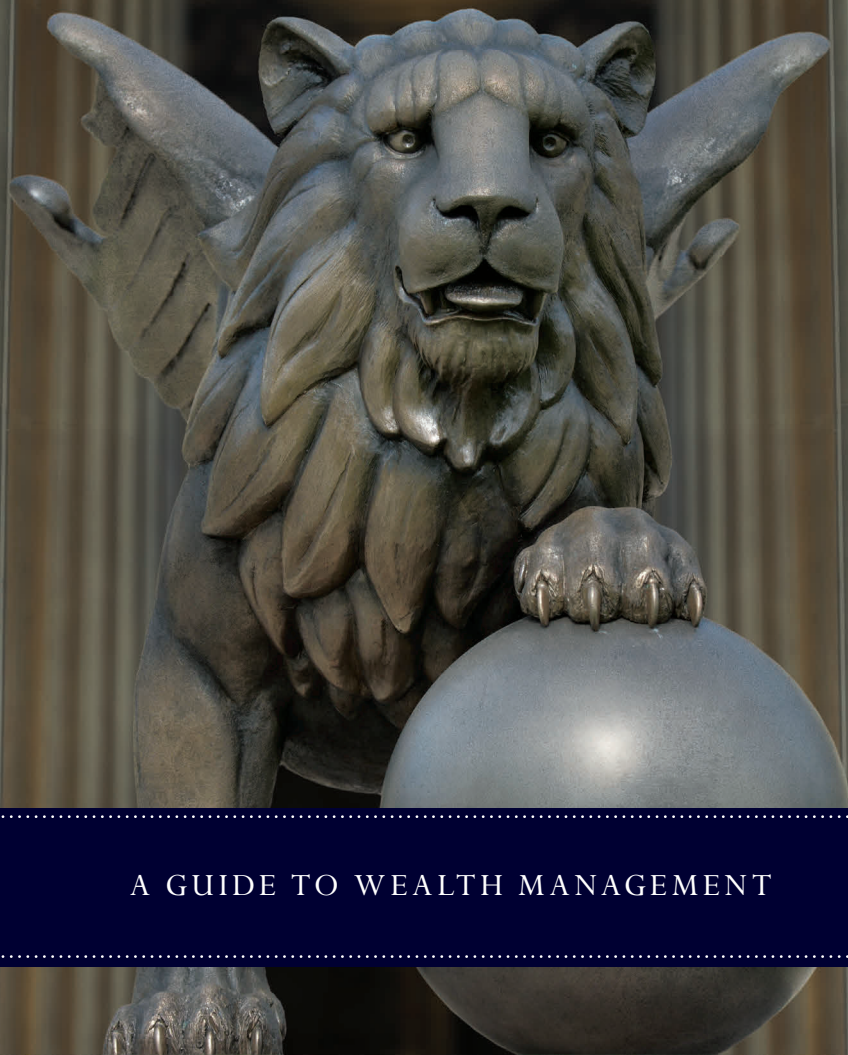




ST. JAMES'S PLACE  
WEALTH MANAGEMENT



A GUIDE TO WEALTH MANAGEMENT

PARTNERS IN MANAGING YOUR WEALTH



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## A GROWING NEED FOR WEALTH MANAGEMENT ADVICE



Wealth management is about taking care of all your financial needs together with those of your family; but the reality is that very few of us manage our finances as best we might. This is hardly surprising – the financial world is complex and fast-changing, with a myriad of choices available. Achieving a successful outcome means spending huge amounts of time researching those choices and options. And yet, most of us have neither the time nor, it has to be said, the inclination to make the most of what is on offer.

The simple way out of this dilemma is, of course, to seek financial advice and, sensibly, many of us do just that. The problem is that much financial advice is too narrow, addressing the immediate need but failing to see the bigger picture. For example, if you ask for advice on investing tax-efficiently in an Individual Savings Account (ISA), you will probably get it. What you don't get, however, is a view on whether you would be better off putting the money into your pension plan or reducing your mortgage borrowing.

Your financial situation is unique, so the core of wealth management should be a personal service and a long-term relationship with a chosen adviser, combining regular and comprehensive reviews of your personal finances.

