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Benchmark

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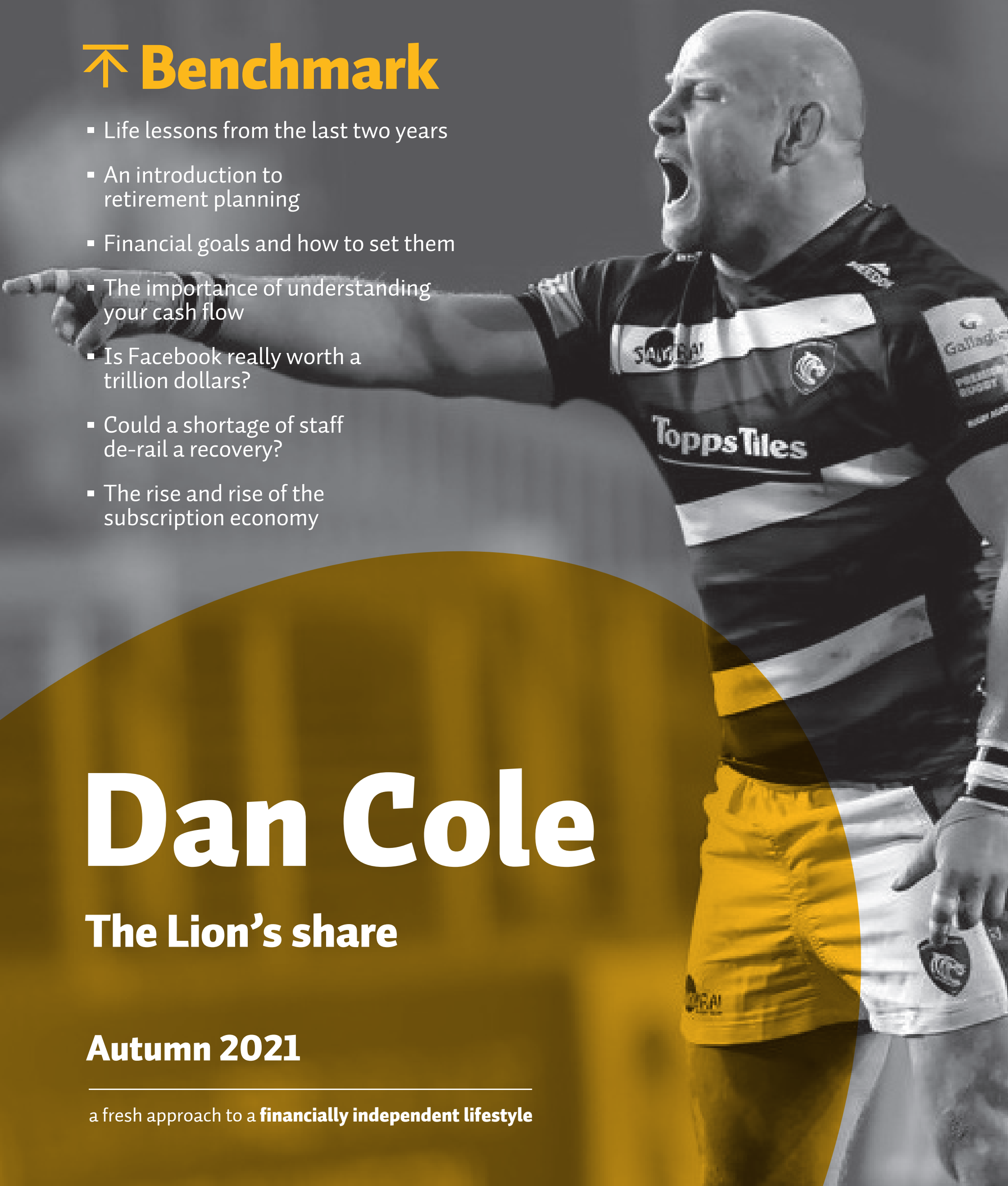

Dan Cole

The Lion's share

Autumn 2021

a fresh approach to a **financially independent lifestyle**

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Introduction

As we stand facing a bright future, there is plenty to look forward to. Whilst, the world at large may not be at its most predictable, there is plenty to be positive about. At the time of writing, the data is showing that the UK is seeing the benefits of a widespread vaccination programme. Many businesses are now able to function at a capacity closer to normal, and mid-term plans may be back on the agenda. In the words of Francois Balloux, the Director of the Genetics Institute at University College, London, "we are seeing lights at the end of the tunnel".

