Wealthsmiths™

The Sanlam magazine – Winter 2018

Spread the love
Should you help your children out financially?

Herculean effort
Is Greece's impressive recovery sustainable?

Forgotten money
There could be £77bn unclaimed in the UK

Talking Double Dutch

Twin sisters Joyce and Raissa de Haas were students four years ago. Now their company exports to 25 countries

Sanlam Wealthsmiths™

Welcome to the winter edition of *Wealthsmiths* magazine. You may have noticed a few changes in your interactions with Sanlam. We've launched a new website and refreshed our brand to better represent the modern company that we are – albeit with a proud heritage – and to reflect our ethos and the way we manage your money. We pride ourselves on attention to detail, practicality, intelligence and insight.

You can view our new website at www.sanlam.co.uk and, as always, we would love to hear your feedback.

Branding can be a difficult concept for the uninitiated. We've delved into the topic on page 29 and you'll see that while it is important for businesses, branding alone will not lead to long-term success. It is one part of our story which, when combined with our deep financial insight and expertise, will lead to a bright future for us, and for our clients.

We've looked at some other fascinating topics in this issue and met some amazing people. Our cover stars, twin sisters Joyce and Raissa de Haas, for example, were students four years ago and have since built a business empire with customers in 25 countries. That's an incredible achievement and we hope they prove inspirational for our readers.

We've also taken an analytical view of the Greek recovery to find out whether it really is the remarkable comeback it appears. We have found that opinion is divided and the International Monetary Fund, for example, still has serious reservations. Nevertheless, the people of Greece are to be congratulated on what they've achieved so far, and we can only hope that their economy continues to strengthen. For now, investors should be wary.

On a lighter note, garden designer Roger Platts, who has won six gold medals at Chelsea Flower Show, explains how to create a beautiful winter garden on page 26.

And we also have a fascinating feature on the billions of pounds that have been forgotten in the UK, in everything from bank accounts to investments and pensions. Could any of it be yours?

I hope you enjoy this issue of *Wealthsmiths*, and if you would like to view a digital version or leave us your feedback, you can do so by visiting www.sanlam.co.uk/wealthsmiths.

John White
CEO, Wealth Management

Contributors

Paul Bryant
Paul has worked for McKinsey & Company and writes extensively about financial markets and investing for organisations such as the Chartered Institute for Securities and Investment.

Jill Insley
Jill is a financial journalist who has had work published in *The Observer*, *The Guardian*, *The Sunday Times* and the *Daily Telegraph*.

Virginia Blackburn
Virginia has written for publications such as the *Daily Express*, *The Times*, the *Daily Telegraph* and *The Spectator.*

James Cash
James is a freelance journalist who has written for many of the biggest business and financial organisations.

Wealthsmiths is produced for Sanlam by Wardour, Drury House, 34–43 Russell Street, London WC2B 5HA, United Kingdom
+44 (0)20 7010 0999, wardour.co.uk

For Sanlam
Head of Marketing Christopher Dean
Marketing Manager Arianna Beech
Marketing Executive Kate Lovelace

For Wardour
Editor Andrew Strange
Designer Danielle Scregg
Art Director Rob Patterson
Production Manager Jack Morgan
Senior Account Director David Poulton
Account Manager Jennifer Flower
Creative Director Ben Barrett
Managing Director Claire Oldfield
CEO Martin MacConnol

'wardour'


26


18


13

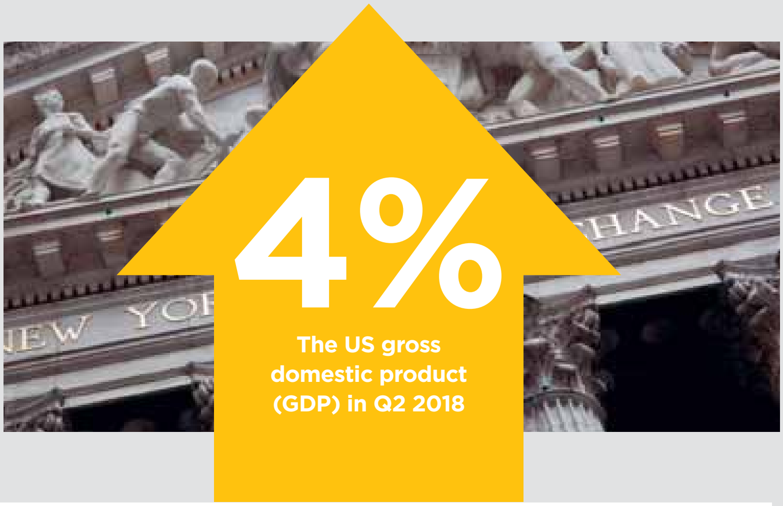
News and analysis

Our view of the markets

The US economy is booming...

US GDP doubled in the second quarter of 2018 – double the rate in the first quarter, and the strongest performance since 2014.

Increased public spending and corporation tax cuts have helped fuel an economic boom. We expect this to be reflected positively in company earnings.

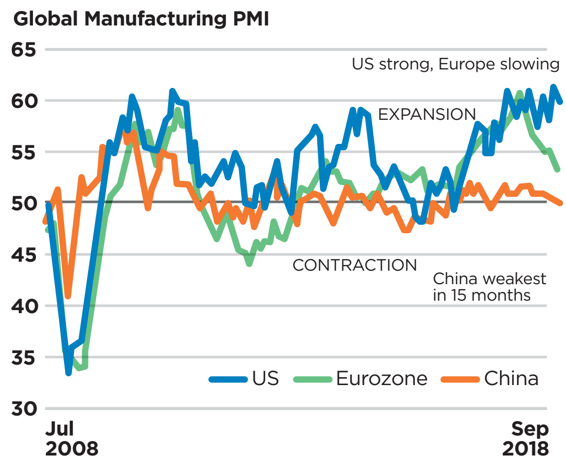


...and it's leaving the rest of the world behind

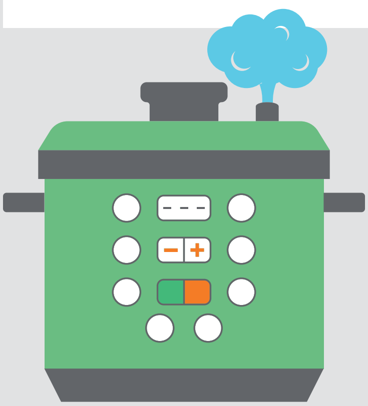
Global manufacturing data shows that while the US is rising, Europe is stagnating and China is weakening.

There are problems appearing in other emerging market economies. In countries like Turkey, inflation is rampant, and governments are struggling to manage their US-based debt thanks to rising interest rates.

Surprisingly, UK manufacturing data is on the increase, despite Brexit, although it is still a long way from the economic boom seen in the US.



Note: Figures through Sep 2018, US = ISM, Eurozone = IHS Markit, China = Caixin



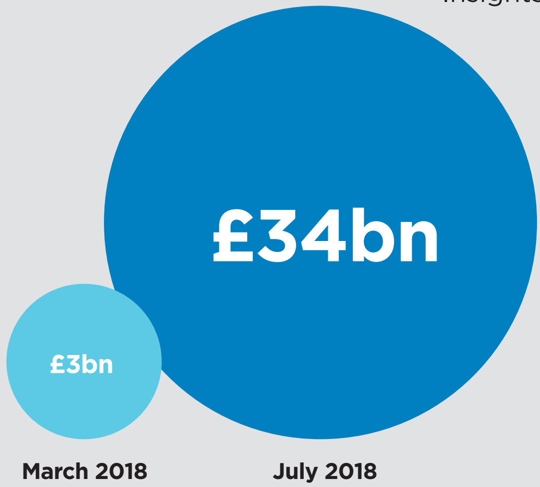
But inflation pressures and risks are beginning to build

Accelerating economic growth could drive US inflation higher, forcing the Federal Reserve to increase interest rates faster than expected. This would make it more expensive for other countries to do business as well as service their (US-based) debt, and higher interest rates could lead US businesses to slow down investment and, therefore, growth.

Trade tensions and tariffs are also a major threat

The International Monetary Fund lowered its forecast for global growth in 2018 and 2019, blaming the threat of a trade war between the US and China.

This is a real political threat to the global economy, and the outlook remains opaque.

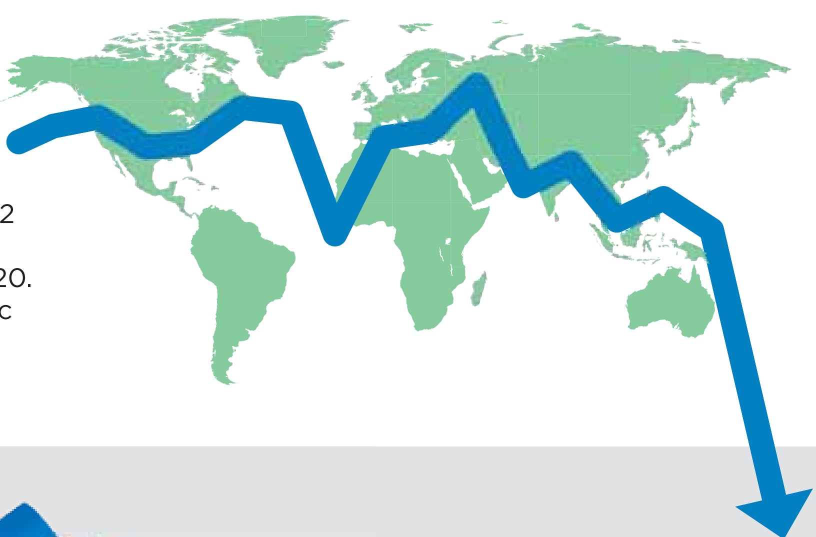


The total trade affected by US tariffs on Chinese imports

Source: https://ig.ft.com/us-china-tariffs/

But there's no need to talk of a recession just yet

There's little indication of a global recession in the next 12 months, but we could see a meaningful slowdown by 2020. The current level of economic growth may be as good as it gets for this cycle.



