EQUINOX

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Welcome

I am now lucky enough to be entering my 30th year in business. Looking back, the changes during that time have been immense and widespread, and almost all of them have been positive.

Notably, the financial advice industry has transformed from what was once a sales-driven culture when I first started out, to a highly qualified profession where adding client value is the only true measure of success.

The continuous developments and increasingly fast-paced advances in technology have allowed us to deliver a more comprehensive service and provide advice that is so much deeper than was even thinkable 30 years ago.

Although, whilst it feels like so much has changed across the world in general, the global themes remain eerily similar. In our head office reception area at Ascot House, we have a framed copy of the Financial Times published on the day our business was established. The headlines related to:

- A tech stock hitting an all-time high (the company subsequently went bust).
- Conflict between Israel and Gaza.
- A war in Europe (Bosnia).
- And, of course, a pot-hole funding crisis.

One thing's for certain, we will continue to change and adapt in order to best serve the needs of our clients, whatever the future holds. As always, if you have any feedback about any of the articles in this edition, please feel free to drop me a line at colin.lawson@equilibrium.co.uk.

Colin Lawson
MANAGING PARTNER AND FOUNDER

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Changing times

"In this world, nothing can be said to be certain, except death and taxes"
- Benjamin Franklin,
American polymath

"The government has been silent on what we can expect, leading to unprecedented speculation"

This has been one of the hardest articles we've had to write. Much has changed during the last 6 months, but potentially bigger changes are afoot, and at the time of writing, we don't know what those will lead to - some of which will no doubt have been decided by the time this edition of Equinox is issued!

I am, of course, referring to the outcome of the forthcoming Autumn Statement as one of the unknowns. The government has been silent on what we can expect, leading to unprecedented speculation, particularly from the press, as to what the infamous red box contains. That being said, Chancellor of the Exchequer, Rachel Reeves, has made it very clear that she has a £22bn (allegedly) black hole in the nation's finances to fill, and Keir Starmer's election promise of not changing income tax, national insurance or VAT gives us some idea of the possible direction they may look to take.

Budget Bingo

Back in August, we too speculated on potential outcomes and, in line with many other industry commentators, highlighted the following areas most likely to come under scrutiny. Take five for a game of Budget Bingo and see whether any of our predictions came to pass.

1

Capital Gains Tax

- An increase to the tax rate, potentially in line with income tax.
- Removal of the exemption on death.

2

Pensions

- A reduction in the maximum tax-free lump sum amount.
- A restriction on contribution levels.
- Limiting the rate of tax relief.
- Bringing death benefits into the inheritance tax regime.
- Restricting contributions to those between aged 18 and state pension age.

3

Inheritance Tax

- Removal of the gifts out of income exemption.
- Taxation of gifts during lifetime (including those into discretionary trusts).
- Reforming the taper relief period (which is not widely understood in general anyway).
- Extending the 7-year rule.

4

Business property relief

- Changing the BPR rules on Alternative Investment Market investments might seem unlikely, given that investment in the UK is to be encouraged, but the holding period to qualify could be extended.

How bad will it be?

The summer announcement about the immediate removal of the winter fuel allowance for all but the most disadvantaged appeared to indicate a tough line. However, was this merely a tactic to scare everyone and, actually, we're all now breathing a sigh of relief that the anticipated 'doom and gloom' wasn't quite as severe as expected?

We have used Benjamin Franklin's famous quote many times over the years as it rings so true: *"In this world, nothing can be said to be certain, except death and taxes"*. Hopefully any changes to the latter will not take effect until at least the start of the new tax year, which allows time to plan ahead and minimise the impact.

Muddying the waters

Unfortunately, by tweaking around the edges and avoiding radical reform, successive governments have made matters increasingly complex. For instance, pension simplification was introduced in 2006, known as A-Day, in a bid to simplify (surprise!) the current regime by allowing individuals to save

into both a company scheme and a private pension at the same time, whilst also introducing a maximum contribution level and a maximum retirement pot (referred to as the lifetime allowance or LTA). Since then, the LTA has not increased with inflation as it was intended and, as a result, several different forms of protection were introduced over the years – seemingly for nothing, as the LTA was abolished by the last government, much to Labour's chagrin who threatened to reinstate it. Instead, we now have new allowances which restrict the amount of tax-free benefits that can be paid (as a lump sum to the individual and on their death). Transitional tax-free amount certificate (TTFAC) anyone...

Whatever happens (or has happened by the time this article is published) in the Budget, we don't expect matters to become less complex. Indeed, the Office of Tax Simplification (OTS), which was created to advise the government on how to simplify the UK tax system, was closed down last year. Perhaps the task was too complicated after all, and we remain stuck with multiple regimes that don't always work together, creating unintended consequences. In fact, the UK's tax code is widely cited as the longest in the world, with the Tolley's Tax Handbook surpassing 11,000 pages when reviewed by the OTS! Let's hope we don't have to go back to the extremes of the 17th century, when many families bricked up their windows to avoid paying the much-despised window tax, introduced by William III who was running short of money! Daylight robbery really was the robbery of daylight!

Where do we go from here?

Despite not knowing how the government will go about reducing the national debt at the time of writing, the uncertainty surrounding their approach has brought with it an element of fear amongst the population. During the summer and beyond, a number of our clients stated in their review meetings that they would seriously consider moving abroad if taxes increased further.

Whilst income tax and national insurance have actually been falling over the last few decades for the average worker, the freezing of tax thresholds and money raised from indirect sources (such as VAT) means that the overall amount of tax raised has gone up.

High earners have seen big increases, and the top 1% of earners pay 29% of the total income tax raised, compared to 25% in 2010 and 21% back in 2000.[1] Despite funding almost a third of the income tax bill, these high earners receive only 12.5% of the income. Will we see a mass exodus if the wealthy are targeted? It is certainly a more attractive and easier proposition these days than it was 30 years ago, for example. Remote working is becoming more widespread as the ability to work flexibly becomes almost the norm; maintaining communication with family in far flung places is no longer confined to expensive international phone calls as we now have Whatsapp or other social media platforms to stay in touch; and corresponding has been transformed from snail mail to email.

And it's not just individuals who may be looking to restructure their arrangements. Ireland's favourable corporation tax rates have resulted in bumper surpluses, largely from US technology and pharmaceutical companies, which the country is planning to use to establish a sovereign wealth fund. In the event that this tax take diminishes, Ireland is hoping to future-proof its finances by creating a fund that would essentially serve as a rainy-day savings account for future expenditure. Notably, half of the total corporate tax receipts come from just 10 US companies, including Google and Meta, which could be at risk going forwards as other countries aim to compete.

"High earners have seen big increases, and the top 1% of earners pay 29% of the total income tax raised"

Popularity contest

One of those countries could be the US, depending on the outcome of the election in November. For instance, Donald Trump would be aiming to cut US corporation tax rates, close tax loopholes and

If Kinnock wins today will the last person to leave Britain please turn out the lights

TENNIS CHAMP ASHE HAS AIDS

Source: pbs.org

look to force (or 'encourage'?) multinationals back to the States as part of his economic policy.

Again, the results of this election will be known by the time you are reading this magazine. However, Mr Trump and Ms Harris are currently neck and neck in the polls, with Kamala Harris perhaps slightly ahead. Incidentally, 64 countries will be holding (or have already held) elections this year, representing over 4 billion votes - nearly half of the world's population.[2]

I'm sure that the winners of those elections will be hoping to remain popular for longer than our own Keir Starmer has. According to an Opinium poll for the Observer,[3] Starmer's approval rating in September plummeted by 45 points since July, with 50% of those polled disapproving of the job that he's doing. Maybe he's reminding himself that this Prime Minister business is more of a marathon than a sprint, and we will no doubt see how he fares over the coming months and years.

Meanwhile, despite the apprehension that elections and budgets may bring, our business remains focused on making people's lives better by giving them the confidence to live the life they want, look after those they love and to leave a powerful legacy.

This article is intended as an information piece and should not be construed as advice.

(1) www.bbc.co.uk/Are taxes going up or down?
(2) www.statista.com
(3) www.theguardian.com/Keir Stamer now less popular that Rishi Sunak, poll suggests

Finding the right mix is key

Investment Analyst, Nathan Lingham, handpicks three funds which work particularly well together.

One of the main risk management tools we have available to us, within the investment team, is the benefit of diversification. We do this by ensuring that our portfolios have a good spread across asset classes, geographies and economic sensitivities[1]. To illustrate the current diversity within the funds, we thought it helpful to do a quick explainer on a few select holdings to provide a better understanding of how we are positioned.

Before jumping into the holdings, just a quick note on correlations.

Correlations measure the relationship between two or more variables, ranging between -1 and +1. A correlation of +1 means two assets are perfectly correlated which means they will go up and down together. Correlation of -1 means the two assets will mirror each other, with one going down when the other goes up and vice versa.

Correlation data allows us to construct portfolios with parts that move differently to one another. This ensures we are not overexposed to certain risks and means we can expect certain segments of the portfolios to react differently in market stress situations.

By way of example, the 10-year correlation matrix table across the page is made up of three holdings, each of which we will go into more detail below.[2] As you can see, all the funds are positively (but lowly) correlated (numbers greater than 0), so we expect them to move in similar directions to one another, however, the extent to which they move will differ.

