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## 7IM ON FCA RETIREMENT OUTCOMES REVIEW INTERIM REPORT: UK IS ON A JOURNEY THAT HAS TO END WITH COMPULSION

### 7IM recommendations:

- Establish a ‘rule of thumb’ to help people see how far retirement savings will stretch
- Deliver better online, easily available tools for savers
- Make saving for retirement compulsory for workers
- Improve money education for all ages

Seven Investment Management (7IM) has welcomed the FCA’s Retirement Outcomes Review: Interim Report and has [responded](#) with four key recommendations: establish a ‘rule of thumb’, deliver better online, easily available tools for savers; make retirement saving compulsory for everyone, and improve financial education.

**Justin Urquhart Stewart, Co-Founder and Head of Corporate Development, 7IM**, said: “The regulator is understandably concerned about the options and information available to people at the stage where they can access their pension. The interim findings are well researched and thoughtful, but unless we do more to get people to save and invest wisely long before this point it’s a bit like fretting over the pressure of your tyres when they’re actually bald.

“There is a huge education job to be done, and good quality online retirement tools have an important role to play. But compulsion is key: whilst auto enrolment is a start, the UK is on a journey that has to end with compulsion.”

**Matthew Yeates, Quantitative Investment Manager, 7IM** (and co-author of 7IM’s pensions [discussion paper](#), ‘*Challenging Traditional Attitudes towards Risk and Retirement*’) said: “Whilst much of the emphasis is on the decisions made by savers at retirement and beyond, more needs to be done to encourage people to save sufficiently, effectively and sooner. According to the FCA Retirement Outcomes review, many of those taking money out of their pensions (32%) appear to be moving the majority of withdrawn money into cash products. We are concerned that many investors may be taking a level of investment risk they believe they are comfortable with, without fully appreciating the long-term consequences. In the absence of good advice, they could remain comfortable until their money suddenly runs out – possibly at the point in their lives when they are most vulnerable.”

### 7IM’s four recommendations:

- 1. Establish a simple ‘rule of thumb’ way to help people understand how far their retirement savings will stretch**

7IM believes people need clearer savings targets and a quick way to see what their current savings might generate when added to a state pension. It suggests the **“25x pensions rule”** – “take the annual income you want in retirement and multiply it by 25 to see roughly how much you might need in savings” or “take your retirement savings and divide by 25 to see what income you might expect in retirement.”

**Justin Urquhart Stewart** said: “Whilst we appreciate that the ‘rule of thumb’ is neither precise nor perfect, we think people are smart enough to see it as just a guide. No-one thinks the five-a-

day rule for healthy eating guarantees they'll live to 100, but it has helped improve diets by giving people a simple, practical target. The same should apply to retirement savings."

## **2. Deliver better online and easily available tools for savers**

In addition to the rule of thumb, better apps and online tools are needed to help people work out just what all their different savings pots add up to and how changing levels of investment risk might influence their retirement income.

7IM has its own free, award-winning app (launched in 2013) – 7IMagine – which uses gaming technology to help people see the value of their savings and to show how close they are to meeting their retirement goals. The Pensions Dashboard has potential to be a useful tool for investors, but we believe it needs to be engaging.

## **3. Make saving for retirement compulsory for workers**

7IM admits it is concerned that when people using the rule of thumb or apps work out just how much they will have to save for retirement, many will be demoralised and may be dissuaded from doing anything. It believes the only way to really promote committed pension saving will be to make it compulsory, as it has been in Australia since 1992.

**Verona Smith, Head of Platform, 7IM**, herself an Australian, said: "There was opposition to compulsory saving initially but now Australians are among the best prepared for retirement of any workforce in the world. Here in the UK, auto enrolment, which people can opt out of, is the start of a journey that has to conclude with compulsion and with far more serious levels of contribution. The sooner we get there the better."

## **4. Improve money education for all ages**

7IM says a more joined-up approach to financial education is also necessary from school years through to the workplace and beyond. **Justin Urquhart Stewart** said: "Essentially, we need to start early and never stop! If we seriously commit to helping people understand the important basics of investment and saving then we are more likely to see them making smart financial decisions."

## **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 £12bn (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

7IM use multi asset strategies with choices: active or passive, onshore or offshore, and we also have specialist 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.

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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