Meanwhile, optimism in the UK is on the increase

54

UK manufacturing PMI score. Average across G20 nations is 52, as at end August 2018.

Manufacturing data in the UK has improved thanks to an increase in new orders, inventory rebuild, increased employment, and higher selling prices, all of which have increased optimism.

Improving economic strength will continue to generate inflation pressures though, which could force the Bank of England to increase interest rates.

Wealthsmiths top stories

IS YOUR HEAD IN THE SAND OVER CARE?

A new study by *Which?* has found that only 12% of adults aged 55 or over have put money aside to pay for any long-term care needs as they get older. More than half say they are prioritising other things[1].

[1]*https://tinyurl.com/ya2ywbpa*

Sanlam says:

The average cost of a care home in the UK is £30,000 a year, rising to £40,000 if nursing care is provided[2]. If you live in the South East of England or London, it's likely to be more than that. The earlier you plan for care, the less impact it will have on you and your family. Hopefully you will never need it, but it's better to be safe than sorry.

[2]*https://tinyurl.com/y9mt2yp3*

UK'S OLDER POPULATION SET TO SOAR

A report by the Office for National Statistics shows that in 50 years' time, there could be an additional 8.6 million people aged over 65 in the UK – a population roughly the size of London[3].

[3]*https://tinyurl.com/yc7xmug4*

Sanlam says:

This might be 50 years away, but these trends affect our investment thinking today. A rapidly ageing population has far-reaching implications; from the impact on services such as the NHS, to jobs and house prices. We'll be looking out for businesses that are well-positioned to benefit from this demographic shift."

THE INHERITANCE CONUNDRUM

A study by Saga found that almost 20% of adults believe their children are dependent on a future inheritance, and 53% would feel guilty if they didn't leave one[4]. Our own study also found that 64% of people aged between 25 and 45 are expecting to receive an inheritance from their parents or grandparents. Worryingly, almost a third have put off saving, and 34% are relying on a windfall for their future financial security.

[4]*https://tinyurl.com/ya3o65zp*

Sanlam says:

When it comes to inheritance, it's good to talk. The sooner a family can sit down together and talk openly and honestly about the transfer of wealth, the less likely there will be any nasty surprises or financial hardship. If necessary, use a financial adviser to facilitate the discussion.

IF YOU CAN'T BEAT THEM, JOIN THEM

In a bid to compete with budget supermarkets, Tesco has launched its own chain of discount stores, called Jacks. In this cut-throat business, market share is everything. According to Kantar World Panel data[5], in 2015 Aldi and Lidl had a market share of 4.8% and 3.5% respectively, while Tesco's was 29%. By September 2018, Aldi's had risen to 7.6%, Lidl's to 5.5%, while Tesco's had fallen to 27%. With 100 new stores opening nationwide, it will be interesting to see if this strategic move pays off.

[5]*https://tinyurl.com/ybyr5q3z*

Sanlam says:

Clearly, Tesco had to do something to fight back against the German discounters. But the markets are not convinced, with Tesco's share price dropping 8.8% in the month following the announcement. This strategy hasn't worked in the past, so it's certainly a gamble.

Spreading the love

As young people face daunting costs for everything from housing to education, it may be time for the older generation to share more of their wealth, writes Andrew Strange

Life has become increasingly expensive for young people and for many the pressure of high property prices, expensive university education and the need to save for their own retirement is overwhelming. While the older generation, who benefited from rising house prices and final salary pensions, have arguably 'never had it so good', their children and grandchildren are struggling.

Many graduates leave university with debts of more than £50,000 and buying a home now costs on average almost £227,000 (£484,584 in London), according to the government's UK House Price Index. And with the state retreating from pension provision, the commonly-used multiply-by-25 rule suggests they'll need to save £1 million in their pension pots if they want a £40,000 annual retirement income in the future.

Little wonder, perhaps, that many are relying on receiving an inheritance. A recent Sanlam survey of 1,000 people aged between 25 and 45 found that almost two-thirds were anticipating an inheritance and 34% ▶

were relying on it to help them out in later life. In fact, many had given up saving in the face of huge costs and were ‘living in the now’, assuming that an inheritance would bail them out in the future.

Changing times

So is it time for parents and grandparents to step in? After all, our survey found that, in reality, many of these young people were over-optimistic about the amount they would receive. In addition, recent research by the Resolution Foundation found that millennials (those born between 1980 and 2000) would be, on average, 61 before they received an inheritance – long after the time they may want to, for example, buy a property.

Millennials are spending almost a quarter of their income on housing

To many it seems only fair that older people should share their wealth, given the different opportunities they have had. According to the Resolution Foundation, millennials are also spending almost a quarter of their income on housing, compared with the 8% that the ‘silent generation’ (born in the late-1920s to mid-1940s) spent at the same age. As recently as 2001, 25-34-year-olds were consuming the same as 55-64-year-olds, but now they are consuming 15% less.

What’s more, the challenge for these younger people is likely to increase because they will need to help pay for care for the older generation. Because people are living longer, spending on health and social care in the UK is set to rise by £24 billion by 2030 and £63 billion by 2040, and those people who are young now are likely to find themselves footing the bill.

How to help

Another survey for Sanlam found that the over-55s are indeed concerned about their children’s financial security, lending credence to the idea that personal finance is no longer something to be dealt with by individuals. Instead, families are beginning to discuss and manage money together and share wealth across the generations.

But, however much they may want to help out, sharing money while you are still alive can present challenges. What would happen, for example, if you gave away your money and then found yourself facing big expenses, perhaps for long-term care? And how can you actually hand over money without incurring a large tax bill?

The problems aren’t made any easier by the fact that too many families aren’t talking to each other about them. Our survey found that four out of 10 under-45s who expected to receive a sizeable inheritance hadn't spoken about it to the person giving the money. Sanlam wealth planner Carl Drummond says: "A lot of people don't like talking about this sort of thing. The young, especially, often don't want to think about their parents dying, but it's good for everyone to know where they stand."

"The challenge for younger people is likely to increase because they will need to help pay for care for the older generation"

He adds: "Most people will need to take professional advice before embarking on complex intergenerational planning. But the first thing to do is to establish exactly how much you have. Write down the total value of your assets, where they are held and how they are invested. It might be worth consolidating accounts to minimise paperwork and administration. Once that's done, you should work out how much money you're likely to need in the future, whether that's for everyday living, for holidays in retirement or, possibly for care in old age."

These calculations will help you understand how much you have and how you might be able to help the younger members of your family, explains Drummond. An adviser can then help you consider how you can pass money to them while reducing your inheritance tax (IHT) liability. For example, you can give £3,000 a year and no IHT will be due on the money, and there are various other ways you can give gifts that won't attract the tax.

The generation game

It's also important to consider who you will be giving money to. Are you happy to give them a gift without any conditions, or do you want to retain a say in how the assets are spent or used?

Drummond says: "I had clients in their mid-70s with three sons. Two were doing quite well financially working as professionals in the City, while the third was a graphic designer and was unlikely to earn the same sort of money. His mortgage affordability was limited so they provided the full deposit, allowing him to purchase a property rather than wait until he could save the required funds over many years or wait until their death. They passed money on to him first because they thought he would benefit from getting onto the housing market."

It is a simple example of how sharing money across the generations can overcome some of the financial challenges facing today's young people. But the first step is to get professional financial advice to make sure that you don't inadvertently end up giving away more than you can afford, or paying more tax than you need to. ■

Find out more
To find out how you could help your children financially, talk to your financial adviser, or visit **www.sanlam.co.uk**

At a glance

Two surveys were carried out for Sanlam by Atomik Research in April 2018 to find out more about people's views of inheritance and intergenerational finance. For the first, they spoke to 1,000 people aged between 25 and 45, who were expecting to receive an inheritance of at least £50,000. In the second, the researchers contacted 500 over-55s with investable assets of more than £100,000 who were planning to leave an inheritance to children or grandchildren. The key findings included the following:

34% of under 45s
are counting on the windfall of an expected inheritance to help them out in later life.

31% of those aged 25-45
say the inheritance they expect has put them off saving and they are 'living in the now'.

More than four in 10
people aged between 25 and 45 in our research have less than £10,000 in their pension pot.

8% of under 45s
have no savings or investments.

34% of under 45s
don't think they'll be able to meet their pension pot goals.

One in three under-45s
are relying on an inheritance to get them onto the property ladder.

Talking Double Dutch

At just 27 years old, Joyce and Raissa de Haas are already highly successful entrepreneurs in the field of original, premium mixers. They tell Andrew Strange how it all came about

After winning the UCL Bright Ideas Award for the most promising start-up while studying for their Master's in Technology Entrepreneurship at the university, twin sisters Raissa and Joyce de Haas never looked back. That was just four years ago but their Double Dutch drinks mixer brand already exports to 25 countries.

