

# Money Matters

NAVIGATING THE  
FINANCIAL LANDSCAPE

Winter 2019



**Navigating uncertainty:**  
Advice to live by, not just for your financial  
journey from Debra Searle MBE - pg 4

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## Welcome to the Winter 2019 edition of Money Matters.

In this edition, our first article is an interview with entrepreneur and adventurer Debra Searle MBE on the power of positive attitude in uncertain times - which feels especially appropriate in today's rapidly shifting geopolitical environment. If it feels like we're all at sea metaphorically, Debra was literally, all at sea and we can all learn from her experiences.

Gareth Hope, Wren Sterling's Head of Research, discusses the choices available to investors beyond 'active' and 'index' investing as the way we refer to investments is changing and Nick Moules looks at future digital innovations in the financial advice market.

As usual we've looked further afield and have included contributions from third party experts on related issues. Nick Morrey from John Charcol discusses alternatives to borrowing into retirement, which may help you make the most of the assets you already have. Plus, Trevor Hinds, managing director of estate planners Private Client Online covers Wills and why it is essential to keep them updated.

I hope you enjoy this edition and please don't hesitate to contact your financial adviser if there's anything you need to discuss.

Ian Halley  
Chief Executive Officer  
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# What's been happening at Wren Sterling?

## Wren Sterling acquires TD Armstrong

**W**ren Sterling has announced the acquisition of TD Armstrong Financial Planning Limited (TD Armstrong), a Dunfermline based independent financial planning business.

Max Horne, Trudi Horne and Fraser Rowan from TD Armstrong will all join Wren Sterling. Under the terms of the deal Wren Sterling will secure around £116m of assets under advice, taking Wren Sterling's total assets under advice to £3.3bn. This acquisition is the third acquisition by Wren Sterling in the last three years and follows acquisitions of back books from First Trust Bank in Northern Ireland and Leek United Building Society.

Ian Halley, Wren Sterling's CEO, said: "This acquisition is an exciting step for Wren Sterling because it further supports the growth of our business. I'm looking forward to working with Max and his team to embed these clients into our business ensuring they continue to have access to independent financial planning services.

Ian Halley confirmed that as part of its growth plans Wren Sterling is looking for "opportunities to acquire more businesses and/or back books, where there is a good cultural fit between the businesses and it's clear that a transaction will secure clients' access to advice and enable advisers to plan for their succession."

## Wren Sterling to launch ESG investment proposition

**E**nvironmental, social and governance factors (ESG) have been a part of sustainable investment practices for many years but new regulations appear likely to require advisers to have conversations with clients on an annual basis about their ESG investment preferences.

There are obvious reasons for the growth in interest in ESG among clients, not least a rising consumer awareness of climate change and a desire to make lifestyle changes. At the time of writing, there is a large Extinction Rebellion protest going on around the world and teenage activist, Greta Thurnberg, was the centre of attention at a recent UN summit.

The global responsible investing market is now worth over \$23 trillion, according to JP Morgan, with investment preferences for younger generations

overwhelmingly favouring sustainable investing. Of the investors polled in a Morgan Stanley survey in the US, 84% expressed willingness to tailor their investments to their impact goals. The same was cited by 90% of the millennials.

### How Wren Sterling is responding

Wren Sterling has responded to this with the development of an ESG aspect of our investment proposition.

We anticipate this to go live to clients in early 2020 and we will be rolling out a series of training initiatives to our advisers in the meantime. ESG investing is an area we're passionate about so expect to see more updates on this in the future.

## Wren Sterling to advise thousands of employees on final salary pension schemes

**W**ren Sterling has been chosen to work alongside a number of companies providing advice to their final salary pension scheme members as they consider their retirement options.

Deciding on how to draw pension benefits is a decision that will impact individuals in the final third of their life, as they make decisions about their pension – potentially their biggest asset.

Wren Sterling has been active in this market for over ten years, but has seen a big rise in the last three years as companies look to offer pension advice, as part of their duty of care towards retiring employees. In the last 6 months Wren Sterling has been appointed by 14 companies, including a number of FTSE companies, to provide advice support to their pension scheme members.

# The Power of Positive Attitude in Uncertain Conditions



Debra Searle MBE, adventurer  
and entrepreneur



Debra Searle MBE is a professional adventurer and a serial entrepreneur who shot to fame after single-handedly rowing across the Atlantic back in 2002. She's also very busy running three companies, speaking all over the world and raising a family.

**Wren Sterling's Head of Marketing, Nick Moules, caught up with her to find out how she uses the power of positivity to raise her performance and keep her goals in sight.**

In Wren Sterling's magazines we often refer to financial planning as being a financial journey, providing the marketing team with a healthy supply of convenient metaphors.

However, there's some truth in it because we can't anticipate all of the changes that might threaten to blow us off course, but we can change tack to make sure we're always going in the right direction. There are many parallels with adventuring across the globe where even the best laid plans are subject to change and need constant review, often in testing circumstances.

Debra Searle knows more about this than most, having devoted the last 17 years of her life to adventuring in some of the world's most inhospitable environments and building businesses off the back of her adventures.

"I run three companies and juggle that with trying to be a good wife and mum. I contend with the usual stresses of leading an organisation plus I spend a lot of time on the road internationally. I'm either consulting for clients in my role as co-founder of Mix Diversity Developers or travelling for expeditions and motivational speaking, while fitting in book writing and media work in between", says Debra.

"I spend a lot of time with companies, inspiring their employees to tap into the power of their mindset to boost their business performance.

"Oh, and then there's the third company, which is a media company. That has taken me to LA recently as there's a movie in development over there about my solo Atlantic row."

As opening moments in a conversation go, it's full on.

So how does Debra manage to fit it all in? Now it's all about meticulous planning, goal-setting and knowing herself but when she started out there was a boat race that almost never was and a chance call from a conference organiser that kick-started Debra's career.

### **Alone on a boat for three and a half months**

It all started when Debra was attempting to row the Atlantic. She started off in a boat with her husband, who unfortunately had to be rescued fairly early on in the race, leaving her with the choice of leaving the race at an early stage or continuing alone. She chose the latter.

