

Insights, Tacit Thought | Weekly Investment Insights

Why it pays to get advice

Published on: 17 August, 2018 | Author: Investment Team

Remember pension mis-selling? Of course you do. How about bond washing and boiler room scams? Or PPI and Libor fixing? The sad fact is that the list of recent financial and investment scandals is damning. So you'd think the chances of more coming to light would be slim. But you'd be wrong.

Two key financial watchdogs, the Pensions Regulator and the Financial Conduct Authority have revealed that savers have been tricked into transferring large sums of money from their pensions into 'exotic or fraudulent' investment schemes. These scams are estimated to have cost around £1bn since 2015.

There are many golden rules of investing but for us at Tacit Investment Management there are only three gold nuggets:

- 1. If an opportunity looks too good to be true it probably is.
- 2. If you don't understand it don't invest in it.
- 3. Avoid the 'permanent impairment of capital.'

The first and second are simple rules of common sense. If you place your pension in a 'get rich quick' scheme it just "aint gonna happen."

Our third nugget though involves study, know-how and patience.

Investing is an appraisal of intrinsic and future value. Finding high quality ventures with sources of growing, repeatable revenue streams and backed by long-term, low cost secure financing, doesn't happen overnight. It takes time.

The future is always uncertain, so we ask questions before committing your funds to an investment. Such as "what is your margin of safety?" How senior is your investment in the capital structure? Can you realise your capital? If so under what terms and at what cost? We'll also question where your money is kept? Who the custodian is and does the investment fall under the protection of the financial compensation scheme. It's a little known fact that not all of them do.

If you fancy Bitcoin for example do be aware that HMRC will only accept sterling to pay your taxes. There's no backing, and no margin of safety available open to you.

Oddly in a world that obsesses in innovation and change our financial world should be a rock of conservatism.

American Paul Volcker, the former Chairman of Governors of the Federal Reserve Board said that the one worthwhile financial innovation in his lifetime was the ATM cash machine. Whilst Warren Buffett described derivatives as 'weapons of financial destruction.' And the radical Canadian economist John Galbraith commented that the only magic in finance was the 'compounding' of repeatable cashflows.

Many of those scammed failed to take advice even though investment isn't an activity that easily lends itself to, how can we say, inexperienced hands.

Perhaps the best recommendation we can give you at Tacit is that in the world of finance and investment there are no shortcuts and it will always pay you to get advice.

Important Information: Any views, insights, or commentary are for general information only, do not constitute personal investment advice or research, and are intended for UK residents. They may not be appropriate in all jurisdictions. While sourced from information we believe to be reliable, we make no guarantee as to accuracy or completeness. Past performance is not a guide to future results, and the value of investments can go down as well as up.

Regulatory Disclaimer: Tacit Investment Management is the trading name of TIML Limited (No. 9228395), part of Tacit Holdings Limited (No. 10611211). Both companies are incorporated in England and Wales, with the registered office at 14 Hanover Square, London W1S 1HN. TIML Limited is authorised and regulated by the Financial Conduct Authority (FCA ref. 670184) and approves and issues this communication under Section 21 of the Financial Services and Markets Act 2000. Please note, tax and estate planning services are not regulated by the FCA.