



The Value of *Financial Advice*

Why using a financial adviser can
help you achieve your goals

One of the most common things that financial advisers are asked by potential clients is: can we pick the next big stock or fund?

Or they may enquire how they should invest a specific lump sum to achieve the best returns.

However, a good financial adviser will always respond to such questions with the words: "It depends." Although getting the investment 'right' is important, it is only a small part of the adviser's role and the value that they bring.

And getting the investment 'right' really does depend – on what each client's circumstances are and what they're hoping to achieve in life.

Therefore, if you come to us as your adviser the very first thing that we will do is sit down with you and help you to clearly define your goals. We will then establish how realistic these might be in terms of your present circumstances and how your future is likely to pan out.

Then – and only then – will we start to think about how your money can be invested in a way that matches your goals. For example, this might entail taking on more risk with the aim of achieving a better long-term return – or the exact opposite, as you

might currently be exposed to too much risk to suit your circumstances. What's more, we'll help you to avoid making any bad decisions that could turn out to be expensive, such as investment scams or impulsive reactions to short-term fluctuations in the stock markets.

It's also often the case that we'll consider the best ways for you to make the most of the tax allowances and reliefs that are available to you; for example, by using the best tax wrapper – such as a pension or ISA – to suit your circumstances.

What's more, by meeting up on a regular basis, we'll be able to review your plans and any changes in circumstances. That way, we can make sure everything is on track to meet your goals while making adjustments to your portfolio if necessary.

Perhaps even more valuable, is the kind of peace of mind you just can't put a price on that comes from knowing you're on the right path.



The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

The levels and bases of taxation and reliefs from taxation can change at any time and are dependent on individual circumstances.

Over the past decade or so, the responsibility for planning your financial future has shifted strongly towards the individual.

Those saving for retirement today can no longer rely on generous state and defined benefit pensions schemes that were common place just a few decades ago.

It is vital, therefore, that you think much harder about how your finances are going to help you over the long term.

This might not only be to plan for retirement but also to move you towards achieving your goals in life – whether that’s retiring early, fulfilling a lifelong dream, supporting children and grandchildren both now and after your death, or anything else that matters to you.

Underpinning all of this, the importance – and value – of expert financial advice on an ongoing basis cannot be underestimated.

In one sense, that value comes down to a simple equation, which can be defined as getting the most from your investment plus tax optimisation – both of which should, if done well, give you a return that is considerably higher than any fees or charges you will incur.

Independent research has shown that this can amount to people being an average of £47,000¹ better off when they retire.

And that’s not to mention the invaluable peace of mind that comes from knowing you have a realistic plan and are on track to achieve it.

A person who uses a financial adviser is on average £47,000 better off when they retire.¹

The value of an investment with St. James’s Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

1. The ILC has calculated that if a person received professional financial advice between 2001 and 2006 it resulted, on average, in them being £47,706 better off in terms of pensions and financial assets once fees and charges had been taken into account in 2014/15. ([What it's worth – revisiting the value of financial advice](#), ILC, November 2019).



At a *glance*

There are five specific ways that advice can deliver financial benefits.

Avoiding scams

A trusted financial adviser will ensure you don't put your investments where it's unwise to. This can, of course, potentially save you losing all of your money.

→ page 5

The confidence to invest

Many people are unsure about how investments work and why they're generally the best way to get a good return on your money over the long-term. A financial adviser is there to explain how they can enable you to achieve your long-term goals and will help you get started.

→ page 6

Investing for the long term

Once you've invested your money, it's very important to ignore the short-term fluctuations of the stock markets. Over time, although there are no guarantees, a diversified portfolio of investments will tend to rise, and a financial adviser will help to ensure you stay the course in order to achieve your goals.

→ page 9

Using the right tax wrappers

By putting your investments in the right 'wrappers' – such as a pension or an ISA – your adviser will be able to ensure you make the most of the tax reliefs and allowances that are available to you.

→ page 12

Tailoring an appropriate investment portfolio to match your plans

A good financial adviser will work to understand your long-term plans and help you to find the right balance between risk and reward with your investments, as well as ensuring your portfolio is diverse enough to help even out the bumps. It will be tailored to suit your own attitudes, your current circumstances and what you are aiming to achieve for the future.

