

# Value leakage

The quiet erosion of outcomes and why Novitas is built to stop it.



Most people don't lose financial outcomes in one dramatic mistake. They lose them through value leakage. This is small, repeatable inefficiencies that quietly compound over time.

It's rarely obvious in the moment. It shows up later as:

- A plan that feels fine, but delivers less than it should
- A retirement income that becomes tighter than expected
- A legacy that shrinks without anyone knowing exactly where it went
- Unnecessary complexity that increases cost, stress and poor timing decisions.

**Cost is what you pay. Value is what you keep.**

Value leakage is everything that reduces what you keep.

## WHERE VALUE LEAKAGE TYPICALLY COMES FROM

01



### Behaviour leakage

The most expensive mistakes are often behavioural:

- Selling after falls and buying after rises
- Reacting to headlines instead of the plan
- Holding too much cash "until things feel safer"
- Switching frequently without a decision rule.

Even when the decisions feel sensible at the time, the compounding effect can be severe.

02



### Drift leakage

Portfolios drift. That's normal. But unmanaged drift becomes accidental risk:

- Risk levels creep higher after strong markets
- Defensive allocations shrink without anyone noticing
- Diversification weakens as a few holdings dominate.

Drift is rarely dramatic. It's just persistent and that's why it matters.

03



### Sequencing leakage (especially in the crossover years)

Some of the most damaging leakage happens when people start:

- Taking income from the wrong place at the wrong time
- Selling growth assets in a downturn because there's no buffer
- Using lump sums (e.g. mortgage, gifts) without protecting resilience
- Starting drawdown without a proper withdrawal structure.

Poor sequencing can turn a good long-term plan into a fragile short-term one.



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## 04 TAX LEAKAGE (WHERE RELEVANT)



This isn't about clever tax tricks. It's about avoiding avoidable leakage:

- Withdrawals structured in a way that creates unnecessary tax
- Missing allowances because decisions weren't coordinated
- Making one-off moves without checking second-order impacts
- Triggering restrictions that reduce future flexibility.

Small annual inefficiencies can become large lifetime outcomes.

## 05 COST LEAKAGE (FEES WITHOUT OUTCOMES)



Fees aren't inherently bad. Unjustified fees are.

Cost leakage happens when:

- You pay for layers that don't improve outcomes
- Complexity increases without adding resilience
- A service is ongoing in name, but not in meaningful governance.

Our standard is simple – if it doesn't improve outcomes after costs, it doesn't earn its place.

## 05 COMPLEXITY LEAKAGE



Complexity is a hidden cost:

- More moving parts to monitor
- More opportunities for mistakes
- Harder decision-making under pressure
- Harder handovers if anything happens to you.

If complexity doesn't buy better outcomes, it drains them.

## How Novitas reduces value leakage

We approach leakage like an engineer approaches friction – identify it, measure it, remove it.



### 1. Strategy-led structure

We assign each part of your money a job (Save / Spend / Share including overlaps), so decisions aren't made in isolation.



### 2. Regular governance

Portfolios are overseen within agreed boundaries to prevent drift, maintain discipline and reduce reactive behaviour.



### 3. Decision rules

We agree triggers for action and restraint so you don't end up making big decisions in emotionally noisy moments.



### 4. Sequencing and resilience

We design buffers and withdrawal logic so spending doesn't force poor timing, especially in early drawdown years.



### 5. Value testing

Every layer must justify itself.

**Cost is what you pay. Value is what you keep.**

So we use specialist oversight only when it is outcome-positive after costs.



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## WHY THIS MATTERS



Value leakage is usually silent. But over years and decades, it can be the difference between:

- “We’re fine” and “We’re constrained”
- “We can help family” and “We’d like to, but...”
- “This feels robust” and “This is fragile if markets turn”.



The anti-default isn’t about chasing more return. It’s about **keeping more of the outcomes you were already capable of achieving.**

Goal setting and cashflow planning use assumptions about returns, inflation, tax and life expectancy which may not be borne out. Projections are not guaranteed. The value of investments can fall as well as rise. Tax treatment depends on individual circumstances and may change. The Financial Conduct Authority does not regulate tax planning.

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0115 977 1046



[www.novitaswealth.co.uk](https://www.novitaswealth.co.uk)



[admin@novitaswealth.co.uk](mailto:admin@novitaswealth.co.uk)



43b Plains Road, Mapperley,  
Nottingham NG3 5JU