



# Taxing Matters

## Season 2 Episode 10 | Why now is the right time to get to grips with your money with Ruth Handcock and Ali Poulton

**Alexis** Hello, and welcome to Taxing Matters, your one-stop audio shop for all things tax brought to you by RPC. My name is Alexis Armitage and I will be your guide as we explore the sometimes hostile and ever-changing landscape that is the world of tax law and tax disputes. Taxing Matters brings you a roadmap to guide you and your business through this labyrinth.

In case any of you miss any crucial information - or just want some bedtime reading - there is a full transcript of this and, indeed, every episode of Taxing Matters on our website at [www.rpc.co.uk/taxingmatters](http://www.rpc.co.uk/taxingmatters).

I am delighted to be joined today by two guests. Ruth Handcock, the CEO of Octopus Money, which is on a mission to give every employee access to help with their money from a real person.

And we also have Ali Poulton today who is a practising financial coach and who now works as a head coach to manage, train and mentor other coaches across the Octopus Money team.

**Alexis** So, welcome to Taxing Matters, both of you and thank you so much for joining me today!

I am very excited about the topic that we are going to be discussing - which is financial health, wellbeing and confidence. I think this is a really 'hot' topic for a lot of people and businesses at the moment. When I look back to when I started my career in law, now almost ten years ago, this was not a topic that was on the agenda at all - certainly not at the junior level - but everyone seems to be talking about it now and when you think about it, it seems crazy that we weren't talking about it before now!

Turning to introductions then. Welcome Ruth! What is it that Octopus Money wants to achieve and what are its aims?

**Ruth** Thanks very much! So, Octopus Money is on a 'mission' - and I don't use that word lightly! We really think that everyone in the UK deserves help with their money because when we look at how people feel about their money, we know that it's a huge contributor to stress. It's a huge contributor to people feeling out of control and yet it's something we have to deal with day in day out.

We've also learnt though that, in order to help people with that, they need to talk to someone. They need to have someone who will listen to their life goals, to their hopes and dreams and work through what money means to them in a conversation. So, in Octopus Money we partner with workplaces to provide every employee within a workplace access to exactly that.

**Alexis** ...And so, what's the problem here? What are we looking at? What do we mean when we say financial health, wellbeing and confidence?

**Ruth** It's very easy to say financial confidence is poor, it's a fact, but what does that really mean?

What that means is that when we ask people, "do you feel capable of managing your money in the short and long term?" the majority of people say "no". When I ask people in Octopus Investments, which is the asset management business I used to run - almost a thousand people - "have you ever not been able to concentrate on work because you're so worried about money?", about 80% of people said "yes!".

Those are just two examples of why and how we know that financial confidence is a problem and we also know that we're living in a tough economic period. The cost of living may be on the front page of the paper a little less, that's not because the problem has gone away, in fact, I'd argue it's the opposite. I'd argue that, having lived through a cost of living crisis for the last year, now is the point where people are getting to crunch point and that's because we've still got half a million people who are going to re-mortgage this year, rents are forecast to go up by 20%. We see about a third of people thinking about reducing or stopping their pension contributions leaving them thousands and thousands of pounds worse off in the long run. So, this problem is particularly acute right now and it's exacerbated by the fact that people don't have anywhere to go for help. So, when I ask people who do you get to help you, they might have a parent, they might have a friend who works in financial services, but no one consistently has an answer to that question.

It's particularly true in professional services: really interesting theme amongst people working in professional services - and I've worked in consultancy, so I definitely felt this myself - you feel like you have to be a bit of a 'super-hero'. You're delivering to clients, you're delivering advice, you feel like you have to show up knowing what you're doing. So, when you say to people do you admit that money is something you struggle with. Most people find it really hard to admit that. Much like we know in mental health, if you don't talk about it, problems can get worse; it's the same with money. We think it's really important, particularly in professional services, that people have somewhere confidential that they can go to talk about it.