→ page 14



Plus peace of mind

On top of all this, a financial adviser will work with you to identify your goals and construct a financial plan that will help you to achieve them in the long term. This will give you the reassurance of knowing that you're doing your best for you and your loved ones, as well as the confidence that your finances are on track for the future. That kind of peace of mind can't be measured, but is, for many, the most valuable aspect of all.

→ page 15

Andrew Cullen-Jones
Director, Business
Development & Advice,
St. James's Place

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

The levels and bases of taxation and reliefs from taxation can change at any time and are dependent on individual circumstances.

01

Avoiding *scams*

If you fear being tricked out of your money – often by schemes that appear, and are, too good to be true – a regulated financial adviser is the perfect person to ensure you don't fall for a scam.

The value here, of course, is that the adviser could potentially save you losing all of your money.

All financial advice in the UK is regulated by the Financial Conduct Authority, whose job it is to keep consumers safe from unscrupulous financial firms. It supervises nearly 6,500 companies in the consumer investments market, including St. James's Place.



◆
***It's essential that you
plan for your financial
security in retirement.***
◆



The *confidence* to invest

Greater confidence comes from a better understanding of how to organise your finances. Some typical comments from people who have not received financial advice are:²

"I don't feel prepared. I'm not really sure how much money I would need to support myself over the longer term..."

"[Financial advice] would have an impact on my comfort levels... because I would hate the thought of having £200,000 just doing nothing. I'd think, 'What a waste.'"

Above all, advisers can explain the need to take on a certain level of investment risk (and the potential rewards this can bring over time) versus the risk of inflation and low interest rates reducing the purchasing power of your cash. In most cases, money that is invested in a diversified portfolio on the stock market over the long term (at least five to ten years) will grow in value in real terms, while money left as cash will lose to purchasing power.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and can fall as well as rise. You may get back less than the amount invested.

An investment in equities will not provide the security of capital associated with a deposit account with a bank or building society.

² [Peace of mind: Understanding the non-financial benefits of financial advice](#), ILC, Nov 2020

How inflation erodes the value of cash

If you had £10,000 in cash and it received 1% annual interest in a savings account over the past 10 years, today it would be worth:

£11,046

However because of the impact of inflation from 2011–21, that would only be able to buy the same amount of goods and services as:

£9,062

would have done in 2011.

The benefits of investing

Some people are put off investing because they don't know how to pick the best investment from the wide range available. But you don't have to select the 'best' fund to make investing a good idea. Even if the fund or funds you choose are not the top performers – as long as your investments are diversified – history suggests that investing, despite the associated costs, could be a better long-term option than cash. There can be no guarantees with investing but this point is endorsed by the Financial Conduct Authority who said in 2020;

“Many consumers are still holding money in cash that could be invested to provide potentially higher returns, but they have not sought or received the help with their finances that would help them to make better investment decisions.”³

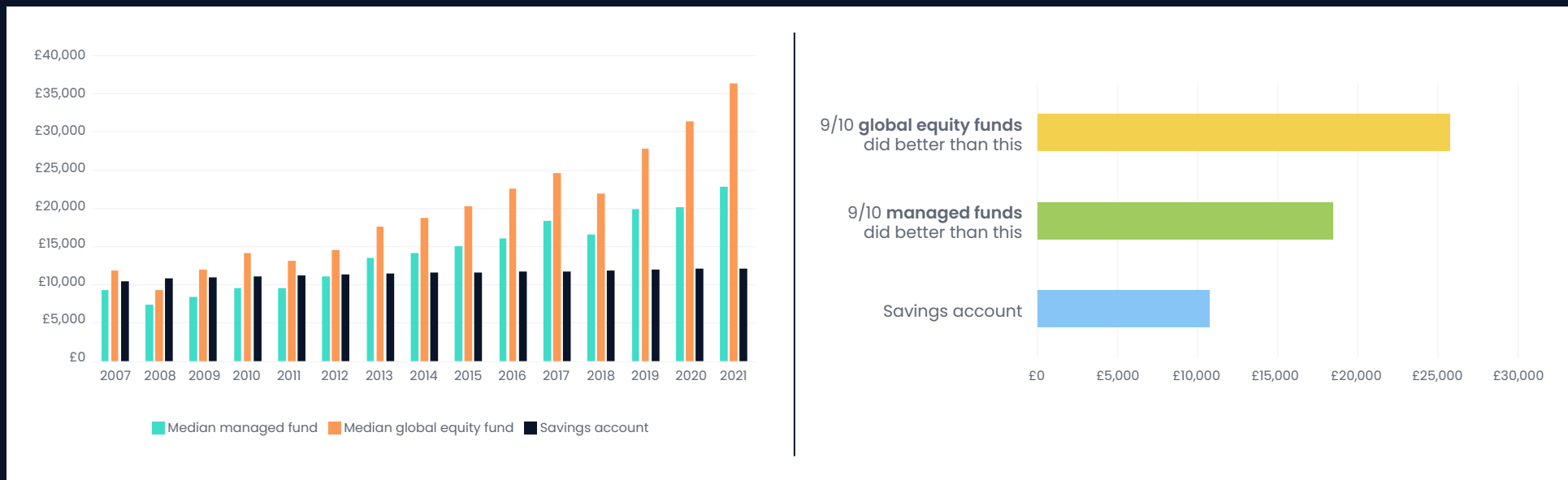
The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and can fall as well as rise. You may get back less than the amount invested.