Their business plan for a drinks company was an unusual entry for the competition, in which many of their peers focused on more clearly digital projects, such as app creation. But the pair had developed a love affair with the drinks sector when they were children and the de Haas family moved from the Netherlands to a house in Belgium. It had an events venue attached and a small wine and spirits shop that had an import/export licence.

So, when the award suddenly presented them with a chance to turn their passion into a business they seized the opportunity. They won £10,000 in funding, a free year of office space and mentoring. But breaking into the industry remained a challenge. "The drinks industry is so built around the Coca-Colas, Schweppes, Fever-Trees of this world that there's not really a lot of manufacturing options for smaller companies," says Joyce.

"Eventually we found someone in North London who had three machines which would put the liquid in a bottle and carbonise it. The first batch we produced was only 6,000 bottles, which is really small. We put the labels on ourselves over the course of about a week, working 24/7."

They began knocking on doors to sell their drinks and one of the first was The Dorchester Hotel, which became their first customer. Richard Branson also saw the potential of the brand and gave Double Dutch a prestigious Foodpreneur award.

A bigger production

Double Dutch's production has moved on apace since those early days. "We now have four bottling plants," says Joyce. "Two here in the UK, where our main one is in the Lake District and we have an additional one in the North East, one in Austria and one in Johannesburg, because South Africa is becoming one of our biggest markets. We also have one starting in Spain, just to get out in front of Brexit really, and so that we're not so dependent on the currency rate."

But if the scale of production has multiplied many times over for Double Dutch, its owners are still hands on. "These are our own recipes," emphasises Raissa. "We didn't buy them from somewhere, we invented them. We have our own ingredients suppliers and we work directly with farmers who supply them."

"Now we are producing about a million bottles a month, but at the premium end of the market the quality of ingredients is extremely important, and we put a lot of effort into our recipes," says Joyce.

Taking the first steps

Raissa and Joyce weren't always planning to start their own business. "After school we went to the University of Antwerp, Raissa did finance and I did more business administration," says Joyce. They found that unlike most of the other students they didn't really like beer all that much, but they did enjoy a drink.

"Every Sunday our friends would bring round better-quality gins and vodkas and we would make the mixers – so it was a good deal for us," says Raissa. "We would look in the fridge, find maybe strawberries and mint, heat them up, add some sugar, dilute it with water and we'd have a mixer.

"It was pretty primitive and sometimes it would be a nice combination and sometimes it would be a terrible combination, but it was always more interesting than buying a standard tonic water from a supermarket."

After graduating, Joyce started working for a big corporate bank in Brussels and Raissa for a small private wealth management firm in Antwerp. But after four or five months they realised that they weren't ready for a corporate life, so they signed up for the UCL course.

The course is well known for being practical and they spent the whole year researching drinks development, concentrating on how it was that spirits were becoming so ►

Photography: Daniel Gardiner

much more experimental, and there was a craft movement and premiumisation, but mixers and tonic water were really limited and not of the same quality.

Building a brand

"We finished in September 2014 and we won the award for most promising start-up," says Raissa. "The £10,000 we won was gone very quickly but in March 2015 we launched with our first two flavours – Cucumber & Watermelon, and Pomegranate & Basil. Two very different flavours, which was deliberate. The Cucumber & Watermelon is summery, really refreshing and slightly sweet whereas the Pomegranate & Basil is more herbal, with peppery notes."

"All our products are 100% natural," adds Joyce. "That is important to us."

The other thing that's important to them is each other: "We've always been super, super close and we don't have any other siblings," says Joyce. "Also we've always had a similar kind of vision of where we see ourselves and what we want to do career-wise. We probably didn't expect to get the opportunity to work together so early on in our careers, but I absolutely love it."

Raissa adds: "If there is one person in the world that we can trust 100% it's definitely each other."

As for the future, "We want to fill the gaps in Europe and get into the countries where we don't currently have a presence," says Joyce.

"And travel," adds Raissa. "We have just got into our first airline, and onto Eurostar and Carnival Cruises, so more on that side of the business."

Next stop: world domination? Don't bet against the de Haas twins… ■

Flavour is king

The twin sisters who started drinks mixer brand Double Dutch once created homemade mixers using what they could find in the fridge. These days they oversee a much more scientific process in the laboratory.

"The idea behind our recipes is that they are based on molecular pairings," says Double Dutch co-founder Joyce de Haas. "How it works is basically if you taste an ingredient, only 20% of the flavour profile you get is based on taste; 80% of how you experience an ingredient comes from smells and aromas because people can differentiate between up to 20,000 different smells and aromas, so that is our starting point.

"Take our Pomegranate & Basil flavour as an example. We knew that we wanted to work with basil so we started with that. The idea behind our development is to pair an ingredient with another which shares the same key aromas, so pomegranate may not sound like an obvious pairing with basil, but it works for that reason.

"We want people to know that we are all about flavour innovation and being pioneers in the mixing of flavours for the tonic water industry," says Joyce. "And offering more excitement and innovation in the whole mixer category," adds her sister and co-founder Raissa de Haas.

Greece's bruising recovery

Greece has officially 'exited' its bailout programme. It's a significant milestone on the road to economic recovery, but it's also a long way from economic normality, and there are still credible doubters, writes Paul Bryant

On 20 August 2018, Greece officially concluded its European Stability Mechanism (ESM) bailout programme. ESM managing director Klaus Regling called it a "day to celebrate".

The milestone marked the official end of the largest sovereign assistance package in history and leaves Greece with a radically restructured and growing economy. It has also returned to commercial bond markets.

But it's anything but business as usual. Exit from the programme doesn't mean bailout loans have been repaid, just that Greece has met a series of (very challenging) milestones and that European authorities believe that no further rescue loans will be needed. Others, most notably the International Monetary Fund (IMF), are not so sure.

Financial implosion

The decade leading up to the financial crisis saw Greece live well beyond its means. After adopting the euro in 2001, it was able to borrow at much lower interest rates – its 10-year bond yield fell from 20% in 1995 to around 6% in the years leading up to euro adoption, and then to 3.5% a few years after – and it took full advantage of the cheaper credit.

Greece borrowed more to spend more. Government debt jumped from just over 100% of GDP in 2000 to 127% of GDP in 2009, compared to an EU average of 55%. The budget deficit – the amount by which government spending exceeds receipts – expanded from 4% of GDP in 2000 to over 15% in 2009, way above ▶

Photo: Oliver Paaske on Unsplash

the EU average of 6.3%. This dependence on external financing made it vulnerable to shifts in investor sentiment.

In late 2009, with investors still reeling from the financial crisis, the Greek government revealed that previous budget deficits had been understated, destroying the credibility of its financial management. Government debt was downgraded to junk status and bond yields jumped to over 10% in a few months (later peaking at over 30%). It could no longer service its debt mountain and was effectively frozen out of capital markets.

In April 2010, on the brink of sovereign default, Greece requested financial assistance from the EU and the IMF.

Bailouts and reforms

Between 2010 and 2015, three bailout programmes were implemented. In all, Greece received €289 billion of 'soft' loans, conditional upon the implementation of 'reforms', including dramatic spending cuts or 'austerity' measures.

Spending cuts initially hit the economy hard. In 2010, 2011 and 2012, GDP shrank by 5%, 9% and 7% respectively. By the end of 2013, the size of the Greek economy was 25% smaller than it was pre-financial crisis, and unemployment had jumped from 8% pre-crisis to 28%.

"You would only invest there if you had absolute conviction about the returns you would receive"

But the reforms were far more wide reaching than just spending cuts. The programmes demanded a fundamental change to the way Greece was run. Personal income tax and VAT increased (tax-free thresholds were reduced and the standard VAT rate increased from 19% to 24%); and the pension system was overhauled, removing routes to early retirement and increasing the standard retirement age from 62 to 67 for women and 65 to 67 for men.

Banks were recapitalised and governance overhauled; emergency liquidity protection was introduced (consumers were restricted to a €60 daily/€420 weekly cash withdrawal limit); and the non-performing exposures of banks were reduced by writing off loans, encouraging voluntary debt restructurings, and developing a secondary market for non-performing loans.

Labour market reforms included improving collective bargaining practices, revising minimum wages, and bringing undeclared work into the tax system; barriers to competition were removed in economic sectors that previously enjoyed 'protection'; and state assets such as ports, airports and the state lottery were privatised.

The number of employees in the public sector was reduced by 25% and the wage bill by 38%.

Sceptics remain

Slowly but surely the reforms started to bring the economy back to life and re-build Greek economic credibility.

In 2017, GDP grew by 1.4%, and is forecast to approach

Three facts about the Greek recovery

- The Greek economy is forecast to grow by 1.9% in 2018 and 2.3% in 2019.
- Unemployment rose from 8% pre-crisis to 28% in 2013, and has fallen to 20% in 2018, but is still the highest in the EU.
- At around €300bn, Greece's total debt remains roughly the same today as when it started the bailout programmes. Most of the bailout money – low interest rate loans with extended repayment terms – was used to replace higher interest rate, shorter duration commercial loans. Greece will only repay its EFSF loans between 2023 and 2056, and its ESM loans between 2034 and 2060.

Civil unrest caused by austerity measures in Greece.

