# Wealthsmiths™

The Sanlam magazine – Winter 2017


## Atlantic challenge

Kiko Matthews explains why she is determined to become the fastest woman to row solo across the Atlantic Ocean

**Bulls and bears**
How do you invest for a volatile market?

**Rebuilding the nation**
Billions are being spent on infrastructure in the UK

**Making serious dough**
Why big names like Stallone are promoting Warburtons bakers

Sanlam

Welcome to the winter issue of *Wealthsmiths* magazine. Since we published our last issue, the Chancellor has raised interest rates for the first time in a decade – but only to 0.5%. In the long-term the continued low rates are likely to be positive for equities but political uncertainty remains a concern, with a Brexit deal seemingly still out of reach.

Experienced investors get used to the shifting economic and political sands and allow investment managers to tweak their portfolios to take more or less risk depending on the landscape. As you will see in our feature about bear markets on page 7, taking the other alternative and leaving the market altogether can be a costly affair.

We've interviewed some truly inspiring people in this issue, including our cover star Kiko Matthews who, after suffering a life-threatening illness, is aiming to become the fastest woman to row solo across the Atlantic. She wants to help King's College Hospital raise £100,000.

You can also read our interview with Ross Warburton, of the famous Bolton bakery family, about how he and his cousins have grown the business – and you might have seen their recent ads featuring Sylvester Stallone, the Muppets and comedian Peter Kay. Sanlam helps to manage the Ross Warburton Charitable Trust.

Other financial topics covered in this issue include a look at how much income you might get from a £1 million pension pot. And with a million people set to suffer from Alzheimer's Disease – the most common form of dementia – by 2025, we consider how important it is for families to take this into account in their financial planning.

I hope you find this issue interesting and it gives you food for thought. If you would like to receive a digital version or leave us your feedback, you can do so by visiting our website at www.sanlam.co.uk/wealthsmiths

John White
CEO, Wealth Management

## Why Wealthsmiths?

Wealthsmiths is a simple description of what we do and what we believe in and represents the pragmatic 'roll-up-our-sleeves' approach we take to managing your money. Like a silversmith or wordsmith, everything we do is created with the client in mind, and done with skill and integrity – that's what makes us Wealthsmiths.

## Contributors

### Ruth Jackson
Ruth is a knowledgeable freelance journalist who has been writing about personal finance for over a decade.

### Jill Insley
Jill is an experienced financial journalist who has written for *The Observer*, *The Guardian*, *The Sunday Times* and *The Telegraph*.

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Jess is an accomplished journalist who has written for a range of business and finance titles during his 30-year career.

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Cover photography: courtesy of Kiko Matthews



# News and analysis

Commentary and analysis of key issues for investors

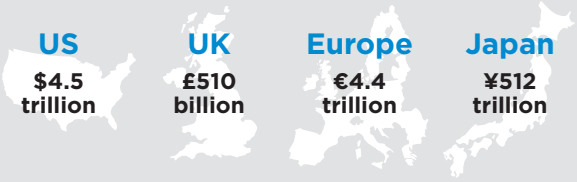
## Financial rehab: coming off the drug of quantitative easing

October 2017 saw the US take another step in the long and slow process of weaning itself off the economic crutch of quantitative easing.

Since the start of the credit crunch, the US Federal Reserve (Fed) has bought $4.5 trillion of government and other bonds, keeping the economy from collapse. History (so far) suggests the plan has worked, but the time has come to reduce the debt, and allow the economy to stand on its own two feet. To do this, the Fed will start to reduce the size of its holdings by $10 billion per month, which will steadily increase until it reaches $50 billion per month.

The world will be watching closely to see how the US economy reacts, with other key economies, such as Europe, likely to follow suit by the end of 2018.

**Quantitative easing worldwide debt**





## Investing in the digital revolution

A recent report by Deloitte predicts that 88% of UK adults will be using a smartphone by mid-2018, and 80% will be using it every day*. This mass adoption of hand-held technology means that businesses within this sector have a bright future. Indeed, companies that can command a share of peoples' digital attention are extremely valuable to investors. Three of our largest investments are Tencent, Google and Netease; companies that, together, service over a billion users every day.

***Source:** *www.deloitte.co.uk/mobileuk*

Tencent's 'superapp' WeChat is a phenomenal success in China. It allows users to play games, hail cabs, invest their pension and shop, to name just a few of its many capabilities. The ability to reach millions of users for little cost allows this platform to bring new innovations to market very quickly. We're excited for its long-term potential.

# The economy in numbers

## INTEREST RATES

**0.25%**

**Interest rates increased for the first time in over 10 years to 0.5% in November 2017**

***Source:*** *Bank of England, November 2017*

### What this tells us:

The Bank of England felt it was necessary to increase interest rates to keep a lid on inflation. From an investment point of view, this was disappointing, as it could further suffocate economic growth. We don't expect additional increases for the foreseeable future.

## UNEMPLOYMENT

**4.3%**

**Unemployment has fallen steadily since the end of 2011 and is now at its lowest level since 1975**

***Source:*** *Office for National Statistics (ONS), October 2017*

### What this tells us:

Low unemployment helps the government control its budget, creates a more equal society, and the associated wage pressure forces companies to search for efficiency.


## PURCHASING MANAGERS' INDEX (PMI)

**56.3**
**POINTS**

**The PMI – an indicator of the economic health of the manufacturing sector – has been firmly in expansionary mode since the end of 2016 (anything above 50 indicates growth)**

***Source:*** *Purchasing Managers' Index, November 2017*

### What this tells us:

Whilst the Brexit saga is having a negative impact on many parts of the UK economy, the weakness in sterling is helping UK businesses that are either exporters, or compete domestically against imported foreign goods.

## ONS HOUSE PRICE INDEX

**5%**

**The average UK house price increased by 5% in the year to August, up 0.5% from July. According to the Royal Institution of Chartered Surveyors (RICS), housing demand remains subdued, with negative house price expectations in London.**

***Source:*** *ONS House Price Index press release, October 2017*

### What this tells us:

Nationally, the property market is holding up well thanks to historically low interest rates and low supply. London is experiencing a correction as higher taxes and stricter rules for landlords take effect. We expect this to remain a correction, rather than become a house price crash.

## INFLATION

**3%**

**The Consumer Prices Index (CPI) 12-month rate was 3% in September, its highest rate since March 2012.**

***Source:*** *ONS, October 2017*

### What this tells us:

Rising UK inflation has largely been driven by a weak Sterling rather than economic growth. Keeping it close to the 2% target is a key concern for the Bank of England, as we can't afford to see significant interest rate rises in the current economic environment.

## What brought down Monarch?

Monarch was the UK's fifth-largest airline – and a carrier of tourists to Spain and the Canary Islands.

On the 2 October 2017, it ceased trading, leaving thousands of passengers stranded and costing the taxpayer an estimated £60 million in repatriation costs. So, what led to its dramatic demise?

The trouble with Monarch was that its routes were too restricted, and efforts to diversify them failed. When terrorism hit the Middle East, it forced other airlines and tour operators to refocus their efforts on Spain and the Canaries. This increased competition and put undue pressure on prices. Monarch couldn't control its costs, and even a huge cash injection by its owner, Greybull Capital, failed to save it.

This isn't a reflection on a failing sector though. Monarch was brought down by strategic failures. In the short-term there will be an increase in air fares to Spain and the Canaries. But the industry remains extremely competitive and Monarch's most valuable assets – its take-off and landing slots – will find a new home with a competitor.

## Is Bitcoin a currency or just a speculative investment?

Bitcoin was invented back in 2009 and has since become the digital currency of choice. Indeed, the price of Bitcoin reached record highs in the final quarter of 2017, dividing analysts into one of two extreme camps – an 'investment' opportunity not to be missed, or a bubble waiting to burst?

We think it's a bit of both. Like the dot-com bubble, a lot of people are going to get hurt in the short-term as reality fails to deliver on expectation. But, like any bubble, there may well be a grain of truth to the underlying assumptions. We shouldn't be dismissive of the longer-term value of the product. Regardless, we won't be including it in our clients' portfolios any time soon.

## Important reforms to financial services regulation

On 3 January 2018 new European legislation, the Markets in Financial Instruments Directive (MiFID II), will be introduced to improve how the financial services industry functions and to prevent market abuse. The new legislation affects all firms providing investment services within the European Economic Area.

Many of the changes introduced by the new legislation will be behind the scenes and will concern our systems and processes. However, there are a small number of improvements that you may notice, including:

- Each quarter we will send you a portfolio valuation report that includes information on the costs and charges that have been incurred in that quarter.
- Every year we will send you details of all charges incurred in managing your portfolio, including underlying fund charges and the effect these have on your returns.
- We may need to hold a unique code for you called a 'Natural Person Identifier', which will be derived from your national insurance number, your first and last name, and date of birth. If you are from overseas, we will also need your passport number, or a tax identifier, and your country of residence. We have this information for the vast majority of our clients, but may need to get in touch if we find we are missing anything.
- We will be making changes to our standard Terms of Business, our Order Execution Policy, Fees & Charges structure and some of the information held on our website.
- For our investment management clients, if the value of your portfolio decreases by 10% or more between the quarterly reporting periods, we will notify you within 24 hours, unless this decrease is due to a withdrawal.
- If you want to buy a product without taking financial advice, we may need to ask you further questions to satisfy ourselves that you have the necessary experience and understanding to make those decisions yourself.