An investment in equities will not provide the security of capital associated with a deposit account with a bank or building society.

3. FCA publishes evaluation of its work on the financial advice market, Dec 2020

Growth of a £10,000 typical investment made just before the financial crisis

Even the bottom 10% of funds invested did better than an average savings account over the last 10 years



Data for the fund comparisons is taken from Investment Association sector data for all funds with a history over the relevant period up to 31/12/2021. It assumes a £10,000 investment is made into an ISA with projections net of all fund charges. The Managed Fund comparison is taken from the Investment Association Mixed Asset 40–85% sector whilst the Global Equity Fund data is taken from the Investment Association Global Equity Sector. Savings Account projections are based on a 90 day notice account.

Past performance is not indicative of future performance.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and can fall as well as rise. You may get back less than the amount invested.

An investment in equities will not provide the security of capital associated with a deposit account with a bank or building society.

03

Investing for the *long term*

One of the most important things a financial adviser can do for you is to help you understand the importance of long-term investing – that is, deciding on an investment plan and sticking with it over an extended period of time, preferably at least 5 or 10 years.

Your adviser will explain that it's important to select the right portfolio to match your personal goals, then ignore any short-term fluctuations in the stock markets. If the stock market starts to go down, or uncertainty increases, it's often tempting to make an emotional decision and sell your investments. However, they will be able to reassure you that this is just part of the long-term journey, which can make the decision to stick with your plan a lot easier.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and can fall as well as rise. You may get back less than the amount invested.

However, it's also important to review your plans and your investments' performance from time to time – at least once a year – with a financial adviser. That way, you will be able to reap the benefits of taking a long-term view and optimise your portfolio to align to your goals, while not making knee-jerk reactions to market events, which can turn out to be an expensive mistake.



The value of *advice*

+2%
per year

According to independent analysis by Numis Securities, the value of advice amounts to an additional 2% per year. This is based on comparing annual returns for St. James's Place clients against those who managed their own investments.

The research, which covered all clients' SJP pension investments, found that between June 2010 and June 2020 the average growth achieved was 7.7%pa. This means £100,000 invested at the start of the period would be worth £210,000 by the end. By comparison, the same exercise for pension clients of a large firm where investors usually make their own investment decisions achieved an average of 5.5% pa over the same period. So on average £100,000 invested by a non-advised client grew to £171,000 over the ten years.

This analysis didn't include any tax benefits from advice and so Numis's researchers concluded that the main difference between the two was the "greater long-term discipline and lower emotion an adviser provides".

Past performance is not indicative of future performance.



“Financial advice helps you to plan your future. That doesn’t mean we’re trying to predict the future – instead, we’ll ask the right questions to enable you to think about the road ahead. Then we’ll help you to set aside enough cash to withstand any bumps. After that, we’ll give you the encouragement to invest for the long term in a diversified portfolio, so the value of your money doesn’t get eroded by inflation, without trying to spot the quick winners and losers. It’s all about participating in a gradually rising tide and ignoring the waves.”