2% in 2018. Unemployment has reduced to 20%. And Greece's previously outsized budget deficit turned into a surplus of 0.6% in 2017.

Exports and tourism are the shining lights of the recovery. According to the Hellenic Statistical Authority, exports grew by 13% in 2017 and by 16% year-on-year in the first half of 2018. Tourism grew by 10% in 2017 and 11% year-on-year in the first half of 2018, and now makes up around 20% of GDP.

In July 2017, and again in 2018, Greece returned to the commercial bond market. Ten-year government bonds now yield around 4%.

However, in contrast to the celebratory tone of the Greek government and the EU, the IMF borders on being pessimistic. Its July 2018 country report states: "Directors (of the IMF) stressed that significant crisis legacies and social pressures remain, and the risks to the outlook remain on the downside."

It identified three risks with a "high likelihood" of occurrence. "Reform fatigue", arising from political pressures – especially with 2019 being an election year – could result in further reforms being stalled or previous reforms being reversed. Rising international interest rates could have a knock-on effect on Greece's growth and the debt servicing costs of the state, banks and corporates. And weaker growth in some major advanced economies – particularly the Eurozone area – could lower exports and hurt confidence.

The IMF is also sceptical about the ability of Greece to service its current debt, stating: "Staff are concerned that this improvement in debt indicators can only be sustained over the long run under what appear to be very ambitious assumptions about GDP growth and Greece's ability to run large primary fiscal surpluses, suggesting that it could be difficult to sustain market access over the longer run without further debt relief."

Despite these concerns, the IMF has joined the near-unanimous chorus lauding Greece for its efforts to date. The recovery is definitely on track in most respects. But the hole Greece was in was so deep; it will almost certainly take many more years before anyone can declare with certainty that Greece is out of the woods.

From an investor's point of view, it is very much wait and see, as summed up by Sanlam chief investment officer Phil Smeaton: "Greece has largely been ignored by many investors since the crisis. Because it is such a small economy, it's peripheral for many investors, so you would only invest there if you had absolute conviction about the returns you would receive for the risk taken. And Greece hasn't really returned to being 'investable', it's just got back to the point where it's not in panic mode." ■

Find out more
To find out more about investing, talk to your portfolio manager or visit **www.sanlam.co.uk**

7 places to find lost money

There is thought to be somewhere between £15bn and £77bn in unclaimed money sitting in forgotten investments, pensions, bank accounts and a whole range of other places in the UK. So, how can you go about finding out if any of it is yours?

1

Pensions

There is more than £5bn in forgotten pension schemes in the UK, according to the Pension Tracing Service. We have, on average, 11 jobs during our working lives and because of this it's easy to lose track of employee pensions. Personal pensions can get lost when you move house, change your name or neglect to update your personal details.

But there are ways you can track this money down. The Pension Tracing Service (www.pensiontracingservice.com) is free and impartial, and you can start the process online, although you will then be sent documents which you need to sign in order for it to search on your behalf. Alternatively, you could try the Pensions Advisory Service (www.pensionsadvisoryservice.org.uk), which is another free service providing lots of useful tips, advice and search tools.

2

Investments

If you think you might hold shares in a company, but you have no record of them and cannot find the share certificates, you can check by applying direct to any or all of the three main company registrars – Capita, Computershare and Equiniti. They will search their records for free, but will charge you a fee for issuing a replacement certificate. Alternatively, the Investment Association (www.theinvestmentassociation.org) or the Association of Investment Companies (www.theaic.co.uk) might be able to help.

3

Old bank and building society accounts

According to the Money Advice Service there is £850m sitting unclaimed in British accounts. These days we tend to be less loyal to banks and building societies than was the case for our parents' or grandparents' generations, and this has increased the likelihood of losing money as we switch.

Fortunately, it's easy to check using a free online service called www.mylostaccount.org.uk. It covers over 30 banks and all 44 UK building societies and it will help you trace any lost personal accounts. It is particularly useful in instances where a bank or building society has closed or merged. Banks and building societies say they aim to respond within three months.

"Unclaimed Assets UK, which helps to trace lost money, estimates there is £2bn languishing in unclaimed life insurance"

4

Premium Bonds

NS&I reports that there are more than 1.5 million unclaimed prizes worth more than £60m. The My Lost Account (www.mylostaccount.org.uk) service can tell you if you hold any Premium Bonds which you may not have been aware of. That in itself is useful information, but most people will want to know if those missing Premium Bonds have won a prize over the years. Stage two is to find out whether you hold a prize-winning number by visiting www.nsandi.com and filling in the online form. NS&I says it will respond within one month. Note that any Bonds bought more than 30 years ago are likely to be individually numbered – to get a bond holder's number you will need to write to NS&I at Glasgow, G58 1SB.

5

Lost insurance policies

You can hold a life insurance policy for many years and because of this they are easily forgotten. Unclaimed Assets UK, which helps to trace lost money, estimates there is £2bn languishing in unclaimed life insurance. To find out if a deceased person had a life insurance policy, it can be helpful to go through old bank statements or cancelled cheques to see if any premiums were paid. You could also contact the people who dealt with their legal or financial matters and even past employers.

6

Lottery wins

In September, there were almost £12m in unclaimed National Lottery prizes, but all prizes have to be claimed within 180 days. To check whether you have won an unclaimed lottery prize, go to www.national-lottery.co.uk, click on the 'Check results' tab and you will find a section on unclaimed prizes. This lists any large unclaimed prizes and the site allows you to input numbers for Lotto, EuroMillions, ThunderBall, Lotto HotPicks and EuroMillions HotPicks. After 180 days, any unclaimed prizes go to fund National Lottery Projects.

7

Child Trust Funds

Tax-free Child Trust Funds saw children born between 2002 and 2011 given a government bonus of £250 each, but over one million such bonuses were classified as 'addressee gone away', meaning they have not been claimed. According to The Share Centre, as of June this year, as much as £1bn could be lost. To find out if you, or more accurately your child, might be one of them, simply submit a request via www.gov.uk – you'll need a Government Gateway ID, which you will already have if you submit a tax return. ■

Find out more

Your financial adviser can help you manage your money properly, so that it doesn't end up among the billions that have been lost

Happy ever after

Jill Insley finds out why tying the knot can be good for your bank account

Of all the reasons that might encourage you to get married, improving your financial situation is probably the least romantic. But if you have lived together for a long time and have no intention of parting, it is undoubtedly one of the most important.

Saying "I do" could save you and your family a good deal of money in tax, pension payments and state benefits that are only available to married couples, civil partners and, in some cases, their children.

Craig Miller, senior wealth planner at Sanlam, says: "While some of these financial benefits are relatively modest, others can be worth a great deal of money, and in the case of inherited pensions and inheritance tax allowances, they definitely make it worthwhile considering getting married."

Income and capital gains tax

One possible way of benefiting financially after tying the knot is to claim Marriage Allowance. This may let you transfer £1,190 of your personal tax-free allowance to your husband, wife or civil partner if you are a non tax-payer and they are no more than a basic rate tax payer.

An additional tax saving can be made by splitting assets between you. Anyone can make up to £11,700 in profit without paying capital gains tax, but if you are planning to sell assets that will make a higher profit than this, you can transfer some of them to your spouse or civil partner tax-free before the sale to take advantage of their capital gains tax allowance. It can also be useful to assign assets to a spouse if they pay a lower rate of income tax.

Inheritance tax (IHT)

Marriage is a real benefit when it comes to IHT, because rising house prices have led to increasing numbers of British families being caught in the net, with the government collecting a record £5.2 billion in 2017/18.

The tax is charged at the rate of 40% on all assets above the threshold of £325,000. So, if your estate is worth a total of £400,000, IHT will be charged on £75,000, and your estate will have to pay £30,000 in tax before any assets or money are distributed to your beneficiaries.

However, there is no IHT to pay on anything you leave to your spouse or civil partner – you can leave the whole lot to them without using your £325,000 IHT allowance. And any of your allowance that remains unused can be passed to your spouse or civil partner, meaning they could leave up to £650,000 when they die without any tax being owed. If you leave your family home to your children or grandchildren, and your estate is worth less than £2 million, your IHT allowance can increase to £450,000 in the 2018/19 tax year. Again, any unused allowance can be passed on to your spouse or civil partner, meaning they could leave up to £900,000 tax-free when they die. This will increase to £475,000 (£950,000 for a couple) in April 2019 and £500,000 (£1 million for a couple) in April 2020.

Pension benefits

Some defined benefit pension schemes – otherwise known as final salary or career average pension schemes – discriminate against unmarried couples by only paying death benefits to a widow, widower or dependant still in full time education.

Pension scheme rules are strict. If they say that unmarried couples are not entitled to death benefits, it will make no difference that a couple has lived together for many years and has shared everything down to a toothbrush, or that the deceased spouse has left his or her pension to the surviving partner.

Miller says: "This is potentially the most important financial reason for getting married, as it can ensure that your partner has sufficient income after your death. Ask your financial adviser to check the rules of your occupational pension scheme to make sure your partner will continue receiving an income." ►

"Saying 'I do' could save you and your family a good deal of money in tax, pension payments and state benefits"

Defined contribution pension funds – personal, group or self-invested – can usually be left to a dependant. However, it is important to complete an Expression of Wish form to ensure your pension goes to the right person.

ISAs

Spouses and civil partners can inherit all of their deceased partner's ISAs, including any growth or income earned after their partner's death, free of tax.

