



# Traditional Wealth Management

An excerpt from

**Wealth with a Why**

Part 2: The Purposeful Investment Landscape

Presented by Stephanie & Stuart Mills and Partners

*"We offer you our story of how we reignited our love of land and sea when we asked ourselves, 'Can we do better with our money?' This question spearheaded our deep dive into the world of sustainable finance."*

## **The Small Print**

The views represented here are those of Stuart and Stephanie Mills. The guide resonates with their practice, but they recognise that your needs may differ and that there will be other resources available to you, specific to your interests, location, or needs. It aims to help you identify the types of services and financial vehicles to seek in order to meet your financial needs and values whilst serving the planet.

# Traditional Wealth Management

From our perspective as investors, we think about traditional wealth management as how we manage our money for long-term planning, as well as how we interact with various financial players, to invest using well-established routes. We engage with the following key services:

- **Our bank:** Not just for our everyday spending in our **current account**, but also through **savings accounts** and their **investment platforms**, as well as products such as **mortgages** and **credit cards**. While maybe not always the first thing we think of as 'wealth management', the money sitting in the bank is still part of our overall financial picture.
- **Our pension providers:** Whether it's a workplace pension or a Self-Invested Personal Pension (SIPP), these are key ways we're deploying capital for our future, and we often have choices about where the money is invested.
- **Our financial adviser or wealth manager:** A core part of traditional wealth management, they are the professionals we turn to for advice on how to best manage our wealth for the long term. They help us figure out our goals and risk tolerance. They traditionally recommend regulated investments.

What kinds of regulated investments are we talking about? Well, these are often publicly traded stocks or pooled funds where our money is combined with others and managed by professionals. Think of them like a big pot of money invested in various things. These come with some highly technical labels like Unit Investment Trusts or Open-ended Investment Companies (OEICs), but essentially, we recognise them as things like:

- Stocks of Individual Companies (Shares)
- Exchange-Traded Funds (ETFs)
- Mutual Funds

Often, we hold these investments within tax-advantaged products. These are like special wrappers that can help our money grow more efficiently by reducing the amount of tax we pay. The common ones are:

- Individual Savings Accounts (ISAs)
- Pensions
- Investment Bonds

Our wealth management is very much about us making active choices to engage with these various financial entities – banks, pension providers, financial advisers, and wealth managers – and utilising regulated investment vehicles, often within tax-efficient structures, to look after and grow our financial capital.



### Be Curious About Values

Traditional wealth management, through engagement with your bank, pension provider, financial advisers, and wealth managers, can offer avenues to reflect your values. By actively engaging your advisers on their approach to responsibility, sustainability, and stakeholder considerations, and by seeking out funds with explicit environmental or social characteristics, you can steer your traditional investments in a more purposeful direction.

## Engaging with the Wealth Management Industry

You'll often hear about financial advisers, financial planners, and wealth managers. While the terms can overlap and there's no strict definition, generally:

- A **wealth manager** often emphasises the **investment management** side of things, the actual 'looking after' of your investment portfolio.
- A **financial planner** tends to focus more on your overall **financial and life goals**, helping you create a plan to achieve them.
- A **financial adviser** is a more general term that can apply to both services.

For those with more significant wealth, larger wealth management firms might offer **managed services**. If your wealth is substantial, you might even get bespoke, tailored portfolios, depending on the manager's expertise.

To add to the confusion, wealth managers often refer to businesses or institutions that employ wealth managers, planners, and advisers. You may also come across **Independent Financial Advisers** who provide advice, planning, and management services. Whichever name they use, all these professionals are certified to provide "advice", a highly regulated activity overseen by the **Financial Conduct Authority (FCA)**.

## **ADVISERS AND THE PURPOSEFUL INVESTOR**

Seeking financial advice from a trained professional, especially when you start adding impact to the wealth management aims, can prove invaluable. A wealth manager will be able to structure your wealth across the different vehicles to tailor it to your needs.

Using the well-established routes where most people start building wealth, advisers are well placed to help select appropriate investments based on the returns needed, the level of risk you are willing and able to take, and any ethical, social, and environmental outcomes that you wish to pursue.

