Professional Paraplanner

The magazine for paraplanners and financial technicians
July/August 2019

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We've got great news for you. We've launched a brand-new online service for advice firms, designed to let you manage your clients' NS&I portfolios more easily.
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Professional
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WINNING CULTURE

Congratulations to all the winners of the Professional Paraplanner Awards 2019, as well as everyone who was shortlisted.

Once again we had a record number of very high quality entries for the Paraplanner of the Year and the Paraplanner Team of the Year awards.

We also introduced three new awards – Paraplanner of the Year Outsourced, New Paraplanner of the Year (for those who have been in the role for less than two years) and Administrator of the Year. It was a pleasure to see the level of entry in these three categories and for our panel of judges to interview the short-listed candidates.

Splitting the Paraplanner of the Year award into two – for In-house and Outsourced paraplanning – enabled us to acknowledge the different ways in which paraplanners work, for example that for outsourced paraplanners the adviser is their direct client and they rarely, if ever, meet the end client.

The New Paraplanner of the Year award highlighted not only the immense enthusiasm for paraplanning but also the high levels of initiative amongst new joiners, looking not only at how clients could be better served but beyond that to promoting paraplanning as a great career choice. There were some great advocates of paraplanning amongst the entries for this category.

The Administrator of the Year award gave paraplanners the opportunity to nominate their administrators for the accolade. It spotlighted not only the value paraplanners place on their admin teams but also the tremendous work being put in by administrators in support of paraplanners as well as, again, the high levels of initiative being shown in, for example, the creation of efficient and effective means to obtain the information required by paraplanners to do their job.

The high standard of submission in every category served to highlight for me, the immense talent in the paraplanning community at all levels and how all the roles come together to serve the end clients.

Indeed, the emphasis on team work, where everyone does their bit to make the process as effective and efficient and client-focussed as possible, is the subject of this month's Viewpoint, written by Dan Atkinson. Dan extols the virtue of looking beyond the nitty-gritty of the job and seeing the bigger picture. His concern is that a 'them and us' mentality sometimes arises in firms, which can lead to negativity within a business. In fact, there are two fundamental reasons for financial planning firms to exist – helping clients to achieve their financial goals and making a profit to sustain the business. Working as a team, where everyone's input is valued as equally important to the overall delivery of service to the end client and the overall profitability of the business is what makes for a healthy, sustainable firm, he argues. It can make also for a far more pleasant working environment – and who wouldn't want that?

Technical Insight Seminars

This year we wanted to take our seminars out to as many paraplanners as we could around the UK. So we increased the number of events from 11 to 15, adding Cardiff, Reading, Glasgow and Chester to the schedule. We're pleased to say over 700 paraplanners have registered to attend an event close to them. Our next two events are in Southampton and Chester – 10 July and 24 July respectively. If you would like to register for one of these events please email louisahooper@researchinfinance.co.uk and she will arrange for you to be added to the delegate list. We have eight seminars lined up for the autumn – from Bristol to Scotland. You can find out more information via the Professional Paraplanner website and to register for an event at: https://www.surveygizmo.com/s3/4701291/TechnicalInsight2019SignUp

Next issue

The magazine will be taking a summer break – we will be back at the end of August with our September edition. We won't be sitting on beaches twiddling our thumbs, however. All through the summer you'll find great content uploaded daily on the *Professional Paraplanner* website. Log on or sign up for the emails which we send out around 8am every day. Go to: www.professionalparaplanner.co.uk to find out more.

Rob Kingsbury,
Editor, *Professional Paraplanner*
robkingsbury@researchinfinance.co.uk

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In this issue...

Professional Paraplanner is published by

RESEARCH IN FINANCE

Address

80 Coleman Street, London EC2R 5BJ

T: +44 (0)20 7104 2235 **E:** info@researchinfinance.co.uk

W: professionalparaplanner.co.uk

Editorial

Editor
Rob Kingsbury
E: robkingsbury@researchinfinance.co.uk

Designer
Pascal Don Design
E: pascal.don@mac.com

Editorial inquiries: editorial@researchinfinance.co.uk
Production inquiries: production@researchinfinance.co.uk

Research analytics

Research Director
Adele Gray
T: +44 (0) 20 7104 2237
E: adelegray@researchinfinance.co.uk

Head of Insight
Annalise Toberman
T: +44 (0) 20 7104 2238
E: annalisetoberman@researchinfinance.co.uk

Events

Event Manager
Louisa Hooper
T: +44 (0) 7990 823423
E: louisahooper@researchinfinance.co.uk

Management

Founding Director
Toby Finden-Crofts
T: +44 (0) 20 7104 2236
E: tobyfindencrofts@researchinfinance.co.uk

Founding Director
Richard Ley
T: +44 (0) 20 7104 2239
E: richardley@researchinfinance.co.uk

Advertising and sponsorship enquiries: sales@researchinfinance.co.uk

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VIEWPOINT

Sometimes we need to step back from the job we do and take in the bigger picture, says Dan Atkinson, head of Technical, EQ Investors

What is the purpose of paraplanners in a business? We do lots of things, but why are we part of the team? Why do we even have financial planning businesses in the first place? Forgive me if these are too obvious, but sometimes it's wise to step back and consider them. So, bear with me. Let's think about them in reverse order.

Why do the businesses we work for exist? Whilst we might have a snappy vision and/or mission statement there are two things that are in common across financial planning businesses. I think they have equal weight, but more in a 100% and 100% sense rather than 50:50.

One core reason for being is to help our clients achieve their financial goals. It's 100% about our clients' best interests whether you formally hold yourself out as a fiduciary or not – just look up COBS 2.1. The best planners I've spoken to have a deep care for their clients and a strong relationship with them.

The other is what businesses are designed to do – make profit. 100% of businesses that consistently lose money will eventually fail. This means clients won't be served, owners will lose money, and employees will lose jobs. Business owners amongst the paraplanning community will be acutely aware of this. However, those of us who are employees can get side-tracked from this.

Our responsibility is to do our best for clients efficiently, to ensure that our businesses are sustainable – profits are necessary for the future of any business. So, we need to be cognisant of our time and how we deploy it for the businesses of which we are part.

Let me be clear at this point. These are not the only purposes of a business, but without the two we won't be in business for long. EQ Investors is a Certified B Corp*. Certified B Corps are a new kind of business that balances purpose and profit. They are legally required to consider the impact of their decisions on their workers, customers, suppliers, community, and the environment. This is a community of leaders, driving of a global movement of people using businesses as a force for good.

Our responsibility is to do our best for clients efficiently to ensure that our businesses are sustainable – profits are necessary for the future of any business

So, what is our part in the businesses we work for? Clearly this varies between firms, but we have an important part in the team. Planners bear responsibility for finding and engaging clients. They have regulatory responsibility for the advice and often will have made a substantial financial investment in the business. Administrators make things happen. They ensure that what is agreed to actually happens – and hold providers to account when they don't deliver. Paraplanners provide technical support, undertake research, analysis, report writing and more. We take direction from our advisers

and refine this into a functional, compliant experience for the clients.

These are different parts of a functioning team or partnership. I'm not saying, 'know your place' but rather understand your part in the jigsaw and be the best that you can at that. Understand how the other parts link together for the purpose of the business – serve clients and make money. We have an important part to play, but the position of most importance needs to be the client.

This leads me to an uncomfortable observation. Sometimes, especially where we are more technically qualified than our advisers, we can become arrogant. It's possible that we know best from a technical point of view, but that doesn't mean we should have an attitude of I want to 'get my adviser to...' and a desire to manipulate them into best practices. We are working together with them, so approach differences as partners not adversaries. We might not be right, and indeed unless we know the client as well as the adviser does we won't understand how they tick. We can both learn from each other, so let's do this from a position of respect.

Likewise, with our administrators, treat them with respect as partners in the purpose. It sickens me to hear of people talking down to them as 'just an administrator'. They have a key role and without them nothing would happen. The financial plans that get built are pointless unless implemented. Each part of the business jigsaw has an important part to play and a different perspective which is valuable. We are in it together as partners for clients and profit. Let's remember, respect and acknowledge our differences of skill sets and experiences and get on with the job at hand. Let's work as a team.

You can find out more about Certified B Corp here: https://bcorporation.uk/

TAKING THE INITIATIVE

New Paraplanner of the Year award winner Alana Quinn tells how since joining Murphy Wealth she has been encouraged to use her initiative and take responsibility for key projects within the firm alongside her paraplanning duties

Alana Quinn of Glasgow-based Murphy Wealth is not afraid to put forward ideas to deliver better service for clients and help build the business. She also doesn't shy away from taking responsibility for implementing those ideas. It's one of the reasons she scooped the New Paraplanner of the Year accolade at this year's Professional Paraplanner Awards.

She is helped by the fact that the firm encourages its staff to use their initiative and to take responsibility for putting their ideas into action. This has lead Alana and fellow paraplanners Ciaran Stark and Ceara McGrory, to become deeply involved in key projects for the firm.

Murphy Wealth is a small family-run business with a 42-year history, which started in Ayr and moved to Glasgow in 2012. It has two advisers and around 300 active clients, mainly entrepreneurs and high net wealth individuals. It now has its sights firmly set on growth – recently doubling its office space and taking on five new staff including an intern and a graduate trainee. It's an exciting time to be apart of the company, Alana says. "They are more than happy for us to come up with ideas and if they like them they will allow us to put them into practice," she adds.

The ratio of advisers to paraplanners at the firm is 1:2. But the paraplanners are termed client managers. The reason for this, Alana explains, is that the paraplanner role sits squarely within the firm's client relationship building process.

"As the client manager I'm actively involved in every case from start to finish and attend all the client meetings with the adviser. We work as a team and discuss the client's needs before the meeting and make decisions collectively about what we're going to talk about. I will prepare the documents, produce the cashflow models and I will also take notes within the meeting, so the adviser can focus his attention on the client."

The client managers are also the firm's first point of contact for clients in the daily run of things, she explains. "We communicate with the clients and send them their documents and they will come to us in the first instance if they have any questions."

This way of working, supported by the ratio of paraplanners to advisers, she adds, "allows the advisers the space to concentrate on the advising."

To help with discussions of client cases, the firm has installed white boards in the office. "If, for example, we are dealing with a complex case, such as tax planning where there are trusts and business relief involved, we'll put all the facts up on a white board so we can go through everything and find the right solution for the client."

She says she has found this hands-on way of working, including attending client meetings, "very useful for my development because we're getting to see everything that goes on and to put into practice what we have read in text books. It's also been great for building my confidence."

"It's really rewarding when the client is able to go and live the life they have been speaking about in meetings"

Graduate scheme

Alana studied Investment Finance and Risk at Glasgow Caledonian University, writing her dissertation on behavioural finance and whether individuals needed more of a push than a nudge to engage in the right way with their finances. On leaving university she spent a year travelling – "just me and my backpack" – in South East Asia before joining Murphy Wealth in May 2017.

"I knew Ciaran because he was on the same course as me at University. He had been an intern while at college and was already working here. I joined as part of an unofficial graduate scheme, starting in admin for six months before moving to a paraplanning role," she says.

As part of its growth plans, the firm decided it wanted to bring on both more interns and graduate trainees, looking to take on one of each per year. Alana suggested that having been through the process, she and Ciaran could work on ideas for a more structured graduate scheme. "We wanted to have a two-year graduate programme with an offer of a permanent role as a paraplanner at the end. It made sense for someone who had been through the process to help shape what it would look like.

"We thought it was important for graduates to get a real feel for the whole business, starting in the admin department, where they can get to understand the back office and due diligence process and so on, and gradually introduce them to the paraplanner role, including attending client meetings, so they can get to see what the advisers do on a day-to-day basis too.

"We also set up a buddy system where Ciaran, Ceara and I are buddies for the graduate trainees, being there to help guide and answer any questions they may have as they work through the programme."

Hand-in-hand with the graduate

programme, Alana has been heavily involved in encouraging interest in the firms' internship opportunities. She explains: "We did this by running a competition with Glasgow Caledonian University, the prize for which was an internship with Murphy Wealth.