While we pride ourselves on transparent, high quality client service, our hope is that these changes will provide you with even greater peace of mind about how your money is being managed.

If you have any questions about MiFID II, or believe there is additional information that we may need from you, please speak to your financial adviser or portfolio manager.

### Reminder

Clients of our investment management and financial planning services will recently have received a letter requesting an up-to-date email address. This will allow us to efficiently communicate with you where we are required to by regulation. This does not include marketing communications. If you have not already done so, please respond to this letter using the unique identification number provided.

# How to invest in a bear market

We're enjoying a rising market at the moment but wise investors are always prepared for whatever the markets throw at them, writes **Ruth Jackson**

For the past eight years investors have enjoyed a bull market with the stock market on the up and up after the financial crisis. But with some experts now warning of a bear market on the horizon, how can they weather the storm and seize any opportunities it presents?

While a bull market can last for years and years, bears tend to strike hard and fast, then disappear. They can come and go in around 18 months, wiping an average 40% off investments in that time, but the subsequent recovery is often swift. Because of this, the best approach in most cases is to stick it out and allow an investment manager to adjust your portfolio as necessary, rather than leave the market to try and avoid any falls.

You only need to consider the financial crisis of 2008/09 to see why this might be the case. Anyone who remained invested in global equities during this period will have seen their investments grow by 135%* in the past decade. That means £100,000 invested a decade ago is now worth £235,000.

However, anyone who was spooked by the sharp fall and left the market, even for a short time, may well have missed the full benefit of the upswing.

Simply missing the 10 most lucrative days of the past decade would have seen the same investment grow by just 33%* to a much more modest £133,000.

Bear markets are defined as those that see falls of 20% or more and there have been several since the FTSE 100's inception in 1984, ranging from Black Monday in 1987 to the emerging markets crisis of the late 90s and the tech bubble of the early 2000s. All were nerve-wracking at the time but the general direction of the markets has continued to be upwards.

## Asset allocation

Philip Smeaton, Chief Investment Officer at Sanlam explains that the key to successful investing is not to constantly scan the horizon for signs of an impending bear market and then start selling. Instead, Sanlam keeps an eye on the market and makes small adjustments to asset allocation when they are needed.

"Valuation drives our thinking and if we believe the market is reaching a peak, and therefore some areas may start to pull back, we might reduce the exposure of our portfolios to riskier assets such as equities and instead build our position up in safer investments such as government bonds."

"Roughly 90% of the time stocks are going up and it is a bull market," says Smeaton. "Bear markets are uncommon, so you are trying to predict something that is rare. Our investment process is not based on searching for catalysts or trying to pre-empt the moment when markets pull back. It's a fruitless and impossible exercise.

"Instead, we objectively analyse investments to balance the prospective rewards with the risk of loss. There are times when return prospects are good and we invest because price compensates for the apparent risks. There are also times, like now, when the scales tip away from returns, resulting in the need to focus more attention on the potential risks."

### Why is it called a bear market?

The broad trend in the movement of stock markets can be defined as either a bear or a bull market. During a bull market investment prices, on the whole, go up. However, when prices have been declining for a period of time it is known as a bear market.

The origin of the bear market name is murky but one explanation is that back in the 18th and 19th centuries middlemen in the fur trade were known as bearskin jobbers, or bears for short. They would buy furs from trappers and sell them on. But, they would often agree a sale price for furs that they had yet to buy.

These bears would then hope that the price of fur would fall before they exchanged money with their trapper so that they would make a bigger profit. For example, they would agree to sell a bearskin for $20, and hopefully, by the time they found the trapper to make the purchase, the going price would have fallen to $10 meaning they made a $10 profit. The term 'bear' then became synonymous with a falling market.

Let other investors chop and change their portfolios depending on which way they think the wind is blowing. You will fare better if you "employ one of the more powerful tools in an investor's toolbox – the virtue of patience," says Smeaton.

"We've positioned portfolios so that clients can benefit should markets remain calm, and can enjoy positive returns. However, we have also tilted portfolios to reduce our exposure to areas of the market that might be vulnerable, and invested part of the portfolio in securities which would appreciate in volatile times."

## Rising prices

You may think all investments fall when a bull market ends, but that isn't the case. More risky assets such as equities and high-yield bonds may suffer but lower-risk assets including government bonds and gold can see their value rise as people rush out of shares.

"We are invested in good credit quality corporate debt, which allows us to both generate returns, and protect the portfolio," says Smeaton. Meanwhile, he is still keeping some equities but choosing shares in firms with "strong balance sheets, global franchises, and sustainable high returns on capital. These companies are well positioned to compound your wealth, while reducing the risk to your capital."

Investing during bear markets isn't just about protecting your portfolio from losses. Once a bear market is underway it can present investment opportunities, with prices low and likely to start rising back into a bull market in the near future.

Making smart stock picks during a bear market could see your investments soar when the market transforms back into a bull, when prices rise by an average 15% a year.

## Tracking bears

Changes in interest rates can often be a precursor to a bear market. The Bank of England increases the bank rate when the economy is strong, which is typically during a growth cycle. But, the stock market is a forward-looking beast with investors buying and selling based on their predictions for the near future. In contrast, the economists at the Bank of England study the current economic situation and the recent past when they decide whether to up interest rates, as they did for the first time in a decade in October.

This means by the time interest rates go up the stock market may have already peaked and fallen into decline. When a bear market begins, "it tends to be sharper," says Smeaton. So, if you miss the beginning your investments may already have dipped sharply.

## Ready for the bear

If you are worried about market timing and fear you will invest just before a bear market, and buy at peak prices, there is one straightforward way to protect yourself – drip feed your money into your assets. Invest smaller amounts regularly and you avoid the risk of paying over the odds.

Known as pound-cost averaging, if you invest a small amount on a monthly basis then some months your money will buy more units – when prices are low – and some months it will buy less. This can help smooth out volatility in your portfolio without you having to worry about timing the market.

A bear market is a time to be brave, to stick to your guns and follow the strategy you worked out when you began investing. As the figures for the past decade show, it tends to be those who keep a cool head when others panic who ultimately reap the rewards. ■

* *Bloomberg*

Illustration: Jonathan McHugh

**Find out more**
To learn more about investing visit:
**www.sanlam.co.uk**

# Rebuilding Britain

Infrastructure can play an important role in clients' investment portfolios. **Jess Unwin** takes a look at some of the massive infrastructure projects that are set to change the face of the UK

Image: flickr.com/photos/132206803@N03/

The financial crisis was followed by years of austerity in the UK and spending on major government projects was slashed. But 10 years on, the country's creaking infrastructure is rapidly being renewed and some of the world's biggest construction schemes are already underway.

After the 2015 election, the Government announced that it would increase capital spending sharply and last December set out plans for £500 billion of infrastructure projects, ranging from broadband and sewers to roads, rail and power plants. These include some of Europe's most ambitious schemes, such as the Hinkley Point C nuclear power station and Crossrail.

## Crossrail

Top of the list of UK infrastructure projects is London's Crossrail, the cost of which is currently close to £15 billion and which will be paid for using a mixture of public and private money. It is the largest construction project ever undertaken in Europe and is a huge upgrade to the existing Underground system that will increase the capital's rail capacity by 10%.

The statistics are certainly impressive: it involves 10 new train lines and connects 30 existing stations via 73 miles of track and 26 miles of tunnels. Trains that are 200 metres long (similar in size to two football pitches) will cut journey times and improve services generally.

UK companies were awarded 96% of the construction contracts and it has generated £42 billion for the country's economy. A limited service will begin in 2017, while full service will arrive in 2020. Although it hasn't yet been approved, a Crossrail 2 project – costing an estimated £31 billion – has also been proposed.

## Hinkley Point C

Meanwhile, building of the Hinkley Point C nuclear power plant is underway on the Bristol Channel coastline of Somerset. More than 1,900 workers are already involved in the project, but at the peak of work more than 5,600 people will be employed on it, and 25,000 different construction roles will be provided over the whole life of the project. ▶

Costing more than £20 billion, most of which will be financed by the French utility company EDF, it will be the first new nuclear plant to be built in Britain since the 1990s and will supply 7% of the country's electricity when completed in 2025 – enough for five million homes. According to Greenpeace, it could be the most expensive object on earth.

## High Speed 2

And now, preliminary work on phase one of High Speed 2 (HS2), the new London to Birmingham rail route, has started too. When phase two gets the go-ahead, the finished line will be in a Y-shape with London on the bottom of the Y, Birmingham at the centre, Leeds at the top right and Manchester at the top left.