It's hard to imagine what Debra was feeling when the rescue boat sailed off leaving her alone with thousands of miles of ocean to get through and only her arms to propel her there. She mentions the fact that after rowing twenty miles in a day, a storm that evening blew her

### **A brief history of Debra Searle**

Debra is a professional adventurer and serial entrepreneur. Her expeditions have taken her across the Atlantic, around Antarctica, up to the Arctic Circle and everywhere in between. She has also launched five companies, is a published author, has presented for the BBC and is a trusted corporate speaker. Debra's spirit of adventure gained her an MBE from The Queen and a place on the board of The DofE. The movie of Debra's Atlantic story is currently in development in Hollywood.

back thirty miles. There's also commercial ships that came far too close for comfort, as well as the isolation and creatures lurking beneath the surface.

It wasn't in the plan, but she adjusted and with a big focus on choosing the right attitude, pushed through the hardest time in her life.

### **From the sea to the stage**

"When I finished rowing the Atlantic I was on the BBC a lot and a conference organiser from a telecoms company saw me on the news and contacted the BBC asking if I would speak at their event. At the time I was in a very difficult financial position. In the three and a half months I had been at sea, I had run up a £12,500 satellite phone bill and I had just told a researcher at the BBC that I was in real trouble because I couldn't afford to pay it.

"By chance, the telecoms company got through to the same researcher a few days later and asked if I would speak at their conference. Immediately she confirmed that I would speak but told them I charged £12,500. The conference organiser didn't quibble and my phone bill was gone!"

**"...we can't anticipate all of the changes that might threaten to blow us off course, but we can change tack to make sure we're always going in the right direction."**

It was to be Debra's first public speaking engagement. At the end of the conference, the attendees were on their feet cheering and Debra had a new line of work. She's now spoken at over 1000 events all over the world for 17 years and clearly loves what she does.

Debra employs a small team and runs multiple companies concurrently, so planning has now become absolutely central to what she does. Much like financial planners, she tends to plan

for the long term, with adjustments made annually and regular checks throughout the year.

She creates goals in six categories: health, wealth, work, relationships, fun, giving back.

"I mark myself out of ten in each of those categories and then set goals for the next twelve months based on the results."

At this point Debra introduces Choose Your Attitude – the one thing we always have a choice about. It's a mantra she developed after using it every morning on the rowing boat. It's about intentionally choosing an attitude each day and listing the benefits that would come from sticking to that attitude, to prime the brain for positivity. She also visualises the very end moment



when she will achieve each goal. One way she does this is to write about her objectives for a few minutes each day, so she is forced to review them regularly.

“Throughout the year I review my goals using my Choose your Attitude Journal. I write about them daily but always in the past tense, as if I’ve already achieved them. I’m journaling my future truths into existence. The planning isn’t just numbers on a page, I try to visualise what that moment will look and feel like when I achieve the goal.

“What neuroscience tells us is that when we can tap into the emotion of that visualisation, that’s when we can train our subconscious brain to find ways to make them a reality. It taps into hearts and minds rather than it being hard numbers. Of course, the hard numbers are only there to achieve the hearts and minds bits anyway!”

Hearts and minds to Debra, like many of us, typically refers to friends and family and our motivations for working, saving, investing and giving back.

#### **Longer term thinking and managing risk**

Expeditions tend to take much longer than a year though. Planning can take four years and Debra’s twenty years of experience means she’s seen a lot of the places before and trusts in her ability to be the expert organiser but she knows she will need support on the ground to manage the risks involved.

“I’ve been to the Arctic, crossed oceans, gone up mountains and down rivers all over the world so there’s not many gaps in my knowledge when it comes to organising! It’s more about reducing the risk for myself and the team – which is sometimes complicated by working with TV producers.”

“From an external point of view what we do can look risky, but the real risks are limited. We focus on taking the risks out but keeping the excitement there for people following the story. In this age of social media where people can follow every part of the story, that has been made harder.”

Much like financial planners, Debra has to gauge the level of risk her team, sponsors and media partners are comfortable with when she puts expeditions together.

“We took a group of women from the car industry to traverse Baffin Island in the Arctic Circle and we wanted the project to be really exciting as there was an underlying message about not putting any restrictions on what the women in your organisation can achieve. However, the CEO and HR Director were logically very concerned about the risks, so we worked hard to strike the right balance of risk and reward.”

“For example, polar bears are a massive problem so we spent a lot of time working with the Inuits to make sure the guides had the right equipment, everyone had bear flares that you shoot at bears if they come towards you, security fences to put up around the camp – it was thorough.”

“That’s an example of a high perceived risk that has been managed.”

#### **Attitude**

As the conversation turns back towards attitude, Debra says she’s learned a lot from psychological theory and applied it to the way she lives life day to day.

Using her mindset tricks in her life supercharged Debra’s career. She was a PE teacher prior to her rowing journey. Within a year she was speaking all over the world,

**“At the moment there’s so much uncertainty but there’s always something we can control – the next most obvious step.”**



working with the Royal Family on the board of The Duke of Edinburgh's Award, started her first business and regularly appearing on the BBC.

She noticed a sharp uptake in what she thought was possible and Debra puts this down to a mindset shift and being prepared to push herself outside her comfort zone. In recent years she has spent a lot of time deepening her understanding of neuroscience and positive psychology, taking an online course with a leading US university.

Doing the Atlantic row forced Debra to survive on her own for three and a half months and pushed her to places that she didn't know she could get to. Once she was back on dry land she began to ask herself how she had done it and she discovered that the techniques she had employed were nearly all rooted in positive psychology.

"What we do in a survival situation, like I found myself in during my solo Atlantic row, is focus on staying mentally strong, because where the mind goes the body will follow. What I've learned is that we can bring those techniques over to day-to-day life so that our daily challenges become less of a drain on our brain's resources."

"What we know from neuroscience is that our brains at positive outperform our brains at negative, neutral or stressed, so if we're able to approach family life, financial planning or our business challenges with a positive mindset, we're far more likely to navigate the challenges more successfully."

For the rest of us there's good news. Debra confesses to not being a naturally motivated or an endlessly optimistic person – she doesn't spring out of bed in the morning and it's something she's had to work at hard to get right.