HG Capital

HG Capital is currently our favoured private equity holding. They are a UK based firm that invests in the software, technology and business critical sectors (the analytics programme that ran the illustrated correlation matrix is one of HG's portfolio companies).

The general idea behind private equity is that they invest in non-public, generally smaller firms, which are capable from benefitting from the faster growth rates. They may then exit their positions through an Initial Public Offering (IPO), management buyout, secondary buyout (sale to another private equity firm) or strategic sale (sale to a competitor within the industry of the investee firm), at a return generally greater than those available within public equities.

HG think of themselves as a tech firm as much as they do a private equity firm, and have a strict focus on the sectors they will invest in. This focus on repeatable revenue, highly intangible asset businesses is one of their unique selling points and has been one of the key factors leading to their outstanding past performance.

Although we have alluded to the benefit of diversification, it would be fair to say a fund investing in a small number of fast-growing firms all within similar industries does not exactly tow the diversification line. However, all our holdings need to be considered within a portfolio context and HG serves as a good diversifier alongside our public equity holdings, defined returns and fixed income allocations.

S&P 500 Equal Weight ETF

The concentration within the US stock market is regularly discussed amongst the team, particularly the top end of the S&P 500 Index.

Table one: 10-year correlation mix of three funds

Name	HgCapital Trust plc Ord	Xtracters S&P 500 Equal Weight ETF	Royal London Short Duration Global High Yield Bond
HgCapital Trust plc Ord		0.37	0.42
Royal London Short Duration High Yield Bond	0.42	0.66	
Xtrackers S&P 500 Equal Weight ETF	0.37		0.66

Source: FE Analytics

For those that are not too familiar with Index formation, the S&P 500 is the top 500 companies in the US, based on market capitalisation (share price multiplied by total number of shares in issue). This essentially means that as the share price increases, a company's position in the index increases.

Therefore, if you hold a passive exchange-traded fund (ETF) tracking the index, your exposure to the company with the rising share price increases compared to the other holdings.

Currently the top 10 holdings within the S&P 500 make up around 34% of the index[3] and 43% of the index sits in the technology sector[4] which presents an element of concentration risk. We have therefore opted to diversify our US holdings by taking a position within the equal weight index, which, unsurprisingly, does exactly what it says on the tin. Its constituents are all held at equal weight, rather than by their position of market capitalisation weight. This undoubtedly reduces the concentration risk and assists in our mission for diversification.

Royal London Short Duration High Yield

Over the last 18-24 months, we have increased our fixed income position across most of our funds.

When increasing our weight in a certain asset class it is important that we do not become overexposed to certain areas of a market. Within fixed income, there are different factors such as credit qualities, maturities, coupons and interest rate sensitivities, therefore it's important that we are not running any unintended overweight positions linked to these factors.

The Royal London Short Duration High Yield (RLSDHY), as explained in the name, focuses on two specific sectors of the fixed income markets – short duration and high yield. Duration is an estimation of a bond's price sensitivity to a change in interest rate. In the case of Royal London, they currently have a duration of 1.1 which implies a 1% rise in interest rate would lead to a 1.1% fall in the bond's price. For reference, market duration is around 6 years currently, therefore RL are much less interest rate sensitive.

The high-yield rating simply refers to the sub-investment grade part of the market, i.e. those borrowers who are deemed to be of higher risk by the market (see our related article - 'Inside the world of high-yield bonds').

It is our job to combine a selection of bond funds that meet the requirements of our fixed income allocations within each of the Equilibrium funds. The RLSDHY is one of those building blocks, alongside other funds that have higher credit quality, longer duration and a different mix of fixed income securities.

Conclusion

When constructing a portfolio, selecting funds that achieve diversification and have low correlation with each other (as shown in **Table one**) provides the advantage of performing differently across various market conditions, thereby reducing overall risk.

The above aside, diversification is not always suitable or necessary, it very much depends on the required outcomes of the investor. On top of this, there is such a thing called over-diversification, but maybe that's one for the next edition of Equinox!

Past performance is for illustrative purposes only and cannot be guaranteed to apply in the future.

This article is intended as an information piece and does not constitute investment advice.

*For more information, call **0161 383 3335** or reach out to your usual Equilibrium contact.*

(1) Diversification, Financial Conduct Authority, 2024.
(2) Equilibrium Investment Management, FE Analytics, 2024.
(3) iShares, 2024.
(4) Standard and Poors, 2024.

Find out more

Check out our related article from Equinox Spring 2024 on high-yield bonds.
equilibrium.link/Inside-the-world-of-high-yield-bonds

Inside the world of high-yield bonds

Blooming markets!

The world and markets are ever changing, so when exactly is the best time to invest?

"The best time to plant a tree was 20 years ago. The second-best time is today." The well-known Chinese proverb relates to personal prosperity, but could the same logic be applied to investing?

One of the most common questions posed by prospective investors can be: *"Is now the right time to invest, or would it be better to hold off whilst things settle down?"*

The answer most investment professionals respond with is: *"It's about time in the market and not timing the market"* which makes sense, but how true is this concept?

In 2003, I was embarking on the biggest financial outlay that most people face, buying my first house. The world was massively different to how it is now, there was no social media (Facebook was still more than a year from launching), DVDs had just overtaken VHS in sales for the first time in history, Brookside was still on TV, and Concorde was still flying.

" The best time to plant a tree was 20 years ago. The second-best time is today"

However, when thinking back, I can still remember the uncertainty of making any financial decision and whether the best course of action would actually be inaction. During the early 2000s, house prices continued to rise, interest rates had been at over 5% but were starting to fall and there was a petrol crisis with people queuing at the pumps. Sound familiar?

On top of this, there had been many life-defining events that caused worldwide panic and led to massive losses in global stock markets. With the dot-com bubble imploding and the 9/11 events hastening the market decline, there was also the growing sense of a potential second Iraq invasion to worry about as Big Ben's bells chimed in 2003. It's fair to say that the new millennium had not been kind to markets, with the S&P 500 and the FTSE All Share down by 38% and 37% respectively, and the MSCI World Index lagging further behind with a 42% drop (see **Chart one**).[1]

" If you aren't willing to own a stock for 10 years, don't even think about owning it for 10 minutes"

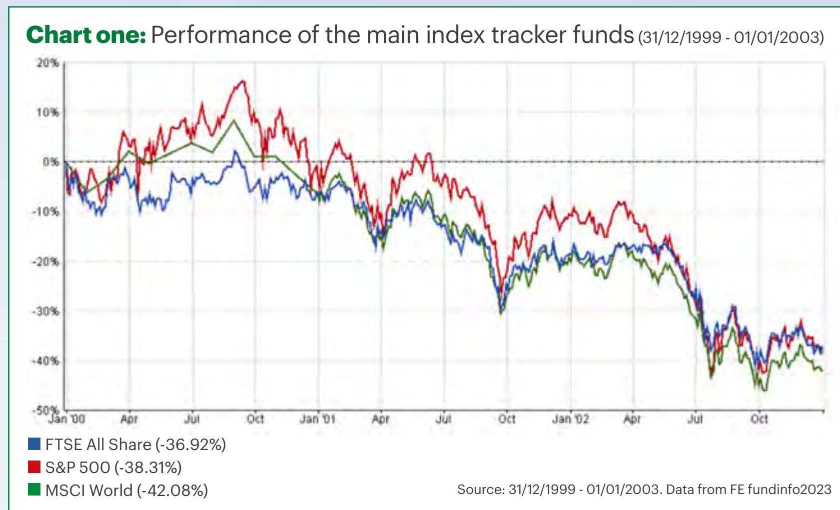

Chart one: Performance of the main index tracker funds (31/12/1999 - 01/01/2003)

- FTSE All Share (-36.92%)
- S&P 500 (-38.31%)
- MSCI World (-42.08%)

Source: 31/12/1999 - 01/01/2003. Data from FE fundinfo2023

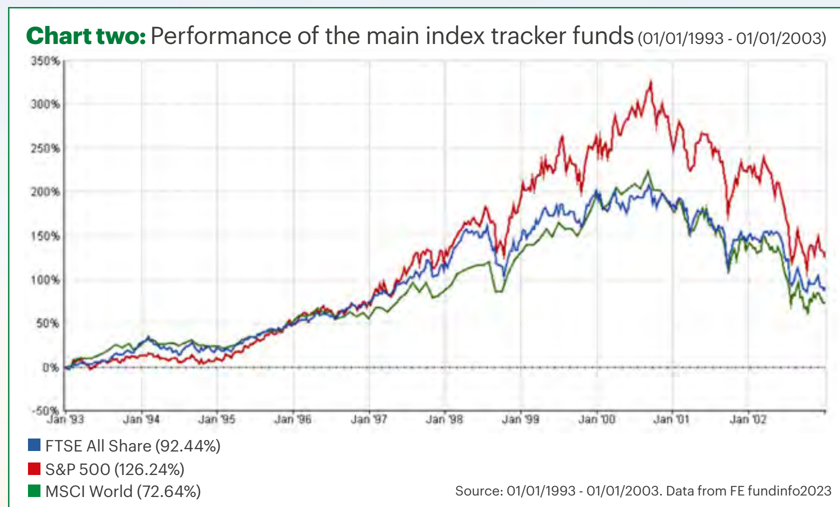

Chart two: Performance of the main index tracker funds (01/01/1993 - 01/01/2003)

- FTSE All Share (92.44%)
- S&P 500 (126.24%)
- MSCI World (72.64%)

Source: 01/01/1993 - 01/01/2003. Data from FE fundinfo2023

Well known and successful investor, Warren Buffett, said: *"If you aren't willing to own a stock for 10 years, don't even think about owning it for 10 minutes."*

At Equilibrium, we too are strong advocates of long-term investing, and as such, our fund objectives are targeted over a 10-year period. With this in mind, what would stock markets look like if we went back further to 1993, incorporating the wars in Bosnia and Chechnya, the Russian financial crisis, the World Trade Center bombing, plus the indiscretions of President Clinton?

