PRESS RELEASE

SEVEN Investment Management

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WE NEED TO TALK ABOUT: RETIREMENT PLANNING

7IM PENSIONS RESEARCH – PEOPLE EXPECTING TO WORK FIVE YEARS LONGER THAN THEY WOULD LIKE AND MANY MAY NEVER RETIRE

- **Five-year gap between retirement date dreams and expectations**
- **One in seven expect to have no choice but to work beyond 75**
- **Over a third (35%) saving nothing for retirement**
- **7IM Research identifies seven personality types most at risk of pension crisis: *cash strapped*; *procrastinators*; *inheritance hopefuls*; *downsizers*; *live for today*; *head in the sand;* and *caught in the headlights***

New research from **Seven Investment Management (7IM)** shows early retirement is an impossible dream for many, with one in seven expecting to work until they are 75 and beyond.

Meanwhile, despite the raised profile of retirement saving following the introduction of workplace pension schemes, some 35% are currently saving nothing and 15% are unsure of what their position is. Some 12% are taking a 'live for today' approach rather than focussing on retirement plans.

Yet many are still hoping that 'it will all turn out alright in the end'. Some 10% are 'inheritance hopefuls', whilst one in twelve 'downsizers' are relying on the value of their property to come good.

The five-year gap

People expect to be forced to work, on average, at least five years longer than they would like and whilst £23,000 a year is the amount estimated for a comfortable retirement, only one in ten say they are on track for a comfortable retirement. 39% think they need to increase the amounts they save.

On average, people would like to retire at 62, but expect to have to keep on working until they are 67. 14% are expecting to work to 75 and beyond but only 4% like the idea.

Lack of financial education

Whilst **7IM** has been running a 'we need to talk about' campaign, calling for more financial education on pensions, around a quarter (24%) don't want to talk, with a lack of knowledge being part of the problem. Some 10% feel 'caught in the headlights', saying their limited understanding of retirement planning puts them off. Similarly, 18% ('head in the sand') say they try not to think about retirement planning because it makes them worry.

Matthew Yeates, Quantitative Investment Manager, 7IM, said: "When it comes to pensions, many are taking an 'it'll be alright on the night' approach, with inheritance or downsizing being counted upon as the ultimate fall back. But there are no givens, perhaps even less so in austerity Britain and since most people can no longer access final salary pension schemes.

"A lack of financial education is holding many people back – it's just too scary an issue for many to think about, let alone talk about. But talking is exactly what needs to happen, and seeking financial advice can really help clarify goals and attitudes to risk. On a positive note, some people are keen to take advantage of better health and improved longevity to carry on working into their 70s. However, most people want to retire early and know they can't – and for some retirement at any age is now just a dream."

Financial advice

One in eight say they have consulted a professional adviser about their pension. The most common reason given for not taking advice was that they were in a workplace pension scheme (26%). Some 18% said they manage their own affairs; 15% felt their pension pot was not big enough; and 7% said they did not know how to find help. Some 12% blamed the costs and 6% said they did not trust anyone.

For stock market beginners

Matthew Yeates continued: "For would-be first time investors worried about stock market volatility, don't assume you need to take on too much risk too soon. Our research shows that taking more investment risk early on doesn't necessarily help build up a pension pot quickly. There often isn't enough in the pot to build on until much later in life when you've been saving a regular sum over a long period. This is when compounding starts working best, when you've also probably learned a thing or two about investment. At this point there is the potential for profits upon profits to become meaningful compared to savings.

"So don't necessarily feel you have to take on too much risk too soon – getting your fingers burnt too early can be counterproductive and put people off investing for life. Seeking regular advice to stay on track for your financial goals, by reviewing and adapting your plan, makes sense."

Justin Urquhart Stewart, co-founder and head of corporate development, 7IM, said: "Nearly one in five people tell us they are anxious about their retirement future. That's awful and for many people it needn't be like this. Saving £100 a month for 40 years in an investment fund generating 5% annual growth will give you nearly £150,000. In total you will have put away £48,000 to achieve this.

"Do nothing for 25 years and you'll have to save more than £550 a month – around £100,000 in total – to catch up. The sooner people start saving, the less painful it is.