The point of a wealth manager is to take ownership of structuring your wealth in line with your needs, or 'looking after' you and your investment for you. This "looking after" includes various services, but generally, these tend to be:

- Understanding your financial needs and how much risk you can handle when investing
- Choosing investments that will meet your needs while staying within the agreed risk limits
- Taking care of the paperwork and taxes that come with building, using, or protecting your wealth

Your wealth manager should, therefore, be able to give you advice on how to reflect your values and impact goals across your wealth. Note, however, it is not mandatory, and expertise in sustainable investing varies widely across the industry. Remember, it's your money, and you have the right to understand how it's being used and the impact it's having.



*In recent years, the progress of sustainable finance has been frustrated by poor communication and loose use of language. The more people who talked about ESG and sustainable investing, the easier it became to be confused or to misunderstand what you were being told or indeed sold. Sometimes this can lead to 'greenwashing', making a fund or product appear sustainable without actually understanding how it's sustainable.*

*The good news is that the Financial Conduct Authority (FCA) is seeking to tackle this problem with its evolving Sustainability Disclosure Requirements (SDR) regulation. Anti-greenwashing rules were the first part of the SDR regulations to be introduced and are now fully embedded across all financial product providers. All claims to be green or environmentally and socially positive must be clear, fair, and not misleading.*

## A Green Look at How They Work

Traditional wealth management has historically focused primarily on maximising **financial returns**. However, it's increasingly common for Environmental, Social, and Governance (ESG) factors to be incorporated into investment decisions as a way to identify risks and opportunities that could impact those returns. This doesn't automatically mean harmful investments are excluded or more sustainable ones are favoured; it's more about understanding potential financial implications.

Keep in mind that the **Financial Conduct Authority (FCA)** regulates these activities to protect investors. They're also working on regulations like the **Sustainability Disclosure Requirements (SDR)** to bring more clarity to sustainable investing options, although these are still evolving.

## FINANCIAL VEHICLES

When you're diving into traditional wealth management, you'll often come across a few key financial vehicles. These are the main ways your money is held and can grow:

- **Bank accounts:** These are your everyday spending and savings pots. It's worth noting that even in these seemingly simple accounts, the bank uses your deposits for things like loans, which can include financing for the fossil fuel industry.

- **Pensions:** These are your long-term retirement funds. You might have various pensions from different employers.
- **ISA/JISA/SIPPS:** These are tax-efficient savings and investment accounts. You can have a standard cash ISA, a Junior ISA (JISA) for children, or a Self-Invested Personal Pension (SIPP) for more control over your retirement investments.
- **Stocks:** These represent shares in publicly traded companies.
- **Bonds:** These are essentially loans you give to governments or companies, which they repay with interest. This includes government bonds like UK gilts.
- **Funds:** These are pooled investments where your money is combined with others to invest in a range of assets like stocks and bonds. A professional investment manager makes the decisions about what to invest in.
- **Investment portfolios:** Banks or investment platforms can help you create a mix of these assets tailored to your needs and risk tolerance.



## **Bank Accounts**

Your day-to-day spending from your credit card or current account is delivered by who you choose to bank with. Banks play a pivotal role in the world as a primary funder of loans and credit facilities. Your bank may use the money you deposit with them to offset their loan book. These loans can be to a range of different companies, including the likes of fossil fuel producers.

So, while these are your short-term spending pots, who you choose to bank with can have an impact on the world, based on your bank's lending activities. Asking your bank about their **net-zero commitments** and fossil fuel financing policies can help you understand if their climate ambitions align with your own.

Here are some attributes you could look for in a bank to ascertain its climate ambitions:

- Is the bank a member of the Net-Zero Banking Alliance?
- Have they made a net-zero commitment?
- Do they have emission reduction commitments that cover scope 1, 2, and 3, including financing activities?
- Do they have a commitment to end or phase down fossil fuel financing, particularly for fossil fuel expansion activities (creation of new streams of oil, gas, or coal)?
- Are emissions reduction targets based on absolute emissions or intensity of emissions? The latter allows for an increase in absolute emissions so long as low-emission activities increase proportionately.