Against the backdrop of such geopolitical developments, presidential uncertainty and the failing of household names such as Woolworths, it would surely not make great reading for stock markets.

Despite all the turbulence, the markets were not only positive but remarkably so. As you can see in **Chart two**, the S&P 500 returned 126% over the period, meaning that investors would have more than doubled their investment.

Fast forward 20 years to the current day, and there have been several more bumps in the road. In fact, if we had known all the world events which were to happen post-2008 (when Equilibrium became discretionary fund managers), would we still have been confident in investing?

The logical answer for the majority would be no, I'll hold my money in cash until the outlook is sunnier. However, in 2024, over half of Britons chose to invest, an increase

Chart three: Performance of the Equilibrium Balanced fund versus comparators (31/12/2007 - 05/09/2024)

World events since 2008

2008
- Global financial crisis – Lehman Brothers collapse
- European sovereign debt crisis

2009
- UK Recession

2010
- Largest oil spill in US history

2011
- UK riots

2012
- Putin is re-elected president

2014
- Ukrainian revolution

2015
- Paris terror attacks

2016
- UK votes to leave the EU
- Teresa May replaces David Cameron as UK Prime Minister

2017
- Donald Trump inaugurated as US President

2018
- China – US trade war begins

2019
- Japan & S.Korea trade dispute
- Donald Trump is impeached
- Boris Johnson as new UK PM

2020
- Covid 19
- Recession
- UK formally withdraws from the EU

2021
- UK energy crisis
- Donald Trump is impeached again
- Joe Biden becomes US President

2022
- Russia invades Ukraine
- Multiple UK interest rate hikes
- Inflation in the UK hits double digits
- Liz Truss and the mini-budget
- Rishi Sunak as new UK PM

2023
- Cost of living crisis
- Israel/Gaza conflict escalates

of 9% compared to the previous year, which shows the appetite for making our money work harder by taking on risk.[2]

So, was this risk worth it and what was the reality for our clients compared to if they left their money in cash? The over-riding answer would be: "Yes!"

Whilst there's no doubt it has been a bumpy ride, you have been rewarded for taking on risk over the long term as shown in **Chart three**.

And as usual, Warren Buffett sums up the benefits of long-term investing perfectly: *"Someone's sitting in the shade today because someone planted a tree a long time ago."*

This article is intended as an information piece and should not be construed as advice. Past performance is for illustrative purposes only and cannot be guaranteed to apply in the future.

(1) FE Analytics
(2) finder.com

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Get the right money to the right people at the right time

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View our range of masterclass events here **equilibrium.co.uk/events**

Cloudy with a chance of good returns

Portfolio Manager, Neal Foundly, highlights some rather interesting products which offer protection, come rain or shine.

When the stock market is soaring and all is well with the world, investing is relatively simple. You buy the market (before it soars) and sit on it.

But what if the stock market drifts sideways or drops sharply?

At Equilibrium, we believe our clients' money should continue to work hard in these conditions too. One of the ways we can do this in portfolios is by using structured products.

'Structured products' is a City term that just describes a range of investments that can give the investor returns in different ways from usual.

Sunny days

At Equilibrium we invest primarily in 'autocalls'.

Again, this is a bit of jargon, but an autocall is basically a contract between us and a bank. For example, if we agree to buy one today, then in a year's time, if the market (such as the FTSE 100 Index) is higher – however marginal – the original investment amount is returned together with a payable coupon, say 10%, and the agreement ends. Happy days, especially if the market has returned less than 10% - we've beaten the market!

What if the market has fallen over the year? Well, all is not lost. The agreement rolls into the next year and in two years' time, the same question will be asked: *"Is the market higher?". If it is, we get 2 x 10% = 20% plus our initial investment back and the contract ends.*

Indeed, if the market is still below today's level in 2 years' time, then it continues every year until the end of the agreement, usually in 5 years' time.

So, now imagine it's 2029 and we ask the same question: *"Is the market higher or lower?"*. If it's higher, we will collect 5 x 10% = 50% plus our original investment and job done.

Stormy days

What if it's lower? Going back to our original question: *"What if the market has a really bad time in the next 5 years?"*

Well, there are 2 scenarios: – if the market has fallen by less than 40%, we will get all our original investment back. This is a pretty gloomy situation where the

> **"But what if the stock market drifts sideways or drops sharply?"**

Chart one: Nearly a decade of returns from our defined returns portfolio
(red line, compared to the returns from the FTSE 100 Index for reference in blue)

A - Defined returns portfolio (113.79%)
B - FTSE 100 (75.87%)

Source: 05/08/2015 - 07/10/2024. Data from FE fundinfo2024

market has fallen by over a third for half a decade and yet a decent outcome for the investor who has not lost a penny.

What about the Doomsday scenario where the market has fallen by more than 40% over the 5 years?

In this case, the investor will lose the same in percentage terms, i.e. if the market is down 70%, the investor will only get 30% of their money back. This would be a very bleak outcome, but in the real world, this has never happened in recent history in the major markets we trade.

This is an important point. Whenever we look at investing in these products, we look to see what would have happened in the past. By analysing this on a daily basis, going back half a century gives us some idea of the risks and an indication of the probabilities of outcomes going forward.

Lightning strikes

All things considered, these investments would seem to protect capital in very bad outcomes and provide a decent return when markets are going up. So, what are the main risks?

A couple of key risks...firstly, if the stock market does soar then the investor's returns are capped, to just 10% in this example, and results in relative underperformance.

Secondly, the contract is with a bank and if the bank goes bust – which is rare but possible – then the investor may lose some or all of the capital. We manage this risk by monitoring the financial fitness of each of the banks we trade with and ensuring we use a spread of different banks with limits on how much we have with each.

All-weather

At Equilibrium, we use these structured products to provide solid returns for the portfolios in most prevailing market conditions. As you can see from **Chart one**, this has produced good returns over most periods since we started using the products nearly a decade ago, even beating the returns on the FTSE 100 Index. They also have the added benefit of having no annual management charges, unlike most managed funds.

Of course, we hold active and index funds to generate great returns when markets are booming but when the clouds appear, these products can provide a degree of protection.

This article is intended as an information piece and should not be construed as advice.

Driving down costs

Where there's a will, there's a way. Investment Manager, Mike Deverell, explains how his team continuously look to reduce costs without compromising on value.

We always say you should control the controllables.

In the investment world, there is a lot you can't control. Even with thorough research and analysis, we can't say if the stock market will go up or down over the next few months simply because there are many unknowns which might influence it.

But there is one thing which can make a big difference to returns, that we can largely control and predict in advance - the costs we pay for investing.

Let's assume there are two funds, one which charges 1% p.a. management fee, with 0.1% for other expenses, bringing the total ongoing charges figure (OCF) to 1.1% p.a.

Or, we could invest in another fund charging 0.1% a year.

If the underlying portfolios perform equally well, the cheaper fund will outperform the more expensive one by 1% a year. Compound that over time, and it makes a big difference to the value of a portfolio.

Within the IFSL Equilibrium funds, we manage about £1.2bn of assets. If we can make the underlying costs even 0.1% p.a. cheaper, that saves our clients £1.2m over the course of a year.

We use a mixture of active and passive (index tracking) funds. Typically (but not always), the index tracking fund is cheaper, so we will only use an active fund where we're confident it will outperform over the long term (after costs).

When investing in active funds, we always ensure we obtain access to the cheapest share class. Many funds offer a different price for retail investors than they do for institutions.

If we do invest, we will likely be buyers of tens of millions of pounds worth. This provides us significant leverage with the fund manager, and we often obtain additional discounts even beyond the institutional pricing.

Value for money

While cost is important, value for money matters even more. Sometimes, it's worth paying more for the right fund.

For example, we hold a fund that buys smaller UK companies, and as major investors we asked for a discount.

Their response was that they don't give discounts to anyone. They only want to manage £500m in their fund, as they believe they will no longer be able to add value in this specialist asset class if it grows larger.

Managing small companies requires more in-depth research than large ones, where all the information is readily available. In this instance, we felt the manager demonstrated great integrity and therefore decided to invest in the fund at full cost. Since then, it has outperfomed its peers and demonstrated to us that it's worth investing in the right fund rather than invest in a cheaper fund with poorer performance because the portfolio is too large!

“While cost is important, value for money matters even more.”