In the spirit of not getting ahead of ourselves, however, now seems as good a time as any, to reassert the basics and the importance of planning ahead. For this Benchmark release, we are focussing on learning from experience and how building foundations are important for a successful future. We will look at the difference between short-term, medium-term and long-term goals and how to implement them. We will shine a spotlight on retirement planning and the importance of really understanding cash flow, when it comes to managing your finances.

We have also included an interview with Rugby Union legend and British and Irish Lion, Dan Cole. Having been a client of DBL for a long time now, Dan provides us with a great insight into how the importance of long-term planning is part and parcel of a sports professional's career, and the ways in which it has allowed him to develop a freedom of choice. Many of Dan's insights are applicable, whether or not you find yourself in the world of sports, and we encourage you to think about how they might apply to your own circumstances.

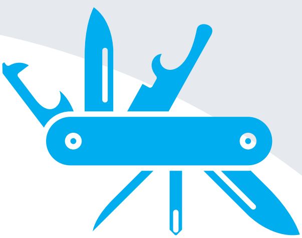
If you have questions of this nature or any questions at all regarding your financial planning or wider finances, please do not hesitate to get in touch. Your future remains our primary focus. We are here to help.
As always, I wish you and your families all the best.

With kind regards,

Dacre Staines

Life lessons from the last two years

We do not need to recall in detail the global events of the last two years. We are sure you are already well acquainted and familiar with them. A lot has changed but some things have not. There have been difficulties and revelations for people from all walks of life, and there have also been plenty of lessons learnt. Looking ahead to the months and years to come, we would like to think about how some such lessons can be carried forward and how positive outcomes can be found. Sometimes, facing adversity can lead to strength and resilience, and it is possible to find yourself in a better position than before.



Preparing for the unexpected

If anything has become clear since the beginning of 2020, it is that we should, as best as possible, prepare ourselves for the unexpected. While it is simply impossible to predict exactly what lies ahead, what we can be sure of is that the unexpected will happen. The best thing to do when it does, is to be prepared enough in advance to allow yourself the breathing room to decipher the appropriate route forward, for you, and work towards it.

Preparation is a skill, and it is one that can be learnt and practiced over time. It may be something that comes naturally to you, as it does to some individuals, or it may not. Thankfully, preparation is also a service that can be provided and is available to anybody with the means and desire to invest in it. Preparation means being proactive, and not only reacting to events as they occur, but having a plan in place beforehand. When you are prepared, problems can be managed more easily, effectively and efficiently than if you are unprepared. When you have developed potential solutions for tasks and challenges which may face you in the future, you will be equipped to tackle them as they arrive, rather than in panic and on the back foot.

Work-Life Balance

The idea of developing a better work-life balance is not a new one, but it is one that has been brought into stronger focus in recent months. Before 2020 it was far more straightforward to differentiate between stress in a personal life and stress caused through work, but with those lines being blurred, it has become more difficult to distinguish between the two. With many having moved to a working-from-home environment, if not full time, then likely in

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some capacity, it can be difficult to separate your work from your day-to-day living.

A report by the CIPD (Chartered Institute of Personnel and Development) into health and wellbeing at work has shown that mental health problems are the leading cause of long-term work absence. So, it is clear that the two are thoroughly entwined. The CIPD has also shown since the beginning of the pandemic, that stress, leading to mental health conditions, has increased for many people. Further research from the CIPD shows that 29% of workers with anxiety and 43% of workers with other mental health conditions, have stated that the pandemic has contributed to or worsened their condition.

