



THE BOW BLOG

December 2019: A Word from Our Founder

When my partners and I set up Mulberry Bow in 2015, our number one motivation was to create a professional practice that helped people gain peace of mind around their money.

That mission is, of course, easier during some periods of history than others! It's a cliché (and more often than not, untrue) to say we're going through a period of unprecedented uncertainty. There is always uncertainty, it's the norm not the exception. At the moment, however, any conscientious (or perhaps simply conscious!) citizen of the UK has been affected by several years in British politics that have been unusually chaotic. Which brings us to two big issues likely to be playing on the minds of UK investors right now, **Brexit** and **the possibility of a Corbyn-led government**.

So, what can you do about these two issues, as 2019 comes to a close and you contemplate Thursday's election? There are four practical steps you can take, but let's first consider perspective.

Perspective – It's only human for those of us who live in the UK to tend to exaggerate the impact of issues (like Brexit or Corbyn) that directly affect the country in which we live. When I speak to people who live in other countries, they understand the importance of the issues, but they have what I would call a more 'measured' assessment of their relative importance. I know some will disagree, and I am of course only speaking about this issue in terms of a financial plan; the UK represents only c.4% of the world's investible stock markets.



I would argue that the longer-term your perspective, the more balanced your view of most things, and it's worth noting that even if Johnson does *get Brexit done* on 31st January 2020, that is just the start of a process that could run for at least 10 years. Perhaps the ability of our education system to prepare people for the world of work, the quality of our political debate/decision-making and the extent to which we encourage enterprise in the UK, will shape the future of our country as much - if not more - than Brexit? That said, if you believe a Corbyn-led government would impact these things negatively, looking long-term rather than short-term may only increase your anxiety about Thursday's result!

Practical Step 1, Diversification – So what about practical steps? What can an investor do to remain calm during the coming months? The first step is one of only two* ‘free lunches’ in investing (they say there aren’t any, but they lie!). By ensuring your pensions and investments are diversified, geographically yes, but also in terms of asset class, sector and management style, you ensure that any negative impact of the two issues mentioned above is mitigated, at least in part. If you are reading this as a client of Mulberry Bow, your geographical exposure to the UK is likely to be no more than around 25% (let us know if you want to know the exact figure).

Practical Step 2, Revisit & Refresh – The second step is to revisit/refresh your long-term financial plan and cashflow model. This of course relates to the point about perspective above, but it’s also a practical thing. Sit down with a loved one and/or a trusted adviser and remind yourself what you’re looking to achieve over the next 10+ years. It’s likely that you’ll come away from that discussion feeling a) grateful/fortunate compared to many and b) reassured that you are broadly on track to achieve your financial goals, despite economic ‘bumps in the road’ we may or not face in the next few years. Please keep in mind that the team and I are always available for a meeting or a chat on the phone, to help you retain your peace of mind over the coming months!

Practical Step 3, Capital Controls – Many who are concerned about a Corbyn government site capital controls as their greatest fear. One can set up a bank account and investment account custodied outside the UK (e.g. the Channel Islands), so that cash/investments not already in a ‘wrapper’ like a pension or offshore insurance bond can move to non-UK custody quickly. This is not a move I’ve seen any of my clients do and I’ve not recommended it to any, perhaps one where knowing that you *could* do it offers some reassurance?!

Practical Step 4, CGT – The final practical step you could consider is realising some investments at current rates of capital gains tax (CGT), if you are comfortable with the prevailing rate and fear a sharp rise if a new government comes in.

I am, at heart, an optimist (not an easy outlook to maintain recently, I’ll admit!) I am not blind to the bizarre period of politics we are going through in the UK, but I balance that by reflecting on the small, but high quality business the Mulberry Bow team has built over the past 4 ½ years and also the successful businesses so many of our clients and strategic partners have built and are building. I also look at the graph of global GDP over the past 70 years (Google it, it’s good for the soul!) and I read books like Progress by Johan Norberg. Please feel free to share with me your own tips!

I wish you and your family a restful and enjoyable festive period, let’s toast 2019, be grateful for our blessings and look positively towards 2020!

Simon Bullock

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**The other one is regular rebalancing between asset classes, though technically it’s not quite free!*

IMPORTANT

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