"I've had to find attitude tools that work for me so I can create that positive mindset. What science tells us is that we have a base level of positivity but we can raise that by employing a few habits that don't take much time or cost anything. This might include the way we process the world in our minds, exercise, journaling, listening to music that taps into positive memories, meditation, acts of kindness, listing daily three things we are grateful for and even watching funny videos. All of these have been scientifically proven to boost our feelings of positivity.

"A lot of my focus has been on understanding how we can use our brains to see things more positively and a lot of that is about running these movies through in my head and visualising my achievement."

Visualisation is something that crops up several times during our conversation.

"I choose a positive attitude every day and the 'choose your attitude' mantra that I've developed really works for me. It was what I did out at sea on the rowing boat. I forced myself to choose an attitude and through listing the benefits of that attitude I had convinced myself that it would be worth giving it a go because I wanted those things to happen."

## We're all living in uncertain times. Brexit and global trade wars are the big topics in financial planning in 2019 with no immediate signs of resolution.

### Coping with uncertainty

We're all living in uncertain times. Brexit and global trade wars are the big topics in financial planning in 2019 with no immediate signs of resolution. There are few more uncertain places though than drifting along in the Atlantic with sharks and huge commercial ships for company. How has Debra learned to cope with uncertainty?

"On the boat I would ask myself, on a scale of one to ten, just how bad the situation was. Ten was being eaten by sharks and one was arriving in Barbados. Honestly, on my worst nights at sea I put myself on my 'How bad is

it? Scale' and I was never worse than about seven out of ten. Once I shifted my perspective I realised it wasn't as bad as I thought and I could shift my attitude and think positively."

Perspective is Debra's first piece of advice. Even in her business life when things have looked bad, she is able to break it down and where a ten is the business going under and losing her house, she doesn't think she's ever been worse than a five.

This leads into her second tip, which is controlling the things that can be controlled.

### Controlling the controllables

It's fair to say there are always parts of life that feel hard to pin down or as if we're just being carried along by a wave. Debra says focusing energy is critical to make sure we're as effective as we can be.

"At the moment there's so much uncertainty but there's always something we can control - the next most obvious step. When things are looking busy or unachievable, I'll sit down with my team and we list out what we can do something about and what we can't and put our time and energy in to things we can influence. There's no point worrying about the bits we can't do anything about!"

"I think the other bit about uncertainty is that the most difficult times push us outside our comfort zone. Over the years whether that's been at sea, in business, or in the Arctic Circle, I've been forced to innovate and do things differently and the net result of that is always really positive. The best and boldest business decisions I've made have been when I've been outside my comfort zone and it has been really tough."

### Leaning on the experts

Doing solo expeditions can feel very lonely at times but the reality is that shore-based and land-based teams

help Debra make it through. They're the ones who look after the bigger picture, like the weather forecasts, which isn't always readily available to Debra.

"There must be a parallel between what I do and what Wren Sterling's advisers do for clients. It's their journey but you are there to make sure they stay on track."

### What's next?

There's a movie of her Atlantic row in production at the moment, which is a couple of years away, and there's no sign of her other businesses slowing down. She has, remarkably, found time to publish her Choose Your Attitude journal.

"I get annoyed when I'm described as "Debra Searle, the solo Atlantic rower", because without the help of the shore team I would never have made it through successfully and reaching my goal of getting to the other side of the Atlantic."

It seems as if Debra has found the balance that works for her by optimising her own performance but recognising when the help of an expert can reduce her risks and help achieve her goals.

### Special discounts for Wren Sterling clients

Debra is asked so often about her mindset techniques and the journal practice that she goes through that after a while it made sense to make it available to people who've heard her speak or been inspired by her story.

The Choose Your Attitude Journal is out now and Wren Sterling's clients can enjoy a 25% discount by ordering from [www.debrasearle.com/journal](http://www.debrasearle.com/journal) with the code WREN19.



# Beyond 'active' and 'index' investing



Gareth Hope, Head of Research,  
Wren Sterling



When working with your Wren Sterling adviser, you may have heard or seen investments described as 'active' or 'passive'. You might have wondered exactly what these terms mean and why two different approaches to investments are necessary.

Gareth Hope, Wren Sterling's Head of Research, explains what the terms mean, the difference between the two investment strategies and the affect they have on your portfolio.

**What are the choices available to an investment manager?**

When building a portfolio, an investment manager gets to choose where to invest across the globe, and how to invest in those areas. Each of these choices has two broad options.

Firstly, in terms of where to invest, or the asset allocation, a manager can choose to build a portfolio and maintain this (referred to as Strategic Allocation); or have the strategic allocation as the starting point and then adjust this as market conditions change (referred to as Tactical Allocation).

Secondly, once the asset allocation is decided on, the manager can choose to use investments that follow a market (index investing), or make choices about how to invest in a market (active investing).

**What's the difference between strategic and tactical investing?**

All investments are made in assets, such as property, bonds, equities and cash. Spreading your investments over these assets helps protect your portfolio from the risk of being invested in one area. The combination of these types of assets, and how often they are reviewed depends on whether your fund takes a strategic or tactical view of asset allocation.

