Tom McDermott: Hello, everyone and welcome to 'Life and Money', a podcast brought to you by Skipton Building Society. My name is Tom McDermott and I am joined by a panel of investment experts to talk about investing your money for the future. Now, we know that your time is too valuable to spend it worrying about your money. But over the next few episodes we'll help you to think about whether you can get your savings working harder by investing, what it means to invest your money and why it could make a difference to your long term future. Consider this if you like a quick how to guide to get you started, so you can consider putting plans in place that give you a better chance of achieving your goals. I am absolutely delighted to be joined today by a pair of investment experts from Skipton Building Society. First of all hello to Claire Kobylecka, a Senior Financial Advice Supervisor. Hi there Claire, and I understand a big part of your role is to help Skipton Advisers to talk about investment planning.

Claire Kobylecka: Hi there, yes, that's right. So I work with Financial advisors within the business and help them with the training and development. And I've been a financial advisor, myself and a branch manager too. So I've come across a thing or two about investing over the years.

Tom: Fantastic. And second up is Mike Halmshaw, who is a financial advisor. I imagine Mike that you know plenty about investing as well. What is it you enjoy most about being a financial advisor?

Mike Halmshaw: What I enjoy the most about being a financial advisor is talking to a diverse range of customers and finding out what's important to them and helping achieve their goals.

Tom: Great stuff. Now, later on in this episode, we will be joined by Richard Dunbar. Richard is a fund manager at Aberdeen Standard Investments. He will talk about how your money might be invested if you were to take the plunge. Now, before we go any further, it's just important to stress that the opinions and information provided in this podcast are not to be taken as advice. If you are looking for advice it is recommended you speak to a financial advisor. As with all investing your capital is at risk.

Okay, let's get into this then. So the first question I want to ask you guys, and I'll start with you, Mike, if I may, if we're talking about confidence when it comes to investing, what's the big attraction of investing in the first place?

Mike: So I think the big attraction of investing in the first place is really people are looking for better returns than cash based deposits is the simple reason that people look to it for their long-term aspirations and looking at moving investments outside of cash to really make sure that they keep the buying power of the medium to longer term, 5+ year horizon. For whatever that might be, whether that's for themselves, for retirement planning or whether that's to leave a lasting legacy for their loved ones.

Tom: Claire, the perception up until not that long ago for many is that investing in the stock market is quite elitist in terms of existing wealth or expertise. What are your thoughts on that?

Claire: I don't, you know, that might be the perception, but I don't think it needs to be because you know at the end of the day everybody can start somewhere. And I think the key is, you know, lots of us have investments already. You might be paying regularly into a pension plan, that's an investment in itself. Everybody has to start somewhere and the key to this, I think really is, being able to take financial advice which will really help you move on with your investments. Here at Skipton if you've got £500 a month, you could invest, or a lump sum of £20,000 you can make a start, maybe get that money working.

Tom: Mike, do you ever speak to people caught between what we'd think of as a deposit based savings accounts and savings by investing and if so, how do you help them come to a decision?

Mike: Yeah. So this is a frequent issue that we come across where people are torn between the two. They like the safety of cash based deposits and sometimes they've been used to the safety of cash based deposits, but they’ve been disappointed over the last, almost decade now, of low interest rates. So they're starting to explore and look for alternative investments.

So what I try and do is talk to people about, it's not having all your eggs in one basket, which is a classic phrase. You do need some cash based deposits. Of course. You do need a safety net and you do need an emergency fund, but we know that the returns are not very good in these areas. So what I try to do is get the customer to separate in their mind where they have that comfort blanket in cash based deposits.

But if they're in a position where they can lock over a five-year plus horizon, then it opens up a lot of opportunities that we can look at. And we've got a range of solutions that are appropriate for most people.

Tom: As Mike says, Claire, investing means taking risk. What does that mean in practice? What would you say to people who really don't like the idea of taking risks with their hard earned savings?

Claire: Yeah. Well, that's understandable, isn't it? I mean, absolutely. Nobody wants to lose any money, but I think the key to this is, you know, risk is when you're actually starting to move money out of the ‘guaranteed area’, in inverted commas. So, you know, such as cash is as Mike mentioned before. And actually trying to move it into real assets.