"I co-ordinated with the President of the University's Risk and Finance Society and we organised a kind of speed-dating event at the office, which people could get on to by writing a 500-word submission on the future and challenges of financial planning. We advertised the competition in the university and through social media and I went in and talked to students about it too. The students came in and spoke to the admin staff, the paraplanners and the advisers about the role. Then we judged the entries and the winner got the internship. She was one of the five people who started with the firm a few weeks ago."

Client experience programme

It was while working as an administrator that Alana thought she could see a way to improve the client experience. "We do it well but there are always ways we can get better at things and I thought there were ways we could enhance our client contact," she says. The team, under the stewardship of operations director, Fiona Frew, is designing the client experience programme, which maps the journey from the client perspective from initial contact through the onboarding process.

A team of four within the firm is working on the programme. "We determine what we need to do from a client facing perspective, to identify any gaps or improvements we can make to ensure the client journey is as smooth as possible," Alana explains. "For example, ensuring they are kept informed of progress throughout onboarding, which can be quite a lengthy process if you're waiting for information from providers. This way the client doesn't lose sight of what we are doing for them and the value they're getting from us. It also includes marking things like birthdays. It's about making the client feel they are valued."

The firm has also launched the Murphy Wealth App. This, says Alana, gives clients a consolidated view of their assets, as well as a secure messaging facility. The firm can update client information and the client can put in additional information from their end and choose whether or not to share it with the adviser. "It's providing the best possible service to clients when we take them on and through their time with us," Alana says.

Spreading the word

While the profile of paraplanning has increased within financial services in recent years, Alana believes it remains largely unknown as a career and she wants to help encourage more people to become paraplanners. This is one reason why she was keen to get involved with the graduate and intern programmes, which she sees as a means both to bring in new paraplanners and spread the word about paraplanning in general. "I'm not sure many people at university know what a paraplanning role is and I think now we have this closer link with Glasgow Caledonian, Ciaran and I have the opportunity to talk about it as a career option.

"I really enjoy what I do. Every day is different because it is such a varied role. What's best about the job, for me, is the client interaction and knowing you've empowered people to make life-changing decisions. It's really rewarding when the client is able to go and live the life they have been speaking about in meetings, and when they send photos of themselves doing what they dreamed of doing, to show they appreciate the work that you've done for them.

"I think if more people could see what paraplanning can do for people, a lot more people would want to be paraplanners."

Winning the award

Parmenion's Patrick Ingram presents Alana with the award

Talking about winning the New Paraplanner of the Year award, Alana says: "I think it's great that there are awards for paraplanners as a standalone role. I'd seen the previous years' awards in *Professional Paraplanner*, so when I saw that this year there was a New Paraplanner of the Year award, for people who'd been a paraplanner for less than two years, I thought maybe I would give it a shot. Writing the entry and then going through the interview process was a good experience. I wasn't expecting to win at all.

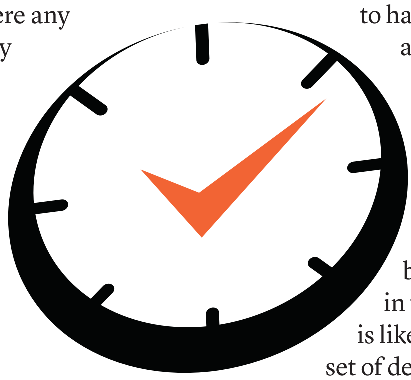
"It's been great for my confidence and had an effect already. We put it out on social media and since then I've been in five client meetings and all the clients have mentioned it. It's great recognition for me and for the firm too."

MANAGING YOUR TIME

If you are good at paraplanning you can find you become swamped with tasks. Then it's time to get things back in order, says Michelle Hoskin, MD of Standards international

By nature, financial advisers and financial planners are mavericks! Not in a bad way – in fact, if they were any other way, they probably wouldn't be so great with their clients. Their ability to think on their feet and bounce from one conversation (or drama) to another (depending on the client) makes them who they are... BUT... it doesn't make them the most organised or the easiest people for paraplanners to work for!

We all know that 'para' means 'beside' or 'alongside', but sometimes financial advisers both dominate the relationship with their paraplanners and dictate the way that things get done. It is very rare that I meet a financial adviser or financial planner who has award-winning organisational skills, which means that I always encourage paraplanners to take the lead role in setting the standard and deciding how stuff gets done.



Be warned, though... this is no easy task. Financial advisers are hard-wired and skilled in ways of working they have maintained for decades, so you are going to have to stand your ground and prove that, as we all know, there is always a more effective and efficient way of working.

The chances are, if you are any good at your job, requests for tasks to be completed will come in thick and fast. Each task is likely to require a different set of deliverables with a different set of timescales, so it is essential that you understand why the task is being requested and what the desired outcomes are. At this point I don't need to remind you that – once you have the confidence and are given the autonomy to actually do the job you are being paid for – you shouldn't need step-by-step instructions on how to complete it.

Paraplanners are doers and people-pleasers by nature but DO NOT under any circumstances ever forget that managing your time effectively is an art form. It takes skill, practice and dedication to get it right. It may require a different mindset but it will support you in the achievement of every task, regardless of size!

But, remember, you are not super-human. You can't stop time or give yourself an extra 48 hours a week (although I know at times you wish you could!), so never over-commit and then under-deliver on your promises. Sometimes there is simply too much work to do in the time you have been given to do it. No one wins and, worse, trust breaks down. Be honest and open and work within the parameters that have been set; always do your best but do not over-work yourself; and never, ever take on the work of another member of the team if their failure to complete the task stems from a lack of care, skills or ability. So, always remember:

- Being busy doesn't mean you are being productive.
- There is always a more effective and efficient way of doing something – so strive to find it.
- Learn to love lists and structures.
- We are not designed to multi-task or multi-focus – so don't even attempt it.
- Always try to start the day with some planning time – set out your stall and get your head around the day to come; decide on the key things you need to do before the end of the day.
- Learn to love a deadline – everyone needs a deadline, so if one has not been set for a task or project you are working on, either get one or make one up.

Always try to start the day with some planning time – set out your stall and get your head around the day to come; decide on the key things you need to do before the end of the day

And finally

Handovers and delegation that are done at top speed or which are full of holes are useless. Adequate time should be allocated to the handing over of key tasks. If you are not clear about what needs to be done or you don't have all the information or the full picture... kick it back until you can move confidently to complete the work you have been asked to do.

Professional Paraplanner
Technical Insight Seminars

REGISTER FOR OUR AUTUMN SEMINARS – EIGHT MORE EVENTS AROUND THE COUNTRY

Over 700 paraplanners have registered for our 15 events this year

JOIN YOUR FELLOW PARAPLANNERS THIS AUTUMN:

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Nottingham: The Nottingham Belfry, 11 September
Glasgow: Hilton, 18 September
Edinburgh: The Waldorf Astoria, 19 September
Leeds: Oulton Hall, 2 October
Manchester: The Midland Hotel, 16 October
Reading: Crowne Plaza, 23 October
Bristol: The Aztec, 13 November
Newcastle: Crowne Plaza, 26 November

How to register

To register for our Seminars running from September to November 2019: go to the *Professional Paraplanner* website or use this link: https://www.surveygizmo.com/s3/4701291/TechnicalInsight2019SignUp

Chester seminar – 24 July

We have a few spaces available at our Chester seminar on 24 July at the Double Tree by Hilton hotel. Go to the *Professional Paraplanner* website or use this link: https://www.surveygizmo.com/s3/4701291/TechnicalInsight2019SignUp

ONLINE ACCESS

In May, NS&I launched a new online portal for financial advice firms. Rob Kingsbury asked Andrew Pike, Head of Intermediary Relationships, NS&I, about the development and what it gives paraplanners

What has the launch of the portal given advice firms that they didn't have before?

Until February last year if advice firms wanted to find out about any of their clients' holdings with NS&I they would have had to obtain a Letter of Authority (LoA) from their client every time. They also then had to submit the request by post and wait two-three weeks for a response. However, at that time we introduced a secure-access telephone service as an interim stage before the full roll-out of the digital service this May. At the same time, we also brought in an indefinite Letter of Authority template, that once submitted is then retained on file, and a new Terms of Business Agreement between each advice firm and NS&I to protect all parties including the clients.

The new online service is designed to give advisers even easier and faster access to more information than they previously had access to before, including Premium Bond prize history, which helps in calculating the return being achieved from a client's Premium Bonds. This is in addition to information such as valuations, maturity dates and copies of correspondence sent to the clients.

Access to the system can also be made available not just to the client's adviser but to anyone in the advice firm who needs it, so for example, the paraplanner working on the financial plan and the suitability report can have ready access when they need it.

Who do you see benefitting most from the portal?

We believe the people most using the portal on a day-to-day basis, and so getting particular benefit from the increased information, will be paraplanners and technical staff. Hence, we have been out talking to paraplanners at events such as the *Professional Paraplanner* Technical Insight Seminars.

The portal should really help paraplanners in their job, and in particular, will help in respect of using cash as part of holistic financial planning. Since RDR, we have seen cash become a far more integral part of many more financial plans, to the extent that we are now seeing adviser platforms approach us to have NS&I products onboard.

A recent survey we undertook via *Professional Paraplanner*, showed that currently around two thirds of paraplanners are including cash. So, the question is, what are the other third doing and how can we make it easier for them to include cash in their financial plans?

We know that one of the hurdles they would have had with us, until now, would have been the drawn out process to find the information. The portal will do away with that hurdle and we hope this will encourage more paraplanners and advisers to look at what NS&I has to offer, in the knowledge that they can now easily and quickly access the information when they need it.

We hope that for firms where we have been a peripheral provider in the past, that this will take us more into the mainstream with these firms.

> ***We believe the people most using the portal on a day-to-day basis, and so getting particular benefit from the increased information, will be paraplanners and technical staff***

Could the 100% HM Treasury backing that comes with NS&I products effectively be seen as doing away with the need to diversify the cash element of a client's portfolio?

One of the main reasons that advisers tell us they use NS&I products is that they don't have to worry about the FSCS limit of £85,000. We find that where people come into money, for example, they get a windfall, they can park it with NS&I knowing it is 100% secure.

It also means, advice firms don't have the hassle of dealing with multiple cash product providers, especially if they are dealing with multi-millionaires, where they would need to open numerous accounts worth £85,000 in order to spread the risk. The peace of mind our unique security guarantee provides is a key reason why we are so popular with advice firms and their clients.

Typically, we are seen as the state-owned savings provider, which is there for everyone, with very universal appeal, all of which is true; but what people often don't realise is that we have a lot of wealthy individual customers.

For example, NS&I has over 8,000 customers with individually over £1m invested. We also have more than 800,000 customers with over £50,000 invested. It is a fair assumption that the majority will have savings and investments, potentially significant sums, placed elsewhere also, which make them prime clients for financial planning. Those 800,000 customers, in monetary terms account for 56% of all the money invested with NS&I.

While we have some similar cash products to banks and building societies, we offer some very different products as well because of our unique offer of 100% capital security, because NS&I is backed by HM Treasury. Additionally, as we don't have our own branches and advisers, we need financial advice firms to help us support our mutual high value clients.