The cost of the whole line is projected to be a whopping £55 billion of taxpayers' money and it should be fully completed by 2033. It will be the second high-speed rail line in Britain, after High Speed 1 (HS1), which connects London to the Channel Tunnel.

## More in the pipeline

Britain's 'second city', Birmingham, is pursuing its Big City Plan and will spend billions of pounds over two decades to transform its centre. It'll be 25% bigger, have thousands more homes and tens of thousands of new jobs.

In Scotland, projects worth almost £6.4 billion will be under construction throughout 2017, according to the Scottish Government's Infrastructure Investment Plan progress report.

Just one of those is the Aberdeen Western Peripheral Route – a dual carriageway projected to cost £745 million and create an alternative route from north to south Aberdeen, bypassing the city. It is due to finish in 2018.

In Wales, there is still hope the government will give the go-ahead to the £1.3 billion Swansea Bay Tidal Lagoon scheme, which should generate 320 megawatts of electricity – harnessed from the ebb and flow of tides.

## Too much for London?

Such is the clamour for investment in infrastructure that it has led to claims London is getting more than its fair share.

According to analysis by the think tank IPPR North, more than half of the UK's total spending on transport networks is invested in London. While £1,943 is being spent per person in London on current or planned projects, just £427 is being spent in northern England.

The report's author, Grace Blakeley, says: "It currently takes longer to travel by train from Liverpool to Hull than from London to Paris. Building better links between the North's cities will boost the nation's economy by driving up northern productivity."

However, Chancellor of the Exchequer Philip Hammond did announce in October a £400 million boost for transport links in the North in an attempt to speed up train journeys between major cities and help to reduce road traffic congestion.

In total, the Northern Powerhouse initiative will spend £13 billion on improving road and rail connections between and within the North's towns. In addition, £70 million is being invested in schools and £3.4 billion in growth deals to financially support locally determined projects.

## Infrastructure opposition

Of course, not everyone is delighted by new infrastructure projects. This autumn, the HS2 route will be lit up by beacons as communities demonstrate their opposition. Campaigners argue alternatives to HS2 would not cost as much and be better value for money, benefiting more people across the whole country.

They also believe HS2 threatens unique habitats, like irreplaceable ancient woods, because the high speed of trains dictate that tracks have to be as straight as possible and cannot curve round these sensitive sites.

Elsewhere, the long-running debate over expansion of London's airport capacity rumbles on with the third runway at Heathrow airport attracting fierce opposition because of fears of air pollution and noise from planes.

## UK's falling infrastructure ranking

However, it has also been suggested the UK needs to build much more infrastructure. The World Economic Forum last year ranked the quality of Britain's infrastructure 24th in the world, down from 19th in 2006. This puts Britain mid-table among industrialised countries, and towards the bottom of the group of G7 nations.

The Organisation for Economic Co-operation and Development recommends that countries should spend 3.5% of gross domestic product on infrastructure. Analysts suggest the UK presently spends under 3%.

One barrier to investment is the lack of stable, long-term vision from central or local government. The UK's National Infrastructure Commission, established in 2015, is busy devising a 30-year infrastructure assessment, which could form the basis of a long-term strategy for the country. But the decision by the government not to grant statutory independence to the agency raises questions about ministers' commitment to establishing politically impartial co-ordination of key projects.

Whatever the issues, successful projects like Crossrail demonstrate not only the UK's technical ability to upgrade our infrastructure but also the huge impact they can have in rebuilding the country for the 21st century. ■

**Find out more**
For more information about infrastructure and the part it can play in an investment portfolio, please speak to your wealth planner or portfolio manager.

## A great opportunity – at the right price

Investing in the publicly available companies that help build infrastructure assets is a "great opportunity", says Matthew Brittain, Investment Analyst for Sanlam.

He adds: "Of course it has to be at the right price – when yields look attractive relative to the other opportunities out there in the market."

Brittain continues: "The cash flows that come into infrastructure construction are secure, given they are generally government-guaranteed." As such, he says, infrastructure investments are less affected by currency fluctuations or the state of the economy.

However, he warns: "Remember it's a company that you're investing in – not the government cash flow. You're buying equity or debt in the structure contracted by the government and there's still some risk in the execution of these projects.

"That said, the government selects firms with a good track record and some of these infrastructure vehicles have delivered fantastic returns to shareholders.

"The fact infrastructure investments are currently traded at a high premium to their assessed values suggests people do like them. Most wealth managers would be using them for certain clients and objectives."

Sanlam deploys its own knowhow to determine an investment's merits and, furthermore, usually accesses them through investment vehicles – managed by experts in the infrastructure field – that put money into a diversified spread of projects.

Brittain sees a need for continual infrastructure upgrading, which means a "good pipeline of new projects coming along the whole time".

Infrastructure, like other investments, should be just a part of a portfolio, but he adds: "Infrastructure can be a win-win in the sense it offers a good return in financial terms but also from a sense of contribution to society."

Images: Alamy; Getty; Courtesy of tidallagoonpower.com

# Bread winners

**Andrew Strange** finds out how a family business from Bolton became one of the UK's most powerful brands

When Sylvester Stallone agreed to appear in a recent TV ad for Warburtons it was a symbol of the growing stature of Bolton's family-run baker, which has doubled in size over the past 10 years to become the UK's second biggest grocery brand behind Coca-Cola.

There is an increasing confidence within the business, which is now producing around 15 million units (loaves of bread, packets of bagels, etc) a week under the stewardship of the fifth generation of Warburtons. This is reflected in its bold advertising campaign, which has seen other big names including the Muppets and comedian Peter Kay promoting the firm.

Chairman Jonathan and Executive Directors Ross and Brett Warburton have presided over a £400m investment programme over the past 10 years, building and refurbishing bakeries and upgrading their distribution network. They now employ 4,500 people, from Scotland to the south west of England.

## Humble beginnings

Ross explains that it is all a far cry from the company's humble beginnings in 1876, when Thomas and Ellen Warburton bowed to customer demand and started baking bread at their Bolton grocery shop. They asked their nephew Henry to help and, after he'd learned the trade, he opened his own bakery – just 400 yards from the current headquarters.

The family have been part of the fabric of Bolton ever since and Henry was both Mayor of the town and also Chairman of Bolton Wanderers Football Club when the team won the FA Cup final in 1923. His twin sons Harry and Billy went on to grow the business by introducing retail shops and making ►

Right: Ross Warburton is among the fifth generation to enter the family business


Warburtons
TOASTIE

### Sharing out the dough

Ross Warburton was Chairman of the Bolton Lads and Girls Club for 15 years and during that time a new club was built that has become a blueprint for youth clubs across the country.

He explains: "It's about giving young people somewhere to go, something to do and someone to talk to. It's not a local neighbourhood youth club. Those kinds of places can get dominated by local gangs but Bolton Lads and Girls Club is located right in the centre of Bolton. It is a model for most of the youth clubs that are being built right now, and in the future."

Ross is also involved with OnSide Youth Zones, which is building youth clubs based on the Bolton model. They've already been completed in towns and cities including Blackburn, Carlisle, Wolverhampton, Manchester and Wigan.

Sanlam helps to manage the Ross Warburton Charitable Trust, which was set up largely from Ross's parents' estate and supports charities that benefit children, young people and voluntary bodies.


Ross Warburton with some of the firm's products

cakes so that they were soon employing hundreds of people in the town.

By the time Jonathan, Ross and Brett took over the reins of the family firm from their fathers in 1988, the diversification had perhaps gone too far. "We decided to focus more on the branded bakery business that bore the family's name," explains Ross.

"During the 1990s we expanded that and divested ourselves of a number of other businesses that we'd started growing from the 40s and 50s. They included the retail bakery chain, the cake business, a pie and pasty business and a number of other much smaller ventures. With the proceeds we invested in a number of new bakeries."

The family seeks to ensure that the communities where they operate benefit from their success. Warburtons supports Cancer Research UK because cancer touches the lives of its employees and customers. It also donates 1% of pre-tax profits to grass roots projects aimed at having a positive effect on the aspirations, education, skills and employability of young people.

## Family fortunes

The success of Warburtons is perhaps a surprise because so few family businesses are able to grow through the generations. The Warburton family has managed the tricky process of handing the firm down to the next generation four times. Its success is due in part to a combination of the family's ethos and a growing professionalism.

Jonathan, Ross and Brett have all worked elsewhere and brought valuable skills back into the business. Ross read politics, philosophy and economics at Oxford before working as an investment manager in the City of London. Jonathan gained knowledge of the baking industry and sales and marketing while working at Unilever, and Brett began his career at another food company and later earned an MBA from Harvard Business School.

Ross adds: "The transitions between the generations have always happened without any kind of problem or revolution. The advice from one generation to the next has been to put the business first and to limit disagreements. In many ways, to realise just how lucky you are.