In other instances, we have taken a different approach.

One example is our India equity holding, where we've used an actively managed fund for many years. We have considered passive funds, but historically, they haven't been much cheaper than active funds. Until recently, a typical India tracker fund cost over 0.4% p.a., while we pay just 0.03% for a US one!

Whilst we were already receiving a discount on the active fund, we asked them if there was more than they can do. They agreed to a slight increase, but we felt it wasn't enough, as active and passive funds have produced comparable returns in this region. So, we switched to an Indian tracker fund, which now costs less than 0.2%.

Defined returns

There are other ways to reduce costs too.

We invest in defined returns products, which are structured products created by investment banks and provide a pre-determined return in certain conditions (see related article '*Cloudy with a chance of good returns*' on page 14). For example, we recently invested in a product which will return 11.65% p.a. if the FTSE 100 and S&P 500 are above their start value at any of the first five anniversaries of the product being set up.

As these aren't managed funds, there's also no fund management fee - bonus!

Thinking smart

Furthermore, we have significantly reduced costs by using a mix of active and passive funds, applying defined returns sensibly, and negotiating hard on your behalf.

We recently aimed to reduce the underlying fund costs of our Global Equity fund to below 0.4%*. Despite the challenge of reducing costs in an equity portfolio, we succeeded.

For our other Equilibrium funds, three of them already have lower underlying costs than Global Equity and we'll continue to reduce costs further.

**The weighted average OCF of the funds we hold, excluding Equilibrium's fees and the costs of running the funds.*

This article is an information piece and should not be construed as investment advice.

“We always say you should control the controllables."

When less is more!

Don't get caught in the childcare tax trap. Find out how...

"Less is more" a famous quote by Ludwig Mies van der Rohe, encapsulates the essence of minimalism in design and architecture. Many agree with the concept in design as it is subjective but amazingly this can also be the case when it comes to the government's help with childcare!

Based on the gov.uk website, there are just under a million people in the UK who earn between £75,300 to £96,400, most of which are aged over 35.[1]

Certainly, for many people, this would be viewed as a substantial income. However, it's interesting to note that our peak earning years often coincide with the period when raising children is most costly. With the average family size hovering around two children, a lot of us can empathise with the financial struggles that come with the early years of parenting.

Fortunately, the government acknowledges the financial challenges that parents face and has put measures in place to support them. Working parents can benefit from free childcare, with families of children aged 9-months to 2-years old eligible for 15 hours per week. For those with children aged 3-4 years old, they can receive 30 hours each week. Additionally, you could receive up to £2,000 per year per child in tax-free childcare, where the government contributes £2 for every £8 paid by the parents (subject to eligibility and certain income criteria). Undoubtedly, these initiatives have significantly aided parents in achieving financial security, whilst also positively impacting the economy by boosting workforce participation. A joint study by PwC and the Salvation Army[2] in 2017 revealed that the increase in state-funded childcare support that year contributed an estimated £22.3 billion to the UK economy and led to a rise of 286,000 individuals in the labour force.

That being said, for those earning £100,000 or less, there is a peculiar circumstance in which earning more could, ironically, cause financial loss.

Meet Anna

Anna is 40 and recently returned to work following the birth of her second child last year. Anna works in IT and has a basic salary of £95,000 which makes her eligible for 45 hours free childcare and also tax-free childcare.

Table one: Comparison table of Anna's childcare costs with and without a company bonus

	Without bonus	With bonus
Gross Income	£95,000	£95,000
Bonus	£0	£25,000
Tax	(£25,432)	(£39,432)
NI	(£3,910)	(£4,410)
Net income	**£65,658**	**£76,158**
*Cost of childcare for two children[3]	(£40,404)	(£40,404)
**Free childcare for two children aged 1 and 3	£13,288	£0
Tax-free childcare	£4,000	£0
Residual net income	**£42,541**	**£35,754**

*Equates to £7.77 per hour for 50 hours a week for each child and paid for 52 weeks.
** Equates to £7.77 per hour for 45 hours a week and paid for 38 weeks.

Source: Equilibrium Financial Planning

Several months later following the completion of a project, Anna is delighted to find out she will receive a bonus of £25,000 which will be a massive help to the family finances.

However, Anna will actually be in a worse position as a result of the bonus because the current government system creates a cliff edge where anyone who earns over £100,000 loses access to these two lucrative forms of childcare support and some, or all, of their tax-free personal allowance.

As detailed above, by receiving the bonus, Anna is £6,787 worse off in terms of net income!

What if I told you that there is a solution for anyone who faces this predicament which ensures that a bonus doesn't cost you a penny, and also helps towards a plan for your future?

Consider this...

If Anna's employer made a £25,000 contribution to her pension instead of paying her the bonus, the outcome could be exceptionally better.

The contribution is made via salary sacrifice, and her employer rebates the national insurance savings of 13.8% to Anna resulting in a gross pension contribution of £28,450. The immediate benefit is that Anna no longer falls foul of the £100,000 threshold as this is based on income minus pension contributions.

The longer-term benefit is the potential boost in her retirement pot. If Anna plans to retire in, say, 25 years (at age 65), she may feel comfortable to take a reasonable level of risk with this contribution. Let's say she invests this in our Equilibrium Global Equity fund, which has a target return of 8% per annum.

Astonishingly, the £25,000 bonus payment (which results in a gross pension contribution of £28,450) could be worth as much as £208,828 of which £52,207 could be taken tax-free (under 2024/25 legislation), should the target growth level be achieved.

Knowledge is power

Instead of Anna accepting a bonus which would make her financial situation worse, she not only keeps her childcare benefits and net income position, but she also significantly boosts her pension fund for the future!

By having the knowledge and foresight to protect the childcare allowances and fusing them with pension planning, we can help plan not only for today, but also for the future and ensure that more is most definitely more!

If you know anyone who could potentially get caught in the childcare tax trap, please ask them to call us as we are here to help.

Investments will fall as well as rise. This article is intended as an information piece and should not be construed as investment advice.

For more information or to speak with one of our experts, call ***0161 383 3335*** *or reach out to your usual Equilibrium contact.*

(1) www.gov.uk
(2) www.statista.com
(3) Based on hourly rate in Coram Childcare report

"Our peak earning years often coincide with the period when raising children is most costly"

Leading the way

It's been 18 months since we launched our first masterclass, and it's fair to say, each one has been a roaring success.

As part of the Equilibrium experiences, the masterclasses aimed to not only focus on the technical aspects of financial planning but to add substance to real-life challenges by following our purpose of 'making people's lives better'.

Our goal was to create a relaxed atmosphere where attendees could share their real-life experiences. This has reassured clients that the challenges they face are not unique, and by prompting personal reflection, this can be the catalyst to action.

Since March 2023, we have launched six masterclasses with wide ranging topics from the Care Conundrum to Cyber Security which has seen over 500 clients walk through our doors. Originally designed as an in-person event, we hope to introduce an online version in the near future. We're also excited to continue our momentum with three more topics planned for early next year, and another five potentially added to the calendar by late 2025.

Evolution

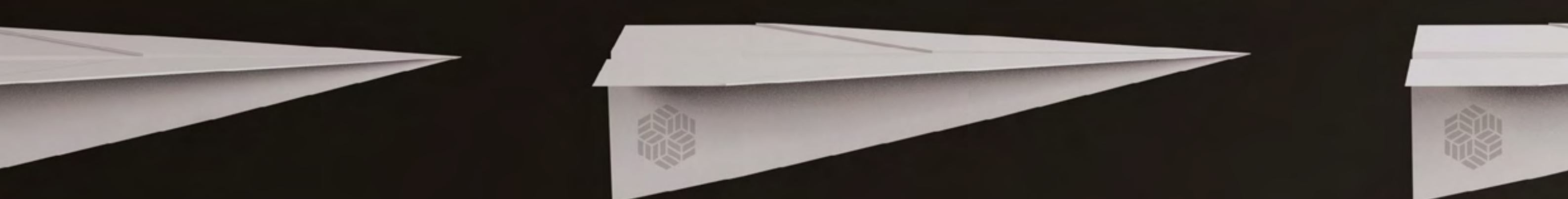
Interestingly, when clients have attended each masterclass, they too have come up with potential topics they view as valuable. The **Cyber Security Masterclass** was developed in response to the ever-increasing concerns about cyber threats. While we have always taken this topic very seriously as a business, we realised the need to better address the daily impact these threats have on our clients. Given the increasingly complex ways that cybercriminals try to trick their victims, feedback from our masterclass participants indicated that cyber security was a top priority.

Recognising the importance of addressing our clients' concerns, we promptly organised a masterclass to raise awareness and provide valuable guidance. Our Technology Manager, Amanda Jackson, along with Head of Organisational Development, Lucy Woolrich, spearheaded the creation of this informative session.

> **Wish I'd known this sooner. Great presentation. Really helpful"**

To further enhance its credibility, we invited our IT partner and cyber secuirty experts, Axon, to address any specific concerns our clients may have had. The overwhelmingly positive feedback we received from the attendees reflected the fact that improving our clients' lives goes way beyond financial matters. It is now our goal for all clients to participate in the Cyber Security Masterclass as we believe it is essential in today's digital age.

