



Taxing Matters

Navigating the complexities of the tax world

RPC

Season 4

Episode 1 – Working with the creative industries with Wealth Manager, Simon Reed at RBC Brewin Dolphin

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'm a Senior Associate in RPC's Tax Disputes team. 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 extra bedtime reading, there is a full transcript of this and indeed every episode of Taxing Matters on our website at www.rpclegal.com/taxingmatters.

I am delighted to be joined today by Simon Reed, Director and Wealth Manager at RBC Brewin Dolphin and Head of the Entertainment, Media and Sports Clients segment based in London. Simon specialises in working with high profile clients in the creative industries, investment management, financial planning, setting investment objectives, asset allocation, client servicing, as well as domestic and international tax. Today, Simon and I are going to be discussing wealth management and in particular, some of the things that often crop up when working with the creative industries. Welcome Simon and thank you so much for joining me today.

Simon: Hi Alexis, thank you very much for having me.

Alexis: So to kick things off then, can you tell us a little bit about your background and how you came to work with clients in the creative industries?

Simon: Sure. So as you kindly mentioned, I'm a wealth manager at RBC Brewin Dolphin. But if we were to rewind several moons ago, I was a guitar player in bands, and I've been doing that since I was pretty young, both here in the UK and then over in the US. So in my very early 20s, I was planning to go over there probably just for a few weeks or so that ended up being about two and a half years. I was touring around the US and doing some session work as well, which for those that don't know, that's if you've got an artist or a producer that needs a guitar player to play on a song, you go in the studio and do that. So that was my life. And then I came back to the UK, I was immediately asked to join a band, but around about that time, my first child was born. So it was kind of one of those moments in life that I reflected. And I thought, well, I'm not selling out Wembley Stadium, so I should probably think about getting something a little more stable in terms of work. So that led me to wealth management, and it took me a little while, I think, to put the two worlds together, i.e the more creative side and the wealth management side. But I had some ex-bandmates who went on to do pretty big things in the music industry. And it was that small seed really that started me networking, meeting people, doing an awful lot of listening around, what are the issues that are coming up for people in the creative industries in terms of finances and it's really just gone from there; it's bloomed from there. So now I am heading up the sport, media and entertainment client segments out of London at RBC Brewin Dolphin.

Alexis: Amazing. So it sounds like you can really identify with people working in the creative industries. So, what are some of the unique financial and wealth management challenges that creatives typically face compared to other high net worth individuals?

Simon: I would say the main difference is unpredictability. So, typically clients are not on PAYE or they have that traditional career path or ladder where it's got a nice beginning, middle and end, and a neat retirement in kind of mid-sixties. And the other thing is that career lifespans are not guaranteed, they can be very short. Things can change very quickly. You could have an actor who goes out of favour, a sports person has a career ending injury, for example. And even where they've got a pretty good run of success, the income that they might be making can be pretty lumpy and unpredictable.

Alexis: And so how do you approach planning for clients with volatile or unpredictable income streams?

Simon: Well, I think the starting point is often the same with any clients from various different fields and backgrounds. It's looking at, ok well, certainly when a new client comes to us, it'll be, where are you now? What's your current situation? And where is it that you want to get to? What are your goals, your ambitions, your priorities and so on? And then for us, it's, you know, considering how both the two aspects of wealth management, both the financial planning side, and the investment management side, how that can work together to help them achieve that.