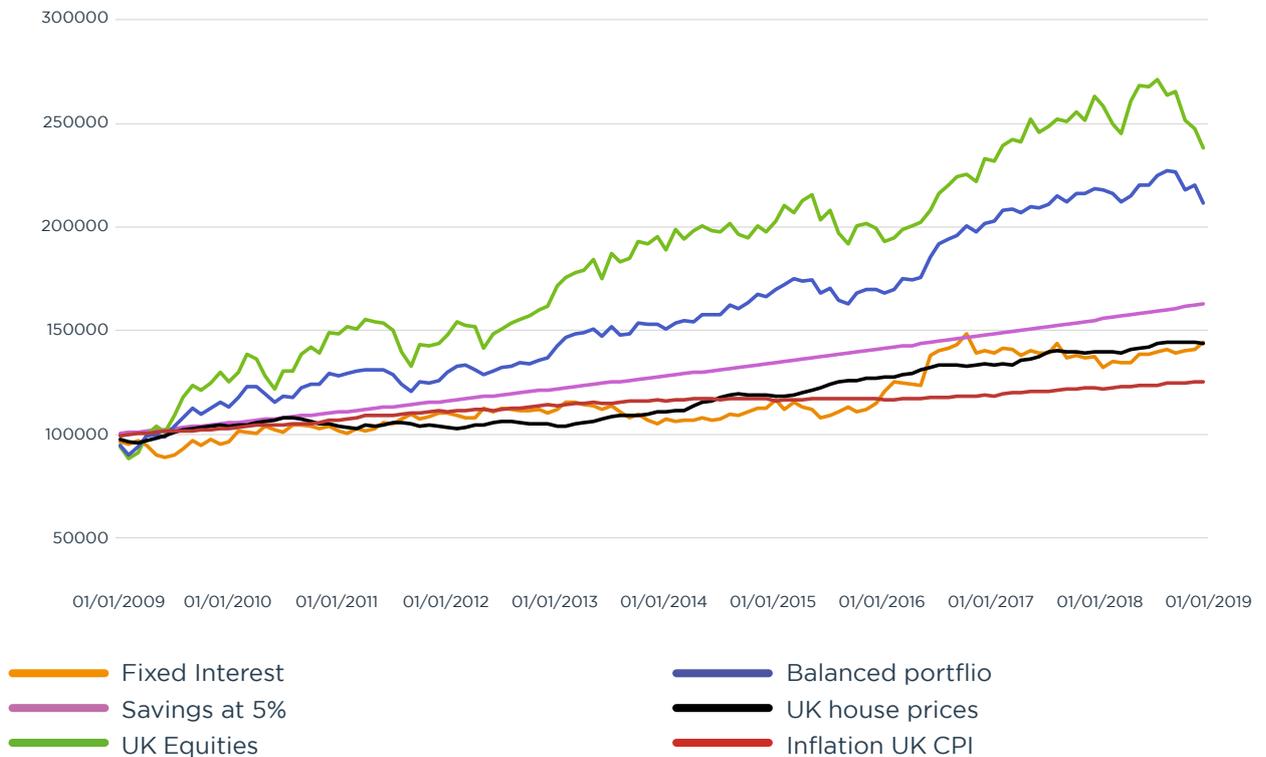
...in reality these investing styles are more of a sliding scale as they're both investing in the same thing.

At its most basic, the difference between strategic and tactical investing is frequency of change in the type of assets you're investing in. Tactical asset allocation decisions are based on current market conditions, whereas strategic allocation looks 'long term'.

If you consider the graph below, you can see that the overall trend for investment performance is a growing one. So it makes sense to take a long term view. However, you can also see that within the long term trend there are plenty of dips along the way and this is where a tactical investor will try to pre-empt the rise and fall in different asset classes to boost returns.

Tactical and strategic allocations can be cast as two opposing schools of thought, in reality these investing styles are more of a sliding scale as they're both investing in the same thing.

UK Asset Class Performance



<http://www.cityam.com/264270/cash-vs-stock-market-difference-returns-since-isas-began>

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### What's the difference between active and index investing?

Index investments follow market returns while active investments attempt to outperform those markets by buying and selling investments. Active funds often have higher fees, as they require investment managers to monitor and manage these funds in order to take advantage of any fluctuations. Their results can be good, but there is no guarantee.

Index-based management removes the risk of human error in stock selection. Index funds are traded less frequently, and often have less expensive management fees.

### Why are these terms needed when talking about your investments?

These four quadrants help to understand where an investment manager seeks to add value to your investment portfolio. In the bottom-left 'strategic index investments', the manager believes that there is limited value in spending more on making changes to the investments and that obtaining market returns, and minimising cost, are the best way forward.

Through to the top-right, 'tactical active investments', where the manager believes that being able to change how the portfolio is invested can provide value.

The most appropriate approach will depend largely on your objectives and whether you feel that managers making changes can deliver outperformance of an index

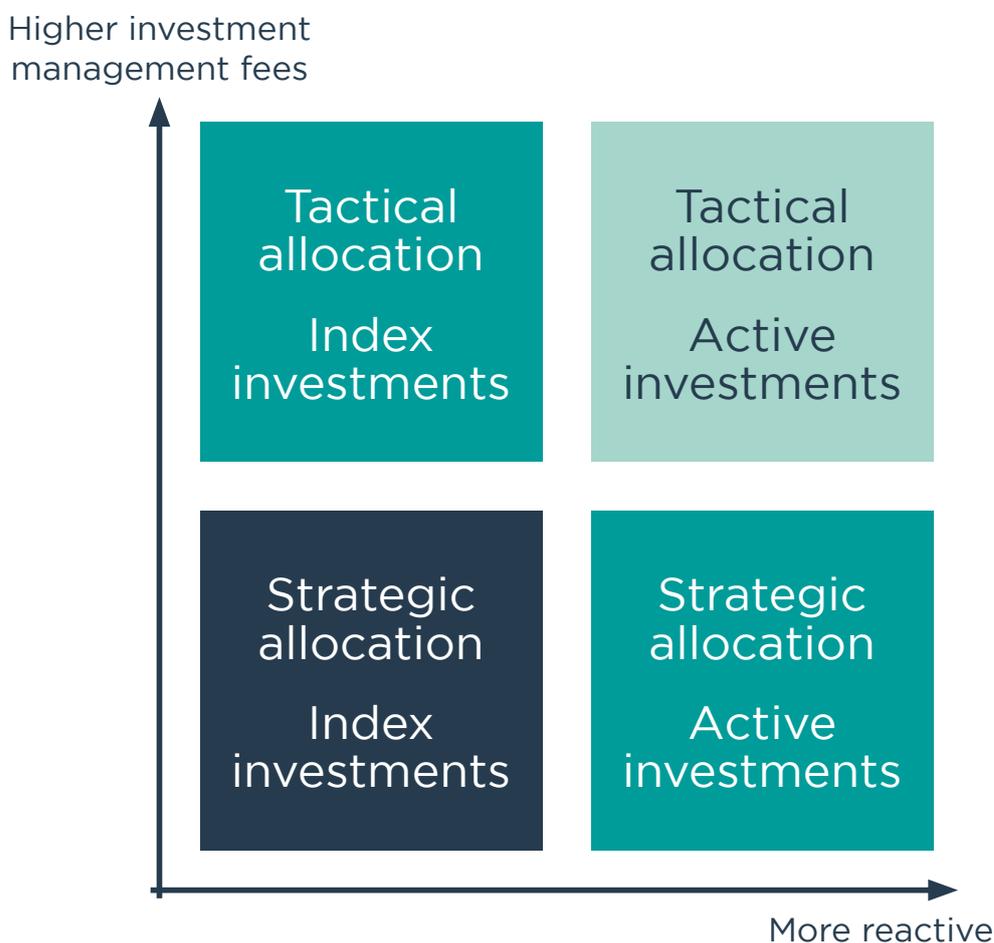
investment. Exponents of both strategies have amassed plenty of evidence to suggest their way is best, but as past performance is not a guarantee of future investment returns, there's only so far one can read into this.

