: 1, 3 Financial Conduct Authority, 'Financial promotions on social media: guidance consultation', July 2023
2 Shepherds Friendly survey, April 2023 (From a survey of 2,003 Britons aged 18 and over)

Things I wish I'd known...

A good divorce is possible

A 45-year-old client explains how she discovered the benefits of a financial adviser's support when starting again after splitting from her husband

My ex-husband and I had a very amicable divorce, but I wish I'd known that a 'good' divorce in financial terms is possible, too. I discovered there's a whole spectrum of money decisions to make on your own when you separate. And it would have been better if I'd talked to a financial expert to help with those decisions much sooner.

People tell you to find a lawyer for legal advice, but I wish someone had told me to see a financial adviser and speak to a mortgage broker just as early in the process. It would have been very helpful for me to know what my financial situation would be in different scenarios, at the time and in the future, and to be better informed about the process of separating my finances from my ex's.

He and I agreed he would stay in the family home, while I was keen to explore new living arrangements. This meant our children could stay in the family home, too, some of the time; we are raising our kids together and alternately look after

them for a week at a time. I decided I wanted to get only what I thought was fair and had invested in the marriage. That included my pension and a buy-to-let property.

Luckily, a friend who was also getting divorced recommended a Partner at St. James's Place who specialises in divorce. She helped me to consolidate my pension and map out my income and assets so that when I met with my lawyer, I could make informed decisions about the divorce settlement. It also helped me to get visibility about the size of mortgage I would be able to afford on my own.

It was so empowering to talk about my finances and take ownership of my financial life, which I used to let my ex manage.

With my divorce-settlement money, I initially had an urge to invest in a property similar to our old family home. But I realised I didn't need to match what my ex has, in terms of living arrangements: kids are extremely resilient; I wish I'd known that earlier, too.



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My original property purchase fell through, and I'm glad it did. It enabled me to have a rethink. I decided to rent a three-bed flat in London using my buy-to-let income, and I used my divorce settlement to make a fresh start: I bought a little cottage in a market town near London, where I live every other week when I don't have the kids with me.

It's a beautiful property and it's mine. I have a much smaller, more affordable mortgage than I would have done if I'd bought a bigger home near my ex, and my bills are smaller, too. I had no idea how liberating it would be to downsize.

If I'd known how important it would be to get specialist financial advice and have someone I could rely on to support me and guide me through the process, I'd have sought help right at the start. It's a big part of getting divorced. I only wish I'd realised that sooner.

If you need help working out your finances during divorce, speak to us



Think more creatively than a pair of socks this Christmas.

Make your family's day by gifting money or assets – it can be a tax-smart way of helping your finances, too.
Talk to us to discover how.

The levels and bases of taxation, and reliefs from taxation, can change at any time and are generally dependent on individual circumstances.

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Create the future you want for you and your family

All it takes is a little thought and some personalised advice.

Talk to us about using your tax allowances to make sure your loved ones are looked after – whatever that means for them.

The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief is dependent on individual circumstances.

Get in touch today

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