Rob Gardner
Director of Investments,
St. James’s Place



Using the right *Tax wrappers*

Advisers aren't just there to help with investments – they can also add a lot of monetary value to your portfolio through tax planning. One of the most useful ways they can do this is by helping to ensure your investments are in the optimum 'tax wrapper' (e.g. a pension or an ISA) that will make the most of all the tax allowances and exemptions available to you.

And even if your financial affairs are relatively straightforward, advisers can often add value in unexpected ways when it comes to tax.

Here's an example:

Emily is 55 and has just inherited £20,000 that she doesn't need in the short term. She therefore decides to invest it in a Stocks & Shares ISA and hopefully watch the money grow over the next 10 years or so, by which time she aims to retire. This seems like a sensible thing to do, as any profits an ISA makes are free of income and capital gains tax.

However, Emily decides to double check with a financial adviser – and she's surprised to find out that it might not be the best option for her. The adviser points out that she currently pays higher-rate income tax but is likely to be a basic-rate taxpayer when she retires and wants to access the money.

Therefore, it makes sense for her to pay the lump sum into her pension instead of an ISA. That way, she can claim tax relief at the higher rate of 40%, so her contribution would increase from £20,000 to £33,000.

This would be achieved through 20% automatic tax relief on her investment. Emily could then claim the additional 20% tax relief through her annual self-assessment form and invest the proceeds.

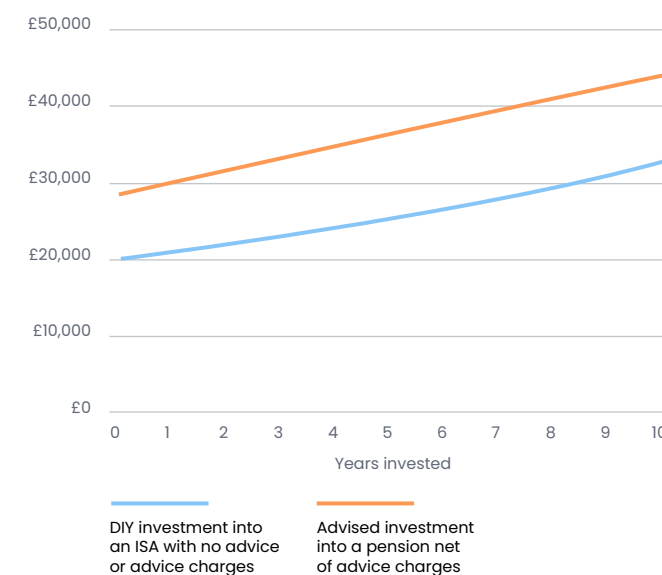
When she withdraws the money after retirement – by which time, hopefully, it will have grown into an even larger sum – she will have to pay tax on most of it (25% will be tax free), but only at the basic rate of income tax, which is 20% (assuming her taxable income falls below the higher-rate income tax threshold by then).

It's therefore highly probable that the tax saving alone will far outperform what would have happened if she had invested in the ISA as she originally planned – even when taking into account the cost of advice.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

The levels and bases of taxation and reliefs from taxation can change at any time and are dependent on individual circumstances.

Emily's pension vs ISA returns



Scenario: The graph above shows the difference between 2 scenarios based on a 55 year old higher rate tax payer with £20,000 to invest who will become a basic rate tax payer in retirement. Both investments are assumed to grow at 5% net of any product & fund charges. The ISA investment assumes no advice charges whilst the Pension investment assumes advice charges of 4.5% Initial Advice Charge and a 0.5% pa Ongoing Advice Charge. These figures are only examples and are not guaranteed – they are not minimum or maximum amounts. What you will get back depends on how your investment grows and on the tax treatment of the investment. You could get back more or less than this.

How tax advice can more than *pay for itself*

Some other ways a financial adviser can help to grow the value of your investments is through the use of mainstream tax allowances and exemptions such as:

- ♦ Making the most of your annual pension allowance – which can be impacted by your income levels and previous pension contributions or benefits that you have taken
- ♦ Advising on making the most of your and your family's annual tax-efficient ISA allowances
- ♦ Ensuring as much of your money as possible can be passed on to your loved ones when you die, by reducing the amount of Inheritance Tax payable on your estate

Financial advisers are experts in tax relating to pensions and investments and will help to ensure you're not paying too much or too little in those areas.

What's more, if your tax affairs go beyond this and are more complex, they can put you in touch with people who specialise in navigating the frequently bewildering array of tax rules and regulations.