**Alexis** So, what can we do about it then?

**Ruth** Money is a very personal topic. Number one: I think what people want is a 'safe space'. People need to be able to have a conversation where it's okay to say, "I don't understand my pension", "I didn't even know that a pension was an investment", "I don't understand how the tax works". Now, that's probably less true of people listening to this podcast than in other cases, but there will still be people who don't know the details of how tax relief on a pension works - why should you? We don't get taught this stuff in schools but, critically actually, most people - when it comes to their money - also want someone who will listen because the reason people bury their head in the sand is because they feel like no-one cares.

What we do is we match someone with a financial coach who is predominantly there to listen and then to show up as an expert and say, "here are some of the things you could do". We find that after having sessions with a coach people do take actions. About 25% of our customers leave a session and, actually, increase their pension contributions because they understand the impact that that's going to have on their future life. The vast majority leave and say, "I feel more confident", 85% say, "I feel more on track for the financial future that I want." Interestingly, when you look at it in a workplace context, 68% of people also say, "I can see myself staying at my current company longer because now I understand how to make my salary and benefits work for me and my financial goals.", which is pretty powerful, I think!

**Alexis** That's really, really interesting. So, Ali what are some of the things people can do about their own finances?

**Ali** I don't think one podcast is going to be enough time to work through all the ways that you can transform your finances, but I can give you a few steps to start along the journey.

When thinking about money, I always start off by talking about 'personal values' and not facts and figures. So, what's important in your life? Is it family, is it personal growth, is it knowledge, is it financial freedom? I never would tell you what to spend your money on, but by looking at your values first you will create an awareness of what motivates you and demotivates you to save or spend. These values will be your 'guiding compass' when you need to make decisions around your finances, but in today's times of high interest and inflation still above 5%, what is it that you can literally do to look after your money better? So, I've got four main steps:

The first one would be to become aware of your spending habits and to create a budget. Now, budgeting is normally a word that evokes either a sense of fear, or dread, or complete boredom in most people, but I promise you that once you've set something up it will help you to get to a real place of financial confidence. How do you do this? I am absolutely positive, that people in accountancy and tax professionals are quite well versed in the use of spreadsheets, but I am also well aware that people who work in finance often look after everybody else's finances first and deal with their own last, if at all. So, taking that time, creating a spreadsheet of all your spending is a really good starting point. Ideally, this would cover the whole year so that you can see the impact of the month-to-month expenses that add up over time - but if you don't want to go to the effort of creating one there are a number of apps that you could use to help you with this. Just so that you get somewhere that you can see all the incomings and all the outgoings and you get a good sense of where your money is going. Once you've created that spreadsheet you could have a look at those spending habits and I want you to go back over the last three months. I want you to find three things that you've spent

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money on that didn't make you happy - become aware of the circumstances of what caused you to spend that money and put a measure in place that may stop you from doing that again in the future. Then I want you to think about the things that have made you happy that you've spent your money on. If you're reaching the end of the month and there's not much left over, instead of thinking, "what do I need to cut from my life?", I want you to think, "what can I spend more on?" - on the things that make me happy. That might ultimately mean cutting back other areas, but you'll start by cutting the things that make you less happy. Once you've decided what's staying then I want you to set some limits, per month, and stick to them. Promise yourself that you'll only spend 'X' amount on one thing this month and stop when you reach that limit. If you're nearing the end of the month and are tempted. just think, "I mean, what's another few days until the next month to hold out?", you can do it. So, that's budgeting.

Number two step is to switch the way you filter your money. Most people get paid, they spend, spend, spend throughout the month and if there's anything left over then they might save that. I want you to reverse that. Save straightaway by setting up automatic saving pots and then live off what's left. Finding that balance can be tricky - especially if there's not much left at the end of every month. That's why thinking about your values and what's more important to you will help you choose what to keep and what can go. Should you focus on that future goal and give up something now, or can you delay that future goal in order to spend more now.