#### **DID YOU KNOW?**

### **British Public Want to Invest Sustainably**

Multiple surveys suggest that a majority of the British public wants to invest sustainably. The Financial Conduct Authority's (FCA) Financial Lives survey of 2022 indicated that 81% of those asked wanted their money to do some environmental and social good, as well as generate a financial return. Unfortunately, the number of people who are currently investing sustainably is disproportionately lower than this.

Many advisers do not have permission from the regulator (or appropriate insurance cover) to give advice on individual company stocks and shares, crowd-funding, peer-to-peer lending, or illiquid investments (i.e., property).

So, when we wanted to fund a local community energy project, for example, our adviser was unable to help, not because they weren't interested, but because they may not have had the necessary regulatory permissions and expertise in advising across the full investment spectrum.

## **Pensions**

Analysis from Make My Money Matter (MMMM), Aviva, and Route2 suggests that making your pension green is more powerful at cutting your carbon footprint than giving up flying, going veggie, and switching energy providers.<sup>1</sup> This staggering estimate

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<sup>1</sup> Pension Bee. (2025, January). Three reasons to think about where your pension is invested. Pension Bee Blog. Retrieved from <https://www.pensionbee.com/uk/blog/2025/january/three-reasons-to-think-about-where-your-pension-is-invested>

reflects the fact that how your pension is invested defines what your long-term capital is funding.

We can all be asking our employers where our pension is invested and pushing for green solutions. Make My Money Matter has ranked the 12 largest UK pension providers on their climate plans. If you're not happy with how yours scores, contact your employer to highlight their climate performance and demand action for a greener pension [Climate Action Report - Make My Money Matter](#).

### **ISA/JISA/SIPPS and Investment Portfolios**

Your bank may offer investment portfolios, or you may utilise an investment platform to choose your own long-term investments. Unless you have the expertise to choose individual companies to invest in, most self-selectors will choose a pooled fund. This is where a professional investment manager chooses the underlying investments in line with the objective of the fund. For instance, a global equity fund may look to invest in circa 50 companies that the manager has identified that they believe will deliver strong share price returns.

### **Pooled Funds**

Pooled funds allow a number of investors to allocate to the same strategy, thus creating economies of scale, aiding diversification, and allowing you the comfort that a professional is taking care of the underlying selection.

**In the UK**, funds that market themselves as Sustainable need to apply for a Financial Conduct Authority's (FCA) sustainability label. These funds must have clear sustainability objectives, with at least 70% of their investments supporting that objective and no holdings contradicting it. You'll find details in the fund's prospectus and a short Consumer Facing Document (CFD).

**In Europe**, funds are categorised under Article 6 (no sustainability scope), Article 8 (promoting environmental or social characteristics - often called 'light green'), and Article 9 (having sustainable investment as their objective - often called 'dark green'). Opting for article 8 or 9 funds can ensure a minimum standard of sustainability, with article 9 being the most ambitious.

You'll find details in the fund's prospectus and a short Consumer Facing Document (CFD), a succinct 2-page summary of the approach. This can help you identify what funds



align with your own impact goals, and get a clear understanding of the outcomes each strategy is intending to achieve.

## FUND SUSTAINABILITY LABELS

### UK Fund FCA Labels

(refers to those that are registered in the UK, rather than funds that exclusively invest in UK assets)



#### Sustainability Focus

**FOCUS** funds investing in assets that are environmentally and/or socially sustainable



#### Sustainability Improvers

**IMPROVERS** funds investing in assets that have the potential to improve their environmental and/or social sustainability over time



#### Sustainability Impact

**IMPACT** funds that aim to achieve a positive, measurable impact in relation to an environmental and/or social outcome



#### Sustainability Mixed Goals

**MIXED GOALS** funds investing in a combination of the other labels

### European-registered Fund Labels





***Be wary of being sold ESG integration as a means to improve the sustainability of your portfolio. It is a means to identify risks rather than avoid harmful sectors.***