The Powers of Attorney Masterclass is a prime example of evolution in action. We firmly believe that everyone should have powers of attorney, ranking its importance on par with that of a will. While a significant portion of our clients already have wills in place, the same cannot be said for powers of attorney.



This discrepancy prompted us to launch a masterclass, not only to underscore the significance of powers of attorney, but also to guide individuals through the process of setting them up practically.

The response from attendees was remarkable, with many gaining the confidence to independently establish their powers of attorney online, thus circumventing the need to pay for a solicitor. We also recognised the overwhelming amount of information presented during the masterclass and subsequently developed a concise video tutorial of how to set up these documents using the gov.uk website, outlining the necessary steps for registration.

Furthermore, our commitment to client support led us to introduce our in-house powers of attorney specialist, Jonathan Brusell, who now offers a complimentary appointment to assist in completing the powers of attorney documents. Our objective is to ensure that clients are fully supported throughout the process, from understanding their importance to successfully registering them.

While financial services evolve, investing wisely and using tax planning opportunities remain essential, as any financial planner would naturally do. However, only by placing the same importance on holistic life planning, can we truly say that we have enabled clients to live the life they want, look after those they love and leave a powerful legacy.

What our clients say:

"I've learnt a lot this evening and now truly understand how important a lasting power of attorney is." **Mark Barrowclough - Powers of attorney**

"I learnt lots! Opened my mind to different forms of care e.g. villages. Good to hear/share different experiences." **Alice Brown - Care conundrum**

"Wish I'd known this sooner. Great presentation. Really helpful." **Jo Clark - Rapid responsibility**

"Thought provoking. Importance of conversations and getting the two way understanding of values and ambitions." **Steve Jennings - Nearest and dearest part one**

Book today

Our current masterclasses run monthly with morning and evening sessions available.

Scan the QR code, visit **equilibrium.co.uk/events** or call **0161 486 2250** to find out more.

We look forward to welcoming you to our next event.

EQUILIBRIUM
Masterclass

The clue is in the name. Or is it?

Chartered team member, Mark Barlow, makes an important distinction between the roles of financial planning and investment management.

The year is 1988 when the UK government set about introducing ‘polarisation’ into financial services. This may not be a concept that many remember. It came amidst a decade when interest rates, having peaked in the early 1980s at 16%, were at their lowest point in nearly a decade at just over 7%, and marked a permanent shift in the landscape for receiving financial advice.

Polarisation created the role of the independent financial adviser (IFA) who could give advice on a variety of products from various providers, rather than being limited to the bank or insurance company they worked for. This was revolutionary, as clients would no longer be limited by the offerings of the ‘man from the Pru’ as an IFA could offer the whole range to clients. In essence, the corner shop had evolved into a supermarket!

Regulation was put in place to ensure that IFAs met strict competency requirements (although not as stringent as they are today), including conducting thorough fact-finding to understand a client's financial situation, preferences, and goals.

This marked a significant departure from the past, where advice may have been given without a comprehensive understanding of the client's needs.

Back to the future

Fast forward to 2024 and the evolution of financial services has been transformative, but in bringing greater options, has this created confusion?

Recently, it has become increasingly difficult to work out the difference between IFA, restricted adviser, wealth manager, asset

manager, financial planner, and investment manager!

In January 2020, we at Equilibrium sought to bring clarity to our proposition by renaming Equilibrium Asset Management to Equilibrium Financial Planning. The simple reason was that the term 'asset management' was not the true picture of what we had evolved into doing for our clients. Although undoubtedly, we manage assets, our passion is to make people's lives better through tailored planning, so the name change is definitely more reflective of our purpose.

When it comes to giving a holistic service, the terms independent financial adviser (IFA), wealth manager and asset manager, generally refer to an individual or a business that will give financial advice in some form or other. An IFA, in particular, can offer a wide range of services to help you manage and plan your finances, with the ability to recommend products from the entire market.

> **"In essence, the corner shop had evolved into a supermarket!"**

The main outlier in terms of service is that of the investment manager whose sole focus is as the title suggests, to manage your investments. Investment managers are qualified professionals who tend to work for institutions, managing hedge funds, mutual funds, pension funds, or trust funds and are also referred to as 'fund managers.' Their main aim is to provide investment returns consistent with the goals of the fund or portfolio by making buy, sell, and hold decisions within.

Unless you are a 'DIY' investor, the decision of which fund a client should invest in rests with the financial planner. This should be akin to the client's short/medium/long term objectives, tax status, retirement aspirations and how they want to help their family during their lifetime and beyond. An investment manager may have an objective, for example, to return 5% per annum above the Bank of England base rate over a 5-year period, whilst holding a minimum of 80% in equities. Whilst that sounds great in principle, the investment manager is making these calls based on the here and now, with a soulless objective. It is therefore the financial planner's role to ensure the fund has a place in the client's cash flow planning process.

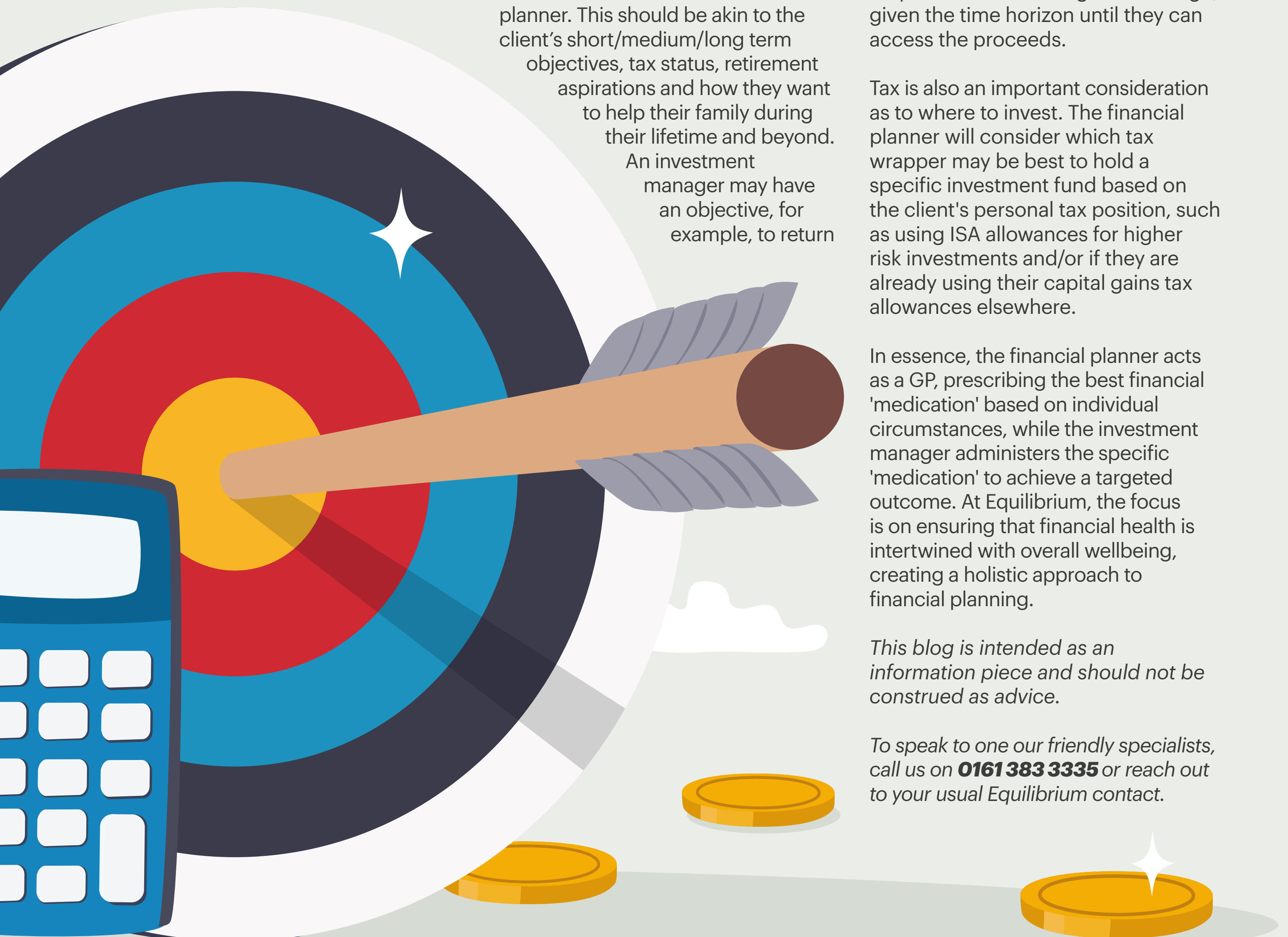
Although the fund's goal may appear attractive to many, a financial planner may decide, based on their expertise, that this fund is too risky because of the possibility of large losses and the potential danger should funds be required in the short term. Conversely, if this investment was for an 18-year-old into their pension, it may be deemed not high risk enough, given the time horizon until they can access the proceeds.

Tax is also an important consideration as to where to invest. The financial planner will consider which tax wrapper may be best to hold a specific investment fund based on the client's personal tax position, such as using ISA allowances for higher risk investments and/or if they are already using their capital gains tax allowances elsewhere.