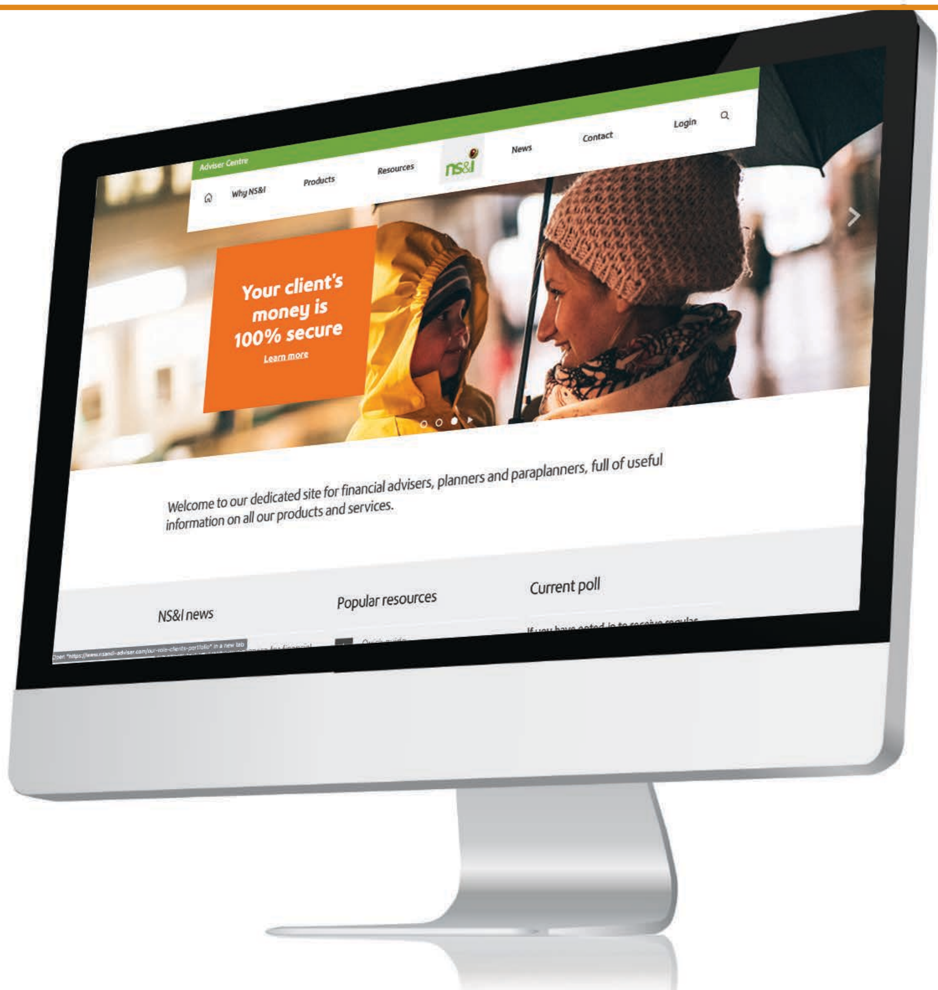
What are your main challenges?

The main challenge for us with advice firms can be interest rates. We can be seen as not being competitive in the market. When setting our interest rates NS&I has a duty to balance the interests of our savers, the taxpayer and broader market stability. However, if you compare us over the past three years to our top 25 competitors – i.e. the big brands – our interest rates are nearly always above the average. But we can't compete with preferential savings rates that are offered by some of the smaller building societies, for example, which are effectively loss leaders to build a customer base. However, they can't offer the same level of security we provide.

The other challenge is educating around why and where cash has a role in a portfolio and within holistic financial planning. Often people tell us we are the default home for cash because of the security and backing from HM Treasury.

Another advantage with Premium Bonds and our Savings Certificates is that returns are tax free. Premium Bonds are very popular with advice firms and their clients, as are both types of Savings Certificates. The latter are not on sale to new customers currently, but there is a high probability that every advice firm will have at least some clients with these still as they can be rolled over at the end of each term.

We also have products, such as our Income Bonds and Guaranteed Growth Bonds and Guaranteed Income Bonds which clients can hold in a SIPP, SSAS or trust. Our Investment Account can be held in trust also, but not in a SIPP or SSAS.



The portal provides access to a lot of client information, what security is in place?

As you might expect with NS&I, our security protocols are robust. To use the service the advice firm must be FCA registered, sign a terms of business contract, and ask their clients to sign the NS&I letters of authority. They then set up one or more super-users, those with administrator authority, and then decide to which staff they want to give access. More details – and the templates – can be found on www.nsandi-adviser.com

You've hinted there is more to come from NS&I, what is on the horizon?

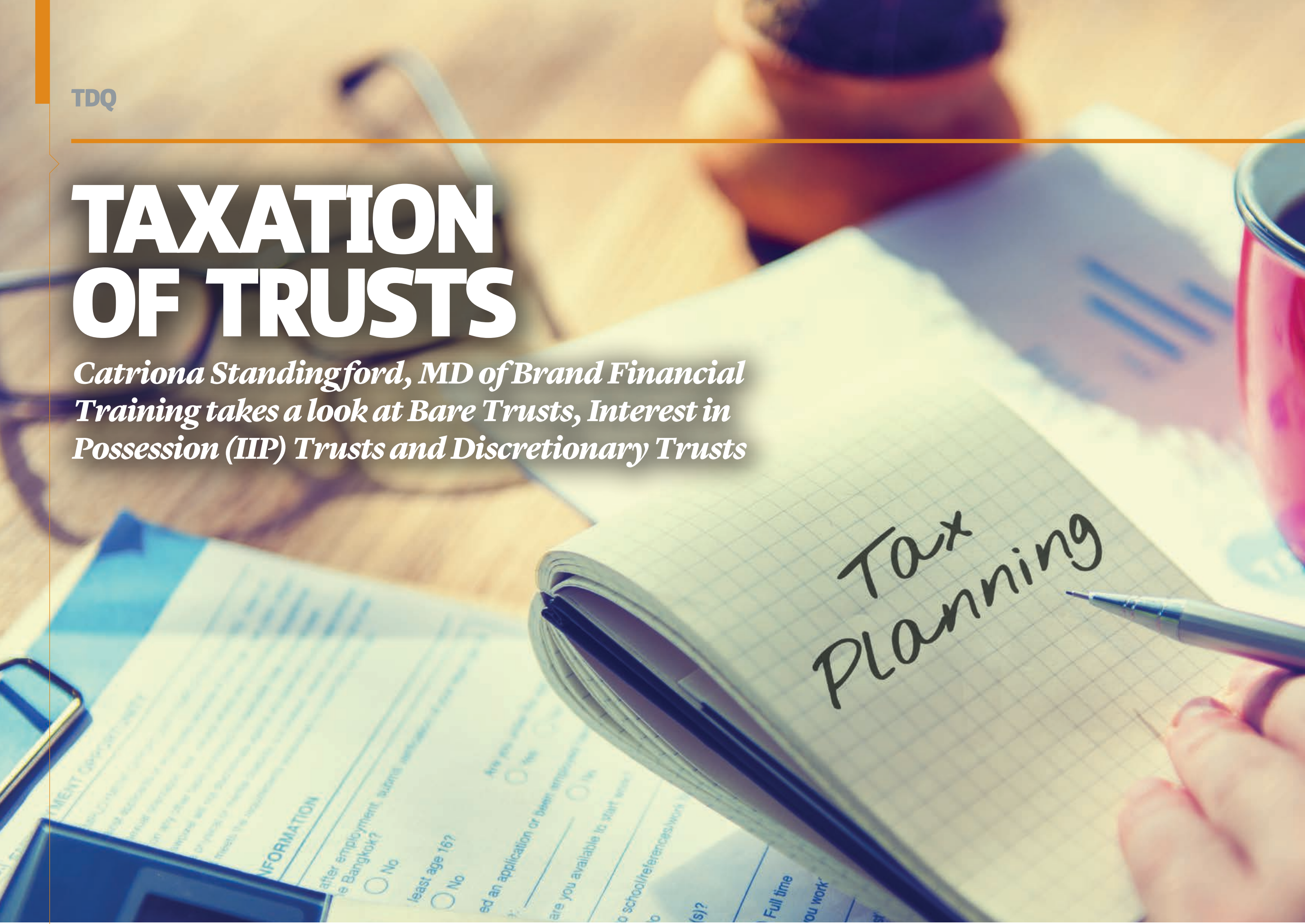
Giving advice firms access to joint account information was the next item on our agenda after launch and that is now live. In addition, we have a list of small, user experience-type tweaks we will be making to the service over the next year or so.

The next key priority is giving advice firms access to their client's trust accounts, which are typically used for children or celebrities for anonymity. We know some advice firms have a lot of clients with trusts, so we know we need to make these available online too. It is more complex to achieve but we are hoping to bring it online in this financial year.

We will also be researching the appetite amongst advice firms for transactional access and if highlighted as a requirement, how they would want the access, for example through the NS&I portal, through platforms, or cash management systems.

There are over 5,000 financial advice firms in the UK, and while we are realistic enough to know we might not get all of them registering for the new NS&I portal, we expect most will do so. This is simply because the vast majority of firms will already have clients with NS&I products in one form or another, and cash is becoming an integral part of the financial planning process, so why wouldn't they want to see their clients' whole financial situation?

Further information on the NS&I portal can be found at: nsandi-adviser.com



TAXATION OF TRUSTS

Catriona Standingford, MD of Brand Financial Training takes a look at Bare Trusts, Interest in Possession (IIP) Trusts and Discretionary Trusts

Paraplanners studying for a taxation or trusts exam, will need to know about the main trusts used in financial planning and the different taxation rules that apply to each.

Bare Trusts

For tax purposes, bare trusts are more or less treated as if the trust did not exist, with the beneficiary being liable for any tax due. Any income received is taxed as the beneficiary's income and charged at their rate; if they have any unused personal allowance, personal savings allowance or dividend allowance, these can be used. Whatever their tax status, the beneficiary must declare the trust income on their self-assessment form.

If the settlor of the trust is the parent of a minor beneficiary then the parental settlement rules apply – if gross income received by the trust exceeds £100 it will be taxed as if it belongs to the parent at their rates. When assets are disposed of, or are transferred out of a bare trust, the beneficiary will be liable for any CGT due. If they have not used their annual exempt amount, they can use it to offset the gain with any remainder normally being subject to CGT at 10% or 20% (18% and 28% apply to gains on residential property that are not exempt under principal private residence relief (PPRR)).

The creation of any type of trust is a disposal for CGT purposes. The transfer of assets into a trust can benefit from holdover relief. With a bare trust the settlor can only claim holdover relief if the gift into the trust is a business asset.

For inheritance tax (IHT), a gift into a bare trust is a potentially exempt transfer (PET), therefore, no IHT is due at the time of the gift but, if the settlor dies within seven years of making it and the value of the gift exceeds their available nil rate band, the beneficiary will be liable to IHT at 40% on the excess. Taper relief will reduce the IHT charge if the gift was made over three years before death occurred.

Where the beneficiary of a bare trust dies, the value of the trust is included in their estate for IHT purposes.

Interest in possession trusts (IIP)

These are where at least one beneficiary has an immediate and automatic right to trust income. Any capital from the trust is usually passed on to a different beneficiary or group of beneficiaries at a point in the future. For income tax purposes, the trustees of an IIP trust are treated as if they are basic rate tax payers, but without the benefit of any of the allowances. Depending on their own tax position the beneficiaries may be able to reclaim tax or be liable for more.

As with bare trusts, the settlor will be liable for any income tax liability where the beneficiary is their minor child and the income exceeds £100. The same is also true where the trust is a settlor interested

For inheritance tax (IHT), a gift into a bare trust is a potentially exempt transfer (PET), therefore, no IHT is due at the time of the gift

trust i.e. where either the settlor or their spouse or civil partner is a beneficiary.

IIP trusts pay CGT at a rate of 20% for most disposals made within the fund or when a transfer of property is made to a beneficiary (28% for residential property gains that are not exempt under PPRR). However, the trust can claim an exemption of up to half the standard annual exempt amount (although this can be subdivided further where the settlor has created more than one IIP or discretionary trust).

The transfer into an IIP trust is a disposal for CGT purposes, and, because IIP trusts are subject to the chargeable lifetime transfer rules any gain arising, providing the trust is neither a parental settlement nor a settlor-interested trust, can be held-over. If holdover relief is not claimed, any IHT charged on the gift when it is placed into the trust can be deducted from its disposal value providing the settlor pays the IHT due.