Even if the actual money held by the ISAs has been left to someone else, you can apply for the ISA allowance used by your deceased partner at the time of their death to be transferred to you. This means that if your partner had ISAs worth £100,000 at the time of his or her death, you could receive a one-off allowance of £100,000 on top of the normal annual allowance.

Choosing not to marry

Of course, not everyone wants to marry, and there are steps you can take to protect your finances if that's your choice. Miller says: "People who are concerned about the impact of inheritance tax on their families, for example, could take out whole of life insurance in trust. The payout will not be included in the insured person's estate, and the money can be used towards paying any inheritance tax charged on the estate."

Miller also urges everyone to write a will, so that their wishes are clear. There is no such thing as a common law spouse, and if a cohabiting partner dies intestate – without a will – only assets which are held jointly will automatically pass to the surviving partner. The rules of intestacy will apply to all other assets and the deceased's partner could be left with nothing.

Whether you decide to marry or stay single, it is a good idea to seek financial advice to make sure you and your family are making the most of tax allowances and benefits.

Change on the way?

All is not completely lost if marriage is really not for you. Discrimination against unmarried couples is constantly being challenged in court, and the rules governing pension schemes and state benefits are gradually changing to reflect the fact that many people now prefer to remain living together rather than getting married.

In August, Siobhan McLaughlin, who cohabited for 23 years with her partner John Adams before his death from cancer, won a Supreme Court battle to access widowed parent's allowance for her four children. State bereavement benefits are currently restricted to married and civil partnership widows and widowers, but the Supreme Court ruled that the current law is incompatible with the European Convention on Human Rights. The ruling sets a legal precedent and could result in legislation allowing unmarried partners to claim the same bereavement benefits as spouses and civil partners.

Find out more
To find out how we can help you with your financial planning, speak to your financial adviser or portfolio manager

Pension freedoms: a success?

Pension freedoms offer the flexibility needed for a long retirement but you may need expert financial advice to get it right, writes Virginia Blackburn

Have you noticed a recent surge in the number of pensioners powering down your local high street in Lamborghinis? Probably not, but that was the concern when new pension freedoms were introduced in April 2015, giving people much more choice over what to do with their defined contribution pensions once they reached the age of 55.

At that time, politicians worried themselves with visions of pensioners splashing out on supercars and yachts and all sorts of luxuries – which just goes to show how wrong you can be. Fears of over-extravagance have now given way to concerns that some people are just being too cautious, squirrelling their money away for a rainy day in low-interest bank accounts and without taking financial advice.

In March, the Pension Freedoms report from the House of Commons Work and Pensions Committee warned that only 32% of people accessing their pension savings under ▶

the new freedoms took professional advice. It highlighted research which had found that people who sought financial advice between 2001 and 2007 were, on average, £27,664 better off by 2012/2014 than those who did not.

The report says: "There is little evidence that people are squandering their life's savings on Lamborghinis… if anything they are being overly conservative. We assume the government wants people to make well-informed decisions in keeping with their financial interests. It is difficult to square that with, for example, people withdrawing pension pots to leave them resting in low-interest cash bank accounts."

> *"There is little evidence that people are squandering their life's savings on Lamborghinis"*

Success or failure?

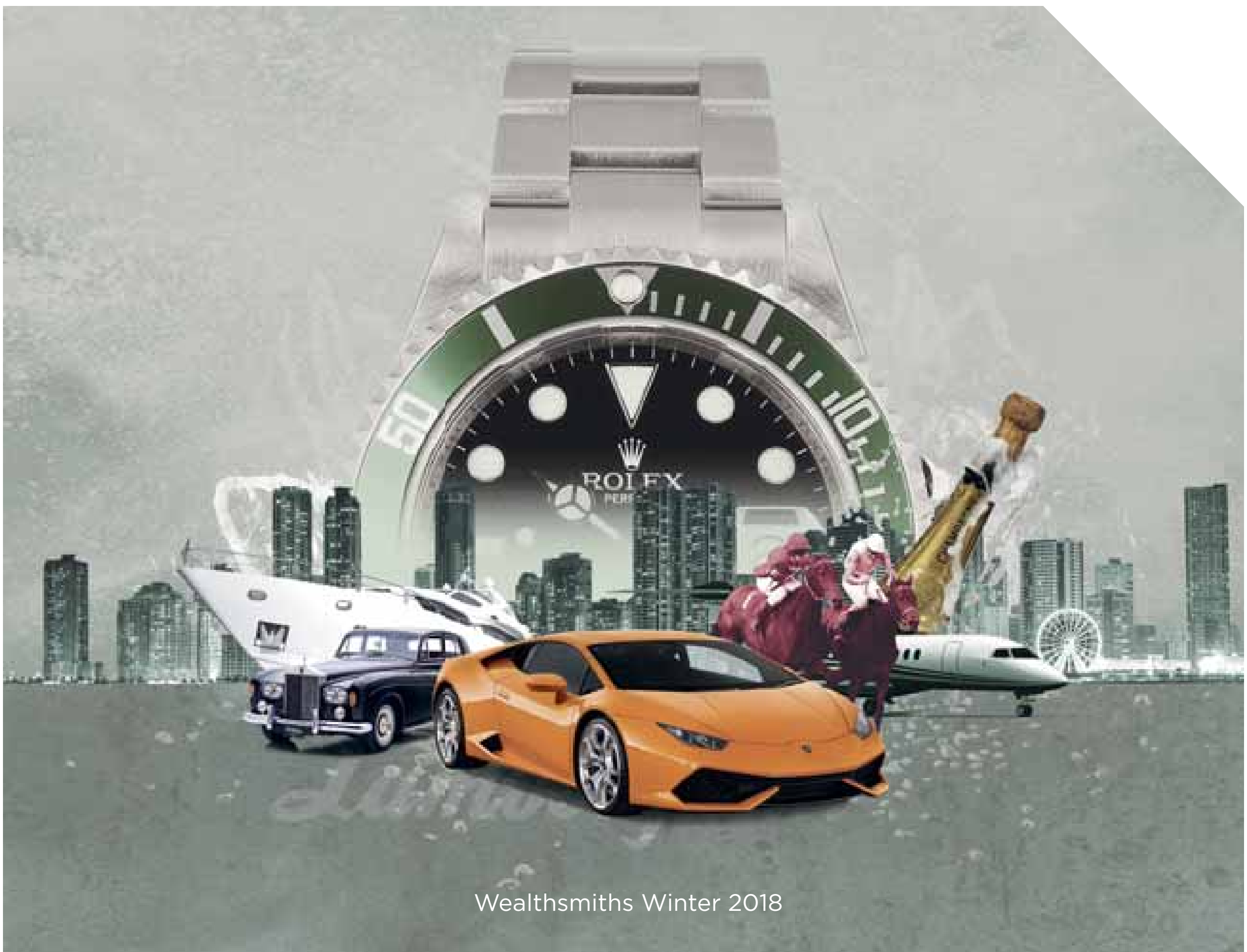
So does this mean that pension freedoms are a failure? Daniel Jones, chartered financial planner at Sanlam, says: "My initial reaction was that pension freedoms would be a complete disaster. Plenty of people have a negative view of pensions and in some cases discover the income they get is not what they had expected and are disappointed. Often they have seen simple illustrations and automatically take the highest.

"So when the freedoms were announced I thought they would take out the money when they could, since they were disillusioned anyway, leading to problems in retirement. Some statistics show that people take money out of their pensions and put it into cash accounts, which is a very bad idea.

"But the flip side is that when people take advice, with proper planning they can take it in tax-efficient ways. Using cash flow modelling, proper planning and taking into account all their assets, they can use their pension fund to meet their needs in a more effective and efficient way."

Certainly, plenty of people are taking advantage of the opportunity to access their funds. According to figures released by HM Revenue and Customs in July, savers withdrew £2.3 billion from their pensions in the first three months of the 2018/19 tax year alone. That's an increase of 50% on withdrawals made in the first three months of pension freedoms three years ago. Between April and June, about 264,000 people withdrew an average of £3,950 each from their pots.

And the freedoms make it easier for them to plan for the different phases of retirement. Jones explains: "People's circumstances change when they retire and the amount they need changes. Most retire in good health and in the early years they will need more income, for example to



Illustrations: Rob Patterson

6 ways to take your pension pot
In the wake of the new freedoms there are essentially six ways of using your pension pot from the age of 55. In short, it's extremely flexible, which is important when you're faced with the possibility of a very long retirement.

- You can leave it untouched.
- Take a guaranteed income by buying an annuity.
- Get an adjustable income by drawing down some of the money from your pot.
- Draw down cash in chunks when you need it.
- Cash in the whole pot (though it's crucial to get proper advice first).
- Or you can decide on a mix of these things.

travel, whereas in later years they will not. There is the flexibility to tailor the income to their needs."

New thinking

It's perhaps no coincidence that the people with the largest pension pots, who are likely to be more financially-savvy, tend to take advice. According to the Work and Pensions Committee, 89% of people with pension savings of more than £500,000 sought advice, while that was true of just 20% of people with a pot worth less than £10,000.

The freedoms have, in many cases, replaced more traditional ways of funding retirement that were more rigid but did offer a guaranteed income for life. "In the past the majority bought an annuity, but annuity rates have been low for some time," says Jones. "That means the annuity market has suffered and it is annuity versus drawdown. But another advantage of income drawdown (staying invested in retirement) is that they can be passed down through generations, whereas an annuity dies with the surviving spouse."