### Why does this matter?

Describing an investment as 'active' or 'passive' doesn't fully explain how your investment manager is looking after your money and trying to provide growth. For example, there may be times when an investment manager makes changes which may lag behind the wider market, but this can be the trade-off for trying to achieve higher returns.

Your Wren Sterling adviser will work with you to understand your personal objectives, views and expectations and this allows them to recommend appropriate investments which can match them; and sets your expectations.

As an independent financial adviser, Wren Sterling can see merit in each of the strategies outlined in this article so we don't subscribe to one over the other. However, it continues to be one of the biggest dividers in investment management. Ultimately, our main concern is delivering value for our clients and the net value after fees have been deducted from investment returns is a key metric.



The value of your investment can go down as well as up and you may not get back the full amount invested

# Where there's a Will, there's a relative



Trevor Hinds, Director,  
Private Client Online



**Making a Will doesn't have to be difficult or stressful, but care should be taken to ensure that you are fully informed of the pitfalls to ensure your Will is (and remains) valid. As with most things, sometimes there is no substitute for professional advice, especially when it comes to the key issues.**

**Wren Sterling is a preferred partner of Private Client Online (a service offering online estate planning services) which can help you prepare for the unknown - rather than leaving your estate planning on the 'to do' list until its too late.**

I've seen families torn apart by disputes about Wills and for blended families (a family unit where one or both parents have children from a previous relationship) professional advice should be taken on the most appropriate type of Will to set up.

**Government guidance suggests that Wills should be reviewed every five years. This should be a minimum; Wills should be reviewed whenever a major life event occurs to ensure intended beneficiaries actually do inherit your estate.**

#### **The importance of updating your Will**

A recent High Court decision involving a disputed Will brought by three brothers against their sister highlights the importance of taking care when drafting Wills. Anna Rea, who died in 2016, left her home (and thus the majority of her estate) to her daughter, Rita Rea, at the exclusion of her three sons.

An earlier Will of Mrs Rea's had split the estate equally between her four children but she had made a new Will in 2015 which declared that she wished her daughter to inherit her home as she had looked after her for several years. Mrs Rea went on to say, in her Will, that her sons have not assisted her or cared for her. Interestingly, Mrs Rea specifically stated that, if her sons challenged the validity of her Will, she wished her executors to defend such a claim.

Ultimately, the court rejected the sons' claim, stating that it was not the judge's decision as to whether the Will was fair, but simply whether it was valid. The judge rejected, amongst other things, claims of undue influence and found that Mrs Rea knew exactly what she was doing when she made her last Will.

**It is a timely reminder to review some of the issues that can arise if care is not taken when writing a Will.**

#### **What do you need to know?**

##### **Execution**

No Will is valid unless it is in writing and is signed in a particular manner. In most cases this involves the testator (the person making the Will) signing at the end

of the document and their signature being made in the presence of two or more witnesses who are present at the same time and who sign in the presence of the testator. In Scotland, only one witness is needed, but the Will needs to be signed by the Testator on every page.

##### **Capacity**

When a person executes their Will, they must at that time have the requisite mental capacity to do so. This means they must understand what they are doing, the extent of the property which they are giving away in their Will and who they should benefit.

In several cases, the courts have confirmed that the test for capacity does not depend on memory but, rather, on the potential capacity of the testator to understand the nature and the implications of their decisions.

##### **Undue influence**

Where it is alleged that the testator executed their Will as a result of 'undue influence', it is up to the person making the allegation to prove this. In this case the sons were unable to show evidence of this.

##### **Interest**

A beneficiary of a Will cannot benefit if they (or their spouse) were a witness to the Will. The gift to such a beneficiary would be void.

##### **Partial intestacy**

An intestacy occurs when someone dies without a valid Will. This may be due to several reasons: not making a Will; marrying after having made a Will; making an invalid Will or revoking an earlier (valid) Will without replacing it.

**Where there is no valid Will at all this is called a total intestacy. However, a partial intestacy can occur even where a person has made a valid Will which does not dispose of their whole estate.**

The intestacy rules will therefore apply to the part of the estate that the Will fails to dispose of.

Partial intestacies can be avoided by including substitute beneficiaries or by including a class of people (e.g. "such of my grandchildren as are living at my death and if more than one in equal shares").

#### **Next steps**

No one wants to think about what might happen when they're no longer around. But making plans before its too late is crucial to ensure that your legacy is distributed according to your wishes.

If you'd like to discuss your plans, for estate planning such as Wills, Powers of Attorney or Trusts, get in touch with your adviser.

# How will technology advances affect financial advice?



Nick Moules, Head of Marketing,  
Wren Sterling



**Artificial intelligence, open banking, robo advice, blockchain, virtual reality – all hot topics in financial services innovation as brands try to understand how they can most effectively engage their customers, better understand their circumstances and monetise their connections using the latest technology.**

In the financial advice market we've been hearing these phrases for several years but as yet, there has yet to be a watershed moment where a firm has gobbled up market share and created genuine disruption through the use of futuristic technology.