The IHT treatment of an IIP trust is dependent upon when the trust was created; those created prior to 22nd March 2006 are treated in the same way as bare trusts. If the gift into trust was a PET, the trust forms part of the beneficiary's estate and the trustees pay any IHT bill due as a result. These rules only still apply where no change in beneficiary has occurred since October 2008, unless a change has happened because the beneficiary died and the new beneficiary is their surviving spouse.

IIP trusts that have been otherwise varied and those created on or after 22 March 2006 are potentially subject to tax on creation, every ten years and when capital is paid out of the trust.

An immediate tax charge of 20% is due on lifetime transfers into IIP trusts if, after exemptions, their value exceeds the available nil rate band. If the settlor pays the tax this becomes an effective rate of 25%. There is also a 10-yearly tax charge of up to 30% of the lifetime rate of 20% on the value of the trust in excess of the available nil rate band on each 10-year anniversary (maximum charge of 6%). There is also an exit charge where capital is paid from the trust between anniversaries which is payable if there was either an immediate tax charge at outset or a 10-yearly anniversary charge prior to the withdrawal.

Discretionary trusts

Trustees of discretionary trusts have discretion over how trust assets are distributed and who to, from the list of discretionary beneficiaries. For income tax purposes, discretionary trusts benefit from a £1,000 standard rate tax band; income received in this band is taxed at the basic rate. Trustees do not benefit from the personal savings allowance or the dividend allowance. The £1,000 is reduced proportionately where more than one discretionary trust has been set up by the same settlor down to a minimum of £200. After the standard rate band has been used, trustees are charged to tax at the additional rates.

The beneficiary of a discretionary trust does not pay tax unless they receive a trust distribution. Regardless of its original source, this is paid out as 'trust income' and is deemed to be received net of 40%. If the beneficiary is not an additional rate tax payer they can reclaim any tax paid in excess of their liability. Because the distribution is classed as trust income, the beneficiary cannot use the personal savings allowance or the dividend allowance.

As with IIP trusts, the settlor will be liable for any income tax liability where the beneficiary is their minor child and the income to the trust exceeds £100 or where the trust is a settlor interested trust.

Where the trustees make a disposal within a discretionary trust or make a transfer out of the trust to a beneficiary, CGT is payable on gains at the higher rate of 20%, with the rate rising to 28% for gains from the disposal of residential property that are not exempt under PPRR. Discretionary trusts also benefit from an annual exempt amount in the same way as IIP trusts.

There is no further CGT liability for a beneficiary who receives a transfer from a discretionary trust. However, they can jointly elect to claim holdover relief with the trustee where there is a gain on the asset transferred.

Discretionary trusts are treated for IHT purposes in the same way as IIP trusts created on or after the 22 March 2006 so they are potentially subject to an immediate, a ten yearly and an exit charge where the value of the trust exceeds the available nil rate band.

Other rules apply to trusts such as those with a vulnerable beneficiary and pre-2006 accumulation and maintenance trusts.

TEST YOUR KNOWLEDGE

For *Professional Paraplanner*'s TDQ (Training, Development and Qualifications) pages, we have teamed up with key support providers, such as Brand Financial Training, to provide our readers with the very best in training, development and exam support. We will be providing you with valuable advice and guidance materials to help you achieve your training goals, perfect your exam techniques and test your knowledge of the financial services market. These questions relate to examinable Tax year 18/19, examinable by the CII until 31 August 2019.

1. If the FCA has suspicions about a firm, can an enforcement officer enter premises and remove original documents from a firm without permission?

- **A** Only if the enforcement officer has a warrant to enter premises and take documents by force if necessary
- **B** The enforcement officer can only take copies of any documents
- **C** The enforcement officer needs a warrant to take documents and would require permission from the firm
- **D** The enforcement officer can access documents at the firm's office but cannot take them away

2. Gemma is buying a property and has been told by her solicitor that she will not be able to run a business from it. This is known as a:

- **A** Restrictive covenant
- **B** Negative covenant
- **C** Positive easement
- **D** Restrictive easement

3. Julie is considering diversifying her portfolio by investing in gilts. She has asked you to explain the income tax and capital gains tax (CGT) position to her. You tell her that:

- **A** Interest is paid net of 20% tax and losses for CGT are allowable
- **B** Interest is usually paid gross but is taxable and any gains are CGT exempt
- **C** Interest is paid gross but is taxable and only qualifying gilts are CGT free
- **D** Interest is paid net of 20% tax and disposal of a gilt is a chargeable event

4. Which of the following lump-sum death benefits is only payable from a scheme pension (i.e. crystallised funds) that arises from a defined benefit scheme?

- **A** A defined benefits lump-sum death benefit.
- **B** A pension protection lump sum death benefit.
- **C** An annuity protection lump sum.
- **D** An uncrystallised lump sum.

5. A mortgage payment protection insurance provider can cancel the policy at a minimum of how many days' notice?

- **A** 30
- **B** 90
- **C** 21
- **D** 14

6. Modern portfolio theory (MPT) categorises risk as being one of two types. Between 1973 – 1974 the UK experienced the great bear market. Which of MPT's two types of risk would this event be categorised as?

- **A** Beta risk
- **B** Non-systematic risk
- **C** Systematic risk
- **D** Investment-specific risk

7. A comprehensive Private Medical Insurance policy will sometimes provide cover for which of the following in the context of long term care provision?

- **A** Home Nursing
- **B** The cost of treatment for long term incurable conditions
- **C** Osteoarthritis
- **D** Dementia

7. If an investor buys futures, what do they expect the price of the underlying asset to do?

- **A** Remain level
- **B** Fall
- **C** Price is not relevant
- **D** Rise

9. Foreign currency mortgages are most suitable for which class of borrowers?

- **A** High Net Worth customers
- **B** All customers
- **C** Expatriates with a home in the UK but with wealth in other currencies
- **D** Customer with a cautious attitude to risk

10. Your client has indicated a return objective of 'capital appreciation'. What characteristic is typical for this type of client?

- **A** Risk averse
- **B** Short-term
- **C** Growth usually achieved from capital gains
- **D** Income dependent

Your answers

1.	2.	3.	4.	5.
6.	7.	8.	9.	10.

Answers and cross-references can be found under the Development tab on the Professional Paraplanner website.

Brand Financial Training

Need help with your CII exams? For resources including mock exam papers, calculation workbooks, study notes, audio masterclasses and e-learning videos do visit Brand Financial Training at https://brandft.co.uk

ESTATE PLANNING

BPR can be a powerful estate planning tool, says Paul Latham, head of Tax Products, Octopus Investments

Inheritance tax receipts reached a record £5.4bn last tax year[1]. With the rise in asset values, those with large estates will continue to be affected. But there are many opportunities for clients to do good things with their money, that the government supports by offering relief from inheritance tax. The relief rewards investors for taking more risk with their wealth, investing in unquoted unlisted and AIM listed smaller businesses, which support the growth of the UK economy.

Investing in the shares of companies that qualify for Business (Property) Relief (BPR) is one such opportunity. Such shares are zero-rated for inheritance tax purposes when held for at least two years and upon death. The tax relief exists to incentivise investors to take on the risk of investing in growing businesses.

Since investing in BPR-qualifying businesses does involve taking on significant risk, it won't be suitable for every client. But for a client who is comfortable with the risks, BPR can be an extremely powerful estate planning tool. Here are three good reasons why:

Reason 1: Speed and simplicity

A key advantage of BPR is that it can achieve its aim in a shorter time frame than other strategies, while often being simpler to put in place. Making gifts or settling assets into trust will typically take seven years to become completely free from inheritance tax. This can be a long time for a client to wait to know that they won't be leaving a liability behind. None of us can reasonably know how long we will live and this consideration becomes especially difficult for clients in later life.

BPR-qualifying investments, on the other hand, can be passed to beneficiaries free from inheritance tax when they are held for just two years or more and at death. Although clients need to remember that tax rules may change and that the relief relies on the companies invested in maintaining their qualifying status.

While some estate planning strategies can be complicated, investing in BPR-qualifying shares can be much simpler than setting up a trust or using life insurance. There are no complex legal structures, and there may not be a requirement for client underwriting or medical questionnaires.

Reason 2: Access and control

One of the biggest barriers to estate planning is that a client often doesn't want to lose control of or access to their wealth in their lifetime. When making lifetime gifts, for example, a client must lose control of the gifted asset to reduce an inheritance tax liability.

It can be difficult for a client to know how much wealth they need to retain to ensure they have a similar quality of life. A client might, for example, want to retain enough wealth to be able to fund costs that might unexpectedly arise in the future, for example if they need to pay for care.

A significant advantage of undertaking estate planning by making BPR-qualifying investments is that inheritance tax relief is given on the investment itself, so it can stay in a client's name during their lifetime, and they retain access to it. This means, subject to liquidity, that they could sell some or all of their shares if they needed to. Although you need to recognise that it can be harder to sell shares in BPR-qualifying companies than those listed on the main market of the London Stock Exchange.

Reason 3: Some BPR-qualifying investments can be held in an ISA

Since clients usually like to retain funds within their ISA for as long as possible, being able to reduce an inheritance tax liability while retaining ISA money is really powerful. When using traditional approaches to inheritance tax planning, such as making a lifetime gift, a client would need to liquidate their ISA in order to pass the assets contained within it to a beneficiary and the benefits of the wrapper would be lost. Understandably, many clients don't want to do this. They may well have an emotional attachment to value accrued within their ISA, having spent a lifetime accumulating it.

But BPR-qualifying AIM shares can be invested in through an ISA. This means a client who is happy to take more investment risk with their ISA could transfer some or all of their ISA pot into such a qualifying portfolio. This would retain the lifetime tax benefits of their ISA wrapper and enable the portfolio to be left to loved ones free of inheritance tax as long as it has been held for at least two years when they pass away.

One of the biggest barriers to estate planning is that a client often doesn't want to lose control of or access to their wealth in their lifetime

Key risks to bear in mind

Remember that BPR-qualifying investments place capital at risk. The value of an investment, and any income from it, can fall or rise. Investors may not get back the full amount they invest.

Tax treatment depends on personal circumstances and may change in the future. Tax reliefs depend on the portfolio companies maintaining their qualifying status. Inheritance tax relief is assessed on a case-by-case basis when a claim is made.

The shares of unquoted companies and those listed on AIM could fall or rise in value more than shares listed on the main market of the London Stock Exchange. They may also be harder to sell.

[1] Source: HMRC, April 2019 - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/796405/Mar19_Receipts_NS_Bulletin_Final.pdf

Professional Paraplanner Awards 2019

Sponsored by

Parmenion

Judging panel

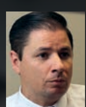
The 2019 awards were judged by:

Jacqueline Lockie
Head of Financial Planning, CISI

Patrick Ingram
Head of Strategic Partnerships, Parmenion

John Redmond
Financial Planner, BpH Wealth Management

Caroline Stuart
Head of Technical Solutions, DB Wood and Member Director of the PFS Board



Martin Green
Paraplanning Manager, Chadney Bulgin and member of the PFS Paraplanner Practitioner Panel

Rob Kingsbury
Editor, *Professional Paraplanner*

Professional Paraplanner Awards 2019

In association with Parmenion

Paraplanner of the Year – In-house: Samantha Gatton

Paraplanner of the Year – Outsourced: Aleksandra Sasin

Paraplanner Team of the Year: Essential Wealth Management

New Paraplanner of the Year: Alana Quinn

Administrator of the Year: Cheryl Lunn

Personality of the Year: Nathan Fryer

For the 2019 Professional Paraplanner awards, we increased the number of awards to six, giving more paraplanners, and administrators, the opportunity to enter an award more specific to their role.

All the awards were by self-nomination, requiring a 500 word essay to be written on a set topic, from which the shortlists of three candidates per award were selected. The shortlisted candidates were then interviewed by members of our judging panel. The exceptions to this method were the Administrator of the Year award and the Personality of the Year award. The Administrator of the Year award required a paraplanner to nominate their administrator for the award, from which submissions three candidates were selected for interview. The Personality of the Year award was nominated by fellow paraplanners, the candidate with the most nominations winning the award.