These factors, in hand with the rapid changes to many aspects of life we have seen, have really shone a spotlight on the importance of a healthy relationship with work. For many, this means it has been integral to develop a routine of self care. This may look very different from person to person, but simple actions, like going for a walk or cycle and providing yourself with a change of scenery from your home office, can be very beneficial. Making time to look after yourself has always been important and, regardless of whether working processes return to a more familiar model, it will remain important to make that time for yourself.

Enjoy the journey

Preparing for the unexpected and developing a healthy work-life balance go hand in hand with this third lesson. Enjoy the journey! It is a sentiment that we believe is also applicable to the financial planning process. While building yourself a financially secure future is, of course, important, ideally you should aim to do so whilst enjoying the path you take to reach that secure future.

You cannot know exactly what the future holds. What you can do is prepare for the likeliest outcomes and develop contingency plans. That will allow you to spend your time and energy enjoying your life, rather than worrying about what may or may not happen. If you have any questions or uncertainties about your financial situation today or in the future, we are here to help you. Please do not hesitate to contact us.

Dan Cole: The Lion's share

In this issue of Benchmark, our client interview is with Dan Cole. Although to many he needs no introduction, we will introduce him regardless. As an English rugby union player and prop for Leicester Tigers, Dan has represented England internationally ninety-five times and has been capped for the British and Irish Lions three times. A longtime client of DBL, we spoke to Dan about his experience with financial planning as a sports professional and planning in a broader sense.

How Dan and DBL became acquainted initially is a good place to start and an insight into the camaraderie of rugby players. Over a decade ago, Dan was living with fellow rugby player Toby Flood. Toby and Dacre already had a working relationship, and with Toby due to have a meeting, he recommended to Dan that he came along and said hello. The rest, as they say, is history. Dan was fairly early into his rugby career, recently having moved on from his academy contract, and set out his future priorities as they stood at the time, "My long-term plan then was to have my mortgage paid off. My goals expanded as time went on and Dacre has helped to accommodate for this."

The topic of continued development has been a recurring one throughout DBL's relationship with Dan. "While I had learnt a fundamental understanding of financial basics at an earlier age, without having Dacre there to help write a plan and look at the figures, I would not be in the position I am now with regards to having options. He has been there to help develop my choices and provide alternative routes. I would probably have been chasing my tail without that guidance!"

An awareness of the importance of financial planning appears to be commonplace amongst rugby professionals, as an industry which generally provides a front-loaded salary. Dan expanded on this thought:-

"Financially, there is a chasm between people who have just come out of the academy and internationals, who are earning a lot of money. There are conversations between those two groups and advice is shared. You might assume as a twenty-year-old player that the money you earn is being spent on going out for a few drinks after a game, it is useful to take advice from the players with more experience."

"Just knowing that planners can help is important. I would not have necessarily gone out of my way to find one, but thankfully one was introduced to me. As a player, you know your career is finite. It is unlikely for most people to work in rugby for ten years plus, as much as you might dream about it in the back of your head. One, two or three-year contracts are the norm. It can be precarious even before you factor in things like injuries."

"You do not want to think about the finality of it all, your career inevitably coming to an end. You want to keep a positive mindset but all it takes is one thing to happen on the training field and that is your career over. The thing is, once you have thought about it and planned for it, you do not have to worry about it anymore. It is reassuring to see it in black and white."

The phenomenon of putting off thinking about something, even though thinking about it early would leave you in a better position, is certainly not unique to rugby. The reassurance that comes from planning is one that can be achieved by a person in any profession. In fact, it is just one of many transferable aspects of a life in professional sport. Speaking to Dan about what he has learnt from his time in the sport, which he will take forward into future careers and life in general, he had this to say:-

"It has been really valuable to work in a team environment, whilst still having an individual responsibility within that. Having my own role that needs to be completed to make the bigger picture work and being able to compromise to achieve what is best for the team. Rugby players also have to be self-driven and self-motivated people who can work because they want to, but are also able to take direction, when it is given."

Dan also mentioned how he has had the opportunity to work with people from a wide variety of different environments. Particularly as a result of playing internationally, he pointed out the importance of being able to work together with people from all over the world to get the best out of those experiences.