"While it wasn't mandatory for us to work outside of the business, we've told our sons and daughters it is for them because it was, without a doubt, a very beneficial experience for all of us to work somewhere where our name wasn't over the door."

In fact, the experience has helped them to innovate and broaden their product range. The company produces

> The advice from one generation to the next has always been to put the business first."

Left: Ross Warburton at the firm's Bolton bakery

everything from loaves and rolls to pancakes. It is the UK's biggest producer of crumpets and thins, a small, square bakery product that is ideal for lunch boxes. In 2011, Warburtons became the first major baker to open a dedicated gluten free bakery, in Newburn, near Newcastle upon Tyne. Its Newburn Bakehouse range is now sold in shops across the country.

Ross explains: "Our quality is consistent and we've got a very well invested capital base. We use the best ingredients and we believe we've got a very good process. You need to have ideas first though, and those don't come out of machines, they come out of people.

"You've got to have people who are great at innovation, who can read the marketplace and come up with a product idea. Once they've done that, we commit financially. This isn't a business where you can just build a very small plant and see if it works or not. Frequently, you've got to back your own judgement and put your money where your mouth is."

## Looking ahead

Ross was previously Chairman of the Food and Drink Federation and the Federation of Bakers and campaigned for the industry as a whole. He says that the key issues facing the food industry now are the consequences of Brexit. As a baker that operates almost exclusively in the UK, Warburtons doesn't face the prospect of trade barriers for its products, but the low pound has already caused a significant hike in the cost of importing grain.

"A weak currency is not terribly helpful given the amount of grain that we import," he explains. "And, at the other end of the spectrum, not all of the capital equipment we spend money on comes from the UK. But, on the other hand, we may well be free of the Common Agricultural Policy. World events often touch the food industry and that's why we need to represent ourselves through organisations like the Food and Drink Federation. The food industry is the biggest manufacturing employer in the UK."

The long-term consequences of Brexit and the firm's future success may now fall to a sixth generation, who are currently in higher education or working for other companies.

Whether or not they take over at the top remains to be seen, but they are kept updated about the firm and one key fact is drummed into them all: it's not just about the success of the Warburton family, but the families of the thousands of people who work for them. ■

Portraits: Paul Cooper

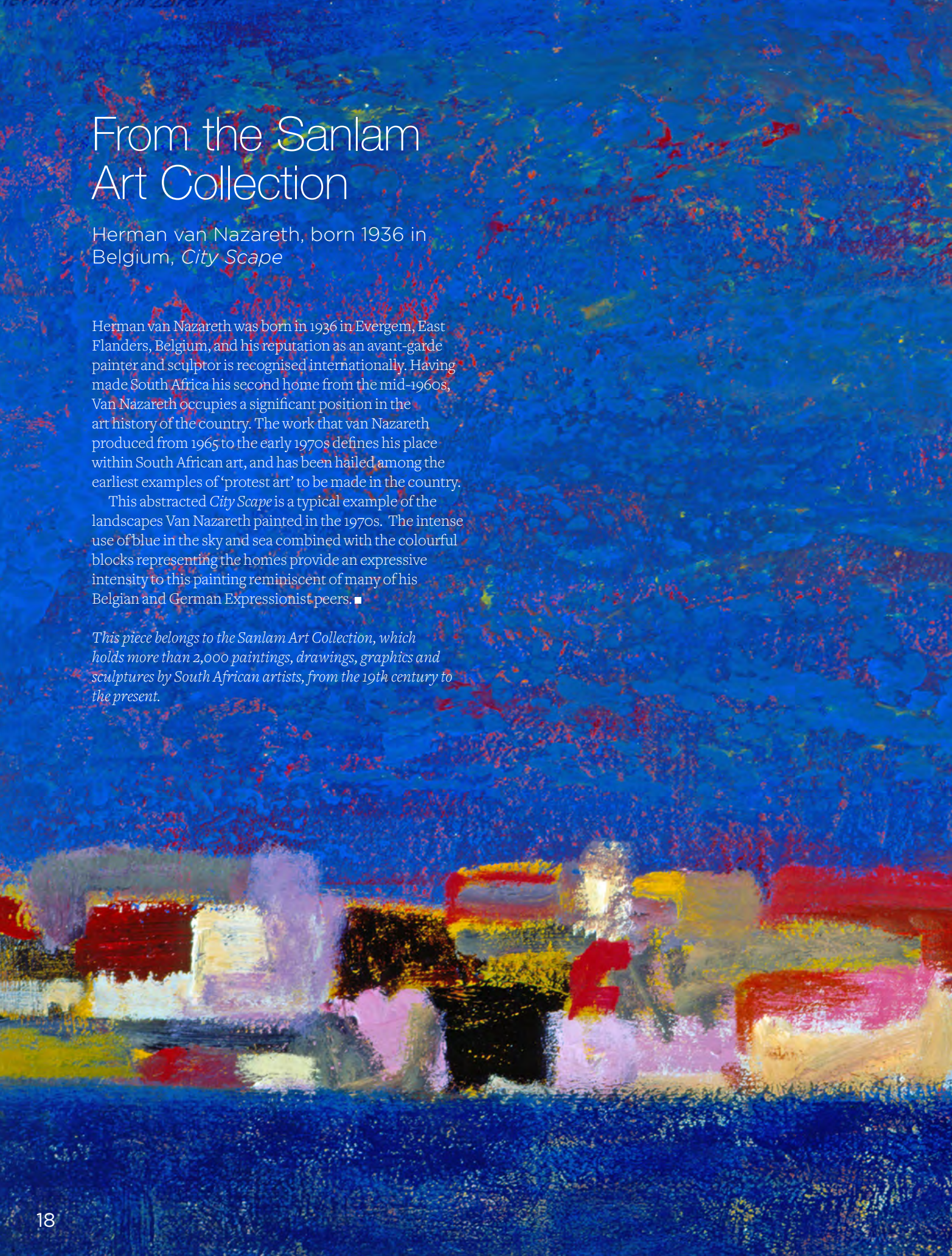
# From the Sanlam Art Collection

## Herman van Nazareth, born 1936 in Belgium, *City Scape*

Herman van Nazareth was born in 1936 in Evergem, East Flanders, Belgium, and his reputation as an avant-garde painter and sculptor is recognised internationally. Having made South Africa his second home from the mid-1960s, Van Nazareth occupies a significant position in the art history of the country. The work that van Nazareth produced from 1965 to the early 1970s defines his place within South African art, and has been hailed among the earliest examples of 'protest art' to be made in the country.

This abstracted *City Scape* is a typical example of the landscapes Van Nazareth painted in the 1970s. The intense use of blue in the sky and sea combined with the colourful blocks representing the homes provide an expressive intensity to this painting reminiscent of many of his Belgian and German Expressionist peers. ■

*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.*



# 6 must-know facts about trusts

The popularity of trusts may be declining as alternative options increase, but they can be an incredibly useful tool for your financial planning. Simply speaking, a trust allows you to give away an asset, but retain a degree of control over it, says Wealth Planner **Panvir Thind**

## 1 Why use a trust?

Imagine you asked a friend to look after some of your money so they could use it to pay for your care if you got ill. If you just gave it to them, you couldn't be sure that they'd use it as you intended. They could spend it on whatever they liked. So, instead, you can set up a trust. With a trust, the money has to be used according to rules you set out.

A trust is usually created by a document – the trust deed – which names the people involved and sets out the terms. They can also be created by your will. When creating them, the settlor (the person creating the trust) splits the ownership of the asset involved. The legal ownership goes to the trustees and the beneficial ownership goes to the beneficiaries (the individuals ultimately entitled to the asset).

## 2 When to use a trust

There are several scenarios in which a trust can be very helpful. Some common examples would be:

- To look after the needs of minors until they are able to manage their own affairs.
- To support someone who can't manage their own affairs.
- To make a gift to your heirs but with certain conditions attached to them.
- To help with inheritance tax and estate planning; they can be very useful when taking out life insurance. By writing the plan in trust, you can make sure that the proceeds of the plan are paid to your loved ones without delay after your death and avoid the need to obtain probate. The proceeds also won't form part of your estate, so aren't liable to Inheritance Tax.
- Business protection; when using a discretionary trust designed to allow the proceeds of life insurance to be used by the remaining partners, members or shareholders to buy the interest or shares of the critically ill or deceased co-partner, co-member or shareholder. This has the dual benefit of giving financial support to both the family and the partnership/company.

### Discretionary trusts

Discretionary trusts are the most flexible for providing for family and loved ones, letting you establish a trust for a group of beneficiaries.

Imagine you asked a friend to look after some of your money... If you just gave it to them you couldn't be sure they'd use it as you intended."

3

The trust deed usually allows the income and capital to be distributed at the trustees' discretion.

In order to guide them, the settlor would usually prepare a letter of wishes, dictating how they would like the assets to be dealt with. It isn't binding on the trustees, so it's important that they are chosen very carefully.