"Pension rules have changed so much in the past few years, and there are layers and layers of complexity that only a specialist adviser can expect to understand. What's more, there has been a big push towards pensions being more flexible – which can be a good thing, but it also gives you the freedom to make mistakes. Taking advice can give you the reassurance to know that your pension is being carefully looked at by someone who knows what they're doing. In short, advisers are there to guide you and help you to reach your goals and your aspirations."

Claire Trott
Divisional Director, Retirement
and Holistic Planning, St. James's Place

05

Tailoring an appropriate investment portfolio to match your plans

One of the biggest benefits of financial advice is clarifying what's important to you now and what your long-term goals are. A professional adviser will be able to help you do this.

What's more, in an ageing society, where many of us are likely to live well past 80 and even to 100 or beyond, it's essential that you plan for your financial security in retirement to ensure you don't run out of money once you're no longer earning an income.

Over longer periods of time – 5 to 10 years, say, or preferably

even more – investing in stocks and shares is one of the best ways to see your money grow, which will help you secure your retirement and reach any other goals you may have.

A financial adviser can help you to find the optimum ways of investing your money that match up to what you're aiming to achieve.

So what's holding you back?

It's clear that financial advice has many tangible and non-tangible benefits, yet according to the Financial Conduct Authority there are far too many people who are

holding all their savings in cash, where it is likely to decline in value due to interest rates being lower than inflation.

This finding is perhaps not surprising, as only 8% of adults in the UK have received financial advice. According to an ILC estimate, however, people who have received financial advice are, on average, 8% more likely to put some money aside on a regular basis and 10% more likely to invest in stocks and shares than those who have not.

And the benefit is clear and measurable.

The International Longevity Centre (ILC) has calculated that a person who uses a financial adviser is on average £47,000 better off when they retire.⁴

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and can fall as well as rise. You may get back less than the amount invested.

An investment in equities will not provide the security of capital associated with a deposit account with a bank or building society.

4. The ILC has calculated that if a person received professional financial advice between 2001 and 2006 it resulted, on average, in them being £47,706 better off in terms of pensions and financial assets once fees and charges had been taken into account in 2014/15. (What it's worth – revisiting the value of financial advice, ILC, November 2019). 5. [Evaluation of the financial advice market](#), FCA, December 2020

The value of *peace of mind*

As well as the kind of value you can measure in pounds and pence, there are also many non-tangible benefits to receiving financial advice, particularly when it comes to peace of mind.

Research⁶ has shown that the key non-financial benefits are as follows:

Confidence

Knowing that you have a clear, detailed plan of how you will achieve your long-term goals – particularly for your retirement – gives financial confidence.

Financial literacy and capability

This comes through interaction with a financial adviser. They can help you to get a better grasp of the world of finance (which can often be complicated), as well as understand the balance between risks and rewards when saving and investing for the future.

Control

Feeling you are more in control of your money, other than just letting things happen, can give a strong sense of relief. This is particularly the case when you know your finances are regularly being reviewed by an expert, who can work with you to make the best decisions to match your goals.

Reassurance

Knowing that you're 'doing the right thing' by consulting an expert helps to avoid concerns about whether you're making the best decisions for you and your circumstances; you'll know whether you're on track to meet your goals and whether you're missing out on any opportunities.

Fewer worries

The research shows that people who take financial advice worry less about their money. This peace of mind and feeling of security comes partly from acting on the advice you're given and partly from knowing you've acted to safeguard your future.

The overwhelming majority of those who take financial advice have a good experience.

9 in 10

people are satisfied with the advice they received and the vast majority decide to go with their adviser's recommendations.⁷

And here's the final word from the ILC, which is an independent organisation that does not give financial advice:

Since advice has clear benefits for customers, it is a shame more people do not use it.

Why an ongoing *relationship* is important

A lot of the strongest benefits of financial advice can only be realised if you have an ongoing, trusted relationship with your adviser. For example, if you just have a one-off recommendation – perhaps about an investment – you may end up making unwise decisions through periods of stock-market volatility, or you won't be able to adjust your plan to suit your changing circumstances.