Wealth management should provide a co-ordinated or holistic plan for all aspects of your affairs. Rather than sell you a financial product and never see you again, a wealth manager should be on hand throughout your life. For a successful relationship, you have to trust your wealth manager implicitly and there has to be empathy with your aspirations. Only in this way can you create a successful strategy for your financial affairs.



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If you own or manage a business, you should expect advice that extends seamlessly across your personal finances and your business interests. This means, for example, advice on the best approach to realising the value of your share of the business, both over the years and when you come to implementing your exit strategy. Aligned with your interests are those of your employees, so you will need someone who can also provide a tailored package of group benefits – ranging from pensions to investments to healthcare plans.

So the first step is to choose a wealth manager. In making a choice, the real test is whether your wealth manager has the necessary skills and experience to understand your needs, create a bespoke solution and provide a high level of advice and specialist services, either from within or outside their practice. These specialist services may include private banking, discretionary fund management, legal services, tax planning and accountancy.

As part of your selection criteria, it is worth reviewing the size and financial strength of the wealth manager. Larger institutions can often provide a greater depth of expertise and resource, ideally coupled with a comprehensive personal service. Additional reassurance might come in the form of any advice given by the wealth manager, in respect of the products or services offered by the company they represent, being guaranteed.

Whatever criteria you apply in making your choice is, of course, subjective; but the key issue is ultimately whether you feel confident that your chosen adviser will help manage your wealth in a proactive and professional manner.

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## A RANGE OF DIVERSE NEEDS



Your individual needs for financial planning will require a bespoke solution. But in broad terms, your objectives are likely to fall into three key areas:

- Building and preserving capital
- Managing cash and borrowings
- Financial protection against risk

Of course, it is likely, because of changing circumstances and priorities, that you will need advice on all three areas. A good wealth manager should be able to provide this.

### BUILDING AND PRESERVING CAPITAL

Building and preserving capital will cover a number of needs such as pension planning, investments, and trust and estate planning. When building capital, the management of risk is critical and can be best summed up in one word – diversification – both by asset class and by investment manager. How much money should you hold in cash to meet your short-term needs and for emergencies? What is the right mix between UK and international equities, and how should you gain exposure to commercial property and other alternative asset classes? These are all central to the successful accumulation of capital.

These asset allocation decisions can only be truly successful if the managers looking after the individual elements are of the highest quality, so it's important to understand how your wealth manager selects the managers ultimately making the investment decisions.



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## **Pensions**

Of course, in building your capital, every effort should be made to take advantage of the tax-efficient vehicles available. Pensions have a unique advantage when it comes to investing for your retirement, thanks to the availability of tax relief. Member contributions to a personal pension are paid net of basic rate income tax. So if a member pays a contribution of £32,000 net of basic rate income tax, the scheme will invest £40,000 as the gross contribution. Additional rate taxpayers can claim an extra 25% tax relief via their annual tax return.

The majority of us need to save more for retirement and, having established a retirement plan, it is important to commit to it and take action.

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

## **ISAs**

Similarly, making regular use of ISAs has enabled people to build up meaningful sums of capital in a tax-efficient environment; and the management of these is a key element of any strategy. So whether we are looking to build or preserve existing capital, there will be an ongoing need for high-quality fund management.

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 favourable tax treatment of ISAs is subject to legislative change and is therefore not guaranteed.





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## **Inheritance Tax**

With the increase in property and investment values, Inheritance Tax (IHT) no longer affects just the wealthy. The individual threshold, known as the 'nil rate band', is currently £325,000.

An additional allowance, the residence nil rate band (RNRB), is also available, which can reduce the taxable value of a property on death if it is left to direct descendants. The RNRB is currently worth up to £150,000, increasing to £175,000 in April 2020.

Therefore, careful IHT planning is central to any wealth management strategy in order to protect the estate, ensuring that, when you die, the bulk is passed not to HMRC but to your family. But how do you draw up your Will in the most tax-efficient way? How can you transfer assets during your lifetime in an IHT efficient manner and/or help beneficiaries meet the tax liability without disturbing family wealth?

The last thing you want is for your family to have to face a large IHT bill when you die. With careful planning, it is possible to make provisions so that HMRC does not take a greater share of your wealth than is necessary.