Variety is something that DBL and Dan have worked together towards, in terms of providing him with post-rugby options. "Dacre understands your lifestyle. I do not know exactly what I am going to do after rugby, so building a cushion of time to make those decisions is invaluable. Making sure that the money is there to support me through a transitionary period, has been a very important part of our planning."
We asked Dan what advice he would give to people who are at an earlier stage in their sporting career, and his response resonates as good advice for many people beyond that industry too.

"Live within your means. It is easy to get seduced by the higher salaries. You might be earning more than your friends at that age and it is easy to get seduced into a lifestyle where you spend everything that you earn. The good times can come to an end. When you are in those early years you can feel invincible, so having good guidance around you is important."

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An introduction to retirement planning

Why should I plan for retirement?

The ways in which people retire have changed over the last twenty years or so. The types of pensions available have evolved and while this has opened up new opportunities, it also means that a smaller portion of the workforce are able to retire with the guaranteed security of a final salary pension. This, coupled with the fact that the age at which you can claim your state pension has risen, means that planning for your retirement is now more of a personal responsibility than it previously had been. Being proactive in your planning will put you in the best position to enjoy your retirement to its fullest.

How do I plan for my retirement?

Knowing where to begin can be a challenge in itself. While there is no real substitute for a professionally composed retirement plan, there are ways in which you can help yourself out. You can try these introductory steps yourself.

Figure out how much your retirement income will be

More likely than not, you have been building up a pension fund over the course of your working years. As you focus on the job at hand and immediate income and outgoings over the years, it is very easy to lose track of how much you have actually been building. If you are looking to build a plan for your retirement, understanding what you already have is a strong place to start. Seek out your pension statements, as they will help you build a clearer image of the size of your defined contribution fund or the annual income likely to be provided to you through your final salary plan.

Double check your state pension

With the rising age for claiming a state pension, you may want to retire before it becomes available to you. It is important to understand when you will begin receiving your state pension and how much you can expect and factor that information into your plan. Your state pension can make a considerable impact on your retirement finances. For example, a couple who are eligible for a full basic state pension under the new system can receive £18,600 per year. You can determine your personal state pension age and find out how much you are likely to be entitled to on the GOV. UK website.

Look at what you will be spending

It is unlikely that you will experience the same level of expenditure on day one of your retirement as you will five or ten years down the line. It is helpful to develop an understanding of how your outgoings are likely to develop through the different stages of your post-employment life. While your income may be reduced, you may also find your expenses reduced thanks to paying off your mortgage and general work-related costs being removed.

Get professional advice

The best way to build a clear and cohesive plan for your retirement is to work with experienced professionals. You do not need to face retirement on your own. With many complex decisions to make it is extremely helpful to speak with someone, who has traversed that environment before.

At DBL we have seen the benefits of retirement planning realised for our clients time and time again. We would love to discuss your individual situation with you and determine exactly how you too can benefit. If you have any questions, do not hesitate to get in touch.

Financial goals and how to set them

One piece of advice that you are often likely to hear, when you start your journey towards financial security, is the importance of goal setting. Being able to set and stick to short-term, mid-term and long-term goals, will give you a framework to follow. Without something specific to work towards you are more likely to make impulsive decisions and overspend, rather than considering your financial future.

While those impulsive decisions and purchases can feel good in the moment, they run the risk of leaving your finances lacking, when more important life milestones are reached. The reality of unexpected expenses and appropriate retirement savings become much less abstract, when you are consciously accounting for them in your day-to-day spending. It is impossible to prepare for every eventuality, but by thinking ahead you have more of a chance of meeting and overcoming the challenges that life may throw at you.

Short-term goals

Comprehensive goal setting considers events that are just around the corner, as well as those decades down the line. It is important to set yourself achievable short-term goals in order to see the benefits of financial planning in action as you work towards larger, longer-term goals. Short-term goals can generally be reached within twelve months.

Examples of short-term goals:

Establish a budget

You cannot know where you are going if you do not know where you are coming from! Taking stock of your current average monthly expenditure allows you to see where your money is really going. You might be surprised at how much is being spent on things that you could happily do without or replace with more affordable alternatives.