4

## Absolute trusts

An absolute trust, on the other hand, has no flexibility, with fixed beneficiaries always entitled to the trust fund.

You might ask why anyone would use an absolute trust. The answer is that the taxation treatment of an absolute trust does have advantages over a discretionary trust in the right circumstances.

## Tax benefits

If the beneficiary of an absolute trust isn't using their full personal allowances elsewhere, then the trustees can use them to offset income tax and capital gains tax. That means tax-free income of up to £11,500 plus tax-free gains of up to £11,300 in this tax year.

By contrast, for a discretionary trust, the trust income that is accumulated will be taxed at 45% in the current tax year, after allowing for the trust allowance of £1,000. The trustees only have a capital gains exemption of £5,650.

Another advantage of an absolute trust is to do with inheritance tax mitigation, in that the gift used to set up the trust is treated as a Potentially Exempt Transfer (PET). This means that, if the settlor survives seven years after making the gift, then the full amount is completely outside of their estate from an inheritance tax point of view.

5

In the case of a discretionary trust, the gift into the trust would be treated as a Chargeable Lifetime Transfer (CLT). Such a gift is subject to the lifetime transfer rate of inheritance tax; there is also the potential that the trust will be subject to the periodic charge every 10 years and an exit charge on distributions of capital.

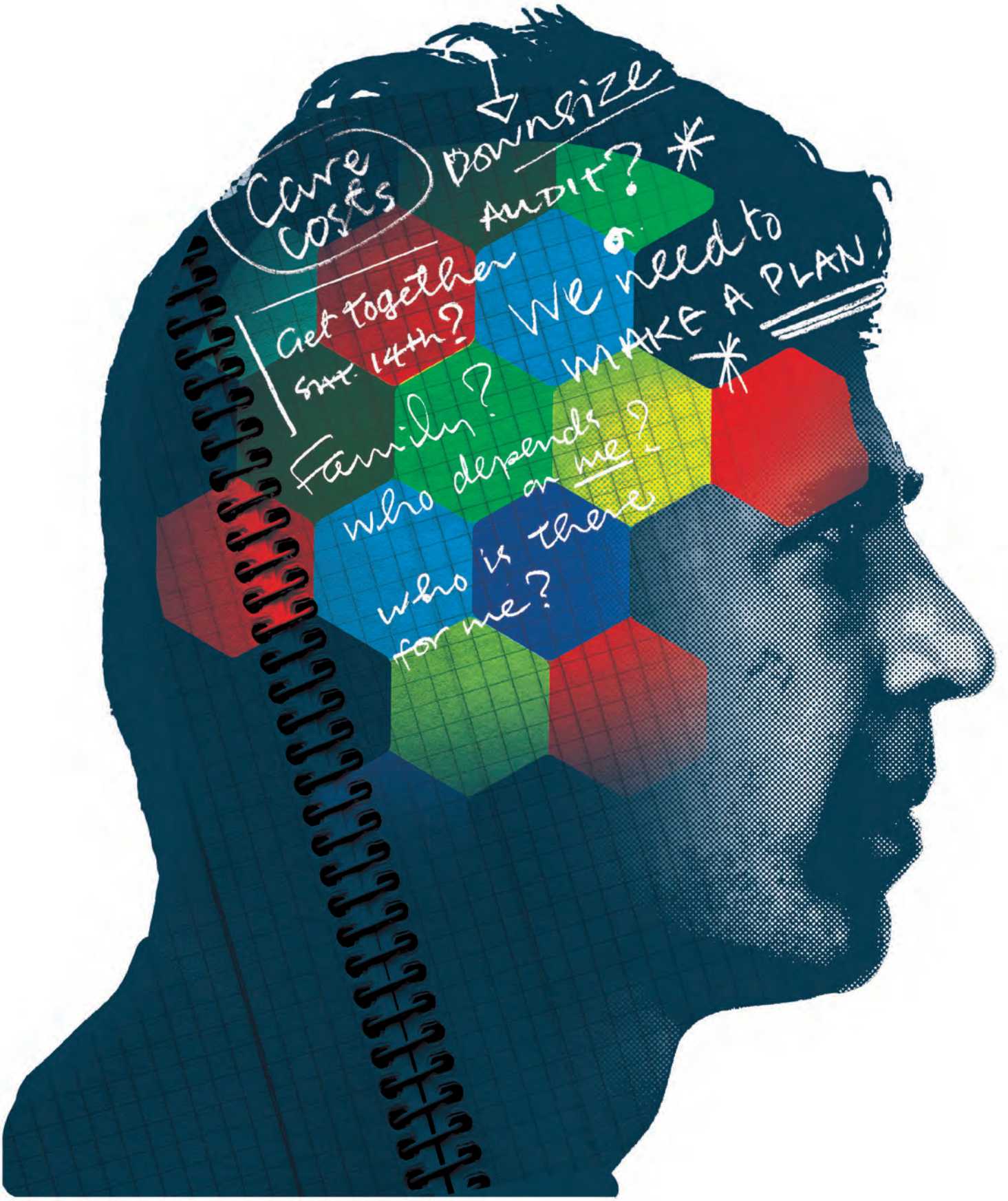
## Which trust?

6

It's vitally important to consider what type of asset/investment you hold within a trust, so as to limit the amount of tax due. As mentioned earlier, one very common use of trusts is for inheritance tax planning. We can help you decide which trusts work best in your situation and even if a combination of trusts will meet your objectives.

By using trusts wisely and with the correct underlying investments, we can allow you to reduce the value of your estate, both immediately and in the medium term, while allowing you to benefit from income. ■

**Find out more**
For more information about trusts talk to your financial adviser, or visit **sanlam.co.uk**


Care costs
Downsize
AUDIT? *
Get together SAT. 14TH?
We need to MAKE A PLAN *
Family?
who depends on me?
who is there for me?

# The dementia dilemma

As the number of dementia sufferers in the UK rises, families need to include it in their planning, writes Chartered Financial Planner **Richard Vessey**

Alzheimer's disease – the most common form of dementia in the UK – affects one in 14 people over the age of 65, and one in six over 80. By 2025, it's estimated there will be a million sufferers, rising to two million by 2051 .

It's a progressive neurological disease that affects memory, language and thought, and can strike at any time. The growing prevalence of dementia means it's important for families to take it into account when planning their finances, so that members of the older generation are prepared for whatever they may face in later life.

## Awkward conversations

One big change I've seen in recent years is that my clients are as concerned about ensuring their parents are financially secure as they are about themselves and their children. They want to make sure their parents can afford the appropriate standard of care, should they need it.

But this isn't an easy conversation to have. Often it takes an unwelcome trigger, such as ill health, to start the conversation, by which time it can be too late to take effective action. At the very least, it will require difficult financial discussions at a time when everyone's mind should be on other things.

In my experience, parents can be far more willing to discuss their circumstances than you might think. Of course, there are always exceptions, but most of my older clients are aware of their own mortality, want to ensure they are properly looked after if their health deteriorates, and are keen that their assets should go to the right people, with as little loss to the taxman as possible.

## Financial audits

Once that discussion has taken place, a financial audit with a qualified professional is a good place to start the planning process because it's not unusual for people to have investments that are no longer suitable for their needs. An audit can help to consider important questions, such as how a market downturn might affect them and whether they need an ongoing income or a safety net for care needs.

It can also help you identify whether all old policies have been tracked down and whether there is a record of them in a known location. It's also important to find out if they have an up-to-date will, because without one, a surviving spouse does not necessarily inherit the full estate. A financial audit can also help you understand any inheritance tax (IHT) liability. IHT planning is too complex to cover in-depth in the article.

## Powers of Attorney

The next step is to consider getting a Power of Attorney, which allows an individual to nominate one or more people to act on their behalf, should they become unable to make their own decisions. Losing one's ability to make decisions can occur over time or overnight, so the sooner your parents sort it, the better. While you're at it, you should set up your own Power of Attorney as well.

If a Power of Attorney is not established, the Court of Protection appoints a deputy who is responsible for overseeing the financial and welfare requirements of the individual in question. The deputy then reports annually to the Court, explaining the decisions they have made. This route can be time consuming and drawn out, ►

Illustrator: Andy Martin

placing an unnecessary financial burden on you, and other family members, if assets become frozen for several months.

### Downsizing

It's not unusual for people to continue with the status quo until change is forced upon them; "I'll downsize when the house becomes too much for me to manage". Unfortunately, by this point, the ideal time may have passed. It should not be underestimated how much energy and will it takes to sift through a lifetime's possessions, pack up a small selection, dispose of the rest, sell one property, buy a new one, move and settle in. Don't wait until this process becomes too daunting. If your parents don't do it, you may have to deal with this on their behalf later on.