My third step is to make sure that you have an emergency fund in place. You never know what life will throw at you. Having the right insurances in place will help for some circumstances, but having a backup fund of at least three months' worth of either bills or ideally net pay will help give that buffer for something like a job change, or the boiler breaking - those emergencies that inevitably pop up. Save it somewhere out of sight, out of mind and just know that it's there for when things go wrong.

Step four is to maximise those tax-free savings. So, if you're in the fortunate position to have some savings then there's only a certain amount of interest that you can earn before you have to start paying some to the tax man. If you're a lower rate taxpayer that's a £1,000 but, for higher rate tax-payers, it's £500. If you can start saving into your ISA allowance each year and protect that interest that earned. Over the different types of ISA's you can save up to £20,000 a year.

Last thing, one question that we often get asked is whether you should put money into saving or whether you should invest it. So, as a general rule, if you're saving for a goal that's within the next five years, we recommend that you keep this money in cash and in a savings account. For those short-term savings like annual holidays or Christmas - which is a biggie in my house - then having a bank account which allows you to have pots is a life saver. Think about how much you want to have saved and if it's annual amount then just divide that by 12 and start saving that amount each month. For something that's a least a year away you may get a higher rate if you're willing to lock that money away so, think about those fixed rate saver accounts - they could be a good option for you. If your goal is longer than five years away but before retirement, then you should definitely consider investing in a globally diversified portfolio and use your ISA allowance for this if you can.

If your goal is to retire, then your pension is the most tax efficient way to save for that retirement age. Don't forget, though, that that money is locked away until that time - so, ideally, ensure that all your goals are thought through and have money allocated to them before locking it away.

That's just a few ideas to help you get started. If those feel quite obvious that's really great. My next question to you would be what's the next step for you?

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**Alexis**

Brilliant, thank you so much Ali there's some really useful stuff there and I, personally, will definitely be listening back to this after we've done this podcast to make sure I'm doing all of those things! So, Ruth how can we support our colleagues and clients to get to grips with money?

**Ruth**

Do you know, the real eye opener for me was when I started to understand that people feel the same way about finance as they do about health? What most people want is an expert like Ali to validate their hypothesis. We've all suffered from illness and gone straight to Google and then rapidly realised that self-diagnosing on Google is, probably, not the answer to a health concern. Money is the same. People want help from an expert and they want someone who so is going to hold them to account against habits.

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The other interesting analogy with health is that, with your finances, prevention is much better than cure. I often tell a story that I happen to meet an MP and spoke to her about the topic of money and she told me a story that someone had arrived in her constituency office with two sack-fulls of unopened post, having just been declared bankrupt. I hope that no one will get to that stage, but if that person had had the confidence to open that first piece of post they would have not got to that situation of having been made bankrupt because they would have been able to deal with some of those debts and some of those concerns in a much more measured way. The principle, though, is true for everyone which is: don't start to look at this when you are in money crisis, or when you're really worried about whether you can meet your financial goals. Think about this as something you should be able to plan into the future for rather than think about it when you need a cure.

The final thing is just to recognise that there is a difference between education, coaching and advice. For those of you that aren't familiar with the financial advice industry, for people who have high investible assets many of them have phenomenal relationships with a financial advisor. What we do at Octopus Money though, is make sure that everyone, regardless of wealth levels and regardless of life stage, can get access to that same support. We do it through coaching - who are also experts but the regulatory framework is slightly different - and it means we can make it affordable to people, regardless of wealth levels and what both of those relationships do is they get to grips with your personal situation, which is what most people feel they need in order to take action. If you feel confident enough to self-educate and make your own plans there are huge amounts of resources out there. There is no shortage of education and advice online. What we find, though, is that most people either don't have the time, don't have the appetite or simply don't have the head space to engage with that. But if you are relatively self-directed, I'd really encourage you to use some of those resources because they'll often get you to the same place, but you really need to put the effort in yourself - which, for many people is just not an option in a busy life.