#### **Traditional barriers**

The logical step is to question why this is, when other similar industries, like the payments and pre-paid card industries, are full of lean competitors (Monzo is a good example). Financial advice could be the perfect market for tech innovators; it has a lot of wealth to go after, it is traditionally slow to innovate and technology has the ability to improve the client experience and make firms more efficient.

Brands have certainly tried to gain first mover advantage. In the online investments space Investec recently closed its 'Click & Invest' direct investment service following an unsuccessful period, at a reported cost of £20m<sup>1</sup>. At the point of closure, the company cited a lack of appetite for its investment services. It adds that the digital wealth management market is growing at a "much slower rate than expected".<sup>2</sup>

**There's no shortage of demand for investments at the moment, so one can infer that the lack of appetite is around making substantial investments through an online platform without advice.**

The basic economics of investing in technology, staff, infrastructure and marketing and the amount that individuals are willing to place with an online-only investment service have not added up for Investec, despite it being a business that employs some cutting edge thinking and no shortage of ambition in its other activities.

Regulation is something of a barrier to entry in financial advice. It can demand a lot of manpower to navigate and the requirement to treat customer's fairly as a central pillar of conducting business in the sector cannot be ignored by those piloting more automated solutions.

Every client is genuinely different and although algorithms can be calculated to incorporate endless eventualities there's a sense that human intervention is still essential to ensure the best possible outcomes for clients.

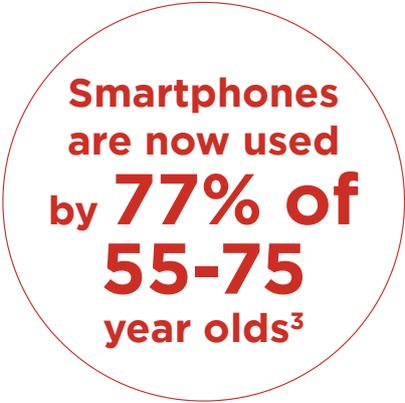
A common misconception about technology and the financial advice market is that clients are not "tech-savvy" so therefore take-up will be low. That might have been true a few years ago but the proliferation of smartphones and tablets among older generations is changing that. Smartphone penetration has seen growth across all age groups, the 55-75 category has seen the

most growth increasing from 40% in 2013 to 77% in 2018.<sup>3</sup>

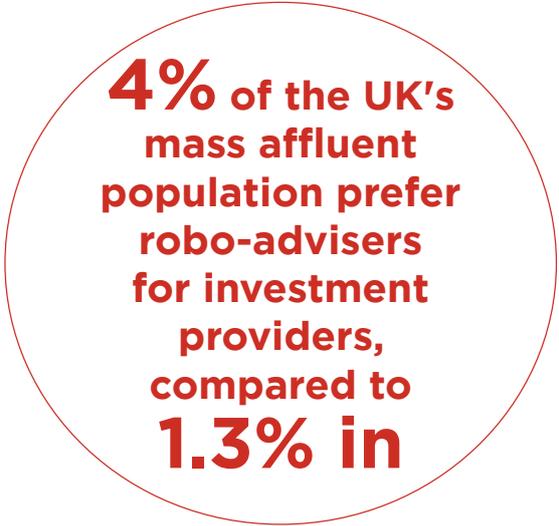
**Perhaps the single biggest issue is trust and fear of data loss, misuse and scams.**

It's not an irrational fear as there have been high profile incidents in recent news – but technology also has the potential to limit that. Blockchain originated in cryptocurrency (think Bitcoin) and is a complex way of ensuring transactions are secure but essentially it means each electronic stage, or block, in a transaction is unique and is connected in chronological order to other transactions in the same 'chain'. Because each part is unique and goes through multiple stages of verification it makes it very tough to hack.

Institutions are experimenting with blockchain (including



**Smartphones  
are now used  
by 77% of  
55-75  
year olds<sup>3</sup>**



**4% of the UK's  
mass affluent  
population prefer  
robo-advisers  
for investment  
providers,  
compared to  
1.3% in**



**As many as  
3 in 10  
financial  
advisers are set  
to retire in the  
next five years<sup>6</sup>**

BP, Amazon and Fidelity<sup>4</sup>) and it's reasonable to assume that large insurers that Wren Sterling deals with will introduce the technology in the near future.

### Where advice can benefit from technology

Open Banking is the secure sharing of financial information between platforms that is being embraced by many small tech-savvy banks and financial institutions. As financial advisers, advising on our clients' entire wealth allows us to make the most comprehensive recommendations. If that information was available to us and the client in real time, we could arguably make better recommendations. There's no doubt the process would be faster as well, resulting in a better experience for everyone.

One of our building society partners is pioneering video conferencing facilities so clients can speak to their adviser without travelling – which reduces the cost of delivering advice, make it more convenient, and ultimately, lead to better value for client and firm.

Other labour-intensive processes like research have benefited from product aggregation and voice technology has the ability to transform the gathering of information..

### How Wren Sterling is embracing technology

At Wren Sterling our Personal Finance Portal (PFP) has been live for a couple of years, allowing us to share files securely, to communicate faster and to measure the effectiveness of our communications.

The PFP allows us to display our clients' financial information at a glance in real time – much like online banking apps do. Importantly, the roadmap for development within the PFP will incorporate some of the innovations mentioned in this article, including Open Banking. It's feasible that in the near future clients can see their investments, pensions, credit cards, current accounts and savings all in one place and their adviser will be able to make more informed recommendations.

We're actively encouraging our clients to adopt the PFP as soon as possible so they can be part of the next phase of its development. There's no charge to clients for doing so either.

Wren Sterling has also adopted cashflow planning into our processes. Visually displaying clients' cashflow projections really brings the scenario to life and we see a bright future for that technology too, which could clearly be aided by open banking.

### A perfect storm?

There could be a perfect storm coming that will make technology more attractive to firms, advisers and clients. Numbers of financial advisers are forecast to decrease over the next few years, but demand for advice is likely to rise significantly through increased pension savings levels brought about through auto enrolment and other focuses on retirement savings. Some estimates suggest that as many as three in ten advisers set to retire in the next five years<sup>6</sup> and although they may be replaced, there's an opportunity for firms to look at how to plug this skills gap with technology in a way that

delivers an equivalent or improved client experience. If the value in financial advice is time with an expert and the peace of mind that comes with knowing your plans are aligned to your overall goals, there will inevitably be other parts of the process that can be aided by technology.