Congratulations to all our winners and thank you to everyone who entered. The quality of submissions was very high across the board. If you were not shortlisted this year, please don't let that put you off from applying for the awards next year.

My thanks to this year's judging panel – details of which you can find on the preceding page. Finally, I would like to thank Parmenion for supporting this year's awards.

Rob Kingsbury
Editor,
Professional Paraplanner

The Paraplanner Awards 2019

Paraplanner of the Year

- Winner: Samantha Gratton, Old Mill

Also shortlisted:

- Catherine Esland, Succession Wealth
- Sarah McClements, Quilter Private Client Advisers

Paraplanner Team of the Year

- Winner: Essential Wealth Management
- Highly Commended: Mazars Financial Planning Limited

Also shortlisted:

- Acumen Financial Planning
- Kerry Ellis, Cestrian Financial Planning Services Limited

Outsourced Paraplanner of the Year [NEW award]

- Winner: Aleksandra Sasin, Navigatus

Also shortlisted:

- Angela Holdsworth, IFA Assistant
- Ashley Wiltshire, Wiltshire Paraplanning

New Paraplanner of the Year [NEW award]

- Winner: Alana Quinn, Murphy Wealth

Also shortlisted:

- Holly Johnson, Para-Sols Paraplanning Solutions

Administrator of the Year [NEW award]

- Winner: Cheryl Lunn, Para-Sols
- Highly Commended: Bethany Houghton, PLUS Group

Also shortlisted:

- Emma Wilkinson, Holden & Partners

Personality of the Year

- Winner: Nathan Fryer

Patrick Ingram, Head of Strategic Partnerships, Parmenion: Parmenion have been proud supporters of the paraplanning community since our inception and we are proud to continue that support in 2019 with the Professional Paraplanner Awards. On behalf of Parmenion, I'd like to congratulate all this year's short-listed entrants and would encourage many other research and planning professionals to submit their own entry for 2020. Demand for financial advice will rise by 30% over the next decade, given demographics, the shift from DB to DC and the range of options under Pensions Freedom. There is a pressing need for the key skills paraplanners bring to the advice process. Everything should be done to encourage more talent into this prestigious, rewarding and attractive role. Parmenion see the contribution of paraplanners in complementary terms to the activity of a lead adviser. Where the adviser builds trust in a relationship and shapes the clear structure in a financial plan, the paraplanner is on hand to add the detail, double check the facts, overcome challenges in administration as well as scan the market for the best combination of risk controlled investment products, cost effective tax wrappers, platform technology and exemplary service that will underpin each client's composure within the framework of their financial plan. Parmenion share this ambition to deliver.

Professional Paraplanner Awards 2019

In association with Parmenion

PARAPLANNER TEAM OF THE YEAR
ESSENTIAL WEALTH MANAGEMENT

"Winning the Paraplanner Team of the Year award came as a huge but very exciting surprise," says Marc Sullivan, chartered financial planner at Essential Wealth Management, as he reflects on the firm's recent win at the Professional Paraplanner Awards.

Picking up the accolade was all the more surprising, he says, because of the small, boutique nature of the firm. The Berkshire-based firm has just six employees, offering wealth management services to 120 high net worth and ultra high net worth clients.

"We are fairly picky in the clients we choose to work with as we are a small team and we like to provide a very personal, bespoke service, so it is important to us that our personalities work well together."

The firm, which celebrates its 40th anniversary this year, consists of three paraplanners: Marc, his colleague Hannah Turley and new recruit Natasha Blackmore who joined the firm at the end of last year. They work alongside a part-time administrator and office manager, assisting owner and chartered financial planner Sonia Wheeler. "We are a close-knit team and we don't have high turnover," says Marc. "Sonia herself worked at the firm before becoming managing director and subsequently purchasing the business from the

Marc Sullivan and Hannah Turley of Essential Wealth Management collect the Paraplanner Team of the Year award founder. We have forged very strong relationships with our clients and they appreciate the continuity."

Marc completed the firm's Graduate Trainee Programme in 2009 and Hannah has been at the firm since 2011, having also completed the programme.

"As a firm we are very keen to hire graduates," Marc says. "For us, it is more a case of identifying people who have an interest in financial advice and the capability to learn rather than a set skillset or experience. The graduate programme has a timeline in place, but it is flexible depending on the progress of the individual and we tailor the style of learning to suit their preferences. However, ultimately the long-term plan for those who join is to become chartered so we pay for exams and tuition to support that learning."

Learning and development is a key focus for Essential Wealth, with the entire team taking a hands-on approach to clients. Whilst the annual client reviews are normally conducted by Sonia alone, the paraplanning team has ongoing contact with clients.

Marc explains: "We take a hands-on approach so that clients have a second person they can turn to. In many cases, we find that a client will come to Hannah or myself first if they have a question or need something explaining. In the past, we have had clients raise the question about what they will do in the event something happens to Sonia, so knowing we are constantly available and able to assist them gives them peace of mind."

Marc himself is authorised to give advice, while Hannah is planning on becoming authorised this year. For Marc, who has Chartered status and is a Fellow of the Personal Finance Society, it is important that the team's knowledge and technical experience is up to date and training is offered if staff feel they need to improve on a particular area.

"We work very closely together as a team and need to be able to pick up from one another if someone is out of the office, so it's important we all understand the different areas and clients are not reliant upon one particular person," Marc explains.

As a team, they use Voyant's cashflow modelling tool, which Marc says is popular with clients who like to understand their finances in a simple, interactive format, and FE Analytics for portfolio review and performance. For its back-office system and client portal, the firm uses Intelligent Office.

The decision on what technology to use is always a joint one, Marc says, with the team discussing the benefits of different providers and finding systems that work for everyone. It is a theme that runs throughout the core of the business and according to Marc, is the key to the paraplanning team's success.

"I think the biggest ingredient for a successful paraplanning team is being able to work closely and collaboratively together. We continuously share information and swap ideas and communication is absolutely vital. We have a fairly long recruitment process, as it is so important that the people we choose fit in with the rest of the team."

He adds: "Our core focus is the clients and ensuring their needs are met and in order to do that we need to be able to sustain a close relationship as a team and work seamlessly together."

Their close bond was one of the reasons Essential Wealth chose to enter the Professional Paraplanner Awards, which Marc describes as a positive experience for the firm.

He says: "Putting together a written submission allowed us to come together and share ideas and really look at how well we work together. In financial advice, the role of the paraplanner can often be overlooked or misunderstood so we saw it as a good opportunity for us to highlight our role and the work we do for clients. In addition, putting yourself forward for an award is motivational and instills a sense of achievement."

For Essential Wealth Management, winning the award not only reaffirmed the hard work they do for clients but was something positive they could share with clients. "Clients really relate to personal service and winning an award like this has shown that paraplanning is not a robotic behind-the-scenes process. Getting recognition for the work we do and the way we work together for our clients has been fantastic and we are really, really pleased to win."

"I think the biggest ingredient for a successful paraplanning team is being able to work closely and collaboratively together. We continuously share information and swap ideas and communication is absolutely vital"

Professional Paraplanner Awards 2019

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PARAPLANNER OF THE YEAR - IN-HOUSE & OUTSOURCED

Paraplanner of the Year – In-house

Samantha Gratton, senior paraplanner at Old Mill, began work at the company in 2010 as an administrator. The firm itself is an award winning firm of Accountants and Financial Planners. "It is a move I haven't regretted once, and I've gained valuable hands on experience and been supported through my exams, moving into a Senior Paraplanner role," Samantha says.

She says it is her natural desire "to push myself out of my comfort zone" that made her enter the Professional Paraplanner awards. "I am always looking for my next challenge," she adds (she is about to run her first Ultra Marathon).

Having returned from maternity leave and feeling "back on my game", she says, the Professional Paraplanner awards appealed "as they are uniquely aimed specifically at our profession".

Another benefit of entering the award was that it has made her reflect on her role. "It made me think about what I do as a paraplanner and consider how I might like it to develop over the coming years.

"And I am over the moon to have won the award. It can be hard to balance being a mum to a very excitable two-year-old boy with the demands of my role, but I am extremely lucky that Old Mill is considerate to this. It's been an exciting process and I hope I might be able to help and encourage others in the role, as every day I am grateful to do a job which puts a smile on my face."

Samantha Gratton receives the Paraplanner of the Year – In-house award from Parmenion's Head of Strategic Partnerships, Patrick Ingram

Paraplanner of the Year – Outsourced

Aleksandra Sasin started her outsourced paraplanning business in 2017 and says while she hesitated when faced with the notion of self-promotion, after reading motivational books by Linda Babcock and Sheryl Sandberg "I set myself a goal of entering an award this year, initially just to see what the process involved. So, when I saw that Professional Paraplanner had launched one specifically for outsourced paraplanners, it seemed like a perfect opportunity to put what I read about into practice."

In terms of the award process itself, Aleks says: "I really enjoyed the chance to share some of my thoughts in the nomination stage, which was much easier than the interview which followed. Answering a wide array of questions posed by a panel of judges really challenged me, both in terms of the subject-matter and the fact I had to think on my feet and didn't have a chance to check my answers – as a paraplanner, it's in my nature to check and double-check everything!

"I am absolutely delighted to have won, especially since the process itself was by no means easy. It has definitely not sunk in yet, and I still look at the award, which is proudly displayed in our new office, with slight disbelief. It's wonderful to have been recognised, and I am glad I have finally gathered the courage to enter. It reflects all the work we, as a team, have put in over the last couple of years and has given us a massive boost to keep going."

Paraplanner of the Year – Outsourced award winner Aleksandra Sasin receives her award from Parmenion's Patrick Ingram

Professional Paraplanner Awards 2019

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ADMINISTRATOR & PERSONALITY OF THE YEAR

Administrator of the Year

Cheryl Lunn had not worked in financial services before joining Para-Sols in 2017. Now she is Operations Co-ordinator running a team of administrators for the company, including candidates coming through the Graduate programme, beginning their journey to become paraplanners.

"I learnt about financial services and the role through doing the job and a determination to find out about everything I could as I went along," Cheryl says. "I'm one of those people that likes to ask questions. I'm not going to tick a box and say, 'that's filled in, that's fine'. If there is something in front of me that I don't understand I want to know not just the answer but why. I want to understand the back story for the next time it comes up."

It's an attitude that has seen her develop a sophisticated process for data gathering and recording which not only helps the paraplanners to easily access the information they need to do their job but acts as a training document and reference manual for the graduate trainees. Within the two years she has also built a six-strong full-time administration team.

Cheryl didn't know she had been nominated for the award until she was asked to be interviewed by the judges. "It came as a bit of a shock to be honest."

"My background is working for large companies where you are a number on a seat. Para-Sols has been my big break. It has given me the opportunity to shine and the team has helped me massively. Had you told me three years ago what I would be doing today and that I would have won an award for it I wouldn't have believed you. Winning the award has taken me a while to get my head around to be honest – it's been pretty mind blowing."

Cheryl Lunn of Para-Sols is presented with the Administrator of the Year award by Parmenion's Patrick Ingram

Voted Personality of the Year by his fellow paraplanners, Nathan Fryer is presented with his award

Personality of the Year

This year's award winner is described as someone who has done much to help spread the word on paraplanning and to champion best practice in the financial advice market.

Nathan Fryer has a genuine interest in helping fellow paraplanners (and the financial advice community in general) to do its best for clients. As well as being an active participant on Twitter, when he finds short cuts or useful tools and calculators, he shares his experience via social media, often recording short videos which highlight the items and valuable instructional material to help people get to grips with them.

Comments from the many people who nominated him, included: "Nathan does so much for the paraplanning community. "He is always available to answer a question or provide a helpful video to solve a problem." "He is welcoming to new paraplanners." "He is generous in sharing his technical knowledge as well as providing some interesting topics of conversation on Twitter."

Responding to his win, Nathan said: "I'd like to thank everyone who nominated me for the Personality of the Year award. It was totally unexpected and a huge honour. The communal spirit within the paraplanning community, where we are willing to share knowledge and help one another do the best job we can for clients, and the impact that can have on people's lives through financial planning, make this one of the most rewarding jobs to do. I'm pleased to be able to participate in my way to the many helpful conversations that go on within the community."

