PRESS RELEASE

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7IM ISA TIPS: WRAP UP WELL FOR ISA SEASON

7IM share seven ISA season tips as the 5 April deadline looms for protecting investments from the biting chill of capital gains tax (CGT).

Wrapping up savings in an ISA makes completing tax returns a lot easier, because you don't have to declare them. But choosing the right investment strategy and investments is not so easy.

Michael Martin, Private Client Manager at 7IM, offers an explanation into our top tips for ISA season:

1. Time in the market is your friend – but be prepared for some fall outs

"Markets don't go up in a straight line, be prepared for some bumps in the road. The most important thing is to understand your appetite for risk and reward, because this can have a key influence on investment returns, both on the upside and the downside.

"Instead of trying to time the market which is a fool's errand, a far more effective strategy for wealth creation is to stay invested for the long term. By doing so, you could benefit from the phenomenal power of compounding, which Albert Einstein (allegedly) described as "the eighth wonder of the world"."

2. Keep calm and stay invested through turbulent times

"Sharp falls in the FTSE 100, and scary headlines created a perfect storm of fear and panic in 2020. At these times, it is understandable that investors may be tempted by the 'safe option' of selling down and want to sell everything in return for cash– they may have lost money already, but it feels like the world is going to end."

"For investors who stayed the course through the pain and have seen their portfolios rebound, there always comes this bit of time. They start to feel relieved that the money wasn't lost."

3. Ignore what you've learned about reducing risk as you get older?

"Reducing investment risk as you approached retirement may have been appropriate when we all bought annuities and had shorter retirements, but that has changed for many of us. "The point at which you retire is when your savings pot is usually at its biggest. That's when the power of compounded interest can make an astonishing difference to your wealth. Taking your foot off the gas at this stage and shifting into bonds and cash may be the last thing you should do. It might reduce investment risk, but it can undermine your long-term returns and therefore your ability to cope with other risks – like inflation and living much longer than expected."

4. Avoid home bias – but don't underestimate the UK, either

"Many of us have a home bias in our portfolios. These holdings might have been held for a long time, passed down through generations, or acquired through demutualisations. It can all add up to a 'home bias' and can potentially morph into a hotchpotch of holdings.

"We're probably all over exposed to the UK's economic fortunes already - through our jobs, our homes, and through our wages – paid in sterling, which itself has experienced significant swings over the last couple of years. So, whilst it would be a mistake to ignore, or even underestimate the UK, global funds can diversify risk and is essential in today's unpredictable investment landscape."

5. Look under the bonnet

"A lot of funds come with the word 'cautious' in their label, but make sure what's on the tin is aligned with what you want in it. Some funds are in the 20%-60% equity sector and may have towards the top of the range invested in equities, which drive returns, but also volatility. This is because even in a portfolio that is split 50-50 between bonds and equities, historically about 85% of the volatility will probably come from the equity components of the portfolio. If you want a cautious fund that's really cautious, you might want to look in the 0-35% equity sector."

6. If you've got all you need, think about helping your children and grandchildren with their ISAs

"I see so many clients who have fully utilised their ISA allowances, but who are taking no income from it, and have no need for it. Ultimately, they are just feathering their nest for the inheritance tax (IHT) bill. Consider giving the money to your children and grandchildren via their ISAs and you may reduce the amount of IHT to be paid on your death. Live the seven years and it is out of your estate."

7. Diversify your tax risk

"Political uncertainty and a fluid tax system means that diversifying your tax risk is a good way to ensure that you won't be caught out by any changes that may happen.

"While it's impossible to be completely 'future proofed' you can try to be as robust as possible by making sure that you use all your allowances. That way, should one investment become tax inefficient, the others can compensate. Use pensions, your Capital Gains Allowance, ISA and dividend allowance. Other higher risk investment vehicles could also be Enterprise Investment Schemes and Venture Capital Trusts – however these may not be suitable for everyone, which is why it's so important to seek advice from a financial adviser.

"The government does not give us many ways to save tax, so make sure you use as many as you can. Taxation depends on your individual circumstances and can change in the future – you never know when these allowances may be taken away!" Tax rules are subject to change and taxation will vary depending on individual circumstances, which is why it's so important to seek advice from a financial adviser.

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About 7IM

It all began in 2002, with seven of us in a basement establishing 7IM because we couldn't find anywhere we wanted to invest our families' money. Our assets under management now stand at around £17bn, and we have moved from 'basement' to 'Bishopsgate' in the City of London.

We manage money aiming to meet people's medium to long-term return expectations. Fundamentally, we believe in active asset allocation in both active and passive investments (where we were one of the first to offer actively managed passive portfolios). We build global portfolios based on that allocation, and include alternative assets where appropriate to manage the risk reward trade off. Active currency management is also at the core of what we do.

7IM provides investment services to professional wealth managers, planners, advisers and private investors. These include: discretionary investment management, a range of multi-asset portfolios, an investment and open architecture trading platform and a fantastic app, 7IMagine, which brings client portfolios to life.