"Of course, they will have to take on board investment risk, and there are no guarantees available, and perhaps this might be more than they are intuitively comfortable with. It's important for everyone, whether they are saving for retirement – or living off their savings in retirement – that they take the appropriate level of investment risk and seeking advice here is now really important."

7IM has identified seven key personalities from the research among those yet to retire who it fears are at most retirement risk.

Pension personality types heading for trouble

- **Cash-strapped – can't afford to save anything into a pension (23%)** Justin Urquhart Stewart said: "One in four fall into this category – it's a sign of austerity Britain that for so many, just 'surviving' today is as much as they can manage".
- **Procrastinators – will save when we can afford it (27%)** Justin Urquhart Stewart said: "The problem for these people is: when will that be? For young people in particular there are other priorities, like getting on the housing ladder and raising a family. However, the earlier people get into the discipline of putting even a little bit aside – especially if it is well invested and generates reasonable returns – the better their chances."

- **Inheritance hopefuls – hoping for an inheritance to fund retirement (10%)** Urquhart Stewart said: "This is a dangerously high-risk strategy adopted by one in ten. One of the consequences of growing longevity is that the older generations are having to use up their children's inheritance to pay for their own living expenses and particularly the costs of later life care."
- **Downsizers – planning to downsize their house to fund retirement (8%)** Those relying on this strategy need to think carefully. Research by Savills in 2013 showed that downsizing from a typical three-bed to two-bed house would release £100,000 or more of equity in only 10% of UK locations. April 2017 data from the Office of National Statistics shows the difference between the average semi-detached house and the average terraced house across the UK is less than £30,000. Ignoring the transaction and refurbishment costs, that might buy you a retirement income of £100 a month! Downsizing could be a lot less profitable than people think."
- **Live for today – would rather spend money on experiences to enjoy now (12%)** Urquhart Stewart said: "They say that tomorrow may never come, but if and when it does these people could be in for a very painful shock. The truth is that if you invest sensibly, the sooner you start, the less money you will actually have to save."
- **Head in the sand – too worried to think about it (18%)** Urquhart Stewart said: "Many of these people find pensions confusing, for others it doesn't even cross their minds. 7IM has been campaigning for some time now for better financial education across the generations so that people understand how pensions work and why saving for retirement is so important."
- **Caught in the headlights (10%)** One in ten say they don't understand enough about pensions and it puts them off doing anything about it. Urquhart Stewart said: "Try to get some professional advice or at the very least download our free app and look at what you might need to do. Don't be the rabbit that gets squished."

The award winning 7IMagine app

7IMagine, 7IM's award-winning app, allows anyone to capture details about their own and their families' finances over a cup of coffee in as little as 10 minutes. A wealth of options can be incorporated into any scenario and investors can include any number of streams of income, properties and other assets.

Verona Smith, Head of Platform, 7IM said: "Life is busy, and most people don't live and breathe finance in the way that the financial services sector would like them to, and who can blame them. Whilst many investors need to up their savings game, financial product providers need to up their game too, and invest in technology. Some 75% of adults use the internet 'on-the-go' using a smartphone, tablet or laptop according to Google.

"7IMagine came about because our client, a successful video games developer, was frustrated at yet more paper with data that told him nothing. So he worked with us and 7IMagine was born. Investing has to be engaging for clients. 7IMagine allows investors to assess their current portfolios, but also to project whether they are on track to meet their retirement goals. 7IM continues to work with the original developers – investors can use 7IMagine anywhere, at any time, and on a wide variety of devices."

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Notes to Editors:

The 7IM research was carried out by Opinium based on an online sample of 2,025 representative UK adults between 30 June and 4 July 2017.

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 £11bn (more than doubling since 2013), and we have moved from ‘basement’ to ‘Bishopsgate’ in the City of London. There are now around 240 of us.

Radical common sense

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 an offshore version of the fund.
- 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 an offshore version of the fund.
- We also have a selection of funds designed to meet specific needs, such as the **7IM Personal Injury Fund**, the **7IM Unconstrained 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. Like the Asset Allocated Passive (AAP) funds, the entire asset allocation is fulfilled with 'Smart Passive' market cap weighted passive instruments (for example UK and US equities) which track those markets and systematic instruments. 7IM undertake the due diligence on the passive securities (such as counterparty risk and concentration). 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.

WWW.7IM.CO.UK