Professional Paraplanner Awards 2019

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PROVIDER AWARDS WINNERS 2019

The Professional Paraplanner Provider awards work on a nomination process. For these awards we asked our readers to put forward the company they thought delivered the best service to paraplanners in each category. Every reader had one nomination form, and the process was closely monitored during the nomination period.

The winners of the awards are the product and service providers that received the most nominations in each category from the paraplanning community.

Paraplanners were also encouraged to comment on why they had nominated the company to win the award. Within those comments, three key areas of importance stood out for paraplanners, being mentioned time and time again. These were: Easily accessible, helpful and efficient support (both on the telephone and via online services); the level of technical knowledge and information (again in speaking to staff and available on websites); and a focus on helping the end client get the right outcome.

This was also the year when smaller firms showed they can take on the bigger brands to win in their category, if they provide the quality of products and services which paraplanners value. Congratulations to all our winners and to the many companies who received nominations from paraplanners.

Rob Kingsbury
Editor, Professional Paraplanner

THANK YOU

Thank you to all our readers who completed the nomination form for this year's awards. Your participation is greatly appreciated. If you'd like to see other categories considered for next year's awards please email: robkingsbury@researchinfinance.co.uk

THIS YEAR'S WINNERS

Best Overall Service - New Business
- Standard Life

Best Overall Service - Existing Business
- Old Mutual Wealth

Best Technical Support
- Prudential

Best Training Resource
- Brand Financial Training

Best Research Software
- FE Analytics

Best Non-Research Software
- Cashcalc

Best Back-Office System
- IRESS XPLAN

Best Platform
- Transact

Best Third Party Support Service
- threesixty Services

Best Provider Website
- Royal London

Best Small Provider
- Time Investments

Best Active Investment Provider
- Baillie Gifford

Best Passive Investment Provider
- Vanguard Investments UK

Best Alternative Investment Provider
- Octopus Investments

Best Outsourced Investment Provider
- Brooks Macdonald

Best Offshore Product Provider
- Utmost Wealth Solutions

Best Retirement Solution Provider
- Royal London

Best Full SIPP Provider
- AJ Bell

Ray Adams, founder of Cashcalc, collects the award for Best Non-Research Software from Professional Paraplanner editor Rob Kingsbury

Les Cameron, Head of Technical Prudential, picks up the award for Best Technical Support for the third year running

Rob Kingsbury presents the award for Best Training Resource to Brand Financial Training's Ann Mora

Royal London's Helen Morrissey picked up two awards for the company – Best Provider Website and Best Retirement Solution Provider

Professional Paraplanner Awards 2019

In association with Parmenion

BEST OVERALL SERVICE – NEW BUSINESS

Rob Kingsbury presents the award to Chris Hewson, Strategic Account Manager, Standard Life

Standard Life

Onboarding of clients and implementing a financial planning strategy in an efficient and timely manner is an important part of delivering a great service to clients and, as Sinead Fennessy, Customer Operations Director at Standard Life, points out, every advice firm is different and so looking at the onboarding process with a one-size-fits all perspective is not going to achieve the desired result.

Accordingly, she says, "Standard Life has developed a range of support channels for paraplanners and administrators to ensure the onboarding process fits their process and their business needs."

These include account managers and platform consultants working in the field, offering face-to-face business consultancy and support; telephony support where paraplanners have queries or require guidance; as well as a dedicated online service in the form of the Adviserzone.com resource, in particular the Techzone, which was accessed over 150,000 times in 2018.

"We really recognise the need that paraplanners have for instant technical help and support, and over the past year we have put a lot of energy into refreshing the technical area on the website," Fennessy says. "We have a range of new guides that explain tax and financial planning in an easy, understandable and accessible way. That was a big piece of work for us and we have had some great feedback from paraplanners who tell us it is really helping them in their work."

As well as responding to feedback about what paraplanners want to see on the Techzone, Fennessy says, "it's important also that we are pro-active in consistently keeping the website up-to-date with, for example, regulatory changes. The information has to be live and trusted by paraplanners."

All these areas are key ones highlighted by paraplanners when nominating Standard Life for the award, with comments such as: "Excellent support from both our BDM and technical helpdesk" "excellent technical helpdesk with ability to book consultations for complicated cases", "bespoke technical training seminars on subjects such as DB pensions and trust and taxation," "excellent telephone and online support", among them.

On winning the award, Fennessy says: "It's always special to be given an award but to do so two years running from the people we deal with on a day-to-day basis is particularly rewarding.

"We're here to provide a quality service experience and we are truly delighted for that to be acknowledged for a second year. We're proud to deliver that quality service every day right across the Standard Life brand."

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BEST OVERALL SERVICE PROVIDER – EXISTING BUSINESS

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Tim Pulham, Head of Platform Specialists collects the award from editor Rob Kingsbury

Old Mutual Wealth

The award for the company providing the Best Overall Service to paraplanners is split into two distinct awards – differentiating between New Business and Existing Business, on the basis that while we would expect all companies to have slick onboarding processes and procedures for bringing on new customers, it's their ongoing service that they provide to existing customers that can be telling. This award is always hotly contested.

This year's winner is Old Mutual Wealth. Scott Goodsir, managing director of UK distribution for the company, believes it is the usability of its platform front-end and a focus on making its support easily accessible, including increasing the number of specialist platform staff in the field, that has seen paraplanners nominate the company to win the award. "Our front-end usability is what we are well known for and we have a broad team of in-the-field and desk-based technical specialists across all areas, investments, pensions, offshore tax and trusts. We find it's paraplanners who mostly use the service, as they write their suitability reports."

In 2018, Goodsir says, Old Mutual Wealth's desk-based technical team fielded over 17,000 calls. The company also ran 189 events around the country on technical issues as well as hosting revision sessions on AF7 for the CII. In addition, its customer service centre staff received over 18,000 hours of technical training.

"And in the field, we have been really ramping up the number of specialists available to adviser firms. We see this as being in contrast to many companies in the market," Goodsir adds. "We have increased our people in the field from 8 to 19 in the past 18 months, each of whom will be doing up to 15 meetings a week. And each region has a specialist with dedicated knowledge of specific areas, such as investment, protection, pensions and offshore. We feel that is making a real difference to what we can offer paraplanners."

As well as increasing resources, the company is conscious of the need to help paraplanners with the due diligence process. This includes a suite of literature in the form of guides and Q&As, as well as having the specialists in the field who can help paraplanners get the best from the platform. "Our aim is to fully complete the due diligence questionnaire and to do so within a 10-day turnaround period. We're not just sending back a set, off-the-shelf document; each one is a bespoke response."

Winning the award Goodsir says, is confirmation that "our strategy and direction is working.

"Everyone in our business was immensely pleased to win the award because to be nominated by the people actually doing the work and using our platform is tremendous."

Professional Paraplanner Awards 2019

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BEST ALTERNATIVE INVESTMENT PROVIDER

Octopus Investments

Octopus Investments scooped the award for Best Alternative Investment Provider for the third year in a row at this year's Professional Paraplanner awards.

Victoria Barber, Strategic Partnership Manager, Octopus Investments, says: We are so thrilled to be nominated for a third year by paraplanners to win this award. It is hugely appreciated by everyone in Octopus Investments who works so hard to deliver the products and services and provide the support to paraplanners."

Barber says the company has been particularly focussed on engaging with and delivering tailored content to paraplanners over the past few years. "We appreciate the key role of paraplanners within financial planning, and we have been working hard to learn what paraplanners want and need from us and to support them as an audience in their own right. This has included taking part in the Professional Paraplanner Technical Insight Seminars, as well as targeting our communications with paraplanners and hosting the right types of training and webinars so that everything we do is relevant to them."

As a provider, Barber says, Octopus wants to be the 'go to' provider for tax efficient investments. "We are the largest provider of these investments in the UK market – for example, we have £2bn in our flagship Octopus Inheritance Tax Service, £1.5bn in our (BPR qualified) AIM portfolios and our Titan VCT raised over £250m last tax year. And we have a huge number of specialist investment teams. Our AIM team, as an example, has eight members with over 100 years' experience between them of investing tax efficiently."

What also makes Octopus stand out in the market, Barber believes, is its culture.

Rob Kingsbury presents the award to Victoria Barber, Strategic Partnership Manager, Octopus Investments

"Two core values for us are to be bold and to be helpful. We want to be at the forefront of the market, helping it to change and adapt to what intermediaries and consumers want and need. At the same time, we want to be as helpful as we can be and that comes across from our overall engagement with financial planners and paraplanners through our technical information, training, BDMs, and our support and client relations teams. Alongside that we aim also to make our products and services as easy to understand as we can for consumers. Our 'granny and grandad' test is aimed at ensuring whatever we put out can be understood by the intended reader."

The "high quality and accessibility" of the Octopus communications and literature was pointed out by paraplanners in their awards nominations. Barber says this includes helpful generic guides, such as the 'Untangling IHT' guide, monthly newsletters, as well as due diligence, reasons why and other documents, "easily accessed through our website or customer and sales teams".

What particularly enables Octopus to deliver to paraplanners, Barber says, is the ongoing engagement and, in particular, feedback "on what they would like from us. We really appreciate that feedback, so please keep it coming."


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BEST RESEARCH SOFTWARE & OFFSHORE PRODUCT PROVIDER

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Best Research Software: FE, for Analytics

"We're very proud to have be given this award three years running by paraplanners," says Mark Chanda, Head of Distribution at FE.

"When you look at what paraplanners do on a day-to-day basis, they have a range of tasks which may include fund research, report generation and portfolio analysis. So, from our point of view, what we want to do is give them a fast, easy-to-use, accurate research process, which provides all the data and all the tools they need to speed up the process for them, so they can deliver for their client."

Part of that has been to make the navigation of the system as simple as possible, he says. "But, by its very nature, there is a lot of depth to what we offer. So, as well as our account managers who conduct regular consultations, we have introduced a 5-module training course with certification, offered via our training Academy. This sits alongside our roadshows we host around the country. All these engagements are designed to help our clients get the most out of the system in the way that suits their business."

A significant addition to the FE tools range in the past year has been the MiFID calculator. "That has gone down very well with our users," Chanda says. "This is a tool which allows paraplanners to quickly collate the charging data they need from providers and platforms and to compare that data between an existing and proposed portfolio."

What marks FE out in the market, Chanda, says, is its independence, its pursuit of transparency and listening to user feedback. "This has helped shape what FE is today."

However, overriding everything else, Chanda says, is trust. "Paraplanners are under a lot of pressure to produce the right outcomes for clients, and to be able to clearly demonstrate the reasons for the recommended strategy in suitability reports. Therefore, they need to have trust in our data accuracy as well as trust in our tools to deliver the right information for them to do their job. The fact that we have won the award three years in a row, I believe reflects that very high level of trust paraplanners have in FE to deliver for them."

Mark Chanda, head of Distribution at FE, collects the award from Professional Paraplanner editor Rob Kingsbury

FE will be running practical workshops at selected Professional Paraplanner Technical Insight Seminars around the country.

Best Offshore Product Provider: Utmost Wealth Solutions

"Utmost Wealth always provides an excellent service for our existing clients and they have an easy to use website with a wealth of technical information to help." This and descriptions such as "excellent service", "great technical support", "always provide full information" are some of the comments which reflect paraplanners' reasons for nominating Utmost Wealth for the Best Offshore Product Provider award.

This is the second year in a row that the Isle of Man-based company, has won the Professional Paraplanner award. The company was formed in 2016 following the acquisition by parent company Life Company Consolidation Group of the offshore investment business of AXA.

The company has a strong focus on providing technical help and guidance through the UTECH section of its website, where paraplanners can access technical briefings, guides and sales aids, articles and industry insight, as well as tools and calculators.

Another service offered by the company is Trust analysis, which will look, for example, at the trust's tax position, the options in respect of investment decisions and implications and the position of the settlor, trustees and beneficiaries.