## **INVESTMENT STRATEGY FOR PURPOSEFUL INVESTORS**

Strategies in traditional wealth management usually focus on planning through risk, return, and tax efficiency, and with a green or ethical lens applied to your investments, you can add a fourth aim of sustainability to your values-led portfolio. Broadly speaking, this aim is measured by excluding negative investments or finding positive investments:

### **Screening Out**

- **Exclusions** can be applied to investments involved in industries that create negative social and environmental impacts, such as tobacco producers and fossil fuel extractors. Model portfolios and sustainable funds often include a comprehensive list of exclusions based on revenue tolerances, typically capturing the main 'sin sectors', i.e., tobacco, gambling, pornography, alcohol, arms, fossil fuels, and predatory lenders. A wealth manager should be able to provide a detailed description of the excluded activities.
- **Tailoring exclusions:** Asking for more specific exclusions in model portfolios or funds, such as animal testing or fish farming, can be more difficult. However, your manager may be able to offer tailored portfolios that incorporate more specific exclusions. These will typically be directly invested (where the manager chooses the individual companies to invest in) rather than in pooled funds.

Check if the exclusions are applied on a direct-only basis (on any companies purchased directly in the portfolio) or a direct and indirect basis (where investments in any pooled funds would also need to adhere to the exclusion). Stating direct-only enables your manager discretion to buy any kind of pooled vehicle, which may have material underlying exposure to the types of companies you wish to avoid.

Specifying sectors where you won't invest does not mean that the rest of the portfolio would necessarily meet your sustainability expectations. You can exclude some activities and still own companies with very questionable practices and severe human rights violations to their name. Asking for a minimum ESG/Sustainability standard can help avoid such companies.

## Positive Focus

A sustainable portfolio not only avoids harmful investments but seeks out those with strong sustainability characteristics: going beyond avoiding the bad towards actively doing good. For example, they may have exceptional employment practices that promote the well-being of their staff, or leading environmental policies that are helping the company transition to net zero. The portfolio should offer some form of sustainability reporting, which brings to life the sustainability characteristics.

## ESG Integration

Involves the incorporation of ESG factors (qualitative or quantitative information) into investment selection. It involves understanding any material ESG weaknesses or opportunities of a business as a means to find better long-term investments. It does not necessarily mean excluding investments with poor ESG characteristics if the manager believes the financial opportunity outweighs the risk. ESG integration is almost standard practice across the investment industry.



***Don't be afraid to say 'No!' to the nasties. Think Long Term! Even though exclusions might make our yearly returns jump around a bit compared to normal benchmarks, we expect things to even out over time.***



## What's the difference between ESG, Sustainable, and Responsible funds?

The terms ESG, Sustainable, and Responsible funds are often used interchangeably, as they share significant overlap in their focus on non-financial factors in investment. In practice, the lines can be blurry, and many funds will incorporate elements of all three approaches.

### A simplified look at the terms:

#### **ESG**

Analysing risks and opportunities related to environmental, social, and governance factors to inform investment decisions (can be a tool within sustainable and responsible investing).

#### **Sustainable**

Investing with the aim of contributing to long-term environmental and/or social well-being alongside financial returns.

#### **Responsible**

Investing in a way that aligns with ethical and societal values, often involving exclusions and engagement, and can include both ESG and sustainability considerations.

## Thematic Investing

Involves constructing a portfolio of assets that are expected to benefit from specific medium to long-term trends, for instance, the energy transition. Thematic funds focused on long-term structural environmental and social trends are commonly incorporated in sustainable strategies.



**Your wealth manager should be able to offer you a sustainable portfolio. Know that different managers have different interpretations of sustainability, so ask your manager to explain what they mean by sustainable.**

You can ask your wealth manager for sustainability reports that show what your investments are really doing. For example, ask:

***What's** their carbon footprint compared to others?*

***How** many companies they invest in have plans to reach net zero?*

***What's** the overall temperature rise expected if all investments were like theirs?*

**These numbers come from different tools, so it's worth asking how they got them and what they actually mean in plain language.**

## Strengthening Strategy Through Stewardship

No matter which financial vehicles you deploy, your engagement with your financial services can make a big impact. This is where your human capital comes into your investment strategy:

- Take the time to engage with your bank, pension provider, employer, and financial advisers to learn more about their sustainability practices and your choices.
- Use your voice to ask for better choices.
- Vote! Shareholders have a commanding tool for creating change at their disposal when participating in Annual Shareholder Meetings.