Create an emergency fund

It is good to be prepared for as many of the curveballs that life will throw at you as possible. Set aside a designated amount of your income each month to build a buffer for any emergencies.

Mid-term financial goals

Reaching mid-term goals requires a little more discipline and consistency, but the hard work will be worth it. For mid-term goals you should be looking at what can be achieved within five years.

Examples of mid-term goals:

Pay off your credit cards

Paying off existing debts should be a high priority for anybody taking their financial security seriously. Your level of debt and any interest you are paying on it will play a role in how long this will take to achieve. But with some financial planning it should be possible.

Treating yourself
You know what they say about all work and no play. It is certainly true that there is no point in being the richest person in the graveyard. Once you have begun to get a handle on your finances you can start to plan for purchases and experiences that you do not need, but simply want. However, do make sure it is reasonable and does not cause you to stray from your long-term financial strategy.

Long-term financial goals

Good things come to those who wait, as long as you do the work in the meantime. Long-term goals will usually take more than five years to achieve, but are often the most important.

Examples of long-term goals:

Retirement planning
Everybody has different retirement needs, but the earlier you start deciphering exactly what yours are and begin taking steps to achieve them, the better.

Estate planning
Your financial security does not need to end at you. Planning ahead for how you can help your family, friends, loved ones and causes closest to your heart, will help you maximise the funds available and efficiently handle any potential tax implications.

Top tips:

Be kind to yourself along the journey. Although you may falter on your path towards your goals, the important thing is to remain consistent with your efforts. There will inevitably be times where an unexpected cost pushes you off track or you are forced to eat into your emergency funds. That is why you have built the fund in the first place. Do not give up.

Taking on your own financial planning is no small feat. With help from a professional, who will provide frequent updates and reviews, it is much easier to track your progress and keep it moving in the right direction. Setting and sticking to goals can be difficult without accountability. If you would like a helping hand in securing your financial stability, then please do not hesitate to get in touch.

The importance of understanding your cash flow

Cash flows are important. Whether in business or in your personal life, understanding what is going out and what is coming in, is an essential aspect of managing finances. However, not all cash flows are created equal and understanding what is necessary to achieve your goals is important.

Household budget

You probably already have an understanding of cash flow through your household budget and your experience of balancing it. The act of taking a look at your monthly income and outgoings is extremely useful for handling your personal finances. If it is not something that you currently do, then consider looking at the next three or six months and determining where savings can be made. By identifying the areas in which you are overspending, you can improve your financial situation. For example, monthly subscriptions that you have long forgotten, unnecessary purchases that end up in the bin or books that you are determined to read one day, but you know will just be gathering dust on that shelf for years to come.

Once you understand the figures of your income and outgoings you can make a plan, a budget, to achieve your goals. While this type of cash flow can make a huge impact, when we talk about managing your cash flow in a professional sense, we are more

likely referring to the long term cash flow modelling tools, which we use, to build financially independent lifestyle plans.

Long term planning tools

We use these tools not only to consider your current income and outgoings, but also to calculate and plan for your future assets and investments. We look into your personal finances in greater detail, examining your income, investments, debt and expenditure, not just as they currently stand, but how they can be expected to develop over time. It requires consideration of a wider range of factors, including but not limited to, wage increases, inflation, interest rates and expected rates of growth. Cash flow modelling tools allow us to make tweaks to short term factors and see the impact that those small changes can have over a longer period of time. This means we can explore different options, plan for a variety of potential scenarios, and give you the greatest clarity and flexibility with which to make informed decisions about your finances.

It is a uniquely powerful technique for detailing the reality of your finances, and helps immeasurably with the ability to formulate a realistic, and impactful plan to deliver your ideal outcomes, whatever stage of life you are at.

Why long term planning tools are particularly useful

Understanding why these tools can be so effective is relatively simple. Clarity is absolutely key to good decision making, and by being able to analyse which measures you can take to achieve the desired effects, brings a great sense of clarity.

Once you have a relatively reliable picture of how your finances are likely to develop over the next five, ten or twenty years, you can make plans to minimise tax liabilities and maximise profits. Without this sort of solid foundation to your planning, you are at much higher risk of missing opportunities to improve your financial lifestyle or even sabotaging your efforts entirely.