Some people opt to combine annuities with drawdown and if and when annuity rates finally do begin to rise they will probably become popular once more. But of course once locked into an annuity rate, that cannot change, you are locked in. "Some people choose to take an annuity for a secure amount of income and use drawdown for discretionary expenditure," says Jones.

Passing it on

And it may be an uncomfortable topic but the new freedoms also have advantages when you die. If you die before the age of 75, you can leave your entire pension pot free of tax, to be taken as a lump sum or an income. After the age of 75, the pot is taxed at the rate of the beneficiary's income tax.

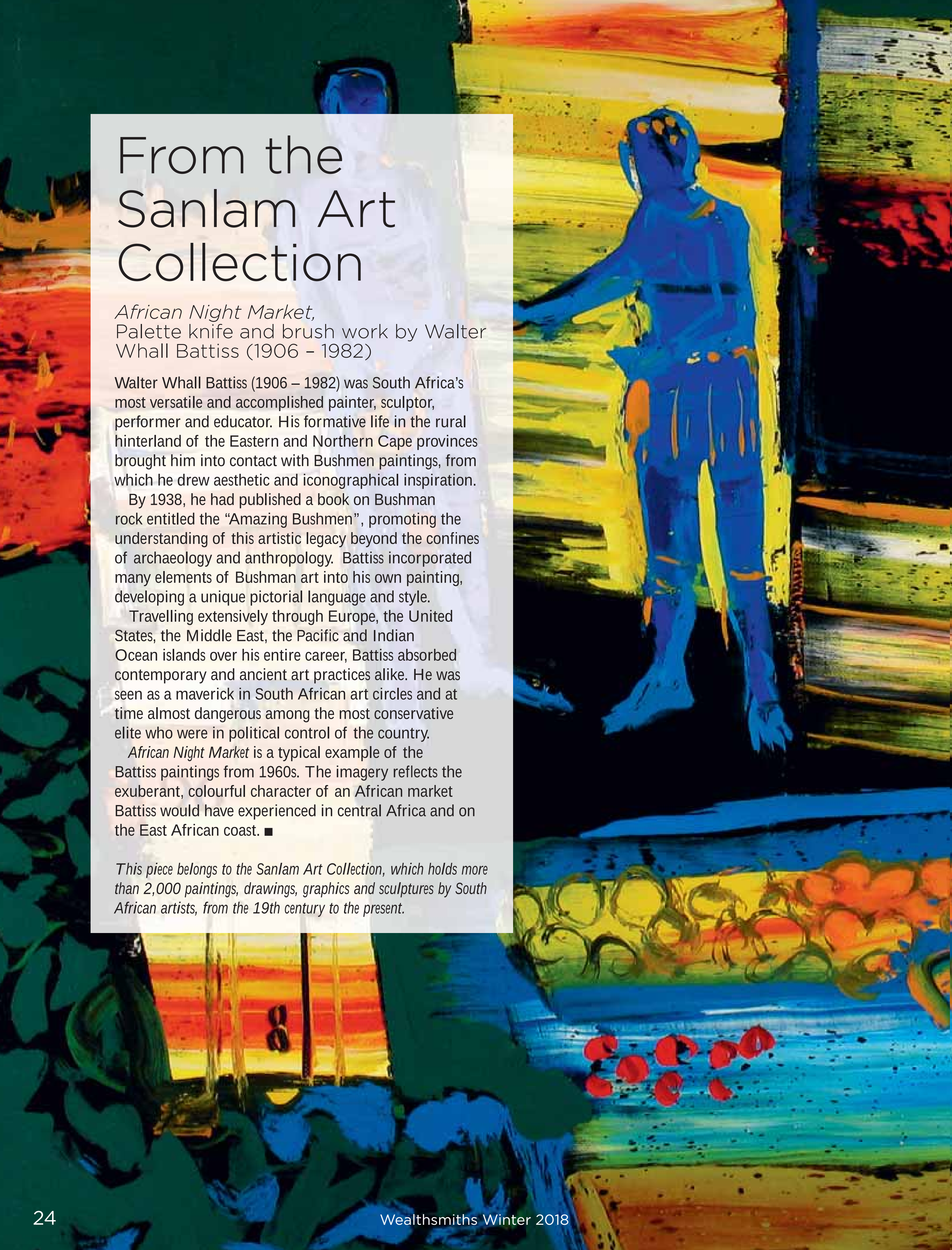
Of course, there are still some people in final salary, or defined benefit, pension schemes, which often can't be left to children after they die. But many are transferring out of them in order to take advantage of the new rules (which don't apply to final salary schemes).

According to figures released in May by the Financial Conduct Authority, pension cash worth £20.8 billion was transferred out of final salary schemes in 2017, up from £7.9 billion the previous year, again prompting murmurings of concern. According to Jones, this is a question of moving from a scheme in which you do not personally carry the investment risk to one in which you do – but with far more flexibility.

And while final salary scheme benefits can die with the pensioner, a drawdown pension does not. "People have these negative associations with pensions and they don't understand that a pension is essentially a tax wrapper (a tax break that can be wrapped around an investment)," he says. "You should always take expert advice, but hopefully the new pension freedoms will give them many benefits. They will have freedom and flexibility to live the life they want."

So, if you've taken advice and made sure you have enough to fund your future lifestyle, you can do whatever you want with any remaining money – even buy a Lamborghini. Perhaps it's time to head for the supercar showroom. ■

Find out more
To find out how you could help your children financially, talk to your financial adviser, or visit **www.sanlam.co.uk**



From the Sanlam Art Collection

African Night Market,
Palette knife and brush work by Walter Whall Battiss (1906 – 1982)

Walter Whall Battiss (1906 – 1982) was South Africa's most versatile and accomplished painter, sculptor, performer and educator. His formative life in the rural hinterland of the Eastern and Northern Cape provinces brought him into contact with Bushmen paintings, from which he drew aesthetic and iconographical inspiration.

By 1938, he had published a book on Bushman rock entitled the "Amazing Bushmen", promoting the understanding of this artistic legacy beyond the confines of archaeology and anthropology. Battiss incorporated many elements of Bushman art into his own painting, developing a unique pictorial language and style.

Travelling extensively through Europe, the United States, the Middle East, the Pacific and Indian Ocean islands over his entire career, Battiss absorbed contemporary and ancient art practices alike. He was seen as a maverick in South African art circles and at time almost dangerous among the most conservative elite who were in political control of the country.

African Night Market is a typical example of the Battiss paintings from 1960s. The imagery reflects the exuberant, colourful character of an African market Battiss would have experienced in central Africa and on the East African coast. ■

This piece belongs to the Sanlam Art Collection, which holds more than 2,000 paintings, drawings, graphics and sculptures by South African artists, from the 19th century to the present.

Winter wonderland

Horticultural expert Roger Platts tells William Monroe how to nurture your garden so it flourishes once the frost sets in

As winter takes hold and the cold begins to bite, gardens all too often become neglected. But some keen gardeners will be looking to persevere through the winter and reap the benefits throughout the season.

Garden designer and horticulturalist Roger Platts, who has won six gold medals at the Chelsea Flower Show, as well as the highly coveted 'Best in Show' in 2002 and the 'People's Choice' award in 2010, says that there's plenty that can be done to keep the garden both ordered and colourful. And there are lots of promising plants and trees that don't mind the chilly days and nights.

Platts started gardening at the age of 13 and is now an RHS flower show judge and moderator at the Chelsea Flower Show among others, as well as an RHS Gardens Advisor for Wisley Gardens. He says that structure should be a starting point for those plotting winter cultivation.

Structured garden

"Structure is really important with any garden, whether it's winter or not, but in winter time the structure shows," he says. "This can be gained by using evergreen plants – yew, box, holly and different types of laurel.

"The structure can be clipped and shaped, or just left to grow naturally. It's important not to put in too many different varieties, which is particularly tempting if you're a 'plantaholic', but can make the garden become a little disjointed. A bit of repetition is a really good thing because it holds the garden together and gives you cohesion."

When it comes to adding colour, Platts is a big advocate of tall grasses, "which have lovely seed heads that stay there throughout the winter." Dogwoods planted in combinations add a variety of colours due to their vibrant stems, while peeling trunk trees such as the paperbark maple and cherry also help in this regard.

Forsythia

Japanese boxwood buxus

Japanese maple leaves

Orange witch hazel flowers

Platts is also a proponent of witch hazel, particularly a variety called Pallida, which is one of his favourites with its pale lemon-yellow flowers. Another of his top picks is the winter-flowering cherry, particularly a pale pink form called Rosea.

Evergreens are also a key ingredient when it comes to a winter garden. "There's a very good evergreen which grows in deep shade called Sarcococca confusa, or Christmas box. It's a shrub with lovely, glossy evergreen leaves and good scent; I'd really highly recommend it. It probably looks a little bit boring compared with a lot of flowering plants in summer, but it's structural and the scent is fantastic, so if you've got a little courtyard or a shady porch and you plant it there, when you come out of the house in January, the scent will hit you."

"A bit of repetition is a really good thing because it holds a garden together and gives you cohesion"

Height, as Platts explains, is another important element to consider when it comes to the makeup of a winter garden. "For the upper storey of interesting colour and evergreen trees you might have a tree which is a good structural shape in winter, with berries that stay on for a long time – like a hawthorn, or a rowan, or crab apple, with different coloured fruits. Then you have the middle shrubbery, and then lower down little spready evergreen plants, which again do really well in shade. A lot of shade plants actually can be very good in winter – ferns have a lot of interest."

