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‘CARROT AND STICK’ GETS A REBOOT: 7IM SUGGESTS GENERATION GAME(ING) FOR FINANCIAL CAPABILITY WEEK

It’s almost poetic that **Financial Capability Week** (13-19 November) falls the week before the Chancellor’s Budget, which can have a huge impact on consumers’ pockets, for better or for worse. It can act as either a hammer blow or a positive boost, although there’s always scope for a non-event too. But it does underscore the need for good financial capability.

So how can consumers get savvy? **Seven Investment Management (7IM)** suggests investors should not feel intimidated by the jargon heavy financial services industry – and that harnessing interactive, consumer friendly technology is a good place to start.

It’s not you, it’s us!

Justin Urquhart Stewart, Co-Founder and Head of Corporate Development, Seven Investment Management (7IM), said: “The financial services industry has long been guilty of hopeless jargon, and it leaves too many people thinking they’re financially incapable or simply not bright enough to understand the numbers and so they give up. We have to explode the myth and start finding ways to make money and investing fun and interesting across the generations. Financial apps are a great place to start.”

‘Carrot and stick’ approach given a tech update

Justin Urquhart Stewart, Co Founder and Head of Corporate Development, 7IM said: “I’ve been going into schools to help teach about personal finance for most of my working life. I’m not going to pretend that it’s my natural calling – I’ve seen enough seat shuffling and scanning of mobiles to know otherwise. But what makes them look up every time is the concept of delayed financial gratification, brought to life by technology. Financial apps are a new twist on the old ‘carrot and stick’ approach – and it works every time.

“Using 7IMagine, 7IM’s free app, we assumed a 25 year old had been given a £1,000 windfall and had put this into an ISA. They then contributed £50 per month. We then assumed they started a company pension at the same time, contributing £100 per month and their employer had matched this monthly contribution. By way of illustration, we had assumed both the ISA and the company pension would grow 6% a year. At retirement, this would have given a total pension pot of over three quarters of a million pounds by retirement at age 69. To say the school pupils were staggered is an understatement – relatively small sums really can add up.”

If you run out of money in retirement, it’s too late to make a plan!

Matthew Yeates, Quantitative Investment Manager, 7IM (and co-author of 7IM’s pensions [discussion paper](#), ‘*Challenging Traditional Attitudes towards Risk and Retirement*’), said: “One thing an app like ours can show you is how dangerous it can be to start reducing risk later in life when your savings are at their biggest and the power of compounding is at its most effective. It can show you graphically the impact of spending more than you can afford later too. Those red warning bars are a powerful warning to rethink your plan. Modern apps that use gaming technology might make financial planning feel like play, but the outcomes are serious and can be life-changing.”

Juggling, families, and why finances are often the first ball to drop out of the air

Michael Martin, Relationship Manager, 7IM said: “Parenting involves a lot of juggling and it’s near impossible to keep all the balls in the air all of the time. It’s often finances that can end up falling by the wayside, but if you run out of money in retirement, it’s too late to make a plan. Whilst no substitute for good financial advice or thorough research, financial apps like 7IMagine can be a quick and painless way of getting in the ‘picture’. It 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.

“Parents are also juggling a desire to help out their children, burdened by student debt and high housing costs, with making sure they don’t compromise their own financial security in later life. Some are also concerned that helping them out too much might lead to ‘financial incapability’, or even ‘rich kid-itis’ – neither are a good look. The juggling, it seems, never stops – and that’s why financial apps can be so useful.”

7IMagine app illustration



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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

- 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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