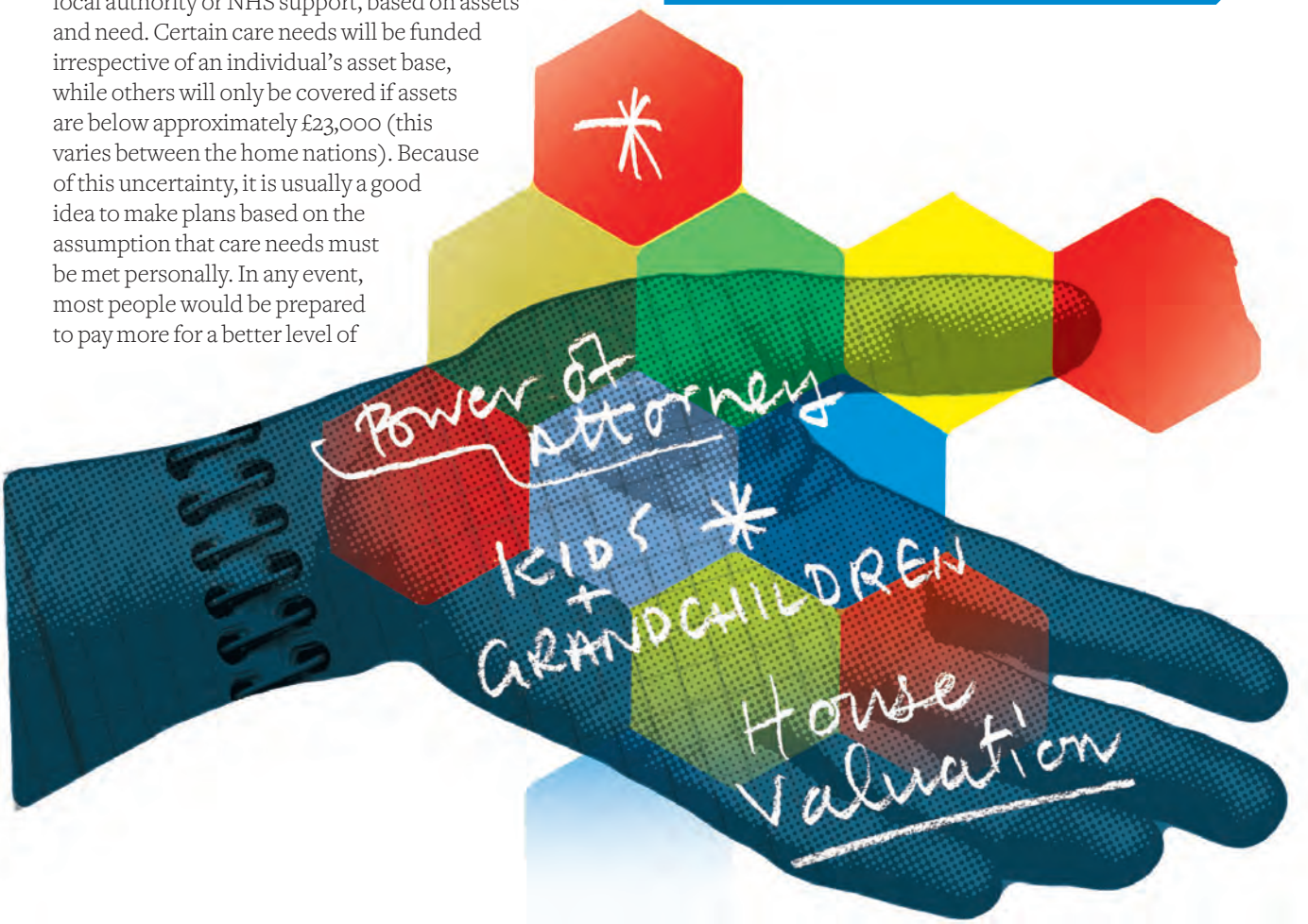
### Planning for care

Of course, your parents may never need care, but you should all be prepared in the event it becomes a necessity. Care is not just in the form of entering a nursing home. Many older people receive additional assistance at home. One of the difficulties of planning for funding care is that circumstances usually dictate the availability of local authority or NHS support, based on assets and need. Certain care needs will be funded irrespective of an individual's asset base, while others will only be covered if assets are below approximately £23,000 (this varies between the home nations). Because of this uncertainty, it is usually a good idea to make plans based on the assumption that care needs must be met personally. In any event, most people would be prepared to pay more for a better level of care, compared to the local authority-funded standard.

> "In my experience, parents can be far more willing to discuss their circumstances than you might think."

As we reflect on the pain and difficulty dementia can bring to sufferers and their families, let's remember that none of us are immune to this disease. A robust financial plan, that contains no surprises for anyone, can help to make the future more certain. All of this must start with that first, potentially awkward, conversation. But it will be worth the effort. ■

**Find out more**
To learn more about dementia and the support available visit: **www.dementiauk.org** or, to understand how we can work with you and your family to help you plan for the future, please speak with your wealth planner or portfolio manager.



# Making waves

**Kiko Matthews** talks to Kirsty Whittle about surviving a serious illness and attempting to make history

When Kiko Matthews was diagnosed with a life-threatening illness in 2009, she knew that her life was about to change – but perhaps not in the form of attempting to break a world record.

Matthews, whose first name is Sakiko – inspired by the daughter of a Japanese acquaintance of her father's – began her career as a science teacher and is now about to embark on a challenge to become the fastest of only six women to row solo across the Atlantic.

Spurred on by her self-confessed "third-child syndrome", which has meant a lifetime of attention seeking and wanting to "do it better than the others", Matthews knew that her return to health needed to be big and bold – and it's certainly shaping up to be that.

Planning to hit the water in January 2018 on a solo expedition, Matthews launched the 100TogetHER campaign, which she hopes will attract the financial help and emotional support of 100 women who will ▶

> I want the 100TogetHER network to go one step further and support other women, like me, who want to push themselves to achieve something that they never thought was possible."

follow her on her journey. She would also like to raise enough money to enable a £100,000 donation to the new critical care unit at King's College Hospital (King's).

The campaign has currently raised £47,000, including sponsorship from one of Matthews's 100 women, Penny Lovell, CEO of Sanlam Private Office.

### Back to the beginning

"I have always had a keen interest in science, which led me to a career as a science teacher, but following the discovery that I had Cushing's syndrome – a collection of symptoms caused by very high levels of the hormone cortisol that is only prevalent in one in a quarter of a million people – I continued to be drawn to the workings of the body," she explains.

"The manifestation of Cushing's appeared in many forms for me, including the development of diabetes, muscle wastage, insomnia, psychosis, osteoporosis, memory loss and swelling, among others, as a result of a tumour that had formed in my body."

At the height of Matthews's illness, simple tasks such as climbing the stairs or getting out of the bath became impossible, and she remembers her mother's "helpless eyes" as she watched her daughter suffering.

After a tough 18-month recovery, Matthews returned to teaching, where she stayed until 2014, before leaving to start her own paddle boarding business.

Unfortunately, her illness returned in June 2017, when she had to have a second tumour removed, but this certainly hasn't stopped her.

"The highs and extreme lows of my illness in 2009 are what encouraged me to set myself the challenge of rowing across the Atlantic," she explains. "I wanted to focus on a physical challenge that would put my body through similar pain, but this time in a positive way."

### The challenge

Matthews contacted Charlie Pitcher – someone she had met a few years before at an industry conference, and the current world record holder for fastest male solo row across the Atlantic.

"I explained to Charlie that, despite having never rowed before, I wanted to complete the same challenge as him, and asked if he would mind lending me his boat," says Matthews. "He thought it was a fantastic idea and so my planning began."


Kiko Matthews training ahead of her attempt to become the fastest solo woman to row the Atlantic

Matthews, who lives by the philosophy of "if you want to get noticed you have to do it bigger or better than anyone else", announced her intentions on social media and threw herself into training, planning and fundraising.

Training seven days a week, she cycles, rows and works in the gym to build her lower back and thigh muscles. She will also need to learn first aid, key survival and navigation skills, and ensure that she has a good understanding of the mechanics of the boat.

Each day of the challenge will vary in terms of distance covered, depending on the sea and weather conditions, but Matthews isn't worried and says that she loves being on the water.

"When you're out there, you can't really think beyond thinking – and that's a lovely, peaceful feeling," she says, which bodes well for Matthews as, during her row, there won't be a single person around her.

"During the challenge I will be rowing solo – so no one to even hear me if I scream," she laughs. "Perhaps that might worry a 'normal' person but, after being seriously ill, I have a different outlook on life. Ideally, I don't want a 40ft wave to crash onto my boat, but if it does, then there are only two things that can happen: survival or death. If it's the former, then it will be a great chapter for my book."

### Support in numbers

The 100TogetHER campaign is directed at women who support women, but who also want to look up to a woman who hasn't "done it normally", says Matthews. "I've achieved a lot in my life, but I'm not in the typical position of a 36-year-old woman: I rely on friends and family rather than a partner." The campaign focuses on women of all ages, and will be funded by individual donations, donations from females at companies and even schools.