*Advice relating to a Will involves the referral to a service that is separate and distinct to those offered by St. James's Place. Wills are not regulated by the Financial Conduct Authority.*

## **MANAGING CASH AND BORROWINGS**

Along the way, you will of course need to manage your cash and borrowing requirements – so advice on mortgages may be needed. Again the choice is vast, so guidance on the most appropriate product or service is paramount. The key is to put into place arrangements that are most advantageous to you.

Your home may be repossessed if you fail to keep up repayments on your mortgage.

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## FINANCIAL PROTECTION AGAINST RISK

Another component of the planning process is to consider financial protection against risk – to your health, life, assets and, if in business, your business partners and employees – to create a cushion against the unexpected.

A wealth manager can help you determine and establish both adequate levels of insurance and appropriate kinds of cover, to protect you and those who depend on you against all the most serious risks that you face. Consequently, whilst insurance may not be the most exciting area of financial services, it is one of the most important.

## INVESTMENT MANAGEMENT



### SELECTING FUND MANAGERS

Successful investment is critical to your future financial wellbeing, but it is a field which presents a unique problem; future performance is unpredictable. As a result, when you choose a fund manager, no matter how successful they are, you can never be sure that you have made the right choice. Even if you have, it may not continue to be the right choice over the years to come. The problem stems from the fact that there are very few investment professionals who can consistently deliver superior investment performance over the medium to long term.

You could look at managers' immediate past performance. Regrettably, this in isolation is of little help: past performance is not indicative of future performance. Also, the figures alone do not tell you whether the person who achieved that good result is still managing the assets. In the investment industry, it is commonplace for managers to move around. When investors do find out that a star manager has left, they then have to decide what to do next.

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It may be that you can transfer your existing portfolio over to a new manager, but this may incur costs chargeable to you. Alternatively, if the investment is held in a collective or pooled fund and you wish to follow the successful manager, then you will need to sell the existing fund and then re-invest that money in their new fund. This may trigger an unwanted taxable event which could, for example, disturb your longer-term wealth strategies, including your IHT mitigation strategy, and expose you to new charges.

Alternatively, you might put your trust in the new incoming fund manager, hoping that individual will do as good a job as the previous one.

But the outcome is uncertain – how long will you wait to make a judgement as to how good the manager is? Will you have to endure poor performance in the meantime?

Having selected an individual manager to look after your portfolio, or indeed a number of investment professionals to manage your assets collectively, you then have the task of monitoring their performance. Most of us do not have the necessary resources, or probably the interest, to do this in a thorough, meaningful way on a daily basis, preferring instead to review our investments once or maybe twice a year. Unsurprisingly, many investors have, from time to time, experienced poor investment performance, and, unfortunately, by the time this has happened, it is often too late to take corrective action.

On the other hand, if the performance of all your managers is constantly under scrutiny, the chances of a bad investment experience are considerably reduced; so professional monitoring is crucial to minimise the risk of poor returns over a prolonged period of time.

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.



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## THE BENEFITS OF DIVERSIFICATION

Diversification is vital for reducing investment risk. Experience shows that too many investors are either insufficiently diversified or, in contrast, excessively diversified. The former leads to concentration of risk in certain areas and the latter to the dilution of investment returns. Investment should be diversified across all the major asset classes – cash, fixed interest, equities and property. Further, successful strategies are likely to involve a multi-manager approach where overall risk control is achieved by the combination of different managers pursuing different investment styles.

Whilst most investors do spread their capital across the major asset classes and across a number of managers, most investors do not have sufficient intimate knowledge of any individual manager's approach; therefore, they are not diversified in terms of investment management styles. If the managers of one's portfolio seek gains in the same ways, risk is concentrated, and potential losses can be magnified.

Diversification, however, can produce an investment proposition that offers the opportunity to produce superior investment returns over the medium to long term.

## A LONG-TERM INVESTMENT HORIZON

Investments fluctuate in the short term, and can be unpredictable. Planning investments in the expectation that they are going to do well over a one, two, or three-year horizon may lead to disappointment. Holding investments over the medium to long term allows growth a greater chance to overcome both short-term noise and market cycles.



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## THE ST. JAMES'S PLACE SOLUTION TO WEALTH MANAGEMENT



### ABOUT ST. JAMES'S PLACE

St. James's Place is a FTSE 100 company that provides highly personalised, face-to-face wealth management services to individuals, families, trustees and businesses. With over £100 billion of client funds under management, we are well established as one of the UK's leading wealth management organisations.