So what I mean, you know, different asset classes such as perhaps property bonds, that type of thing. Yes, that will involve risk. In other words, your money is going to be going up and down each day and we call that volatility. With risk is the potential for reward. And that's what it's all about, really.

So, you know, if you do actually start putting your money into these different areas, there's a much better chance that your money's going to grow in real terms over the longer term. And that's what it's about really. And I think as long as people do have money at the fingertips that they can draw on, if the worst happens, then that's the key really. You shouldn't have to access funds when they are fluctuating and potentially down in value, if you can, hold your nerves so to speak, And when times are bad, you don't have to access that money. You can ride out those peaks and trumps and that's what we talk to our customers about a lot.

Tom: Is it all about stocks and shares?

Claire: No, absolutely not. No. I mean, it might be interesting to you to note that actually at Skipton, we aren't authorized to give advice on single companies shares. We did some research many years ago now with our customers who told us that that wasn't really what they were looking to focus upon. So what we do look at is, as I've mentioned before, different asset classes, stepping out into, you know as I say property bonds, gilts, that type of thing. But more straightforward investments where customers don't have to get involved in the intricacies. So we do spread the money, but we don't concentrate on, as you say those, the single company shares.

Tom: Okay. Mike, how would you go about advising a customer of where to invest then?

Mike: So this is the real cornerstone of the financial planning journey. Really? It all depends on the customer situation. Obviously everyone is different. And this, my job as an advisor is to find out firstly what the money is for, and also what they're comfortable with. So we have a real tailor-made approach to assessing what's going to be right for the customer and what we mean by that is we've got different levels of investments ranging from very low to very high in somewhere in between. And it's a case of pitching the education piece around investments. For example, if somebody's not invested before, it's really important for me to spend a good amount of time just explaining this.

Claire mentioned the different asset classes, how they work. And also we've got a really good questionnaire that we go through with customers and it just helps us and the customer understand what they're going to be comfortable with or not as the case may be.

Tom: Can you just go a bit deeper into investment funds then, and perhaps tell us what they are and how they work.

Mike: Yeah, sure. So we have an investment research team at head office, which is an in-house expert that organizes a panel of funds that we're able to provide advice on. So we've got a range of options, as I mentioned on different risk levels. But the funds underneath, as Claire mentioned, they've got a range of different assets within them.

Depending on the level of volatility or risks that the customer's willing to take will dictate how much concentration that we have in each area. For example, if there's a higher risk within the fund, there might be more exposure to equities. That type of thing. If there's a lower risk appetite, there might be more exposure to cash, which even can be held within the funds.

The individual funds. There's two particular styles that we look at with Skipton. We have what's called passive funds, which are typically low cost trackers, which allow customers a really simple solution of exposing the money to the market, but at a reduced cost. And then we've also got some active fund managers and fund investments available and as the name suggests, these are actively managed and it allows customers to benefit from an expert that can move money around within the fund, depending on the market conditions. Typically that can be a little bit more expensive, but we do feel it's worthwhile paying for, for some customer situations.

Tom: This is a great point, I think, to bring in our special guest Richard Dunbar from Aberdeen Standard Investments. Richard joins us now. Hi

Richard. And can you start by explaining a little bit more about what you do?

Richard Dunbar: My role is head of research within the multi asset team at Aberdeen Standard Investments. So my job within the multi-asset team is to drive the research agenda, to try and direct our team, to find the best ideas globally within and across all asset classes. And to ensure that the work we do to try and find interesting investments for a client is best directed and we get the best people to do it.

Tom: And how long have you been managing funds?

Richard: For longer than I care to remember. I started in this business in 1989 as a young UK equity fund manager, managing money in the UK equity market. I moved on to a more global role managing global equities and then moved into various forms of multi-asset roles, which is the role that I find myself at the moment. So I've been managing money in various forms for over 30 years and I've seen many, many market and economic cycles over that time.

Tom: How do you go about deciding what to invest in?

Richard: That is a good question. So, in terms of how we decide to go about thinking about what we might invest in for our clients, we first look at the world as we see it. So what do we think the global economy is going to do, what is economic growth going to look like? What are the level of interest rates? What's the price of money going to be over the next few years? What's the prospects for inflation and wages over the next few years? What are the, so the general prospects for the global economy, and plus we might have a few years to see what the most likely outcome might be for the global economy.