"[My Partner] has been exceptional in all aspects of the service he provides. Amiable, friendly, and knowledgeable, [my Partner] is able to explain the options available to us in understandable terms, only digressing further where we have asked specifically. I would highly recommend him to any and all looking for financial advice, not least because we are now more wealthy than we would have been without his advice."

Don't just take our word *for it...*

Here's what some people who had taken financial advice have had to say about the experience:

"I have worked with [my Partner] for a few years on optimising my savings. [My Partner] was detailed, precise, sympathetic, and always on point. It was a major time saver for me, but also a great opportunity to have someone I trust supporting me. I heartily recommend him as a trusted partner for wealth management."

"[My Partner] provides clear, accurate and comprehensive advice which reassures me that the financial planning for my future is first class."

"I value [my Partner's] insights and energy. I feel he's totally on our side and would always go the extra mile for us. [My Partner] gives us great confidence and is absolutely trustworthy."

"Knowledge, expertise and attention to detail could not be faulted. Genuinely interested in our needs, circumstances and preferences. Particularly reassuring is our feeling of certainty in the absolute integrity of your dealings with us."

"[My Partner] has been brilliant in understanding what I was looking to achieve, she has helped me immensely to plan my money to tie in with my lifestyle plans. She is brilliantly supported by [name withheld] and the two of them are helping me to be able to live the life I want to with minimal financial worries, thanks for the help"

"After 11 years we continue to have faith in St. James's Place, and our investment has performed well over this period. We are confident that the company have our best interests at heart at all times"

Past performance is not indicative of future performance. The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

The broader *benefits* of a financial adviser

A good adviser will not only provide you with a full financial advice service, but will also identify areas where other professional support could be valuable and introduce trusted experts to help. For example, this could be in areas such as writing and updating a will, other legal services, specialist insurance needs or tax services.

“The fact that an adviser can give you confidence – such as the confidence to invest at the right level of risk for you, instead of keeping all your money in cash – is one of the most valuable aspects there is.

However, before they start talking to you about investments, returns and tax, they will take time to understand you as an individual, as well as your family, to find out what your goals and objectives are.

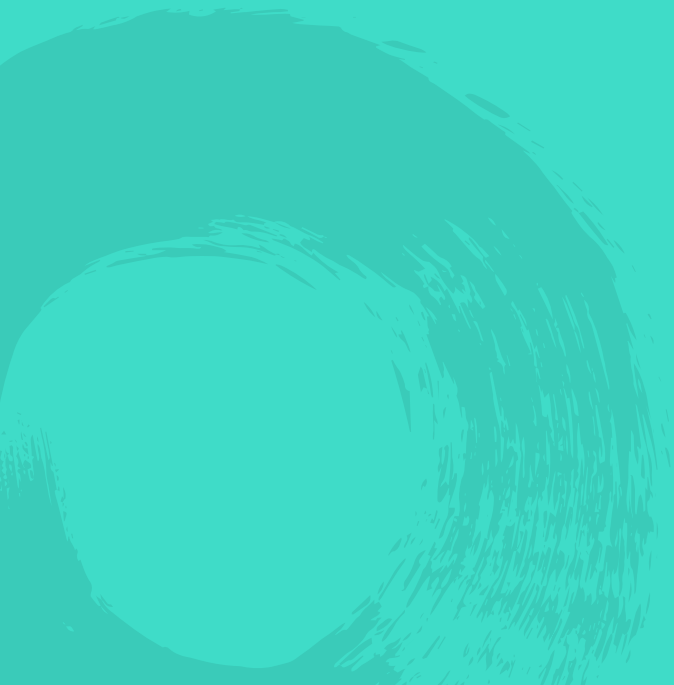
Knowing that your finances are on track to help you achieve them, and that you have access to someone you trust who knows you and your family, is really important.

That’s the kind of thing that helps you sleep at night.”

Andrew Cullen-Jones
Director, Business
Development & Advice,
St. James’s Place



**Get in touch to find out how valuable
financial advice could be for you.**





SJP



The 'St. James's Place Partnership' and the titles 'Partner' and 'Partner Practice' are marketing terms used to describe St. James's Place representatives. Members of the St. James's Place Partnership in the UK represent St. James's Place Wealth Management plc, which is authorised and regulated by the Financial Conduct Authority. St. James's Place Wealth Management plc Registered Office: St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire, GL7 1FP, United Kingdom. Registered in England Number 4113955.