But I think for this question of unpredictability of income and so on, there's got to be a strong focus on liquidity and flexibility. So, we carry out a lot of cash flow planning, for example, with clients. We can model out various scenarios. So, let's say an actor doesn't work for a year, they still have all of their expenses to cover. We can model that, it would give us a good picture of what we might need to adjust, how we can plug the income gaps, and how that also might affect the longer term picture for them. We can even, nobody likes to think about it, we can look at worst case scenarios, where will they be if their career ends tomorrow? Again, that helps to give us a very realistic assessment and consider what options are available to them. So, having that shorter term liquidity is really important. By that I'm talking the likes of cash, government bonds, and so on. And then balancing that in the right way with more longer-term money in a diversified investment portfolio, both for protecting their capital, growing that capital, and with the ability to adjust for income if needs be. Otherwise, as I say, it's pretty similar to clients who don't work in sport, media or entertainment. It's just ensuring they've got those fundamentals in place. They're maximising their tax efficiency, whether that's through ISAs, pensions or where relevant, more complex structures like a family investment company or trust, for example, making sure they've got enough liquidity and that they're making the relevant portion of their wealth work harder for them by being invested in the way that's right for them. Ultimately, what we want to get to is a place where the client can number one, feel confident in their finances and number two, bluntly, they're able to sleep at night.

Alexis: Absolutely, do you often find that creatives come to wealth planning later than clients in other sectors and if so, why might that be and what are the consequences?

Simon: Yeah, I think on the whole that they do come to it later. In more traditional careers, shall we say, people start saving into pensions into their 20s or 30s or workplace pensions if it's not private pensions, but for creatives, sports people, success can happen very quickly in terms of financial success. They might have a song that goes viral or a big sponsorship deal, and that sort of sudden wealth comes before they've built up those financial habits that perhaps someone in a traditional career might have done. They might not have had to have dealt with a big lump sum before. They haven't got the financial education, they don't teach this stuff in schools, so it means that they could fall down certain paths. They might overspend, missing out on certain tax reliefs. They might not have an emergency fund or a financial safety net and essentially missed out on opportunities for financial growth. So, from our point of view, the sooner we can put a structure around their finances, hopefully the more secure it is and the longer it lasts.

Alexis: And so how closely do you work with other advisers on that sort of, such as tax lawyers or accountants, particularly where there's complex tax or residency issues arise, for example?

Simon: We work very closely with the other advisers. It's essential, I think clients don't want 10 different answers, they very much want a joined up solution. So, when we're working with clients, we're always very collaborative with their lawyers, their accountants, agents, managers, and so on. Because we can't really just go off on a frolic of our own, you know, we have to be very tightly aligned with the tax and the legal side, particularly when there's any restructuring happening or changes to residency, for example, residency issues. So the work that we do has got to fit into that and the client's overall aims and objectives. So, a big part of my role is often to coordinate between the various advisers and even the family members themselves, if it's part of a family or family office.

Alexis: And so many creatives now have quite international careers. So what kind of cross-border or multi-jurisdictional issues or challenges come up in your work?

Simon: Yeah, I think you're absolutely right. I mean, one of the well-trodden paths is, if say for a UK person going over to the US, certainly in the film world and music world, there are withholding taxes to think about on performances and gigs and film work and so on. And mentioning the US, they've got, for example, a very different approach to things like royalties, image rights, and pensions, and so the various structures that might work well on this side of the Atlantic don't always translate. So, again, kind of going back to your previous question, we coordinate very closely with the various advisers, particularly the specialist UK and US tax and legal advisers. From our side, using that US example, if we're running an investment portfolio, for example, we need to make sure that we're not doing anything that's

triggering any tax nasties on either side of the Atlantic, hence that joined up approach with the other advisers, and making sure that we're managing things in the right way for the various reporting requirements. Being part of RBC, we've got a global network, so in some cases, there are clients where we will work with them here in the UK, and they might also need to have a separate adviser in the US or wherever it might be. So, we can facilitate that globally, which is very helpful.

Alexis: So, what role does intellectual property play in wealth planning for creatives and how do you help clients protect and monetise their IP effectively?

Simon: So, IP for creative clients can be absolutely huge. Whether it's their songs, scripts, film rights, image rights, and so on, sometimes it can be really the single biggest part of their net worth. So, it's got to be protected, as you mentioned. The tax treatment and strategy, that has to be gotten right. That's typically, I would say, within the realms of the tax lawyers and the accountants and the other advisers.