"I appreciate that I could have found many supportive men who would have helped me with this challenge, but I really wanted to spread the message to other women and young girls that despite not being in what society would perceive to be a typical situation, you can still be happy and successful," explains Matthews.

"I've formed a group of women who will initially support me financially, but also, when I'm crossing the Atlantic and I've got no one else with me, will support me mentally because I'll know that I'm doing this for them.

"For example, as a supporting woman and a mother, Penny Lovell wanted to back my cause. She also felt that by sharing my experiences, I could provide inspiration to clients and employees of Sanlam."

Matthews says that, although there are a lot of women's networks out there, they don't extend beyond meeting up or hosting forums; something that 100TogetHER will tackle.

"I want the campaign to take things one step further and support other women, like me, who want to push themselves to achieve something that they never thought was possible," she says.

"I would like to see the campaign develop so we can offer women a chance to turn their lives around, develop new skills, from social media marketing to public speaking, and rediscover their confidence."

Matthews will spend five days training in Gran Canaria from 14 January 2018. After this, as soon as the weather conditions are right, she will enter the water with one thing on her mind: becoming the fastest solo woman to row across the Atlantic. ■

> "I wanted to focus on a physical challenge that would put my body through similar physical pain, but this time in a positive way."


### Your support counts

To complete her challenge, Kiko Matthews needs to secure £100,000. This amount would mean that all expenses are paid and there are sufficient funds for her to continue her vision of inspiring people with her talks. In addition, she is hoping to raise a further £100,000 for King's College Hospital.

"When I return, I will hold a fundraiser, continue with my talks, donate some of the proceeds from my book and continue to raise money for King's. This will be an ongoing project, but the more money we can raise this side of me setting off, the more money will be able to go into the King's fund," she says.

www.justgiving.com/fundraising/kikomatthews
www.kikomatthews.co.uk/100together

Images: Courtesy of Kiko Matthews and Nyla Sammons

# How far will a £1m pension pot go?

If you think you've got it made with a £1 million pension pot, think again. It may not be enough to pay for the type of retirement you want, writes **Jill Insley**

One million pounds sounds like a lot of money, but it may not stretch very far when it comes to providing retirement income. A 65-year-old investor in good health using their £1 million pension pot to buy an annuity – an insurance contract which pays a guaranteed income for life – could expect to receive around £45,000. However, if they wanted additional features such as protection against inflation and a pension for a surviving spouse, they would struggle to get a pension of much more than £21,000*.

The £1 million figure is key when it comes to pensions because it is the current 'lifetime allowance', the amount you can take out of a pension without triggering an extra tax charge of up to 55%. It applies to all the pensions you have, with the exception of your state pension.

The lifetime allowance is designed to increase each year, in line with the Consumer Prices Index (CPI), starting in April 2018. Even so, many investors may be relieved to learn that there are several things they can do to improve their retirement income without exceeding the lifetime allowance.

## Consolidate your pensions

A good starting point is to amalgamate your pensions into one large pot. Carl Drummond, Senior Wealth Planner with Sanlam Wealth Planning, says: "This can help to make your pensions easier – and sometimes cheaper – to manage, with just one set of paperwork to handle. But it is vital to check that, by transferring your pension, you will not lose a valuable guarantee or incur expensive penalties. Particular care should be taken with defined benefit, or final salary, pensions, as you may lose more than you gain by transferring."

Most investors are now choosing to put their pensions into 'drawdown', enabling them to take money as and when they like. It also leaves the pension fund invested, with the potential to continue growing.

However, it is sensible to put money into investment schemes other than pensions, especially if you are nearing the lifetime allowance. However good the tax relief on your pension is, there is no point in investing further money if you are going to pay up to 55% tax on the benefits.

Money taken from a pension in drawdown can be combined with cash from other types of investment, enabling the investor to choose the most tax efficient way to generate an income. This might include tax efficient investments such as ISAs and investment bonds, and using their annual Capital Gains Tax allowance to take cash tax free from investments that otherwise offer no tax protection.

## Keep on working

Many people are also choosing to continue working past their

normal retirement age on a part-time basis, rather than taking full retirement. "This helps to supplement their retirement income and, if they have sufficient income, to continue saving. It also provides social interaction and structure to their lives – something that many people who have busy and fulfilling careers find hard to give up," says Drummond.

Provided you have sufficient money to live on now, you could also increase your eventual retirement income by deferring your state pension. The amount you receive, based on your National Insurance contributions, increases by 1% for every nine weeks you delay or just under 5.9% for every full year. Based on the full new state pension, which provides £159.55 a week or £8,296.60 a year, you would get an extra £479 a year by deferring for just one year. This amount will then usually increase each year, in line with the CPI.

## Buy an annuity

Few investors opt to buy an annuity with their pension funds these days. "Annuities don't really offer very good value for money at the moment, and once you have bought one there is no going back," Drummond says. "If you die a few months, or even a few weeks, after buying an annuity, the insurance company will usually get to keep the money."

However, for those investors that want the security of the guaranteed income provided by an annuity, it is essential to make sure they get the best possible deal. Research by the Financial Conduct Authority, the City regulator, found that eight out of 10 people benefit by shopping around and choosing to buy their annuity from a different provider to the one that ran their pension. There is one exception: if your pension includes a guaranteed annuity rate, or GAR, that was fixed when you first started investing, it may provide a bigger annuity income than you could get by switching to another provider.

Investors with serious medical conditions, or lifestyle habits that could limit their lifespan, may be eligible for an impaired or enhanced annuity. This type of contract pays a higher rate of income to purchasers who smoke, or who have a condition such as diabetes, high blood pressure, cancer or kidney failure. "Buying an impaired life annuity can make a difference to the amount of income you receive," says Drummond. "One of my clients receives more than double the income he could expect if he were in good health." ■

** Royal London, October 2016*

**Find out more**
To learn more about the best ways to plan for retirement, visit **www.sanlam.co.uk/Services/Advice/Private-Clients/Retirement-planning**

Images: Getty

# A class of their own?

How can you meet the cost of a private education for your children and does it still offer value for money? Sanlam Chartered Financial Planner Paul Harsum tells **Kirsty Whittle**

Selecting a school can be a daunting task for any parent, but couple that with the high costs and long-term commitment associated with private education and it's easy to understand why this sort of investment requires substantial planning.

In addition, your concern may sit within your return on investment. As state schools increasingly secure higher grades – in some cases beating their independent neighbours – and traditional state schools morph into academies, technology colleges and specialist schools, could independent schools be losing their desire?

"In my experience, the average cost of putting a child through private education – from the age of three to 18 – in the south east is £295,000," says Paul Harsum, Chartered Financial Planner at Sanlam, "so this is not a decision to be taken lightly – especially as it could be much higher in some regions.

"And that's before the cost of three or four years at university, which can easily add another £30-60,000 onto that number after tuition fees, rent and living is incorporated."

Harsum explains that Sanlam helps parents to budget and invest suitably in order to fund tuition, but also encourages them to take a "realistic" view of their financial situation.

"The financial timeline for sending your child to private school can be around 15 years, so with this in mind, my first piece of advice to clients is to be realistic about whether this is a reality for them," he says. "It is rare that parents will remove children from private education when they are part-way through; it is more common to see them take on debt to finish paying the fees, which can place significant strain on the whole family."

Once the possibility of funding tuition is agreed, Harsum advises his clients on how best to save and invest for these fees, considering their savings, assets and income.

"A clear starting point for managing tuition fees is to have a conversation with all family members who may be in a position to contribute; grandparents are a prime example," he says. "If they intend to leave some of their wealth to their grandchildren, gifting it regularly as school fees can be a very tax effective way to do this. Family members can access pensions or rental property incomes without the burden of inheritance tax."

Modern flexible pensions should also allow children to be beneficiaries of their grandparents' legacies, which again can be very tax efficient.

## Gaining access

Careful consideration of where to invest is a large part of the budgeting process for school fees. Given the nature of tuition payments – for example, paying them either per term or on an annual basis – clients need to consider investments that will allow them to reap the financial returns without being penalised for accessing the funds. Some schools will allow a lump payment to be made for the entire duration of the child's education, but, according to Harsum, there is little benefit in doing this, as even if a small discount is offered, it is often unrecognised after inflation.

"Considering the cost of inflation each year is important when calculating large sums of money related to tuition fees. It's also important to remember that, while a fairly accurate sum can be gleaned from investment planning, the overall sum is a net figure, so in reality, the cost in terms of the income you need to earn is much higher – especially if university is a consideration," explains Harsum.

"As an example, if three children are to receive private education for the entirety of their schooling, the £885,000 (as calculated from a specific client example) is in fact ▶

Images: Getty

over £1.5 million once salaries have been taxed at 40%. And further, these figures equate to tuition fees alone, so there will also be additional costs for uniform, equipment, school trips and other anomalies along the way."

### Available assistance

A mix of state and private education can offer a more reasonable financial option, but parents must consider that the longer they wait to start paying the fees, the closer to retirement age they will get themselves.