We recommend that people do engage with a person to talk about their money and recognise that doing that early particularly early in your career will have a disproportionate impact on how able you are to meet your financial goals in medium and long term.

<b>Alexis</b>	Thank you, yeah, I think that just having that guide and that coach alongside you - as you say, having someone to actually prompt you and remind you to do it because we have such busy lives - I think it sounds like a great idea. Ali, do you have anything to add to that?
<b>Ali</b>	One thing I would add to that is having that accountability partner the number of clients that I've had working with me and the night before they've gone, "Oh no I have my meeting with Ali tomorrow" and they've gone off and done the jobs which without that meeting prompt they'd have probably just put on the back burner and had it sitting on the fridge for another week or two. Having that accountability is, really, key to getting people to take the action.
<b>Alexis</b>	Yeah, I suppose we should really treat a lot of things in our personal life the way we do at work, where we have these to do lists and we actually make sure we do them, but with little time they can often get left by the wayside. I think it's a really good idea.  Just thinking about this whole issue, how long has this financial health wellbeing and confidence been on the agenda for businesses? Why are we suddenly and finally talking about this now, Ruth?
<b>Ruth</b>	I see a couple of themes. One is, obviously, cost of living. When I talk to people who lead businesses, they can see that they have employees in stressful situations and want to be able to help them with them because they care about those employees' wellbeing they see a productivity impact and actually, critically, they see lots of people looking for new jobs purely because they think they need to earn more salary. So, it's a way for employers to change that conversation with employees and help them understand how they can reach financial goals and reduce some of that financial stress without necessarily having to change jobs and without the employer having a 'magic money tree' that can give everyone a 10% pay rise every year - it's just not feasible in this economic environment.  That's one thing. The second thing is the extent to which the pension landscape has changed. One of the things that scares me most is that I think many people look at their parents and think "Oh my parents are doing alright in retirement". My mum was a teacher and she has a final salary pension so whilst she's never been anything close to wealthy. She's okay in retirement. She can make ends meet. If I were to have the same career as my mum did and make exactly the same contributions as she did, I would not be okay in retirement because, actually, beyond the public sector landscape has shifted from pension schemes guaranteeing you an income in retirement to being all about the contributions you make. And I think that seismic shift in the public psyche has almost gone a little unnoticed. Unfortunately, we're heading for a

pension crisis where people live longer in retirement, want to do all of the brilliant things they haven't had time to do when they're working hard and yet actually are facing a period of their lives in which they are going to feel very financially constrained and I think people are just waking up to that. So, I think helping people understand what they need to do differently has come higher up the agenda and rightly so I would say.

I think the third piece is I see employers going through waves of what feels most important in how they support their employees and I, actually, think this is the next wave. So, I think - historically - employers have played a part in physical health. I think more recently and rightly employers have played a part in mental health and I think financial health, not only as a contributor to mental health but as a topic in itself is the next place in which employers think really if I want a healthy workforce who feel that I care about them, who want to stay with me in the long term, I've got to be engaged with this topic and I think this is the next wave of topics at the top of the agenda, for employers, and that's why we're talking about it a lot more now.

**Alexis** Yeah, it certainly feels like that. Everything I see on Linked In, at the moment, is all about this topic. Ali, do you have anything to add to that?

**Ali** I think it's really key for employees to be seeing companies that are bringing excellent benefits to them and I think they're being drawn to those jobs over other jobs because of these benefits. Looking after their employees' wellbeing and financial wellbeing is just another step of, "actually, that's the company that I want to work for versus that one that may even pay slightly more". It's looking at the overall picture of that culture in the workplace and what that company stands for.

**Alexis** It's part of the whole benefits package, isn't it, that employers offer to their employees so as you say Ali it's the way of attracting the best talent really?