- Tell others what you discover: both good and bad actions of companies can be highlighted on social media.

These are actions everyone can do, regardless of the amount of money in their pockets.

## **BUILDING RELATIONSHIPS**

While the impact you can have with your investments is important, there is also an impact to be found in the influence you have with your adviser. You may find that the knowledge, encouragement, enthusiasm, and ideas that you bring to the table are passed on, like pollen between flowers, to other workers and clients of the firm.

At present, there is negligible coverage in the core “how to be a financial adviser” curriculum of how to manage your money sustainably or for positive impact. Most advisers will not have deep expertise in climate change, nature depletion, and social issues, nor the various ways in which capital might be applied to tackle these. There is, however, a wealth of educational material freely available both within the advice profession and externally, and advisers are expected to carry out a minimum of 35 hours of continued professional development each year. Some parties are petitioning for this to include a compulsory allocation to environmental and social issues and solutions, but until that becomes reality, you may wish to ask your adviser what learning they have undertaken in this area, or even request that they go and read or watch something.

What advisers are duty-bound to do, however, is carefully research the products and solutions that they offer. They also need to be transparent and clear about the opportunities and limitations that these may have in delivering on your financial goals, your values, and any specific impact you want to aim for.



## **DID YOU KNOW?**

### **Barriers**

There is real opportunity for growth in responsible investment approaches.

Of the £10 trillion managed by UK investment managers, £89bn is in responsible investment funds. That's less than 1% being managed in responsible investment approaches. That's a BIG GAP! Schroders' global investor survey suggests three main barriers to overcoming the gap:

#### **PERFORMANCE:**

concerns that sustainable investments will generate lower returns.

#### **TRUST:**

lack of transparency and fear of greenwashing.

#### **ADVICE:**

69% of people with a financial adviser have been given a choice to invest sustainably.

Source: IMA Investment Management Survey 21-22  
Investment Management Survey 2021-22. full report.pdf (theia.org)



### **Don't be afraid to challenge jargon and demand clear, understandable answers!**

The finance industry is notorious for its anachronisms and product complexities, so it's easy to be intimidated by jargon or numbers and feel a bit lost at times.