In essence, the financial planner acts as a GP, prescribing the best financial 'medication' based on individual circumstances, while the investment manager administers the specific 'medication' to achieve a targeted outcome. At Equilibrium, the focus is on ensuring that financial health is intertwined with overall wellbeing, creating a holistic approach to financial planning.

This blog is intended as an information piece and should not be construed as advice.

To speak to one our friendly specialists, call us on ***0161 383 3335*** *or reach out to your usual Equilibrium contact.*



Employee Ownership Trusts:

ensuring succession amid political change

Terry Moore, Partner at Myerson Solicitors, explains the role of the Employee Ownership Trust and how they may offer a pathway to resilience, engagement and long-term success.

In today's evolving political and economic landscape, business owners face increasing pressure to secure sustainable succession strategies that ensure long-term stability, maintain corporate values, and protect employees. One emerging solution is the Employee Ownership Trust (EOT), a model that allows for businesses to be fully owned by their employees. Since their introduction in the UK in 2014, EOTs have grown in popularity as a tax-efficient and sustainable model for succession planning. While EOTs are particularly well-suited to the current climate of political uncertainty and shifting tax policies, they also offer a flexible, values-driven approach that can benefit businesses across all sectors.

Being an employee-owned business with specialist Corporate Solicitors and EOT Lawyers, Myerson has amassed significant expertise in advising both established employee-owned businesses and those converting to employee ownership using EOTs, as well as first-hand experience of the end-to-end conversion process.

What is an Employee Ownership Trust?

An Employee Ownership Trust (EOT) is a structure which allows a company to be owned by its employees through a trust. Unlike traditional share schemes, EOTs let all employees benefit from the company's success without buying shares. This promotes long-term thinking, boosts engagement, and keeps the business independently owned, strengthening company culture.

The UK government designed the EOT model to encourage employee ownership with significant tax benefits. Owners selling to an EOT are exempt from capital gains tax (CGT), and employees can receive annual tax-free bonuses up to £3,600.

Benefits

For business owners, particularly those contemplating succession, the EOT model offers a clear path to ensuring the company's future while preserving its legacy. Unlike a sale to a private equity firm or a large corporate acquirer, selling to an EOT enables owners to pass the business on to the people who helped build it - its employees.

Long-term stability and independence

One major advantage of the transition is long-term stability and independence. Unlike sales to outside investors, EOTs preserve the company's culture, values, and mission, protecting the legacy you've built.

The EOT model also prevents future acquisitions, as the trust structure makes it hard for external buyers to gain control. This keeps the company independent and run in the best interests of employees and stakeholders.

A tax-efficient exit strategy

Under the Finance Act 2014, owners who sell their shares to an EOT are exempt from capital gains tax, which can lead to considerable savings compared to other forms of business sales. This is especially relevant in the current political climate, where changes to capital gains tax rates are frequently discussed. Additionally, the EOT model can be structured in a way that allows the sale price to be paid out of future profits, reducing the need for external financing.

Not only that but the non-financial benefits, such as maintaining the company's culture and ensuring employees are rewarded for their contributions, are often equally compelling for business owners who want to preserve the long-term success of their company.

Empowering employees and enhancing engagement

For employees, an EOT offers the opportunity to have a stake in the company's success without the financial risk associated with traditional ownership models. In EOT-owned companies, employees are typically more engaged, motivated, and committed to the company's success. This is because they know their efforts directly contribute to the company's performance and that they will share in the financial rewards.

Research shows that employee-owned companies tend to have higher levels of employee satisfaction and lower turnover rates thus reducing recruitment and training costs. Having a sense of ownership and being able to contribute to a company's growth has helped with both retention and higher levels of productivity.[1]

"In an increasingly complex political and economic environment, EOTs offer a stable, tax-efficient succession plan"

The ability to offer tax-free bonuses of up to £3,600 per year is also a major benefit for employees, which not only aligns their interests with that of the company's performance, but it also fosters a culture of shared success and mutual benefit.

A model for sustainable growth

While employee ownership has traditionally been associated with certain sectors, such as retail and professional services, the EOT model is increasingly being adopted by businesses of all sizes, across a wide range of industries. From manufacturing and engineering firms, to creative agencies and technology startups, the benefits of employee ownership can be applied to almost any business looking to secure long-term growth and sustainability.

Its versatility makes it an attractive option for businesses that value collaboration, employee engagement, and long-term independence. There are approximately 1,800 employee-owned businesses in the UK, around 1,650 of which were established through an EOT. In sectors where retaining talent and maintaining strong client relationships are key to success, such as law and consultancy, this model has proven particularly effective.

Myerson is a proud Partner Member of the Employee Ownership Association (EOA) and became the first 100% employee-owned law firm in Greater Manchester this September, and one of the largest employee-owned companies in the UK. The use of the EOT model has allowed us to secure our future while maintaining our unique, employee-first, culture.[2]

Navigating challenges

Despite its benefits, this model is not without challenges, especially in the current political climate. While the Labour government has expressed support for employee-owned businesses, there is still uncertainty around certain aspects of tax policy. For instance, the current £3,600 tax-free bonus limit has not been updated since 2014, despite inflation and changes in economic conditions. Additionally, EOTs are still required to pay stamp duty on the value of shares transferred by former owners,

which can be a financial hurdle for some companies considering the transition.

However, with the right government support—such as updated bonus allowances, a clearer tax roadmap, and reduced transaction costs—the EOT model has the potential to become an even more powerful engine for economic growth. Employee-owned businesses have been shown to be 8-12% more productive than their non-employee-owned counterparts,[3] and with the right policies in place, the number of EOTs in the UK could grow significantly in the coming years.

A succession strategy for the future?

In an increasingly complex political and economic environment, EOTs offer a stable, tax-efficient, and values-driven succession plan. By ensuring long-term independence, empowering employees, and fostering sustainable growth, it provides a compelling alternative to traditional business sales and mergers. With the right support and planning, EOTs can help businesses of all sizes and sectors secure their future while staying true to their founding principles. In a time of uncertainty, employee ownership offers a pathway to resilience, engagement, and long-term success.

This article is intended as an information piece and should not be construed as advice.

All legislative references are correct at the time of writing but may be subject to change as a result of the Autumn Budget on 30 October.

(1) Employee Ownership Association, 2024
(2) Myerson Solicitors, 2024
(3) The University of Stirling, 2023

Find out more

For more information, please contact the Myerson Corporate Team at **0161 941 4000** or email **lawyers@myerson.co.uk**.

Private healthcare: is it worth it?

Chartered Financial Planner, Tim Latham, takes a closer look at this increasingly common dilemma.

As part of the Care Conundrum Masterclass I host, we discuss the stages individuals take on their care journey. Often, people simply assume "nursing homes" when I mention care, however I find that there are a number of stages in the care journey before that which we should consider. This starts with non-health related care at home, such as using the services of gardeners or

cleaners. The second stage and the focus of this article, is self-care for health and wellbeing. This could be the use of a physio, physical trainer or, as is becoming more widely available, a private GP.

In the UK, healthcare choices boil down to two primary options for general practitioner (GP) services: the National Health Service (NHS) or private GP services. Making this choice is a pivotal decision that impacts your healthcare journey. Although we firmly believe in the NHS, we are hearing a growing number of questions about private GPs in our client meetings.

As the NHS grapples with growing demands and longer waiting times, many seniors are exploring private healthcare for timely access, personalised care, and a more convenient experience. A few reasons as to why are listed below:

1.Shorter waiting times: Private GPs often offer more immediate appointments, reducing the waiting time for consultations compared to NHS services. Some offer appointments within 24 hours providing peace of mind that you will be able to speak to a doctor sooner rather than later.

2. Extended consultation times: Appointments with private GPs tend to be longer, allowing for more thorough discussions and examinations. There are even options to pay for a family appointment (typically subject to maximum 4 people).

3. Flexibility: Many private GPs offer more flexible appointment times, including evenings and weekends, to accommodate different schedules. You can also opt for a home-visit appointment if you're unable to travel or you may prefer to not share a waiting room with other sick people!

4. Access to specialists: They may have better access to specialists and can facilitate referrals to private consultants or clinics more swiftly.

5. Enhanced facilities: Many private practices are equipped with advanced diagnostic tools and facilities, potentially offering on-site tests and procedures.

"Who remembers the good old days of family doctors?"

6. Continuity of care: Who remembers the good old days of family doctors/GPs? They are sadly hard to come by these days. Reciting over 50 years of medical history to someone new every time can be tiresome! For those with ongoing medical needs, you may benefit from a consistent care provider who has a deeper understanding of your medical history.

7. Private prescription services: Private GPs can issue prescriptions for medications, and patients can often choose between branded and generic options.

8. Additional services: Private GPs might offer a range of additional services such as wellness checks, preventive care, and health screenings. For clients I look after, this has flagged a few issues that they were not aware of and are now taking action to prevent any long-term harm as a result.

The features above can make private GP services a convenient option for those seeking quicker and more personalised medical care. However, it's important to weigh these benefits against the cost, as private GP services are generally not covered by the NHS and can be expensive.

