Ethical Investors

The Five Stages for Advice

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This guide is intended to outline the different stages in life where you might choose to seek financial advice, and how we at Ethical Investors can help you through these, be you a new or existing client. That being said, we aim to be as flexible as we can in order to meet the needs of clients - we have the ability to step outside these broad categories if needed.

Many clients approach Ethical Investors with a specific financial objective in mind, and we are of course happy to advise on the appropriateness of that stated intention. What we are not, however, is a transactional advice firm that simply follows client instructions, and we are certainly not salespeople; nothing could be further from the truth.

For all of our clients, and throughout these stages, we continually ask questions such as:

1. Are there financial vulnerabilities?
2. Do you have financial dependents that need protection?
3. Are allowances being used as much as possible?
4. Are cash savings invested into ethically suitable accounts?

Stage One: Accumulation

Otherwise known as saving! Our role here is in helping clients to make the best use of their available capital, and to efficiently direct spare income. Our initial advice will be to look at targeting debt - including mortgages - as there is an unusual tendency amongst many advisers not to grasp the inherent conflict between saving alongside borrowing.

Where there are surpluses of income and capital, we help to create a plan that matches the financial aspirations of our clients, whether that is accumulating via savings and investments a sum for a specific purpose (house purchase, university fees, etc.), or for a point in time, most frequently retirement. We create and then monitor the pathway towards achieving the objective via ongoing annual reviews and meetings.

Stage Two: Pre-retirement

There are many factors to consider in the run-up to retirement, the first of which is the date at which you intend to move from employment to retirement. You also might want to consider whether your transition to retirement will be phased, whether or not you have any control over the pension(s) you will receive, your state pension entitlement, partner and spouse benefits, all assets that will be utilised in retirement, and how these pieces all fit together.

Underpinning all of this is a requirement to assess outgoings and create a framework that, utilising the assets and benefits that are in place, delivers the desired financial outcomes. State pension provision needs to be assessed, partly to check expected pension, but also to investigate if there are any gaps or shortfalls that can be addressed.

Stage Three: Retirement

This is invariably a huge step - after 30 or 40 years of working, suddenly work stops. There have of course been changes to this process over the past years, with phased retirement taking place, the ability to access pensions before actually stopping work, and the opportunity to take retirement at an earlier age than was previously considered possible, but it is still a major step.

These decisions are discussed during the pre-retirement phase, and the inherent flexibility in modern style pension plans makes the transition from work to full or part-time retirement (if that is not an oxymoron!) feasible. Retirement income can be generated from numerous sources, modelling can take account of future sources of income (for example ceasing work prior to state pension age), and annual reviews are built in to make sure that everything is on track.

Stage Four: Decumulation

Having spent a working life building up savings and investments towards retirement, it can be surprisingly quite tricky to access and spend the money. It is also the period when the key impossible question arises: “please can you let us know when you will die”!

The uncertainty of lifespan, health, financial needs, the (dreaded!) care home, inflation, investment returns etc., make this into a key stage in the process. It can also, rather oddly, be the most enjoyable - the realisation that one has sufficient wealth to enjoy retirement with no worries is incredibly liberating, and when it becomes apparent that there is a surplus (see below), this can be the best of times.

Stage Five: Death

While it cannot be ignored, and assuredly cannot be avoided, there are many issues that need to be resolved in the area of Wills and estate planning, and we guide clients through some of the pitfalls that we have experienced over the many decades that we have been offering advice.

Calculating outgoings and balancing against income and assets, gifting, donations, and inheritance tax, etc. are all part of the conversation. Where financial circumstances allow, it is popular to distribute wealth prior to death, and especially at times when this will be of greatest impact for beneficiaries.

Furthermore, discovering that there is sufficient surplus lifetime wealth (whether capital or income or both) to allow for charitable gifting can also be incredibly rewarding, given this is of great societal benefit. At Ethical Investors, we can help you with any charitable legacies you wish to leave via Ethical Giving - a charity we established for this very purpose.

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