We also think about the risks around that central case if you like, what are the risks? To argue of the global economy, things that might go wrong. And certainly, um, over the past year, we've certainly seen something go remarkably wrong in terms of the impact of COVID. So we're trying to think of our central case, but also the risks around that.

And then thinking about that central economic view, if we like, we're trying to think, well, what, what sort of assets would benefit from that sort of view. So what would that be? Equity markets and the bond market and sort of the real estate markets, what sort of markets would benefit given that central view of the global economy? Then finally we think about, well, what's already priced into those markets?

Claire: Hi Richard, it's Claire here. So we've gone through a really challenging period with COVID and markets have been more up and down than ever before. How important is it for fund managers and investors to keep focused on the long term?

Richard: It's absolutely crucial to keep focused on the long-term. One of the sure-fire ways of losing money in markets is to be whipsawed by the short-term news around markets. So I, I often describe it and you've got to have a true north. What is your investment true north? Where, where do you think we are heading?

And once you've got that true north and you know where you're trying to drive the boat then you can take advantage of the ebbs and flows of markets. And we've seen that in spades over the last 18 months with COVID. There, there was obviously the collapse in markets as COVID first struck and as a global economy ground to a halt. But then we had the huge upswing in markets as central banks and governments put in various protection schemes, the likes of the furlough scheme in the UK. And injected huge amounts of money into the economy, reduce the price of money via the low interest rates to try to stimulate the global economy and that has worked.

There was a huge opportunity to be whipsawed around those decisions but having that clear view of the likely returns of things like equities or bonds in the long-term, not just being focused on the short-term, was a real advantage at that time.

Tom: Looking ahead then how do you see the prospects for investors in a post COVID world?

Richard: You're looking firstly at the global economy. It looks like we're almost certain to see a huge global economic growth this year, next year. And to a lesser extent, the year after as the COVID restrictions are lifted as the vaccine rollout continues at pace and as the global economy opens up again. So we're going to see huge global growth. We're going to see a slight lessening in the stimulus that governments and central banks have given to the global economy via low interest rates and via tax cuts says as, as that stimulus has been deemed less necessary as we'll get back to work and get back to something more normal. But that said, we see significant risks around that, we've already got to see in the UK the various implications of the new strands of the virus that have come in that touched and pushed back the ability to open the UK economy. And we've seen variations of that across the world unfortunately, and I suspect, you know, those risks around that and your clear opening up for the global economy still remain.

And I suppose I would observe as well and look at how the global economy has behaved through the pandemic. It has been interesting that the global economy has not been as bad as many economists had feared. Last year was terrible in terms of the shrinkage we saw in the global economy, but not nearly as bad as some of the economists had feared.

We've real innovation from individuals, from countries and from companies. You see, taxi drivers became Amazon drivers. Restaurants that were sit-in only became takeaway. So real innovation from individuals, from companies and from countries. In terms of how we've innovated in our offices, suddenly the ability to have teams calls or zoom calls with everyone in our office was deemed impossible by I.T. departments 18 months ago. As soon as the pandemic hits, everything became possible. So the innovation and the flexibility and the ability to change has been a real driver of global economies.

And we've seen that throughout the world. So I think that's a real interesting facet. So the damage done by COVID, some of that will be counteracted, I think, by some of the innovations that we've seen, that would have been driven, unfortunately, by COVID. But anyway, to bring it all together, we're seeing lots of global growth expected over the next few years.

Looking at the assets that might benefit from that you will still see reasonable returns from equity markets going forward. Fair returns from some of the higher yielding bond markets as we go forward on some of these fair returns from Marker site real estate going forward. So, a much better global economy as you would expect and hope and reasonable returns from the assets that benefit from that as we go forward.

Tom: What would you say about the role that financial advisors like Skipton play in helping people to invest in a way that's suitable for them?

Richard: That role has arguably never been more important. We are seeing it, it's described as a democratization of finance. Individuals like you and I are being asked to be much more responsible for their own savings. And how they're advised, customers are advised, and doing that has never been more important. Therefore advisors like Skipton and others in the markets, have an absolute crucial place in how we and the broader populace of the UK manage, think about and allocate our savings. There's never been a more important time.

Tom: And how do you find working with Skipton?

Richard: We enjoy working with Skipton. They're nice people in the first instance, but much more importantly, they are wise custodians of the savings of their clients. They ask us the right questions. They oversee what we're doing in the right way to ensure that we are navigating the boat as we see it, in the right direction and with the appropriate levels of risks for their clients and oversee what we're doing carefully, appropriately and with figure.