**Ali** And keeping them!

**Alexis** Absolutely!

**Ruth** I think that's absolutely right! At Octopus we became a B-Corp a couple of years ago because we felt it was important to state that we cared about all of our stakeholders and not just shareholders – and, actually, the difference that's really made is that when people look at us as an employer, they think about us differently. They understand that we're a mission driven business and they understand that we care about employees as much as we do our shareholders. So, as an example of exactly that point that Ali made, I think that's a really good one.

**Alexis** It sounds like this is something that all businesses and companies should be doing, or should have at the top of their agenda. Do you feel like a lot of them are or do you feel like there's still a long way to go?

**Ruth** I think there's still a long way to go. I think employers are starting to think about the topic and they're starting to understand that it's important for their employees.

I think the shift we've got to make is twofold. It's employers recognising in their hearts that if they care about this topic, they will have happier, more engaged, more productive employees and that will build a better business and I think as soon as people actually understand that this will help them build a better, more profitable business then it gets even further up the agenda.

So, that's step number one. Step number two - that I personally would like to see - is for employers to understand that no benefit is a 'tick-box exercise'. Providing a log-in to an educational platform may not improve financial resilience to the extent you want to. It will for very self-directed employees - and this is not a 'one-size fits all' industry, you will find that different employees have different needs - but I, personally, believe that the majority of people need something that's a bit deeper than that, just as they do with mental health, actually. I think there's a lot of parallels and I think that employers that really understand that difference and understand the complexity of the challenge they are facing will, actually, have the biggest impact and I think we're just at the beginning of that wave, actually.

**Alexis** Yeah, absolutely and I think what you said about it being quite an individual, tailored process is quite true because I think a lot of it is probably wrapped up in peoples individual psychology and their money journey and how they got to where they are now. Beliefs they have around money and why they have them that's driving their current behaviour today.

So, it probably does need to be on an individual level. What has been some of the feedback that you've had so far about this? Is this something they want? Are they finding it helpful?

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<b>Ruth</b>	<p>I think they are. The first thing I often talk about is when we go into a workplace on average 40% of people sign up for a session - and that just shows you the extent of the unmet need. When we launched in a workplace actually with really phenomenal senior sponsorship from a leader who really believed in the topic the other day, we got 95% of people signed up for a session. So, that for me is, if you say to me, "people have got their finances in order", I can tell you unequivocally, "they don't"! Ali, I'm sure you've got some brilliant examples of feedback you had as you coached individuals?</p>
<b>Ali</b>	<p>Definitely! I think when people come into the sessions, in their first session they're very nervous, they're very unsure, they're very unconfident and then you work with them throughout the year and you just see that confidence level changing and they start making the decisions, they start thinking about things and going off and doing their research and you know that they're succeeding when they come back to you and they say "I've looked at this and I've looked at that" and it becomes a really engaging topic.</p> <p>I think it's really key that when they start making those changes in their lives and they can see that having an impact on their future that's really exciting for both us as the coaches and for them as the client.</p>
<b>Alexis</b>	<p>Definitely. I'm always really interested in people's personal stories. So why are you both in this area? What motivates you personally about this area? Shall we go to Ruth first.</p>
<b>Ruth</b>	<p>For me its two-fold actually. One is very personal and one is more professional.</p> <p>So, if I start with the professional. I've, over the last 10 years of my career, worked in retail banking - so, I started at Challenger Bank - and then I worked in asset management working a lot with financial advisors and what I've seen is that what retail banks do brilliantly, is they digitise and they lower costs to serve in a commercial sense. But what they are increasingly struggling with is engaging engagement. Where in the financial advice industry engagement is phenomenal. Most people have a very, very, strong relationship with their financial advisor, but you only get access to that service if you're amongst the most wealthy in our society. So, I saw an opportunity to bring those two things together to take some of the learnings from retail banking and digitisation and lowering costs to serve an automation with the engagement you see in the financial advice industry – so, that's probably the first reason. T</p> <p>he second as it so often is, is much more personal which is, as I was growing up, I was in a single parent family with a mum who worked full time. She was a teacher, but I think our household income never exceeded £24,000 and what I really remember from my childhood was my mum being terrified that the washing machine would break. Sounds like a weird thing to be terrified of, but it was always the thing that came up in our household that she couldn't understand how as a working mum she would just sort of get through the week without a washing machine. It wasn't until I was a bit older that I realised it's because she didn't have the emergency fund to be able to fix the washing machine if it broke and so the stress that that brought her - as a working mother - was really high for something that, in the grand scheme of things, feels quite minor. But I hear so many of those stories when it comes to money that we're carrying this baggage around us as society and, I think, for way too long we've left people to struggle on their own and I think it's time that we don't have to do that anymore.</p>
<b>Alexis</b>	<p>Absolutely, I totally agree! Just to completely identify with your mum there I have two young children - who are 4 and 2 - and I can't imagine getting through a few days without a washing machine so I can totally identify with that. And what about you Ali?</p>