The earlier you decide to look to the future, the more control you will have. When it comes to the matter of transferring your estate to family or to the causes which are important to you, a clear and early forecast is a fantastic way to develop peace of mind around the impact you will leave behind.

Planning your retirement

As mentioned previously, at whatever stage of life you find yourself, a structured cash flow model will be useful. Perhaps you are in your forties or fifties and your pension pots are spread far and wide. You may have a mortgage, some investments and savings in various places. By bringing those elements together to develop a clear and total view of your finances, the options, which are available regarding your retirement and its enjoyment, become much more understandable and achievable. It improves your chances of having a retirement that you can enjoy.

With online tools and traditional accounting software now more accessible to the average person, there is a case to be made for a DIY approach to balancing your books. However, we recommend putting your finances in the hands of a professional. Experienced financial planners come with a reliable and tested service.

It is important to note that a cash flow model should never be taken as a guarantee of outcomes. Basing a forecast on previous performance and logical assumptions of future conditions, will give as clear an indication for which you could realistically hope, and is invaluable for achieving a clearer view of your financial future. However, it should be reviewed regularly and cannot account for all possible eventualities. As always, if you have any concerns and questions about cash flow modelling or financial planning in general, it is recommended that you speak to a professional about your unique personal circumstances.

Is Facebook really worth a trillion dollars?

You may have seen the film The Social Network. In the film, Jesse Eisenberg, playing Facebook founder Mark Zuckerberg, is musing on wealth. "A million dollars?" he says, and shrugs. "But a billion dollars… that would be cool."

The film was released in 2010. Eleven years on the scriptwriters may need to add three more zeros. At the end of June the company won a legal battle against US regulators and the shares rose 4.2% taking Facebook's valuation past the $1tn mark, making it the last of the big five tech firms, along with Amazon, Google, Netflix and Apple, to reach that milestone.

A trillion dollars is £729bn, but is Facebook really worth that much? It is an interesting question for many investors, with the ways in which companies are valued increasingly bucking traditional measures.

If you were to go back a few years, investors were concerned about a company's price to earnings (PE) ratio. A company's share price relative to its earnings per share. A high PE ratio usually indicated a company that was growing quickly, but one that was too high, especially when compared to other, similar companies, often made investors wary.

Then there was the dividend yield, a simple ratio showing how much a company paid each year in dividends, relative to its share price. Investors looking for income went for solid companies with a good dividend yield. Investors looking for growth would accept a lower dividend yield, especially if the company was reinvesting profits, rather than paying them out in dividends to shareholders.

Underlying both these traditional measures was, of course, the belief that a company's job was to make a profit.

How times change. Uber went public in 2019. At the time the company freely admitted that, whilst it had ninety one million users, it may never make a profit.

Such a statement would have been incomprehensible to a traditional investor. If a company never makes a profit, how can it pay a dividend? If it never makes a profit, how can it even continue in business?

Facebook, of course, does make a profit. In the first quarter of this year it reported revenue of $26bn (£19bn), which was up 48% on the previous year. The company's net receipts grew 94% to $9.5bn (£6.9bn), as the average price of its ads increased by 30% and the number of ads it delivered rose 12%.

Many companies with spectacular valuations do not make a profit, though. They are valued on expectations of future profits, on potential market share and on their perceived ability to disrupt traditional markets.

All this, inevitably, makes the job of the fund manager much more difficult, as they need to look at potential future results rather than what has happened historically and it is, inevitably, further complicated by the changes the pandemic has brought about. To think of a company in the future being valued at a quadrillion dollars may sound far fetched, but there was a time when the same could be said about a trillion.

Could a shortage of staff de-rail a recovery?

Some readers may remember the TV drama Boys from the Blackstuff and, in particular, the catchphrase uttered by Yosser Hughes. "Gizza job. Go on, gizza job. I can do that."