On average, a private GP consultation can cost between £50 and £150 per appointment.[1] Some of the bigger healthcare providers, such as Bupa, charge a flat rate for procedures whilst others, such as Spire and Circle, can vary greatly depending on the location, GP and individual.[2]

In terms of standalone procedures, they more of a known entity, but it's always worth doing your research and comparing quotes. The average hip replacement costs just over £13,000, and cataract surgery will set you back around £2,800 per eye.[3]

Other costs to bear in mind are that you will typically have to pay for follow-up appointments, blood tests or other diagnostic procedures and the cost of prescriptions will not be capped at the current NHS £9.90 price.

You may already be considering this option but are unsure whether you can afford it, and this is where we can help. By using our cashflow forecasting system, we can factor potential costs into your overall financial plan providing you with the peace of mind that such a service, which could be integral to your future wellbeing, is available to you.

Is it not money well spent if employing a private GP can make a significant difference in your life and/or defer any later life issues in the care journey? Surprisingly, many people are often too stubborn, too frugal, or fiercely independent to even consider it as an option, even if it could greatly improve their lives.

This article is intended as an informative piece and should not be construed as advice.

(1) Findaprivategp.co.uk
(2) Circlehealth,co.uk and Bupa.co.uk
(3) Which.co.uk - how much does private surgery cost?

Find out more

To explore private healthcare as part of your financial plan, contact us on **0161 486 2250** or reach out to your usual Equilibrium contact. If you're new to Equilibrium, call us on **0161 383 3335**.

To learn more about the care journey, sign up to our next Care Conundrum masterclass - scan the QR code or visit **equilibrium.link/care-conundrum-masterclass**.

The human touch

As Artificial Intelligence (AI) continues to evolve, Head of Organisational Development, Lucy Woolrich, identifies where its true value lies.

The arrival and adoption of Artificial Intelligence (AI) within the financial planning profession has sparked considerable interest and debate, largely around further advances in technology and its potential to shape the future.

We already know AI can deliver on certain tasks, taking away work, but what about its potential to take away jobs - could it ever replace human financial advisers? We believe that AI can leverage financial planning in many ways, however, one aspect it cannot replace is the relationship between an adviser and their client.

Managing our money is personal and emotive, as financial planning is intrinsically linked to a deep understanding of our goals, aspirations and fears. Fundamental to this is the human ability to listen, understand and capture the nuance of these highly personal interactions.

The technical aspects of financial planning can be intricate, creating plans and strategies that are delivered over lifetimes. Navigating life events and the delicate discussions that these can present is highly intricate too, requiring empathy and high levels of emotional, not artificial, intelligence.

The ability to build and maintain trust is critical in financial planning. As in the phrase: “People do business with people they know, like and trust”, it will be a long time, if ever, before AI can build long-term relationships that replicate the level of reassurance provided by a known, trusted human adviser.

> "The future of work is about working together, smarter through collaborative intelligence"

The above highlights the strengths and emotional intelligence of human advisers, however, we must also consider the complementary sets of strengths that AI brings to the table and how these can add real value to businesses and clients.

We are at the early stages of our relationship with AI, having recently introduced Saturn technology to reduce administration during meetings, shifting our focus to areas where we can create more impact and better outcomes for our clients.

Firstly, AI excels in efficiency and automation. AI can rapidly process vast amounts of data, identifying patterns, and automating repetitive tasks. Saturn is efficient, joining meetings and quickly capturing thorough notes of conversations, learning as it listens. Once the meeting ends, Saturn's technology produces a detailed summary of the key facts and discussions, a task that would take a human significantly longer to produce. No longer typing up reams of handwritten notes, the output from Saturn is reviewed and refined by the client manager, repurposing time for those tasks that need the human touch, expertise and experience.

Another area is cost-effectiveness, AI-driven tools represent a cost-effective alternative for clients with simpler financial needs, adeptly managing investment portfolios tailored to individual risk tolerances and goals.

Finally, AI brings a level of consistency that can be challenging for human beings to match. Saturn brings the same methodology to every meeting, regardless of the time of day or its "workload". It doesn't have good or bad days, get fatigued and need a holiday. This ensures emotional consistency, reducing the risk of human error and misunderstandings we can all make through oversight or cognitive biases.

The continued integration of AI in financial planning presents both challenges and opportunities, as the 'how' work gets done and 'by whom' continues to evolve.

We believe that AI and technology's greatest impact will be in complementing and enhancing human capabilities, not replacing them. What can feel easy for a person, like asking an insightful question, can be challenging for AI. Equally, tasks that are simple for machines can be nearly impossible for humans.

The future of work is about working together, smarter through "collaborative intelligence". This is when humans and artificial intelligence come together as teammates, actively complementing each other's strengths in pursuit of the same outcomes in the most effective ways. This is what we have sought to do with the introduction of Saturn, and we are curious about how else we can work with AI to play to its and our strengths in the future to further enhance our service.

Financial planning has many human elements - connection, empathy and understanding which remain at its very core. By embracing and integrating only the right AI tools, businesses and individuals can enhance their skill sets for the future, excelling by offering high-value experiences that AI alone cannot provide.

While machines can handle some aspects of financial planning, what we do and how we go about making people's lives better will always need the touch of the human heart.

Retirement villages: can I afford it?

Chartered Financial Planner, Haydn Barlow, offers the same advice to his grandad that he gives his clients.

Our purpose as a business is to make people's lives better. This is always at the forefront of my mind when I ask my clients: *"How can you use your hard-earned money to make your life and your family's lives better?"*

Retirement villages are becoming increasingly popular as they offer a safe community environment, maintenance-free living, and many onsite facilities for those aged 55 and over. It is also a topic which crops up in many of our financial planning meetings, both for clients themselves and older family members.

I must stress that retirement villages are not for everyone, and it's very much

a personal choice as to whether they are suitable for you or your loved ones. At Equilibrium, our role as financial planners is to give you the confidence that you can afford to live in a retirement village if that is your goal. Ultimately, we want you to have the confidence to use your money to make your life better.

When discussing this in client planning meetings, it is something I have first-hand experience of. My gran and grandad had been happily married for years and did everything together. My brother and I have fond memories of all the days out they took us on. This now brings back lovely memories when visiting the same places with my three boys, Charlie, Myles and Archie.

Unfortunately, my gran passed away in 2016, which was a big upset for the family and hit my grandad very hard. He no longer went outside and didn't socialise much either (as most of their friends had passed away). At the time, it was clear my grandad was starting to feel depressed and struggling to keep on top of things around the home.

When a new retirement village called 'The Cottons' was being built near where he lived in Ramsbottom, my grandad took it upon himself to find out more about it. After much research and mulling over, he came to me to ask my opinion.

From the minute we began talking, I could see my grandad was really keen on The Cottons. When I asked him what was holding him back, his response was one I've heard often from clients in similar situations: *"Money!"*.

I decided to dig deeper and asked why he felt money was the issue. It turns out he was particularly worried about:

- Affording the ongoing monthly service charge.
- Not having enough money to pay for care in the future.
- Guilt in spending his daughter's (my mum's) inheritance.

I knew I could help with all of his concerns. Firstly, I used a cash flow forecast to provide a clear picture of his income, expenditure and savings. We included ongoing costs for The Cottons as well as potential care fees.

The financial plan was then stress tested or as I like to say: "We threw the kitchen sink at it!". This ensured that if anything adverse were to happen, such as prolonged high inflation or unexpected medical expenses, he would still be ok financially. This gave my grandad an enormous amount of confidence that he could afford to take the next step.

All problems exist in the absence of a good conversation.

One Sunday over lunch, I shared with my mum the fears my grandad had about leaving her a worthy inheritance. As expected, my mum's main concern was my grandad's quality of life. She reassured him of this, offering him the comfort and confidence he needed to make his decision.

My grandad now resides at The Cottons and has thrived since being there. With the right guidance and full support from his family, he has used his money to make his life better.

How Equilibrium can help

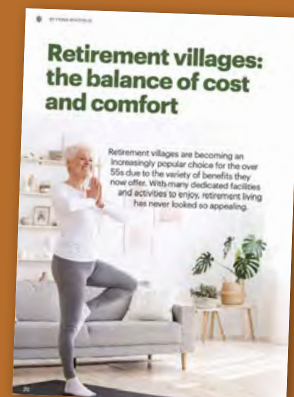
If you are considering a retirement village, please mention this to your client manager who can arrange a meeting for you. Your financial planner will then be able to include this in your financial plan to ensure that it is affordable, enabling you to use your money to make your life better.

As mentioned, all problems exist in the absence of a good conversation. At Equilibrium, we actively encourage our clients to bring family members to the planning meeting to enable an open, honest and productive discussion. Remember, we are here to help both you and your family.

This article is intended as an informative piece and should not be construed as advice.

Find out more

My colleague, Fiona Whitfield, wrote a great article on the balance of cost and comfort of retirement villages in the Equinox Autumn 2022 edition.


Retirement villages: the balance of cost and comfort

Retirement villages are becoming an increasingly popular choice for the over 55s due to the variety of benefits they now offer. With many dedicated facilities and activities to enjoy, retirement living has never looked so appealing.

Scam-proof your life

Anyone can be a target for fraud, the key is to protect yourself!