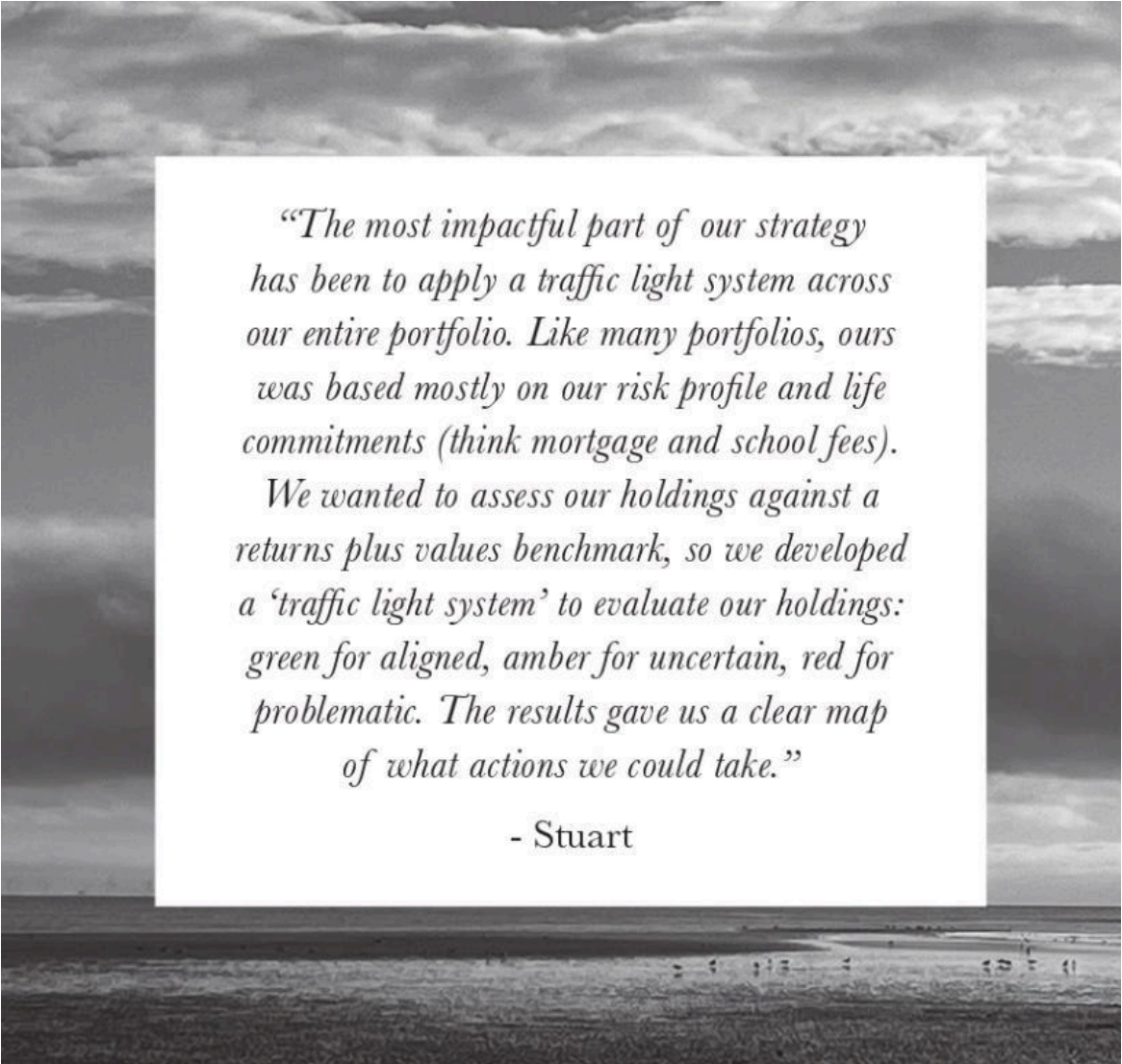
Advisers seek to have a long-term relationship with their clients, one where they can deliver trusted services that are needed and valued, enabling clients (and their children) to stay with them or recommend their services to others. Likewise, clients build relationships with their advisers over many years, trusting their expertise and sharing life's big milestones like starting a family, buying a home, reaching retirement, or planning inheritance.

It can therefore be helpful to be clear about the non-tangible aspects of your adviser's services that you value beyond the conventional practice:

1. **Helping you understand their products and services**, and how these can support your goals.
2. **Respecting and supporting your overall views and plans for impact**, even those that they can't directly assist with.
3. **Providing a range of investment options** and proof of thorough research into both the recommended products and the companies that offer them, and why they fit your needs.
4. **Using language that is easy to understand** and promotes productive conversations.
5. **Being open to exploring new ways of using capital** that align with ethical considerations and create positive change, even if it's different from their usual approach.

The climate crisis requires a shift in how financial advisers engage with clients, aligning investments with individual aspirations for a sustainable future. This is a substantial challenge, and the gap between a resilient future for us all and current

financial advice practices is significant. To achieve better outcomes for the crisis we face, investors can actively steer their advisers towards responsible and impactful investment strategies. You can start a meaningful dialogue with your adviser and ensure that your financial strategy aligns with your desire for a more purposeful and sustainable future by focusing on your values and the impact you seek through your investments.



*“The most impactful part of our strategy has been to apply a traffic light system across our entire portfolio. Like many portfolios, ours was based mostly on our risk profile and life commitments (think mortgage and school fees). We wanted to assess our holdings against a returns plus values benchmark, so we developed a ‘traffic light system’ to evaluate our holdings: green for aligned, amber for uncertain, red for problematic. The results gave us a clear map of what actions we could take.”*

- Stuart