**Ali** I started at Octopus Money as one of our financial coaches, back in 2021, having run my own coaching business for the previous few years. So, my journey into the financial world started when I lost my clients due to lockdown as I was working with a lot of creatives who couldn't, also, work in lockdown. So, at that point I started really looking into my family's finances and realised that we weren't in a position to retire comfortably at the rate we were going - which was quite scary for us. So, I decided to investigate what needed to be done to transform my family's future. From all that work what I found was not only a way to help my family but a career change because I really enjoyed the financial side of setting goals and targets. I thought it would be really great if I could incorporate it into my own coaching business.

Before I started that though my sister sent me an article about Octopus Money in the Financial Times and I looked at that company and I thought that's the company that I want to work for. I really love our ethos and the way that the whole company thinks. So, I applied, I got in and then this time last year after doing the coaching for 18 months I was brought into the HQ team to run my own pod of our coaches and help them build their businesses as I had done with my own. So, I'm there to support them and mentor them and help them transform their clients' lives.

**Alexis** Brilliant, thank you. If I was an employee of a firm - which I am - two of the concerns I would have is the topic is very taboo, do we want to talk about this with our other employees listening or colleagues or employers as well, so how do you manage that and, also, confidentiality, how does that work? I assume that nothing you say gets passed back to the employer?

**Ruth** No, that's exactly right. We talked earlier about safe space and that really is the most important thing. So, every conversation that people have with the financial coach is confidential. We think that it's, actually, very valuable, therefore, for firms - even when they are in financial services themselves - to work with a third party.

I've certainly spoken to banks and other advice firms that advise clients about why can't we do this ourselves and yet when they try to their employees simply don't sign up because they're worried about that confidentiality. So that's a really important pillar of what we do. What we will do is look across the themes of an organisation, though, and say we've noticed that amongst your employees these things are particularly worrying them, or these parts of your benefits package actually aren't valued at all and that's how we create a bit of a 'virtuous circle' to improve benefits for employees as well as maintaining that really strict confidentiality, but it does create quite a nice feedback loop with people still having that incredibly important safe space.

**Alexis** Yeah of course, it's important to have that feedback loop, as you say, because a lot of employees would not necessarily want to feed that back. If it's done across the board and there isn't any way of identifying individual people, I think that's absolutely fine and that's, actually, what employees would want.

Well, thank you so much Ruth and Ali! We have certainly learned a great deal today and I suspect we are likely to hear a lot more about it as time goes on. Unfortunately, that's all we've got time for in this month's episode.

Thank you again for Ruth and Ali for today's podcast. You can contact Ruth at [Ruth@octopusmoney.com](mailto:Ruth@octopusmoney.com) and Ali at [Ali.poulton@octopusmoney.com](mailto:Ali.poulton@octopusmoney.com). As ever, a big thank you goes to Inciter Productions and Andrew Waterson for the production music and sound editing of this episode.

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