Professional Paraplanner Awards 2019

Winner

Best Offshore Product Provider

HYBRID ADVICE

Mark Loosmore, UK executive general manager Wealth at IRESS, explains why the company has rolled out guided advice software and how and where it might fit in adviser businesses

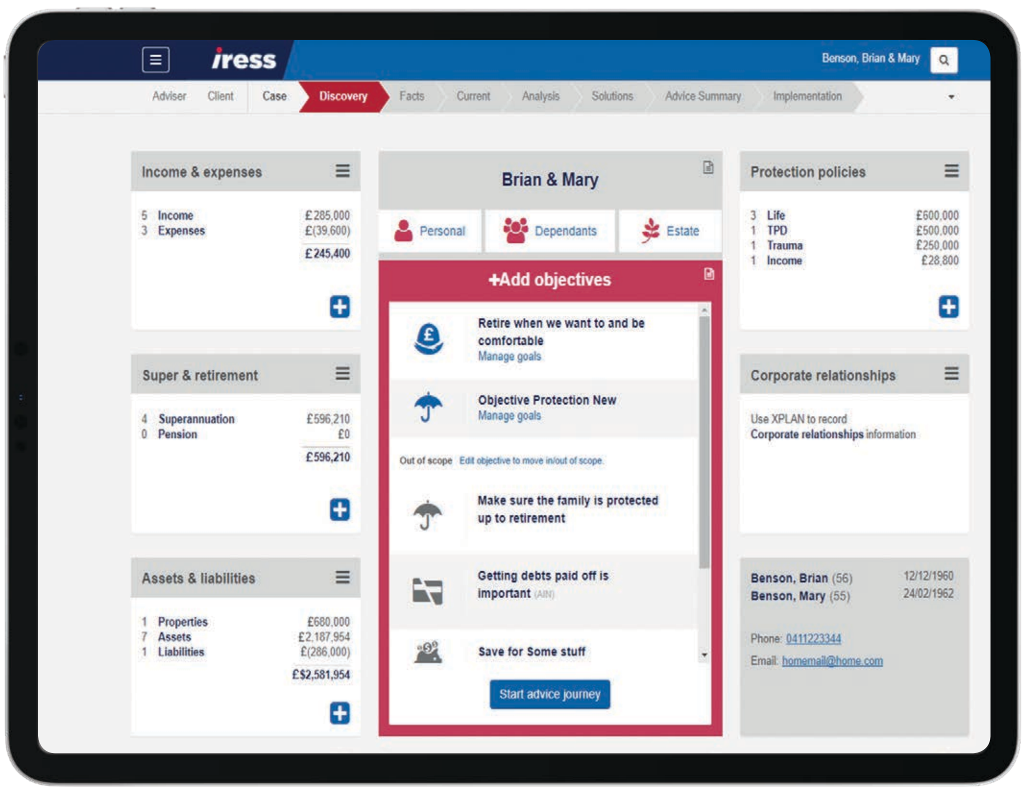
Two recent UK surveys have highlighted a real need for technology driven automated advice services. The first piece of research that caught my eye, from Octopus Investments, found that 76% of advisers viewed a hybrid financial advice model as the future. It also found that 81% of respondents believed the next generation of financial advisers will have to incorporate aspects of so-called 'robo-advice' into their offering. The rationale for this seems clear enough, with 74% saying they believe that accessing financial advice online will become a key channel for younger clients to engage with financial advice. 44% of respondents also expect technology to help free up their time to better service clients.

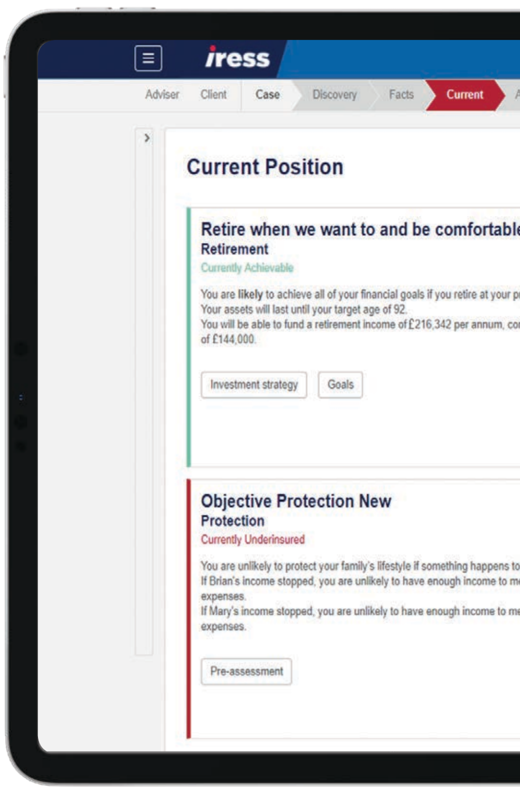
The second interesting study was from Scottish Widows. Their consumer research supports the findings from Octopus Investments and points to changing customer engagement preferences and a desire for online guided advice.

In the Scottish Widows research 24% of 18-34 year-olds said they wanted their adviser to offer real-life scenario exercises for situations such as marriage, divorce, and having a family; four times as many as those over 35. The research suggests that developing new ways to meet the needs of younger clients could re-shape the way adviser services evolve as it found that those aged 18-34 are much more open to new forms of communication. This data and other industry studies point to the fact that some advice and planning models will need to adapt. Providing regulated, ongoing advice can be a lengthy, complex and costly process. However, it can sometimes be more costly, complex and time consuming than it needs to be.

With these changing customer engagement preferences and increasing profit margin pressures, advice firms need to decide how they can modernise their models to compete more effectively. They need to decide if they want to roll with the changes and take the opportunities that present themselves, or step aside and have change happen around them.

While some advice firms have embraced segmentation and recognise the level of service the various segments require, others have not. In other words, at some firms, all clients get the same service – often an extensive manual service that goes





above and beyond what certain clients will demand, expect or require.

At a time when advice firms are grappling with heavy regulatory demands, this approach can create business inefficiencies that have the potential to eat away at profits and undermine the entire proposition.

But it's avoidable. Our ongoing client engagement has shown that it's not a lack of awareness or desire to change that is hampering progress, it's a need for truly effective tools to support adviser firms in providing more streamlined, cost-effective alternatives. IRESS has launched XPLAN Prime for the UK market, which is a simple, automated and structured process for a cost efficient, guided advice service. Prime allows adviser firms to deliver scalable, objectives-based advice that accounts for each client's preferred method, time and budget.

Crucial is the ability to integrate to other advice services, in a way that suits the business and the client base. To save time and money, the system functions as an automated process for guided advice and it also allows the adviser to diverge from that process to provide a more tailored service, where the client requires it. Once that holistic advice service has been delivered, the client can be put back on the guided advice track, with all necessary recommendations and evidence recorded for ongoing suitability purposes.

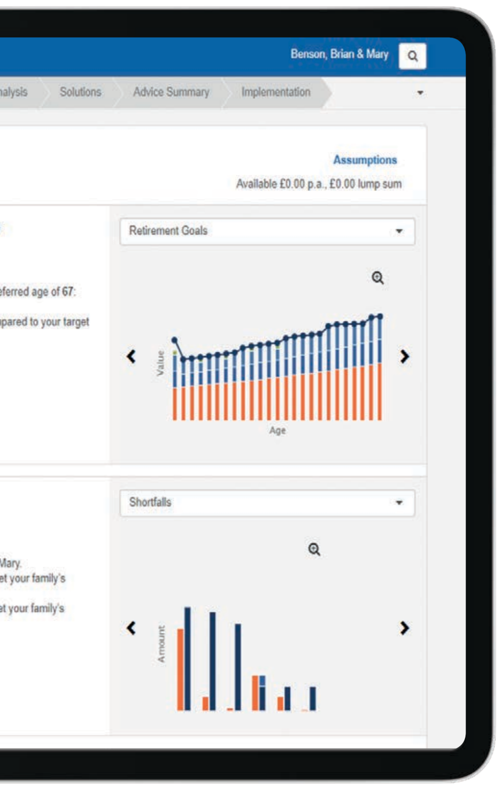
24% of 18-34 year-olds said they wanted their adviser to offer real-life scenario exercises for situations such as marriage, divorce, and having a family

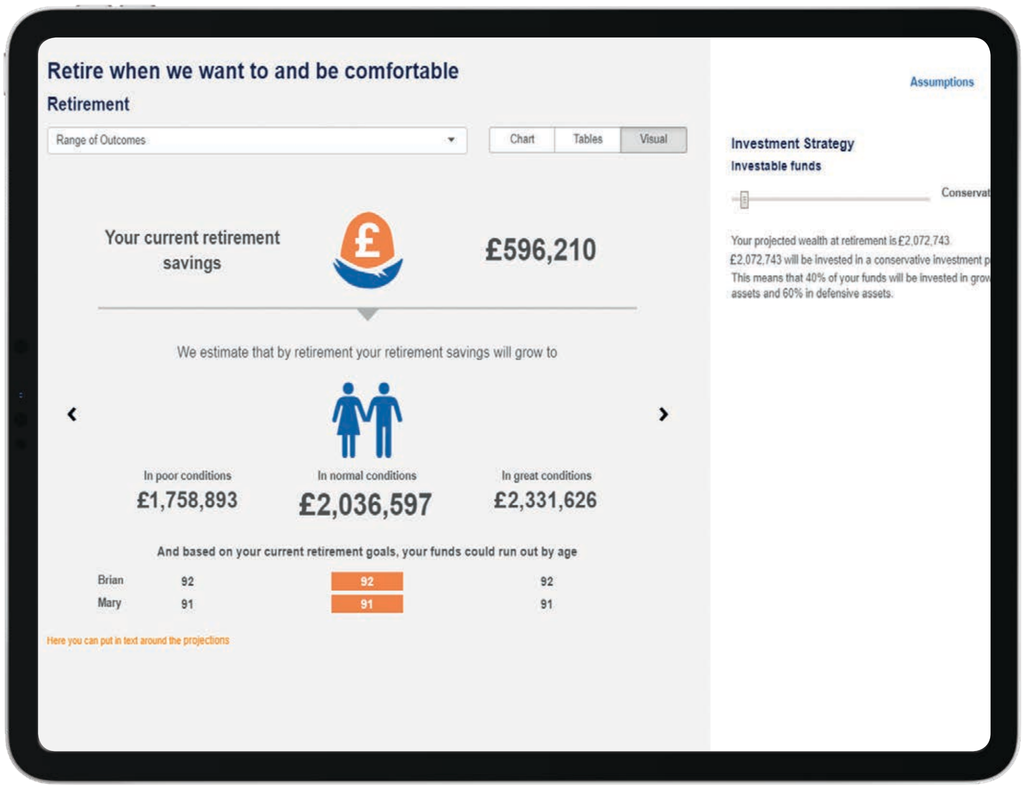
Flexibility for an automated guided advice service is a must. In a segmented client base, advisers know the level of resources, planning, communication and detail that different types of clients need. At one end of the spectrum, some may simply require goal-based financial planning, regular communication and guided advice, while for others the full holistic proposition is more appropriate. Many will require a mix of both approaches at different stages of their life. For those clients that have less complex needs or 'moment-in-time' transactional goals-based requirements, then the software delivers an appropriate level of service, in a way that is efficient and which delivers a consistent brand experience, while also reducing servicing costs.

The alternative is a one-size-fits all service that not all clients necessarily need and which is fundamentally inefficient.

Overall the software provides a quick, streamlined process where that approach is appropriate, and can enhance a broader advice and paraplanning offering, in which clients can have tailored, face-to-face interaction, when that is required.

In a highly regulated environment in which the demands on advisers and paraplanners are constantly shifting and evolving, and more customers are demanding value for money, a guided advice service can simplify and modernise the process by allowing firms to serve more clients, more profitably, more efficiently.