As of August 2024, the National Cyber Security Centre (NCSC) received more than 34 million reports of phishing scams which resulted in 193,000 scams being removed across 352,679 URLs (Uniform Resource Locators otherwise known as a web address).[1]

Cybercriminals are becoming more sophisticated in their tactics, using scam emails, text messages, or phone calls to deceive their victims. Their goal is often to lure you to a website that could infect your computer with a virus, steal your bank details or collect other personal information.

What's more, they will look for any information about you online which helps make their phishing/smishing/vishing (see definition box overleaf) attempts even more convincing. They employ psychological tactics such as applying time pressure which may come in the form of an urgent message for help or tickets to a sold-out event. The sole aim is to get you to act fast without having time to stop and think.

However, there are ways to fight back with the following **secret weapons!**

Arm yourself with knowledge

One of the best ways to protect yourself from fraud is by knowing the tactics fraudsters commonly use and the signs to look out for.

Visit **stopthinkfraud.campaign.gov.uk/how-to-spot-fraud** to find out the red flags to look out for, from 'how to spot a phishing email' to 'how to spot a fake website'.

Keep up to date with the latest scams from **actionFraud.police.uk/news**, such as WhatsApp group chat fraud, top frauds targeting young people, ticket fraud and much more.

Increase your email security

To prevent a cybercriminal from accessing your email, which could also result in them being able to access your other online accounts, personal or business information, there are two actions you can take right now:

1) Use a strong and different password for your email – the NCSC recommends using 3 random words (not associated to your pets or family) and combining them with numbers and symbols to make it harder to crack e.g. CupNetba11F!sh.

2) Turn on 2-step authentication for your email – this provides added protection as it requires more information to prove your identity. For example, getting a code sent to your phone when you sign in on a new device.

Beware of...

Voice cloning: AI is giving fraudsters new ways to target people - they can now use voice cloning technology to replicate a person's voice from as little as three seconds of audio, which can be easily captured from a video someone has uploaded online or on social media.

The scammer will piece together that person's family (or friend) connections via social media, phishing emails, public records or even data breaches sold on the dark web. They will use voice cloning to stage a phone call, voice message or voicemail to them, asking for money/information that is needed urgently.

In Starling Bank's recent survey, nearly 1 in 10 (8%) respondents said they would send the family member whatever they needed in this situation, even if they thought the call seemed strange - potentially putting millions at risk.[2]

Spoofing: Fraudsters can call (or text) your landline or mobile from a phone number that looks genuine. They change the number they're calling from, so it appears on your caller ID as someone you think you know or trust.

Use a password manager

You may be using one password for all your online accounts, and this is a cybercriminal's dream. We always advocate a different password for each online account, and this is where a password manager comes in handy, securely storing ALL your passwords in one place – all you have to remember is the "master" password to log in. At Equilibrium, we use Dashlane but there are many others out there.

Enhance privacy on WhatsApp

Many of us use WhatsApp daily to communicate with family and friends. By adjusting privacy controls, you can protect your personal information and ensure it doesn't fall into the wrong hands. Control who sees your information such as profile photos, status, last seen and live location. Review your options under **Settings > Privacy** or visit the WhatsApp Help Center to learn how to stay safe on WhatsApp.

What's the difference?

Phishing: Involves fraudulent emails to steal information. These emails often contain links to fake websites or attachments with malware.

Smishing: Uses SMS (text messages) to deceive victims. Smishing messages typically include a link to a malicious site or a phone number to call.

Vishing: Utilises phone calls to extract sensitive information.

Share a secret password

Having a secret password that's known only to your family is a useful tool to have in your arsenal against cybercriminals who use vishing or smishing as their method of attack.

Scammers can now call or text from a number which looks genuine on your caller ID (known as 'spoofing'). With the help of AI, they can even imitate voices (known as 'voice cloning') to make it more convincing.

Next time you receive an out-of-the-blue phone call or message from, what appears to be, a family member, asking for money or advising of a change of number, check whether it's really them by asking them for the secret password.

At Equilibrium, security is a top priority. We will always check we are speaking to you by asking a security question stored on record. If you haven't set this up already, please contact your Client Manager.

Backup anything you value

Back up anything that would inconvenience you if you could no longer access it, should your device(s) be lost, stolen or compromised (due to a virus). You can backup via cloud storage or on removable media (such as a USB stick or an external hard drive). **Tip: 'Back up' is usually found under Settings on any device.**

The article is intended as an information piece and should not be construed as advice.

(1) NCSC.gov.uk/phishing scams
(2) Starling Bank launches 'Safe Phrases' campaign - Starling Bank

A masterclass everyone should attend!

Join our upcoming Cyber Security Masterclass to learn more tips and tricks in the fight against cybercriminals. **Friday 14 February 2025 – Ascot House**

Staying informed on your investments

Investment Manager, Mike Deverell, explains the 'how' and 'why' behind our investment communications.

Most of our clients want regular updates about their investments.

However, the level of detail and the frequency of information required varies greatly from client to client. Some people just want to know: *"How much has my portfolio gone up or down over the last year?"*

On the other hand, others want to know the detail of what asset classes or individual funds have driven the returns, every quarter.

Some people prefer to get their information from their adviser during a meeting, others want it in writing, whilst many prefer videos or in-person presentations.

Our aim is to tailor our investment communications to your requirements, both in terms of content and your preferred medium.

Until recently, I would present a quarterly investment briefing in person. Each quarter, around 100 people would come along, and I would go through our thoughts about what's going on in the economy, what's driving markets, and how that has affected portfolios. We'd also share some thoughts on the outlook.

Whilst 100 people a quarter is a decent attendance, we've always been conscious of those who couldn't or wouldn't want to attend.

We used to send out a recording of the presentation to clients, but I always wondered who would want to watch a 45-minute presentation on their computer at home?!

We also used to send a detailed investment review as part of our six-monthly magazine, Equinox. For some people this wasn't frequent enough, for others it was too detailed, and they wouldn't read it anyway. Both are perfectly reasonable responses!

We have recently adapted our communications to try and accommodate both ends of the spectrum.

"The intention is to provide more relevant information in a variety of formats"

We now provide:

- A quarterly written report, providing much of what was previously in Equinox (but more frequently).
- Three short videos summarising our thoughts on the economy, markets, and portfolios each quarter.
- A longer in-person investment presentation every six months where we share our own perspectives and also invite external speakers to join too.
- The Pulse newsletter every month other than when the quarterly report is issued.
- Equinox magazine every six months.

The intention is to provide more relevant information in a variety of formats. For example, those who want a general overview can scan through the written report, or watch the videos at their leisure. Conversely, those who want a higher level of detail can read all our publications and attend the investment presentations.

We'll still happily discuss investments during meetings in as much detail as you like. However, by providing this information in advance, we hope it will lessen this requirement. Instead, time can be freed up in meetings to discuss other ways we can help you live the life you want, help the ones you love, and leave a powerful legacy.

All clients have access to our client portal. Within this, you will find links to the above documents, but you can also obtain an up-to-date valuation.

Some clients look at this daily! We wouldn't recommend that – investing is for the long term as markets can fluctuate substantially. The more often you look, the more acutely you will feel the volatility!

If you have any further questions or feedback, please don't hesitate to get in touch with us on ***0161 486 2250*** *or reach out to your usual Equilibrium contact.*

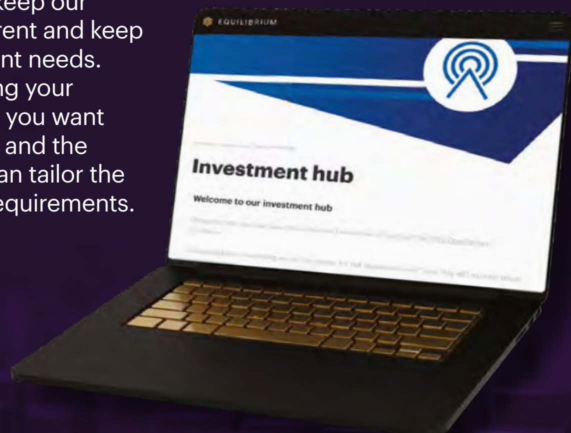
The Investment hub

We have our online investment hub available at **equilibrium.co.uk/services/investment-hub**

This shows you the up-to-date asset allocation and what funds are currently held in each of our core portfolios. You can also view how the asset allocation has changed historically.

The tool even allows you to input a blend of different portfolios to view your overall allocation and fund list. For example, if you have £50,000 in Defensive, £200,000 in Balanced and £100,000 in Global Equity, you could input those numbers to view your bespoke mix.

We will always try to keep our communications current and keep adapting them to client needs. Please do keep sharing your feedback about what you want to see, the frequency and the medium so that we can tailor the information to your requirements.



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Think before you click

Find out how you can protect yourself from the next cyber attack by joining our Cyber Security Masterclass. Scan the QR code or call our Events team on **0161 486 2279**.

You can also view our other events here: **equilibrium.co.uk/events**

Latest investment news

Discover the latest news via our quarterly investment report, available in written and video format.

- **Markets**
- **The economy**
- **Portfolios**
- **Drivers of performance**
- **Commentary**
- **Outlook**

To see the report visit our webpage or scan the QR code:
equilibrium.co.uk/quarterly-investment-report-october-2024

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