At Wren Sterling we're running an apprenticeship scheme to ensure we're training the financial advisers of tomorrow and we're constantly looking for technology to improve our processes and the advice and experience we offer to our clients.

For technology to really transform financial advice, it will take both sides to move towards the middle; firms to enable the technology and clients to see the benefits of what's on offer but one thing's for sure, things will not stand still.

Financial advice could be the perfect market for tech innovators; it has a lot of wealth to go after, it is traditionally slow to innovate and incumbents are probably sitting a bit too comfortably.

<sup>1</sup> <https://citywire.co.uk/wealth-manager/news/investec-shutters-robo-click-and-invest-in-20m-write-off/a1230087>

<sup>2</sup> <https://www.moneywise.co.uk/news/2019-05-16/digital-wealth-manager-investec-click-invest-shuts-down>

<sup>3</sup> <https://www.deloitte.co.uk/mobileuk/>

<sup>4</sup> <https://www.forbes.com/sites/michaeldelcastillo/2019/04/16/blockchain-50-billion-dollar-babies/>

<sup>5</sup> <https://www.internationalinvestment.net/news/4004469/robo-advice-preferred-uk-mass-affluent-investors-survey>

<sup>6</sup> <https://www.ftadviser.com/your-industry/2019/08/09/warning-sounded-as-15-000-advisers-to-retire/>

# Take your financial advice experience digital with Wren Sterling's Personal Finance Portal

Over 70 per cent of adults in the UK now use online banking, carrying out transactions that used to require a visit to a branch. Financial planning is moving in the same direction, and we know that clients want real-time information at their convenience, which is why we've launched our Personal Finance Portal (PFP).

## Why use the Personal Finance Portal?

### Clear financial dashboard

View your finances anywhere, on your desktop, laptop, or mobile device. The clear, visual dashboard will show you a easy-to-understand overview of your investments and savings.

The dashboard is updated every day for most investments, so you'll be able to log in as often as you like to see how your money is performing.

### Uncompromised security

Our portal doesn't compromise the security of your information. Access to the portal is encrypted, so that only you and your adviser will be able to view the information stored in this account.

### Document Vault

You can house any of your important documents online in the Document Vault, which is safer than your filing cabinet, and more convenient – and you can choose to share items in the vault with your adviser.

### Secure Messaging Service

Unlike emails or letters, which have the potential to be intercepted, the PFP's Secure Messaging Service offers a secure channel for you to quickly get in touch with us, knowing that any information you share is encrypted and completely private.

### Help us go paperless

We're all looking to minimise our impact on the planet, and we hope that our PFP will limit the amount of paper we need to send you in the post.

## Register today

You can register for our PFP by visiting <https://wrensterlingpltd.mypfp.co.uk>

If you need any help during the registration process, we have a dedicated helpdesk who will be happy to help – just send them an email at [pfp@wrensterling.com](mailto:pfp@wrensterling.com)

# Borrowing into retirement



**N**ick Morrey, Product Technical Manager,  
John Charcol



**Even if you've been financially savvy throughout your life, there are still important decisions you'll have to make in your later years. Naturally, your first thought will run to your pensions and preparing a will, however more and more we're seeing that people are seeking to remortgage or possibly refinance their home.**

Carefully planning your finances into your later years can help you live a more comfortable lifestyle, well into retirement. Later life lending can benefit many borrowers - from those with an interest-only mortgage who are unable to pay off the balance at the end of their mortgage term, to those looking to borrow more money to refurbish their property or buy the holiday home they've always dreamed of.

## **Borrowing in retirement**

There are options other than downsizing available to you if you want to release cash tied up in your property. But mortgaging, or borrowing more money above your existing mortgage, in your later years can prove more

difficult. This is because lenders have to look at your affordability both now and in the future. That means looking at your retirement and pension incomes. For most people their post-retirement income is likely to be significantly less than their pre-retirement earnings. This can present a problem for lenders. Although you may be able to afford a mortgage easily whilst earning, it's likely to become less easy to afford once you retire, or in some cases not affordable at all.

When thinking about borrowing into retirement you need to consider how much income you will have in retirement, how long you want to borrow the money for, and how you'll ensure you've paid everything off by the end of the term.

As the state retirement age is creeping closer to 70, most lenders will accept that people are likely to be able to continue working until then. That means they can base their affordability calculations on earned income until that point. However, if you need the term to go beyond age 70 then those same calculations will have to

be based on your potential pension/investment income only – not your current earnings. It's not impossible though and quite a few lenders will nowadays lend to age 85 and in a small number of cases to age 90.

As with any mortgage however, the better your credit history and cashflow, the more likely it is for you to be approved. Some lenders will let you take out a mortgage that will not be paid off until after you retire. However, you will need to prove that your income into retirement will be enough to cover your mortgage repayments throughout the full term of the mortgage.

If you haven't retired yet, you may need your pension provider to give confirmation of:

- Your expected retirement date
- Your current pension pot value
- Your expected retirement income

### Specialist 55+ mortgages

Some specialist lenders have started offering long term, secured loans to those aged 55 and older. The term over which you can borrow money will depend on your individual circumstances, level of income and outgoings. But in general, the maximum term allowed is limited by when the youngest borrower (if borrowing with a partner) turns 95.

If the loan you go for is on an interest-only basis (as opposed to traditional capital and interest repayment), your lender will require you to have a viable strategy for paying back the capital at the end of the lending period.

Viable strategies include:

- Downsizing, clearing the balance from the sale proceeds and using what is left to buy a new home without any borrowing at all.
- Sale of other property e.g. a buy-to-let property or a holiday home
- Selling other investments e.g. stocks or shares or the maturity of an investment such as an endowment policy or an ISA.

### Lifetime Mortgages and Schemes

2 types of lifetime products include: equity release mortgages and home reversion schemes. Lifetime mortgages are usually most appropriate for those who have no mortgage or have almost paid off their existing mortgage (i.e. lower loan to values).