Our wealth management advice service is delivered through the St. James's Place Partnership. Its members, called Partners because of the way they work in partnership with their clients, comprise some of the most experienced and able professionals working in wealth management today.

### BUILDING LONG-TERM RELATIONSHIPS

We place clients at the very heart of everything we do and recognise that your circumstances and objectives are unique. Our advice and service are personally tailored to you, and are underpinned by our distinctive approach to investment management in which we select the best fund managers from around the world. Clients often continue the working relationship with their Partner over many years, appreciating a source of trusted advice as their financial needs and priorities evolve over time.

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## OUR DISTINCTIVE APPROACH TO INVESTMENT MANAGEMENT

We do not employ in-house fund managers because we believe that no single fund management house has a monopoly of investment expertise. Instead, to enable you to build and maintain a well-diversified investment portfolio, we carefully select a number of external managers from around the world to manage our range of funds.

The responsibility of selecting and monitoring the range of funds and fund managers that are made available to you falls upon our Investment Committee. This comprises a small group of executives and four independent investment experts, and is advised by respected independent investment research consultancies, including Stamford Associates and Redington.

The Committee meets regularly to review performance and consider detailed reports from each investment manager. If a change in the marketplace calls for the addition of another manager, the Committee will select one. Equally, if the Committee loses confidence in the ability of an existing manager it will replace them, which happens quickly and efficiently, with no charge or tax implications for you.

This approach provides the flexibility to respond to market conditions as they change and ensures that we offer you, what we believe to be, only the very best and most appropriate investment solutions available across the globe.



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## OUR GROWTH AND INCOME PORTFOLIOS

St. James's Place Growth and Income Portfolios are carefully designed to provide the ideal diversification for differing investment objectives and attitudes to risk. Clients can choose one or more Portfolios, or any combination of our funds, in which to invest.

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.

## OUR PRODUCTS AND SERVICES

We offer a comprehensive range of products and services, including access to carefully selected external providers, whose quality we constantly assess. In terms of building and preserving capital, our own funds are available through onshore and offshore bonds, unit trusts and ISAs, and pensions. We offer trust and estate planning, and access to tax and legal services; and discretionary portfolio management services through Rowan Dartington. Tax-advantaged investments, other pensions solutions and pension annuities are all available from our panel of external providers.

For managing cash and borrowings, we provide access to banking, borrowing and mortgages through Metro Bank. We can also provide access to a number of private banks, assessing which would be most suitable for a client's specific requirements. Our Partners are also able to advise on a comprehensive range of mortgages (residential and commercial) including those only available through mortgage professionals. To secure financial protection against risk, we offer life assurance, health insurance, private medical insurance, long-term care plans, employee benefits and other specialist insurance.

Your home may be repossessed if you do not keep up repayments on your mortgage.

The value of an investment with St. James's Place or Rowan Dartington may fall as well as rise. You may get back less than the amount invested.

Trusts are not regulated by the Financial Conduct Authority.

## INTERGENERATIONAL WEALTH MANAGEMENT

We also provide a range of family-oriented financial products and services, enabling families to use their collective wealth to work together and support each other across the generations. Whether you would like to help younger family members onto the housing ladder or contribute to a grandchild's education or wedding, careful consideration can ensure your wealth works harder for all your family without compromising your own retirement needs.

## YOUR PERSONAL GUARANTEE

To provide you with added peace of mind and reassurance, we also guarantee the suitability of the advice given by members of the St. James's Place Partnership when recommending any of the wealth management products and services available from companies in the group, more details of which are set out on the group's website at [www.sjp.co.uk/products](http://www.sjp.co.uk/products).

Please note that where a referral to another provider is made, their services will be separate and distinct to those offered by St. James's Place and the 'Guarantee' will not apply.

## AWARD-WINNING WEALTH MANAGEMENT









The 'St. James's Place Partnership' and the titles 'Partner' and 'Partner Practice' are marketing terms used to describe St. James's Place representatives. Members of the St. James's Place Partnership in the UK represent St. James's Place Wealth Management plc, which is authorised and regulated by the Financial Conduct Authority. St. James's Place Wealth Management plc Registered Office: St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire, GL7 1FP, United Kingdom. Registered in England Number 4113955.