But they remain friendly people and people we like working with them. They do their job on behalf of their clients in exactly the right way and ensure that we do our job working for them in exactly the right way.

Tom: Thanks for your time, Richard. That was Richard Dunbar from Aberdeen Standard Investments. Is it these types of funds, Mike, that when you're offering financial advice to customers, you would research and recommend?

Mike: Yeah. So it's a fair question. You've probably seen a lot of adverts on television now where people can take out investment funds or investments themselves, very cheap price, but there's so many options out there, would people be confident that they've picked the right one? It'd be very easy to pick the flavour of the month, look in the back of the paper and pick, you know, the top performing fund.

But what might be right for one person might not be for another. This fund may be taking a lot of risk that might be suitable for one person, but not for another. The investment fund manager may have left last week, so the performance was not down to this person that's in charge now and the challenges underneath might be quite costly.

And so it's not all, you know, a one size fits all, which is important for financial advice. What's really important for me as an advisor is to talk to people about the different options because with each avenue, we need to make sure that they understand what they're doing, why they're doing it, the costs and the risks involved and create a tailor-made plan for them and we'd feel that it is worthwhile paying for this, this type of advice.

Tom: Claire, we've talked a lot about investing for people who have never done it before, but some people listening to this might already have investments. What would you say to them?

Claire: Yeah, that's fantastic. Isn't it? You know, people are set off in this and started to create building the wealth of time. Great. But I think as Michael leads to there, I think the key to this is making sure your investments are tailor made for you because life changes, people's situations change. And so Skipton and kind of help customers who have existing funds it doesn't really matter where they are the existing portfolios.

And we can look at those and we can just check in with them. Our financial advisors can discuss the goals. Perhaps that's changed, you know, it might be that their investments were put together for retirement and now they're looking towards inheritance tax planning, for example. Our advisors can just actually cast an eye over those investments and make sure that they're still doing the right things for them, the customer.

Tom: The main theme of this episode is all about investing with confidence, Mike. So what else can help to, I guess, maintain an investor's company?

Mike: I think from a customer's perspective, they need to have trust in the advisor and also the company that they're dealing with. Skipton as a company has been around for many years and they're a recognized high street brand.

So for me, it's all about understanding and trust and why they're doing things and what we're recommending. As long as the customer understands each stage of the advice process, why we're doing things, that's the most important from my point of view.

Tom: So that covers setting up and reviewing investments. If I'm going to invest my money for five years, what kind of support is there along the way?

Claire: Everybody's different, so it depends exactly what you're looking for. But we do have a range of packages in terms of ongoing service which are designed to give our customers peace of mind that, you know, they have got updates. They have got, if they so require, access to an advisor. So it might be that, you know, customers want to have access to regular valuations. That's absolutely possible. Or, you know, the situation might be a little bit more complex and they want to sit down with an advisor every now and again, and discuss, you know, perhaps moving money to tax efficient areas. You know, whatever it might be.

Tom: Final question for you then, Mike, why would it help people thinking about investing to speak to someone like you?

Mike: Yeah, it's a really good question. I'm sure it's something that the people listening to this are thinking themselves if they're considering financial advice. I think the thing that's rung through all these questions is the confidence and the range of options that people have. People need to have the confidence that they're doing the right thing, speaking with the right people.

So from my point of view, the advisor is there to talk to them about what we can do and how we can do things, but also draw their attention to potential pitfalls if things are not done through authorized advice, but also talk to them about the advantages of going through authorized advice. Drawing their attention to tax wrappers that they might not be aware of or potential tax implications they might not be aware of as well.

So lots of different options, lots of different avenues. Come and talk to an advisor and we can point you in the right direction and try and get you to that end goal without causing any issues on the way.

Tom: Well, that's great stuff and that's just about all we have time for this edition. My thanks go to Claire, Mike and Richard, and thank you for listening as well. We really hope this has helped you to think about your financial plans and how planning your future with an advisor could ultimately free up your time to get on with the things that matter to you the most. If you have any feedback or questions, we'd love to hear from you.

Skipton are right here to help make the complicated, more simple. Simply subscribe to our ‘Life and Money’ email updates at Skipton.co.uk/insights. Or call 03452667724.