Forty years later, could we be about to see a complete role reversal? Could employers be standing plaintively outside their shop, office or factory saying, "Want a job? Come on, mate, you can do this." As the pandemic unwound we heard plenty of tales of woe from the hospitality sector. Pubs, bars and restaurants were ready to reopen but were unable to do so. They simply could not find enough staff, with widespread reports that up to 20% of workers had left the sector.

With Freedom Day now having arrived there are stories of yet more staff shortages. There are pictures of empty supermarket shelves in the newspapers, apparently caused by a shortage of delivery drivers. There are warnings of cancelled operations and missed diagnoses, because of a lack of NHS staff.

The recent culprit was the pingdemic, the results of the Government's test and trace app, forcing so many people to self isolate. That, presumably, will be sorted out, but is there a longer term problem? Could a shortage of staff and in particular skilled staff, de-rail our economic recovery?

In the manufacturing sector 38% of manufacturers reported problems finding staff with the right skills before the pandemic, that figure has now risen to 65%. Problems also remain in the service sector, whilst the latest Purchasing Managers' Index shows a high level of optimism, small firms are struggling to meet demand, because of staff shortages.

This seems unlikely to change any time soon. The pandemic has made people increasingly aware of their work/life balance and the long hours, with night time and weekend working, that much of the service sector demands, is simply no longer seen as attractive.

Research by Broadbean Technology, the world's largest network of jobs boards, showed that overall job applications in the UK fell 24% between May and June of this year. This came despite vacancies being up 10% in the same period, illustrating the mismatch between the supply and demand for workers.

However many incentives, grants or support packages the Chancellor unveils, businesses can do nothing without staff. Employers will need to be more creative with remuneration packages and embrace flexible and home working much more than they have done previously. We as consumers may need to modify our behaviour as well, accepting that things we may previously have taken for granted, are no longer available.
Do you want to eat out at 10pm? It may mean sitting in the car with a takeaway.

The rise and rise of the subscription economy

You may use it for beer or bread, for razor blades, watching films or even for the simple act of reading books on Amazon. The subscription economy is something that has taken a hold on a large and growing portion of the population. It used to be said that Britain was a nation of shopkeepers. Have we since become a nation of subscribers?

In case you have not heard the term, what is the subscription economy? Simply put, it is the network of consumers paying a fixed monthly price for a product they know they are going to keep using. If you know you are going to keep shaving or you know that you are going to keep watching films and reading books, then why not pay a simple monthly subscription that takes care of our needs? It sounds easier than buying the razor blades or the individual films or books, as and when you need them.

Unsurprisingly, with so many people stuck at home over the last eighteen months, the subscription economy has boomed. The latest research from Barclaycard showed that it grew by almost 40% in the UK last year and is now worth a whopping £323m per annum.

The research throws up some other interesting facts:

- Almost two-thirds (65%) of UK homes are currently signed up to a subscription service, with an average of seven subscriptions per household

- The average spend per individual is £46 per month. Men, averaging at £57 per month, spend more than women, who on average spend £35 per month.

Clearly statistics like this represent a big potential market and a challenge for retailers. In fact, one in ten retailers launched some form of subscription service during lockdown and one in five say they will continue to develop their subscription service despite the easing of lockdown.

Amazon boss Jeff Bezos has dubbed the new, subscription focussed consumer the "divinely discontent customer." Companies and brands now need to do more than just meet demand. According to Bezos, if they are going to keep their subscribers, they need to anticipate and shape demand, as much as respond to it.

Will the subscription economy continue to grow? It seems inevitable and the UK subscription economy is a fraction of that worldwide, which has grown 435% in just nine years, with some commentators dubbing it "the end of ownership."

There appears to be growing consumer preference for subscribing over ownership. 71% of international consumers currently have a subscription service and 75% believe that, in the future, people will own less physical products.

And why not? The subscription economy is more than just boring old razor blades. You can get cat litter on subscription, Japanese snack boxes and newspapers that only focus on good news. Why settle for Christmas just once a year? One subscription service guarantees that a box of festive goodies will arrive every four weeks, whether it is December or July. It is worth noting that they do turn up on your doorstep, not down the chimney.

Advising you towards a financially independent lifestyle

Click on the icons below

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