So the part where we tend to come in is the monetisation. So I think we've all seen various high-profile artists selling all or part of their music catalogue or licensing their image rights. And those transactions can generate pretty huge lump sums. So we need to be pretty careful about how we work with them on the planning side, the financial planning, to manage both their tax exposure and as well as the longer-term sustainability of those funds. Often they'll be thinking of them as their pension, so that money has to last. And then into legacy in terms of passing down to future generations and "how do I protect that" and so on.

Alexis: So, have you seen any trends in how creatives are thinking about long-term financial planning? So, things like pensions, succession or philanthropy.

Simon: Yeah, I think what we're seeing now is a slightly greater awareness that careers can be short. There's a lot more out there, if you like, in terms of life after, whether that's life after music, or it's an actor, or in sport. So, clients are starting to think about building up pensions, as you mentioned, setting up investment portfolios, how are they going to have that income after retirement? Considering how to pass on their wealth to their future generations. I am seeing that more and more. Philanthropy is another big theme, a lot of clients want to use their platform, their wealth, to make an impact. And that can be through charities, charitable foundations, scholarships, community projects, things like that. We have a charities team that work with a number of clients on things like that. As a wealth manager, our role is really to kind of channel that positivity into practical structures. So, whether it's a charity, as I mentioned, or if it's pensions, making sure that they're being properly funded and looked after and there's the watertight advice around that, the succession planning and so on.

Alexis: So, with the rise of digital platforms, influencers and creators, are you seeing new types of clients in the creative industries and do they need different kinds of advice?

Simon: Yeah, I think probably the newer type of clients, we can call them that, are the influencers, the YouTubers, digital creators. They're now very much part of the creative economy. And in my experience, they are very entrepreneurial. The speed of their success can be incredibly fast. They can be filming in their bedroom one minute and then the next minute they just really pop off and they could be making some pretty large amounts of money. And the differences, I suppose, their income streams are really pretty varied. They've got multiple sources, whether it's ad revenue, sponsorships, merchandise, live appearances, monetising YouTube and things like that. So that might make the tax planning slightly more complicated, I suppose. But they do tend to be pretty young as well. So I think that the ones certainly that I've met and spoken to and work with, they may have all of this financial success quite quickly, but they haven't actually had the experience with budgeting, saving, investing, planning, and that sort of thing. So, the advice we're giving is about the education and building those financial foundations early.

In answer to your question around how are they different, I think the principles of wealth management are very much the same, but I think the difference with these types of clients is the pace and the tech savviness and how we deliver that advice to them. I think that's where it's different.

Alexis: And so finally, for any creatives listening who may not yet have a wealth manager, what are the first few steps that they should take to get their financial house in order?

Simon: So the first step is not diving into investment straight away. I think it's getting curious and being organised about your finances, your income, your expenses. Have you got an emergency fund, for example? And really, I would say it's treat yourself like a business and get special advice early, an accountant, a wealth manager. Find someone that you can trust that can help guide you.

Alexis: Well, that's all we have time for today. Well, thank you so much for joining me today, Simon. It's been a pleasure.

Simon: It's been a pleasure, thank you very much for having me.

Alexis: As ever, a big thank you goes to RPC's in-house team for the production, music and sound editing of this episode. A full transcript of this episode together with our references can be found on our website at www.rpclegal.com/taxingmatters. And if you have any questions for me or any topics you'd us to cover in a future episode, please do email us on taxingmatters@rpclegal.com. I would love to hear from you. If you like Taxing Matters, why not try RPC's other podcast offerings, Insurance Covered, which looks at the inner workings of the insurance industry hosted by the brilliant Peter Mansfield and available on Apple podcasts, Spotify and our website. Or the Work Couch, the podcast series, which is where we explore how your business can navigate today's tricky people challenges and respond to key developments in the ever-evolving world of employment law. Hosted by the fantastic Ellie Gelder and also available on Apple podcasts, Spotify and our website rpclegal.com. If you like this episode, please take a moment to rate, review and subscribe and remember to tell a colleague about us. Thank you all for listening and talk to you again soon.



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