

FOR IMMEDIATE RELEASE

28 JUNE 2018

7IM ON FCA RETIREMENT OUTCOMES REVIEW – ANOTHER NAIL IN THE COFFIN FOR TRADITIONAL LIFESTYLE FUNDS?

Seven Investment Management (7IM) today welcomes the FCA's Retirement Outcomes Review: Proposed Changes to our Rules and Guidance (CP18/17).

The consultation takes on board a number of 7IM recommendations, including its concerns about consumers derisking too early, something that 7IM mooted in a pensions [discussion paper](#), 'Challenging Traditional Attitudes towards Risk and Retirement', published last year, as well as in its response to the FCA's Retirement Outcomes Review Interim Report.

Matthew Yeates, Investment Manager, 7IM said: "Today's paper is arguably another nail in the coffin of traditional lifestyle funds. We used to manage to retirement date for investments, increasingly this is now to life expectancy. We support the idea of asking consumers to opt in if their retirement pot's investment risk is to be reduced to the point it is invested wholly, or predominantly in cash and cash like investments. Challenging this model of traditional default schemes will require demonstrating the pros and cons of each approach to savers, and is extremely important.

"Many people are automatically being 'derisked' without fully appreciating the implications (or even knowing about it). Last year, we called for a national conversation on the issue. Our research shows that, due to the power of compounding, the investment risk lever is the biggest one people can pull as they approach retirement. Asking people to make a choice on this lever is therefore an important step.

"7IM has consistently warned that whilst much emphasis has historically been on the decisions made by savers at retirement and beyond, more needs to be done to encourage people to save sufficiently, effectively and sooner. Although much of today's paper refers to people's propensity to hold too much cash, the theme is much broader than that and is about investment risk in general being too low. This is something that we have talked about a lot, and it is a huge milestone to see the FCA addressing this theme head on.

"This is a nuanced and important paper – the proposals being discussed here are much clearer implementations of the weighing scales of the different risks facing retirees, where investment risk is just one of those risks being weighed. Highlighting the trade-off between investment risk and inflation eroding value over the long term is an important comparison.

"The alternatives to portfolios of cash and bonds that the FCA discusses is what we would consider a Balanced, multi asset portfolio, which we strongly believe is a sensible option for spreading risk."

Wake up Packs for the over 50's

On the Wake up Packs, **Verona Smith, Head of Intermediary, 7IM** said: "These packs are a step in the right direction – but now we need to make a giant leap. Paper documents have their place – and the FCA are right to want to keep these brief. But true engagement is about so much more than that. Whilst introducing these earlier in people's lives makes sense, I'd also question whether 50 is early enough. Our research tells us that the impact of saving decisions

make much more impact early on in someone's life. The earlier people engage with their pension the more they can make their goals a reality. I fear 50 may be too late.

“But fundamentally, I think good interactive tools and apps should be driving engagement – paper does not drive engagement. It's time for the industry to step up to the plate. We have put our money where our mouth is – the 7IMagine App, using technology developed by the experts behind Nintendo 64 classics GoldenEye and Donkey Kong, means that in as little as 10 minutes, investors can plug in a range of assets and run a range of scenarios to see if their finances might be on track, in a very visual way. They can incorporate their whole families' finances too, making it truly multi generational.

“All sorts of scenarios can be run, with adjustments for risk, inflation and retirement ages. We had one adviser tell us the app was so popular with their client, it led to rows, leading the clients partner to throw the hand held device out of the window (whilst on holiday!). It might not be an ideal or intended outcome, but it does illustrate true engagement!”

Investment Pathways

Verona Smith continued: “Threading through the investment choice part of the consultation paper is the idea of ‘investment pathways’. The idea of simple, clear choices for a retirement solution gets to the core of this paper. This links into what 7IM are doing in this space with our Retirement Planning Service. A product for drawdown should be as easy to pick off the shelf. A fund or model portfolio aims to increase efficiency for advisory firms, helping advisers to deliver services and income to their clients throughout the various life stages. The 7IM platform has the flexibility to accommodate different ‘pots’ for different financial priorities and risk profiles, to create an integrated service helping deliver the income their clients need throughout various life stages.”

Ends

For further information, please contact:

Jemma Jackson
PR Manager, 7IM
jemma.jackson@7im.co.uk
020 3823 8696
07776 204 610

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 and the Jersey Financial Services Commission. Member of the London Stock Exchange. Registered office: 55 Bishopsgate, London EC2N 3AS. Registered in England and Wales No. OC378740.

www.7im.co.uk

Want to stop receiving these emails? You can unsubscribe from this list by clicking [here](#).

To view our privacy policy, [click here](#).