Pruning at prudent times is also one of his top tips for success. "One of the ways of getting much better flowering in winter and early spring, which people seem to overlook, ▶

Images: Alamy, iStockphoto

Rosemary

Platts' plant picks for next summer

One of my favourites is myrtle, which is evergreen. It's a little bit tender, so it needs a sheltered spot. It has berries, scented white flowers in mid to late summer and the leaves are scented, so it's got an awful lot going for it.

For early summer, try foxgloves. There are some really good varieties now, apricot ones as well as pink and cream ones.

In early to mid-summer, if you're on heavy clay soil there's a lovely rose called Rhapsody in Blue, which I use a lot. It looks really good with small grasses and in a contemporary style of garden.

I often use a rose called Marjorie Fair, just because the colour seems to go with everything. It's a pinky-red and it flowers all summer.

You can combine roses with ground cover plants such as lady's mantle, which has lime green flowers through the summer, or catmint to give lovely combinations of lime green, blue and pinks.

"Bay trees make for very good structure in the winter and you can use the bay leaves"

is that anything that's flowering in the winter – or indeed early spring or early summer – is flowering pretty much on the growth that it's made the previous year.

"If you're pruning shrubs like Forsythia, which is a really popular bright yellow shrub, in late winter and early spring, it needs to be pruned as soon as it's finished flowering. Then, through the following summer, it puts nice new growth on and is going to flower all the way up the stems the next winter. If you cut it back hard in the winter, you're cutting all that nice growth off that it's made in the previous summer. It's logical when you think about it, but nine times out of 10 it's not done in gardens, and I think people would get an awful lot more out of their plants if they did that."

For those cultivating a culinary approach, Roger explains that it's also possible to grow a variety of herbs and vegetables during the winter months. "As long as it's not too exposed, rosemary is excellent to have with your lamb. Bay trees make for very good structure in the winter and you can use the bay leaves. Thyme works as well."

Lawn order

Other practical advice includes keeping off the lawn if it's wet, as standing on the grass pushes the air out of it, meaning that it's more likely to become waterlogged and subsequently mossy. Waterlogging in plant beds can also be an issue to watch out for. In particularly harsh conditions – such as those seen last winter when the icy Siberian winds of the Beast from the East swept across the country – it's a good idea to protect some of the more tender plants from the wind with a fleece. However, Platts doesn't recommend packing plants with lots of straw and polythene, as they need air to allow them to ripen effectively.

What types of plants and trees does he favour and feature when it comes to his own winter garden – and what format does it usually take?

"It could look better, I tend to be concentrating on everybody else's," he laughs. "I tend to let it quietly fall into dormancy in the latter part of autumn, and I'm not too quick about clearing up leaves and branches. Because I'm on heavy ground and it can get cold here – I'm in a bit of a frost pocket – often a lot of vegetation which has died off can actually protect the crowns of some of the plants.

"At some point during the winter when it's not too wet we go through and clean it all up and put a nice mulch of organic compost on the ground, which the worms take in through the winter." ■

Branding and beyond

Brands matter to share performance, but be wary of overstating their influence or value, writes James Cash

When Apple became the first public company to hit the $1 trillion mark on the New York Stock Exchange in August this year, pundits were quick to point to the tech firm's iconic brand, whose products have, perhaps more than any other, transformed lives in the 21st century.

Brand strength can influence the health of a business in many ways. Powerful brands raise awareness, making any new product and service in the future more valuable. They also cultivate customer loyalty, which is far more cost-efficient than customer acquisition.

But while a brand can have enormous value, there's a great deal more to consider before choosing which companies to invest in. Sanlam's analysts look at a range of key factors that are needed to underpin a great brand, such as its positioning in the market and the strength of the company's management team.

Powerful branding

Louis Jamieson, Global Equity Analyst at Sanlam, says: "Say you have two products: one is Pepsi and the other is a shop's own brand of cola – the cost of making them is quite similar, but one will cost the consumer a lot more than the other, so you see the strength of the brand in that margin uplift."

Certain types of product have a stronger brand resonance in different parts of the world. "Food is a good example of that," says Jamieson. Yum! Brands, which Sanlam invests in, owns KFC, which has now become the most popular fast food chain in China. It was the first American fast food chain to launch ▶

there and now boasts more than 5,000 restaurants.

But while still serving fried chicken, KFC has also tailored its menus to Chinese tastes and visiting a branch is a very different experience from its US counterpart. "Because it is a western food brand," Jamieson says, "it is seen as having better food safety controls than its local peers and that has been very useful to KFC in that country."

But there are some very subtle differences between a big consumer brand like KFC and an enterprise brand.

"Consumers are somewhat fickle," says William Ball, Senior Equity Analyst at Sanlam. "From a consumer perspective, you buy an iPhone because you think it is the best-made product, you like the look and feel of it and its operating system, but in reality, is it the best-made product? Whereas with Microsoft, an equitable brand globally, business customers buy its products because some of them are mission critical."

"We look for businesses that can ward off competition"

Windows of opportunity

That's why Microsoft is a brand with an exciting future, says Ball. "Microsoft has successfully transitioned the business towards a cloud-centric company; supported by robust growth in Commercial Cloud and Office/Dynamics 365 accumulating in a strong revenue growth profile."

Cloud computing, simply put, is the delivery of on-demand resources over the internet on a pay-for-use basis. It allows greater flexibility for organisations as they can access, monitor usage and scale-up IT resources without the significant up-front capital investment required in legacy hardware and software.

This is a big shift from the old way businesses used to look at IT, which traditionally focused on on-premise servers and the traditional purchasing of a shrink-wrapped Windows version from off-the-shelf and installing it. There are three main types of cloud computing forming what is known as the IT stack: software-as-a-service (SaaS) for web-based applications, platform-as-a-service (PaaS), which gives developers the tools to build and host web applications and infrastructure-as-a-service (IaaS) for internet-based access to storage and computing power.

Microsoft has spent billions of dollars building its data centre footprint, with 42 existing or under construction data centres, which is nearly twice the amount Amazon Web Services (AWS) has, and with multiple data centres per region. The market for cloud IaaS is dominated by two leading service providers, AWS and Microsoft.

Ball says: "The significant build-out of its capacity is, in our view, a strategic investment by management to meet the future demand for these services, in particular hybrid cloud. Microsoft has positioned itself as the leading cloud provider for clients buying end-to-end solutions such as Office 365, LinkedIn and business management solutions (Customer Relationship Management and Enterprise Resource Planning) via Dynamics 365."

Economic moats

Naturally, institutional investors don't tend to look at businesses solely on the strength of their brand. They tend to see brands in the broader context of 'economic moats'; these are factors in a company that can protect or guarantee its cash flow in the future.

Ball says: "We look for businesses that can ward off competition." These include traits such as a market leading position or a strong networking effect, which is the value of the goods or service increasing with the number of users.

Other traits might be intangible assets such as patents, regulatory licences and compelling brands. Patents, for example, are useful moats; if by law nobody can copy a product, the business can continue to sell that product for very high margins without competition coming in and reducing those margins.

"High profits attract competition, as capital seeks the highest returns possible," he explains. "However, some businesses have sustainable and structural competitive advantages – moats – that enable them to earn excess returns over a prolonged period of time."

These are enshrined in Porter's Five Forces of Competitive Position Analysis developed in 1979 by Michael E Porter of Harvard Business School as a framework for evaluating the competitive strength and position of a business. These five forces determine the competitive intensity and attractiveness of a market, they are: supplier power, buyer power, competitive rivalry, the threat of substitution, and the threat of new entry.

"Porter's five forces help to identify where power lies in a business situation," Ball says. "This is useful both in understanding the strength of an organisation's current competitive position, and the strength of a position that an organisation may look to move into."

Refreshed and reinvigorated

Coming back to Microsoft, Ball attributes much of the success to its current CEO Satya Nadella."He's moved the entire structure and culture and taken the organisation to the cloud environment, and been very successful reinventing and reinvigorating the organisation, with new technologies to increase their subscription-based revenue. This in turn increases its recurring revenue streams, which creates a more 'sticky' customer base, which is a good example of an economic moat.

"These IT trends tend to be multi-year events. So with the cloud we're in the midst of that timeframe and Microsoft is at the forefront."

Brand overreach

The lesson here is that brands only tell you part of the story. Furthermore, a strong brand comes with risks and overvaluing it can cost a business.

Procter & Gamble recently came unstuck with its Gillette brand of razors. For years it was considered a powerful brand and could charge a premium for its blades. But new incumbents such as Dollar Shave and Harry's have come into the market and undercut them on pricing. While P&G thought Gillette was a great brand, in the end, consumers cared more about cost, and the brand did not provide the protection the company thought it would.

The same thing is happening on the high street, concludes Ball. "You have mid-tier to luxury brands such as Burberry and Coach coming unstuck because consumers have become savvier about the quality of the product and the price that they pay for it." ■

The Sanlam brand

The words 'brand' and 'financial services' are rarely heard in the same sentence. Even so, it has never been more important for financial businesses to communicate clearly to their customers and better articulate what they do. Brand can play an important role.