### Equity release

Equity release allows you to borrow a percentage of the value of your home from a lender. You still own your property, but you have a loan secured against it. This loan is repaid when you pass away or move into long-term care with no prospects of returning to the residence.

The minimum age to take out an equity release mortgage is 55. For the duration of these mortgages, you do not have to make any monthly capital or interest payments. This is because the monthly interest payments are added to the money you've borrowed, which you don't repay anything until your home is sold when you die or move into long term care. The interest rolls up each month which means the debt grows and eats into the money you or your beneficiaries would receive following the sale of your home.

### Home Reversion Schemes

A home revision scheme allows you to sell your home, or a part of it, to an equity release company. The money the equity release company will give you is likely to be lower than the market value of the property. Often the money can be given to you as a lump sum or as a regular income. Then, when you pass away or go into long term care, the home reversion company will sell your property and take back what you borrowed. Again, this could reduce how much your beneficiaries can inherit from your property.

#### Next steps

This article was a brief outline of the options, paths and solutions available to you, from mortgaging, to extending your mortgage and releasing the equity you've built up in your home. If you have questions about your own retirement income, or for specialist mortgage advice please ask your adviser for an introduction to John Charcol.

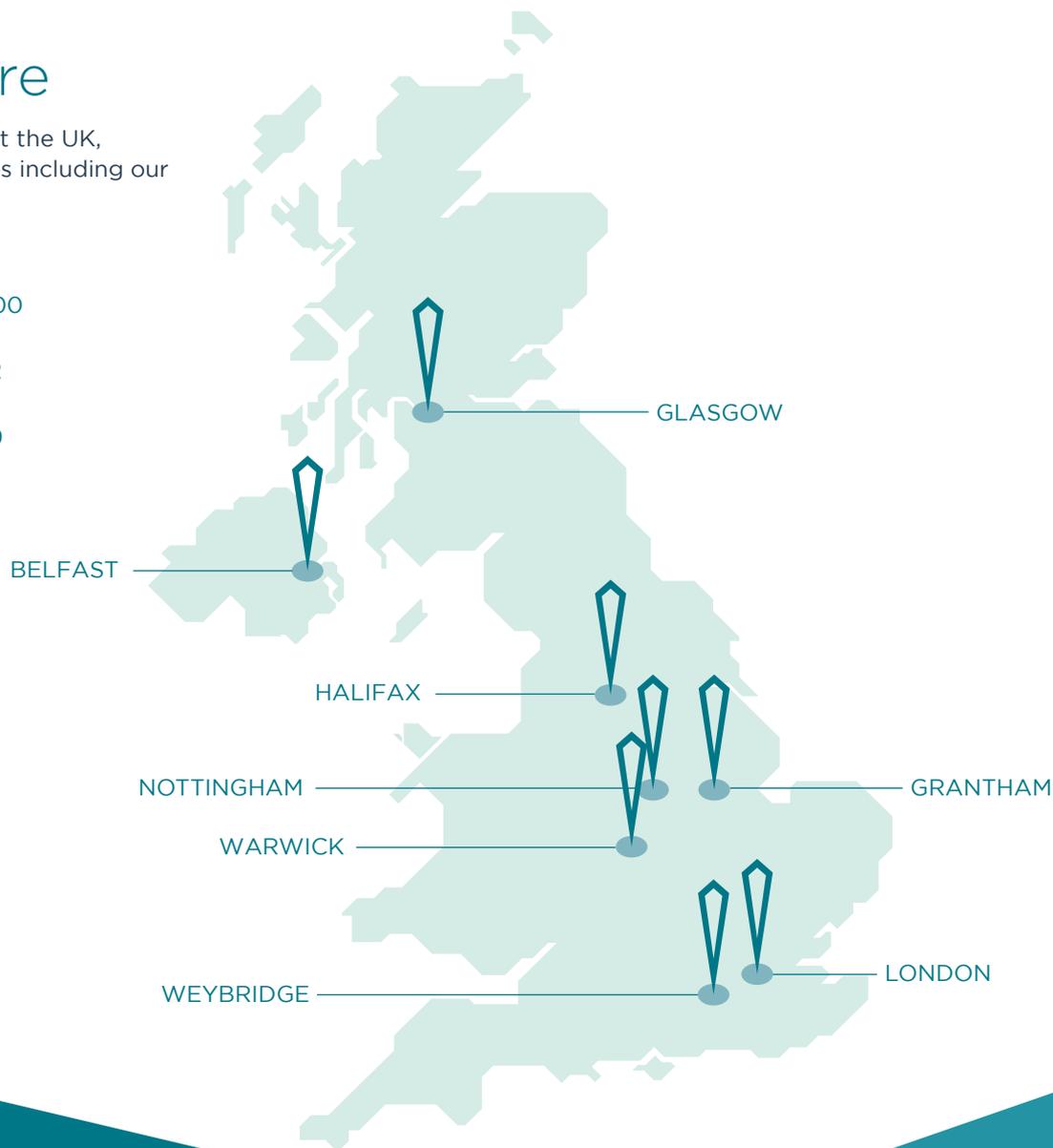
# About Wren Sterling

Wren Sterling is a nationwide independent financial planning business that specialises in all aspects of investments, protection, and retirement planning. We pride ourselves on navigating clients through their financial journey by providing uncompromised and objective advice. Our advisers are committed to developing longstanding client relationships that span generations to achieve our clients' lifetime financial goals.

## Where we are

We have advisers throughout the UK, based in eight regional offices including our head office in Nottingham.

- Glasgow 📞 0141 341 5240
- Halifax 📞 0333 0438 900
- Nottingham 📞 0115 908 2500
- Warwick 📞 0333 043 9001
- Grantham 📞 01476 560 662
- London 📞 0370 1432 100
- Weybridge 📞 01932 481069
- Belfast 📞 0370 1432 100



## Need to speak to us?

📞 0370 1432 100

✉️ [contactus@wrensterling.com](mailto:contactus@wrensterling.com)

🌐 [www.wrensterling.com](http://www.wrensterling.com)

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