"This also applies to parents who choose to have children later in life," says Harsum. "If you are beyond retirement age and still paying your child's school fees, you need to ensure that you have made sufficient provisions for yourself."

Bursaries and scholarships are also an option, says Julie Robinson, General Secretary, Independent Schools Council (ISC) – an organisation which brings together seven associations of independent schools, their heads, bursars and governors; and represents over 1,200 independent schools in the UK and overseas.

"ISC schools are spending £380 million each year on means-tested bursaries and scholarships, mostly for children from low-income households. Over 40% of those on means-tested bursaries have more than half their fee remitted," she explains.

### But is it worth it?

Setting aside large sums of money for an education may seem a worthy investment, but are people still opting for this type of schooling?

According to the ISC, there are now a record 522,879 pupils at 1,301 ISC member schools; the highest number since records began in 1974.

"The excellence and strength of ISC schools stems in part from their independence from central government and local authorities," explains Robinson.

"It enables each ISC school to follow its own curriculum – offering a wider range of learning opportunities in subjects like science, mathematics, modern languages, classics and music – as well as allowing them to be innovative and experimental, better to meet the needs of their pupils. They often have a broader curriculum and wider range of subject specialist teachers and coaches because the per-pupil funding is higher.

"More than 90% of all ISC pupils went on to higher education, with 55% going on to study at a Russell Group university."

The Sutton Trust – a foundation which improves social mobility in the UK through evidence-based programmes, research and policy advocacy – recorded in its report *Leading People 2016 – The educational backgrounds of the UK professional elite*, that a third of MPs in the 2015 intake were independently educated, while nearly three quarters of all High Court and Appeals Court judges and over half of the top 100 news journalists in the country went to fee-paying schools.

However, state-funded schools are increasingly securing leading positions in school rankings in the UK. In addition, partnerships between state and independent schools are growing and providing valuable benefits for both parties.

"Thousands of independent and state school partnerships are currently taking place and are estimated to benefit 175,000 state pupils as well as many more thousands of independent school students," says Robinson.

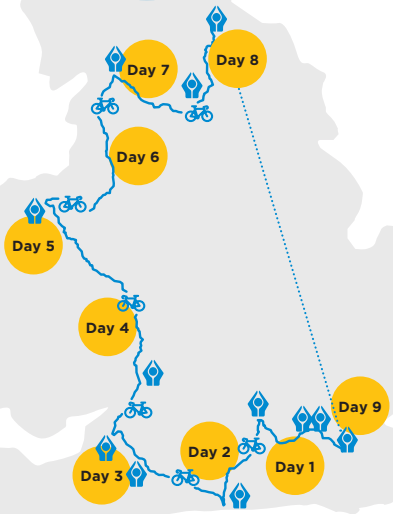
"For example, more than 900 ISC schools are engaged in successful and mutually beneficial academic partnerships, supporting subjects which are vulnerable in the state sector, such as modern foreign languages, Latin, music and physics." ■

**Find out more**
For more on ways to save and invest for your family's future, visit **sanlam.co.uk**

# Going the extra mile

Sanlam CEO Jonathan Polin and colleagues raised over £35,000 for Cancer Research UK when they took part in a gruelling charity cycle ride


**Journey:**
**Day 1:** London Monument to Marlow via Ely Place
**Day2:** Marlow to Fareham
**Day3:** Fareham to Bristol via Bath
**Day 4:** Bristol to Bridgnorth via Worcester
**Day 5:** Bridgnorth to St Asaph
**Day 6:** Chester to Kirkby Lonsdale
**Day 7:** Kirkby Lonsdale to Harrogate
**Day 8:** Harrogate to Teesside
**Day 9:** Sevenoaks to London





For the past 12 months, Sanlam has been raising money for Cancer Research UK as part of CASCAID – an industry-specific initiative that aims to raise £2 million from UK asset managers.

In July, colleagues began an 800-mile cycle ride over nine days, which raised over £35,000, helping the industry to "smash" its target. Fundraising stands at around £1.8 million, with more to come, as Sanlam Business Analyst Daniel O'Hanlon explains.

"Our CEO Jonathan Polin and I completed the ride from start to finish and were joined by various people along the way, including a number of clients. On one particular day – between Salisbury and Bristol – we were joined by 35 riders, which was great and hugely motivating," he says.

O'Hanlon and the rest of the Sanlam riders battled some tough terrain, and even tougher weather, along their gruelling cycle.

"There were some significant challenges along the way," he says. "Just outside of the Lake District, over the Pennines, we faced a particularly steep hill close to Settle, and an even steeper hill known as Brassknocker just before Bath.

"On day two, we cycled from Marlow to Fareham. It was freezing cold, visibility was low and it rained endlessly. By the end we'd cycled 80 miles and were miserable – and it was only the second day."

However, the route also took the cyclists past some beautiful landscapes – even Jonathan's old school in the Malvern Hills – and they enjoyed 'welcome' parties that each office threw for the riders upon their arrival.

"As we arrived at each office, we


were warmly welcomed by colleagues and clients – the Bristol office had a Hawaiian-themed party, which included cocktails," says O'Hanlon.

## Crossing the line

"It was great to complete the gruelling challenge and we all really enjoyed it. On three of the days we were joined by cyclists from ONE Pro Cycling – Britain's first continental cycling team run by former England cricketer Matt Prior. They showed up with their team bus and really created some energy around the ride," says O'Hanlon.

"Overall, I can't pick just one highlight from the experience; the fact that everyone got involved to help raise money was excellent. We are hugely grateful to all our colleagues, clients and friends who have helped to raise money for such a fantastic cause."

Additional fundraising has also included a quiz, an overnight walk from London to Sevenoaks and the Three Peaks Challenge. There will also be an ice swim in water that's below five degrees Celsius. ■

**Find out more**
To find out more about CASCAID and the Sanlam challenge, visit **sanlam.co.uk/CASCAID**

# Tackling the hackers

New regulations will soon come into force aimed at protecting consumers' personal data from the risk posed by lax corporate security, writes **Tim Green**

Illustration: Mark Airs, Ikon images

This summer, hackers attacked the US credit scoring agency Equifax. They stole the names, social security numbers, birthdates and addresses of 143 million people – and the credit card numbers of 200,000 more.

During the inquest into the incident, congressman Greg Walden listened to a catalogue of Equifax mistakes yet rejected the need for digital privacy regulation. "I don't think we can fix stupid," he concluded.

EU regulators have other ideas. They believe there is plenty they can do to protect consumers from corporate foolishness. They want to compel companies to tighten up the security around personal data.

In fact, they have already passed a law to do this. It's called the General Data Protection Regulation (GDPR). By May 2018, it will affect any company based in the European Economic Area (EEA) plus multinationals serving EEA residents.

GDPR will essentially force companies to change the way they ask for, store and share private data. The main provisions are as follows:

- **Consent** - Companies will have to be clearer about what data they are gathering and how it will be used. No more pre-ticked boxes. And it must be as easy to withdraw consent as it is to give it.
- **Breach notification** - Where there's a data breach, companies must tell customers within 72 hours.
- **Right to access** - People will be able to find out how their personal data is being processed, where and for what purpose.
- **Right to be forgotten** - Individuals will be able to erase their personal data at any time.
- **Data portability** - People must be able to take their data with them when they want to switch to another service.
- **Privacy by design** - Companies should build in privacy controls when creating services, rather than bolting them on later.

This is pretty dramatic. It represents a material change for any company – from the huge corporate asking for your bank details to the local business that just wants your email.

And the punishments are severe. Regulators will fine transgressors up to 4% of annual global turnover or €20 million (whichever is greater). Had the Equifax attack happened post-GDPR, the company (which holds data on EU citizens) would have been fined around $126 million.

It may sound dramatic, but the regulators say GDPR just updates the ageing 1995 EU Data Protection Directive. And GDPR does not affect all data processing – it only applies to identifiable personal information. So, let's say a transport company wants to track millions of (anonymous) user journeys to understand traffic flows. It still can, without having to get consent from those users. Big data, in other words, has little to fear from GDPR.

Regulators also stress that the law is not designed to discourage data sharing. Instead, it wants to give consumers the confidence to share more. Steve Wood, Deputy Commissioner for Policy at the UK Information Commission's Office, says: "Our research on privacy and data protection consistently shows that levels of public trust remain low. Conversely, it also shows that they would be more willing to provide their data if they felt they could trust organisations to handle it fairly, securely and responsibly." ■

As GDPR approaches, Sanlam will be engaging with clients to ensure correct handling of all data in accordance with the new regulation.

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## Why Wealthsmiths?

Wealthsmiths is a simple description of what we do and what we believe in and represents the pragmatic 'roll-up-our-sleeves' approach we take to managing your money. Like a silversmith or wordsmith, everything we do is created with the client in mind, and done with skill and integrity – that's what makes us Wealthsmiths.

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