We have recently updated our brand and launched a new website. Not only do we look and feel more contemporary, our aim is to become a simpler business to work with and better signpost the products and services that can help you meet your financial goals. On our website, for example, we have put huge emphasis on developing a simple user experience, helping you find the information, articles and contact details you need more quickly.

At the centre of our brand is our wealthsmiths ethos. This is more than just a tagline; it's a reflection of how we work and encapsulates the behaviours by which we manage your money – attention to detail, practicality, intelligence and insight.

We hope you enjoy our new branding and website and as ever, we would welcome your feedback. Visit us at www.sanlam.co.uk.

Find out more
To learn how you can invest with confidence, speak to your financial adviser or portfolio manager

Family fortunes

Lauren Romano finds out whether building a portfolio of shares on the Alternative Investment Market could be the answer to protecting your assets both now and in years to come

According to the financial forecasters at the UK Office for Budget Responsibility, £5.4 billion will be raised by HMRC from Inheritance Tax (IHT) in the coming financial year. More people have found themselves subject to IHT as the value of property has increased, but one way you can limit your liability is to invest in companies listed on the Alternative Investment Market (AIM).

In a nutshell, AIM is a portion of the London Stock Exchange designed to help smaller businesses raise capital from investors and expand. Because the government wants to encourage investment in these firms, which could bring a real boost for the economy, many qualify for Business Relief. That means once you've held shares for two years, your children wouldn't have to pay IHT on them if you die.

While no one likes to think about their own mortality, this could be an important piece of planning, because although everyone living in the UK can leave up to £325,000 tax-free (£650,000 for a married couple or registered civil partners), all remaining assets are taxed at 40%. That could lead to a sizeable chunk of what you've saved through your lifetime ending up with the taxman rather than your family.

Why AIM?

There are, of course, several ways to reduce your IHT liabilities by, for example, gifting money while you are still alive. If you can afford to, you can gift up to £3,000 each year and it will be removed from your estate for IHT purposes. You can give away a lump sum of any size and, providing you live for another seven years, it won't count towards the total taxable value of your estate.

Many of these options might be suitable, but seeking advice is important because the drawback with most is that you give up control of the money. So if you suddenly found yourself, for example, needing to pay for long-term care, it would be beyond reach. An AIM portfolio can offer IHT benefits, but you can sell it and reclaim the capital if you need to.

The AIM index also covers a diverse range of industries, from technology and energy to finance and food, and counts the likes of ASOS and Mulberry among its past success stories. With such a spectrum of businesses to choose from, AIM offers attractive growth potential as well as tax-planning opportunities.

But narrowing down which of the 956 companies currently listed on the index to invest in can be tricky, not least because AIM shares tend to be more volatile than those listed on the likes of the FTSE 100 and 250. The Sanlam Inheritance Tax Service can help here. We run a diversified portfolio with a team of experts to reduce risk where possible.

A risky business?

One thing to be aware of is that AIM investments come with more risk. "As with any investment there are no guarantees, but smaller companies are often not as well-known or established as those on the FTSE, plus it's unlikely there will be any figures available to show how such a firm has performed historically," explains Sanlam wealth planner Lisa Lloyd.

And while stock markets by their nature are volatile, the more relaxed regulatory requirements that govern the AIM index mean the share prices of companies listed there can fluctuate more widely compared with those on the main indices of the London Stock Exchange.

Then there's the question of time constraints. AIM-listed shares are often illiquid, so the process of investing or liquidating a portfolio can take longer, plus, in order to eradicate

IHT, a client needs to hold the shares for at least two years. In the event that the shares are sold, or the investor dies before this period has passed, the underlying tax strategy will become ineffective.

Invest in the future

Financial advisors can help you consider all of these issues before deciding whether to invest. “We mainly deal with clients who want to pass on their estate to their children in a tax-efficient way,” says Lloyd. “If the net value of their estate is above the IHT threshold, then we could potentially invest in a portfolio of shares in AIM-listed stock.”

Sanlam offers an integrated approach, with financial planners and portfolio managers working under one roof, something Lloyd believes customers find reassuring. “Once the financial planning team has assessed a client’s attitude to risk, we then work in conjunction with our portfolio managers who oversee the day-to-day investing of stocks and shares,” she adds. “It means when a client comes in for a meeting, they can speak to both their financial planner and portfolio manager, and get a complete overview of how their portfolio is doing.”

> *“We mainly deal with clients who want to pass on their estate to their children in a tax-efficient way”*

Despite the risk factor, for some investing in AIM shares is an effective way of mitigating IHT. Lloyd points out that as well as eradicating a hefty tax bill, investors can hold the shares within an ISA and self-invested personal pension, so that any dividends and growth will not be subject to income or capital gains tax.

Ultimately, however, nobody can predict what the future holds, but building an AIM portfolio can offer a tax-efficient way to pass on your wealth. ■

Find out more

The value of investments and any income from them can fall and you may get back less than you invested. Your capital is at greater risk investing in smaller companies. We strongly recommend you take financial advice in this area by talking to your financial adviser or portfolio manager

Left: A model that recreated the Great Fire of London in 2016. Right: The Monument

Pudding Lane and the Monument

In the first of a series about the historic locations of Sanlam offices, we consider the landmarks on our doorstep in London

Not many businesses can claim to have their headquarters situated in as historically rich surroundings as Sanlam's London office. Located at 24 Monument Street, it's a stone's throw from Pudding Lane – otherwise known as ground zero for the Great Fire of London, which reduced the City to ashes in September 1666.

Evidence of the notorious blaze has all but vanished, save for The Monument to the Great Fire of London, an imposing Doric column within stumbling distance of Sanlam HQ. At 62 metres high, it is the tallest isolated stone column in the world, and, if turned on its side, would reach the exact spot where the fire first broke out on Pudding Lane.

The proof of the Pudding

Back then, the stone homes of merchants and brokers skirted narrow alleyways teeming with timber-framed dwellings, blacksmiths' yards, foundries and glaziers.

Pudding Lane earned its moniker not from the bakeries that lined the street, but the 'puddings' (the medieval word for offal) that rolled off carts coming down the lane from the butchers in Eastcheap en route to waste barges on the River Thames.

It was here, in the early hours of Sunday, 2 September 1666 that a fire broke out in Thomas Farriner's bakehouse and swept through the city – an excavated piece of pottery on display at the Museum of London reveals that the temperature reached 1,250 °C. The homes of 70,000 of the city's 80,000 inhabitants were destroyed – more than 13,000 in total, along with 87 parish churches and 44 livery halls, while Guildhall, St Paul's Cathedral and the Royal Exchange were damaged.

Inaction worsened the impact

The inferno raged for five days, spreading rapidly due to the ineffectual actions of the Mayor of London, Sir Thomas Bloodworth. The main way to deal with fires at that time, when neither firefighters nor a police force existed, was to demolish adjacent buildings to create a firebreak. However, Bloodworth clearly wasn't a fan of confrontation and rather than face the wrath of the landlords whose premises were in line to be torn down, he went back to bed.

It would take three more days for the King to seize control from the City's magistrates and order the toppling of buildings using gunpowder from the Tower of London's reserves. In that time, the furious monarch had already attempted to personally tackle the blaze with buckets of water, assisted by his brother, the Duke of York, and Samuel Pepys had set about burying his prized stash of Parmesan cheese while documenting the unfolding chaos in his diary.

The estimated cost of the damage was £10,000,000, which considering the annual income of the City of London at that time was around £12,000, was a considerable sum.

Stunning views

The Monument, designed by Sir Christopher Wren and Robert Hooke to celebrate the regeneration, added to the expense, costing more than £13,000. Built between 1671 and 1677, it was intended to be used as a fixed telescope, but vibrations caused by constant traffic meant that the idea had to be abandoned.

Today, you will get a bird's-eye view of the historic Square Mile – and the Sanlam office. You will also get a work-out thrown in, thanks to the spiral staircase and its 345 steps. ■

Photo: Alamy

For more information about our services and how we can work with you, please contact:

Bath

5 Miles's Buildings, George Street, Bath, BA1 2QS

Tel: 01225 460 010

Bristol

St. Bartholomew's House, Lewins Mead, Bristol, BS1 2NH

Tel: 01179 752 125

Cheltenham (Sanlam Partnerships)

Unit 1 Andoversford Business Park, Cheltenham, GL54 4LB

Tel: 01242 820 738

Fareham

2 The Potteries, Wickham Road, Fareham, Hampshire, PO16 7ET

Tel: 01329 234 335

Harrogate

Windsor House, Cornwall Road, North Yorkshire, HG1 2PW

Tel: 01423 701 800

Kirkby Lonsdale

55 Main Street, Kirkby Lonsdale, Cumbria, LA6 2AH

Tel: 01524 272941

London

Monument Place, 24 Monument Street, London, EC3R 8AJ

Tel: 020 7280 8700

London (Sanlam Investments)

1 Ely Place, London, EC1N 6RY

Tel: 020 3116 4000

North West & North Wales

Unit 27 Ffordd Richard Davies, St Asaph Business Park, St Asaph, Denbighshire, LL17 0LJ

Tel: 01745 345 131

Sevenoaks

16 South Park, Sevenoaks, Kent, TN13 1AN

Tel: 01732 740 700

Teesside

Cedar House, Princeton Drive, Teesdale Business Park, Stockton-on-Tees, TS17 6AJ

Tel: 01642 931 200