PRESS RELEASE

SEVEN Investment Management

FOR IMMEDIATE RELEASE **25 APRIL 2018**

7IM: SCHOOL FEES, LONG TERM CARE AND WHY YOU SHOULD KNOW YOUR OWN INFLATION NUMBER

Data last week showed wages rising faster than inflation for the first time in a year – good news for many consumers, but not all.

Mark Twain may have said “facts are stubborn, but statistics are more pliable”, but for some people the inflation statistics can be painfully stubborn too.

Those paying for private school fees or long term care, for example, will find their personal inflation rate is probably considerably higher than the headline UK inflation figure.

School fees – a tough nut to crack

Whilst this year’s Independent Schools Council **(ISC) Annual Census** is expected later this month, school fees to date continue to outstrip inflation.

Sophie Kilvert, Relationship Manager, Seven Investment Management (7IM) said: “It’s good to see the cost of living squeeze easing, with average wages finally outstripping inflation. But if a large part of your income is spent on paying other people’s wages, for example childcare (something I’m all too familiar with), school fees or long term care, your own personal inflation rate is likely to be significantly higher.

“For those in a very fortunate position, school fees can be a good way for older generations – grandparents – to pass on wealth to younger generations because it reduces the estate for inheritance tax (IHT) purposes. Lump sum gifts will only be completely free of IHT if the person giving the money lives another seven years. However, if the gifts are made from surplus income without affecting the donor’s standard of living, it would count as a ‘gift out of income’ and becomes IHT exempt from day one. Make sure that you keep good records of these gifts though as it will really help the executors of your Will.

“Investing to save for school fees is a tough nut to crack due to the huge sums of money needed in a relatively short time horizon. One way around that would be to start saving for school fees before any children are actually born – but that is planning in the extreme! Whilst it is a very personal decision, and everyone’s different, circumstances can change, which is something to bear in mind for those *only just managing* to pay the fees, and particularly given the huge rates of school fees inflation we have seen in the past. You are taking a huge ‘punt’ on your earnings either staying the same, or growing – something that is not always a given.”

Putting care fees to bed

Michael Martin, Relationship Manager, Seven Investment Management (7IM) says: “Once you’re in a higher inflation bracket, it can be hard to get out, because none of us like change. The worst thing possible is to be caught out and find you can no longer afford school fees or nursing home costs and have to take your children out of the school where they are settled or move out of a nursing home where you are comfortable.

“Few of us know how much care we will need in later life, but at least we have some time to plan for it. We can assume the costs will rise on average more than general inflation. That’s because, like schooling, the service is being delivered by people not machines. The cost of technology tends to go down in price as we get better at producing it. It's much harder to make people cheaper!

"For most of us that means we have to ensure that any savings earmarked for later life care grow faster than inflation. We all know that inflation erodes wealth and spending capacity, but some of us have more ravenous inflation than others. It's important to have an idea about your own 'inflation number' so you can plan your finances, savings and investments accordingly.

"A wide range of inflation calculators are available to help consumers work out their own spending habits and inflation numbers. However, there's no substitute for traditional pen and paper and writing down all your monthly outgoings and then checking how some of the figures have changed in the last year or so. I've set this task for a number of clients and it almost always gives them a few 'inflation surprises'."

Ends

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Notes to Editors:

About 7IM

It all began in 2002, with seven of us in a basement establishing Seven Investment Management (7IM) because we couldn't find anywhere we wanted to invest our families' money. Our assets under management now stand at around £12.5bn (more than doubling since 2013), and we have moved from 'basement' to 'Bishopsgate' in the City of London. There are now around 266 of us.

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.

Multigenerational investing

We do our best to pass on economies of scale, reducing fees so more investors within a family save with us. Grandparents, through to parents and their children can invest as individuals with one charging structure – whether they live under the same roof or not.

A story of continuous innovation.
In 2013, we launched 7IMagine, an app allowing investors and advisers to keep up to date with their portfolio. The brainchild of some clients – professional 'gamers' uninspired by their paper statements – 7IMagine was enriched in February 2016, with My Future. Again using gaming technology, My Future allows advisers and investors to capture details about family or individual finances, including any number of streams of income, properties, other assets and expenses, to help identify how sustainable their finances are and if / when their retirement income will run out.

Our funds

- Our **AAP fund range (Asset Allocated Passive)** is populated largely with passive structures to keep costs to a minimum. Asset allocation is actively managed to help exploit opportunities and reduce risk across the spectrum: **7IM AAP Adventurous, 7IM AAP Moderately Adventurous, 7IM AAP Balanced, 7IM AAP Moderately Cautious, 7IM Cautious and 7IM AAP Income**. Some of these risk profiles have funds domiciled in both Dublin (with UK reporting status) as well as the UK.
- Our **Multi-Manager fund range** invests in a range of active and passive vehicles. Costs still matter, but if we think an actively managed fund can outperform a passive alternative we have the freedom to choose it. Asset allocation is actively managed. Again, there are different funds for different profiles: **7IM Adventurous**, **7IM Moderately Adventurous**, **7IM Balanced** and **7IM Moderately Cautious**. Again, some of these risk profiles have funds domiciled in both Dublin (with UK reporting status) as well as the UK.
- We also have a selection of funds designed to meet specific needs, such as the **7IM Personal Injury Fund**, the **7IM Real Return Fund** or the SRI focussed **7IM Sustainable Balance Fund**.
- We also have a range of 'smart passive' funds known as the equity value funds. The range includes: the **7IM UK Equity Value Fund**, the **7IM US Equity Value Fund**, the **7IM European (ex. UK) Equity Value Fund** or the **7IM Emerging Markets Equity Value Fund**. These are entirely systematically managed based solely on company fundamentals, the aim being to outperform the relevant passive market cap-weighted alternative by selecting profitable, high-quality, cash-flow generating companies that trade at a discount to their intrinsic value.

Our Model Portfolios

The 7IM Model Portfolios are a range of risk rated portfolios and are available within our discretionary investment services and standalone on the 7IM platform and other platforms. The Models use the same investment process and asset allocation as our funds.

Our range of Model Portfolios are available across the risk profiles: **7IM Adventurous Model Portfolio, 7IM Moderately Adventurous Model Portfolio, 7IM Balanced Model Portfolio, 7IM Moderately Cautious Model Portfolio, 7IM Cautious Model Portfolio and 7IM Income Model Portfolio**.

The 7IM funds and Model Portfolios are available through the 7IM Discretionary, Managed Investment, Platform, and Self Invest services, as well as on other platforms.

Important information: The information contained in this document does not constitute investment advice and if you are in any doubt about the suitability of the investment or service, you should consult a professional financial adviser. The value of investments, and the income from them, can fall as well as rise and you may not get back the full amount invested. Seven Investment Management LLP is authorised and regulated by the Financial Conduct Authority. Member of the London Stock Exchange. Registered office: 55 Bishopsgate, London EC2N 3AS. Registered in England and Wales No. OC378740.

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