PAYING DIVIDENDS

Global dividends have almost doubled in a decade, which is good news for investors seeking income, says Darius McDermott, MD of research company Fund Calibre

The UK has traditionally been a hotbed for dividend paying companies and UK equity income funds have always been very popular. But investing purely in the UK also carries some risks. For example, dividend concentration, and the risk of this becoming too high, is often overlooked.

Figures from consultancy Link Asset Services show 51%[1] of all UK dividends payments in the first three months of 2019 came from just five companies: Royal Dutch Shell, BHP Group, AstraZeneca, BP and Vodafone. Should one of these companies decide not to pay a dividend for a period of time – or cut as in the case of Vodafone – it could have a significant impact on many income portfolios.

One way to avoid being too reliant on a handful of firms is to invest in a UK equity income fund that invests further down the cap-scale, blending companies of different sizes to increase diversification and create a portfolio of companies that already generate significant dividends, with those offering a more modest income today but with the potential for it to grow.

Marlborough UK Multi-Cap Income is a good example. It has a yield in excess of 4.5%[2] and aims to combine fast dividend growth with capital appreciation. As you might expect from a fund run by the Hargreave Hale team, it has a bias towards the UK's much smaller companies.

However, it would be wrong to think dividends are the sole domain of the British Isles, especially when you consider that global dividends have almost doubled in the past decade.

Going global

In its latest Global Dividend Index[3], Janus Henderson says that global dividends are now almost twice the level they were a decade ago, when the index started at the end of 2009.

However, even taking the renewal of bank dividend payments into consideration, the UK's dividend payouts have grown at just over half the pace of the rest of the world over the past ten years[3]. Admittedly, we did already have higher payout ratios to start with, so there has been less room for expansion, but the figures highlight that there are other opportunities UK investors should perhaps be considering.

> ***It would be wrong to think dividends are the sole domain of the British Isles, especially when you consider that global dividends have almost doubled in the past decade***

Europe may not be the answer at first glance: looking more closely at the Janus Henderson data reveals that European dividends have shown the slowest growth since 2009, increasing at one third of the pace of the rest of the world[3].

There has been a wide dispersion between countries, however; dividends in Spain, Italy and Portugal are still lower than they were a decade ago, while the Netherlands, Denmark, Belgium and Switzerland have seen them more than double[3].

Schroder European Alpha Income is worth a look in this space. It has a yield of

4.3%[2] and its biggest country overweight is to the Netherlands – 19.8%[2] compared with 6.9%[2] for the benchmark.

World's strongest dividend growth in Asia

The East may offer more opportunities. According to the Global Dividend Index, Asia Pacific ex Japan has seen the world's strongest dividend growth since 2009[3], thanks to rising profits and expanding payout ratios.

And, despite traditionally being stereotyped as the place to go for investment growth, dividends paid by companies there have also increased. Going back to the concentration of dividends in the UK stock market, the same is most definitely not the case in Asia: 50 companies in the MSCI Asia Pacific ex Japan index account for half the total dividends[1] – offering a lot more choice.

Jupiter Asian Income has just passed its three year anniversary and is run by Jason Pidcock, who used to run the extremely popular Newton Asian Income fund. It has a yield of 3.7%[2].

Meanwhile, income investors in Japan have enjoyed growth far ahead of the global average in the shorter time frame of the past five years, as more Japanese companies have started to embrace a dividend-paying culture, thanks in part to 'Abenomics' – the policies put in place by Abe Shinzo, the Japanese prime minister. Dividends in the country are 70% higher than in 2014, compared to 25% for the rest of the world[3].

Another fund that celebrates its third anniversary this month is Baillie Gifford Japanese Income Growth, which taps into this very theme. The managers apply the same well-tested growth investing philosophy and process used by their very successful funds, combined with a focus on companies with the best dividend growth opportunities. Its yield is currently 2%[2].

Market expectations for corporate earnings have moderated in recent months, as a result of slowing global economic momentum. And, as Janus Henderson points out, dividends are a lagging indicator of company health, so a reduction in their rate of increase would be a normal consequence of slower earnings growth.

However, investors should be able to look forward to more dividend growth this year and, looking overseas, could add some important diversification to portfolios too heavily skewed towards the home market.

[1] Source: Factset, Link Asset Services, MSCI, Schroders, Total dividends paid calculated using the dividend yield and market value, as at 31 March 2019
[2] Source: Fund factsheets, 30 April 2019
[3] Source: Janus Henderson Global Dividend Index, Edition 22, May 2019
Darius's views are his own and do not constitute financial advice.

STOCK-PICKERS PARADISE

Gin mixers and chocolate, two good reasons to invest in small caps, says Abby Glennie, investment director UK smaller companies, Aberdeen Standard Investments

Order a gin in almost any bar now and you're likely to be faced by a vast array of options. The spirit's popularity has exploded in recent years as drinkers have become increasingly interested in small-scale craft distilleries rather than the large brands owned by industry giants, such as Diageo and Pernod Ricard. Although the 'ginnaisance' has led to an infinitely more diverse range of gins available to consumers, the truth is that most continue to consume their favourite tipple in the traditional manner – mixed with tonic water.

One of our favourite smaller company investments of recent years has tapped into this opportunity in spectacular fashion. Fever-Tree was founded in 2004 with the aim of providing high-quality mixer drinks to meet the growing popularity of premium spirits, kicking things off with the launch of an Indian tonic water. Over the next decade the company steadily increased its presence in the retail space before listing on AIM in 2014. It now enjoys a pre-eminent position in the premium mixer drink space, with a presence in more than 70 countries.

We first invested in Fever-Tree when it listed in 2014. The company displayed a number of the attributes that we look for in a smaller company: it was founder run; could boast a high-quality management team; and had a track record of delivering strong and growing profits. While the company undoubtedly operates in a niche, the evolution of its business model means it has been able to take that niche and grow it globally. Despite this expansion the company has maintained a tight-knit culture and impressive levels of managerial oversight and risk controls.

When done properly, smaller company investing is a stock-pickers paradise. The universe boasts a wide breadth of truly diverse businesses, with growth often more in their own control than larger companies. Through stock-specific fundamental research, investors can construct a portfolio of unique businesses, which brings with it natural diversification benefits.

Many of these businesses have lower levels of complexity, which can help limit inbuilt risks in their business models. The superior return premium smaller companies have delivered relative to large-cap stocks for long-term investors is hard to ignore. When Professors Dimson, Marsh and Evans from the London Business School analysed the 28 countries in the FTSE World Index from 2000-2018, they found a 5% per annum return premium for smaller companies, which also outperformed their large-cap counterparts in 25 of the 28 countries.

Hotel Chocolat

Another company that has benefited from consumers' growing appreciation of quality and provenance is Hotel Chocolat. Having started with a single shop, the premium chocolate manufacturer and retailer now has a UK wide presence and has even expanded into the restaurant space. With its own cocoa plantation in St Lucia, it has tapped into an increasingly ethical sensibility among a consumer base eager to know where their products come from and how they have been manufactured.

Like Fever-Tree, Hotel Chocolat is a founder-run business with a strong management team with a track record of taking disciplined growth decisions – the very qualities we look for when buying a smaller company – and is focused on the provision of a premium product within an ethical business framework. It probably shouldn't come as a shock that eating high-quality chocolate and feeling you're 'doing the right thing' is proving a winning formula with consumers, allowing the company to expand on the

international stage. As with Fever-Tree, this international expansion should help insulate Hotel Chocolat from some of the impact of any potential Brexit upheaval.

> ***When done properly, smaller company investing is a stock-pickers paradise. The universe boasts a wide breadth of truly diverse businesses, with growth often more in their own control than larger companies***

AIM listings

What is also true is that when Fever-Tree and Hotel Chocolat listed on AIM, analyst coverage of the stock was limited. This is fairly typical for smaller companies, with the bulk of the analyst community engaged in reading the runes on large-cap companies.

Why is partly down to the long-standing aversion many investors have to making an allocation to smaller companies. This is most likely explained by the perception of the higher risks that come with investing in the asset class. While it is the case that the smaller companies index is higher risk than its large-cap peer (albeit for a higher return), this is not necessarily true of a small-cap portfolio. We advocate a focus on investing in higher-quality lower-risk smaller companies, and believe that this approach allows for an appropriate management of risk while retaining the ability to generate superior returns.

Encouragingly, despite an uncertain macroeconomic backdrop, the first quarter earnings season proved that many smaller companies, even in the consumer space, continue to deliver. However, those with more challenged balanced sheets are struggling in the face of weaker trading conditions and the slowing economic backdrop. With greater dispersion between winners and losers, identifying those high-quality companies that can maintain and grow their market share and earnings will be vital to unlock the benefits of an allocation to smaller companies. For investors taking a long-term view, making such an allocation can enhance both the diversification and the return potential of a portfolio.

EARLY INVESTING PITFALLS

The Woodford fund situation highlighted the need to look deeper under the bonnet when researching, says Jacqueline Lockie, head of Financial Planning, CISI

I'm sure by now you will have read all there is to read about Neil Woodford's suspension of redemptions for his equity income fund and the knock-on effects it has had on investors, clients and platforms. It highlights a few things that normally cannot be found on the usual research engines but which can be, and have been, critical in the decision to invest in a fund at or close to its launch phase.

I'm sure when researching potentially exciting new funds you always get hold of a copy of the prospectus and read it. Personally, I have found them to be quite impenetrable. One reason is that it will tell you lots of things you need to know and to bear in mind when considering selecting any fund, but the way it is written, often full of legalese, can make it hard to understand. One other point worth noting is that the investment remit set out in that document is often deliberately broadly written so that it gives the fund manager the widest choice of investments in any future circumstance. But there is much more information that we need to find out.

Let's go back to first principles. If you wanted to launch a fund, how would you do it? What do you need? What are the costs of launch and what are the ongoing running costs going to be? To whom will it be marketed? What will be the investment strategy? Will it gear (remember that even open-ended funds can borrow some money for short terms)? What are those terms and circumstances where that might happen?

As you know, launch costs can be substantial, running into hundreds of thousands of pounds. There are the usual costs of registering, research, team/administration amongst other things and then add the marketing on top. Most of those costs are borne by the fund itself, although some might be borne by the management company running the fund. So how much of these costs will be borne by the fund itself at launch? These questions apply to all funds, open or closed-ended, with liquid or illiquid assets.

Next, we need to find out who the other investors are. So, there are potential extra risks here; the number of institutional investors and private investors.

Remember that to secure enough capital to launch a new fund the management company will normally need some sizeable institutional investors to invest at the start. Over time we normally see the concentration of ownership of funds dissipate as more private investors buy in and existing investors exit. Some institutional investors are other investment funds who have a wide spread of private investors holding the shares, but some are bigger corporate entities, local councils or pension funds.

So, another question – what has to happen to the shareholder make-up for there to be a run on the fund? Let's think it through... well, if the investor base is heavily weighted towards a small number of large investors it might not take many of them to liquidate their holdings for a liquidity issue to arise as redemptions need to be met from the sale of assets. If this happens, you tend to sell the most liquid holdings first, which means you are then left with the less liquid holdings with wider spreads and a different portfolio to when you invested. If there is a number of smaller investors, then there are many more people in the mix making those decisions to invest or not. The more people making decisions, the less likely that they will all reach the same decision as each will be driven by different motivations.

Morningstar is often a good place to find out details of the largest shareholders in any fund you might be researching. There are always lots of factors to consider when researching funds, but the events of early June offer a timely reminder that when looking at relatively new funds, we go the extra mile and broaden the research process compared to those which already have been running some years and have a wide shareholder base.

I'm sure when researching potentially exciting new funds you always get hold of a copy of the prospectus and read it. Personally, I have found them to be quite impenetrable

CONTINUING PROFESSIONAL DEVELOPMENT VERIFICATION TEST

Professional Paraplanner is approved under the Charted Institute for Securities & Investment's CPD accreditation scheme for financial planning to enable paraplanners to accrue CPD points for reading the publication.

The amount of credits will be determined by the length of time taken to read the articles within the magazine. Readers requiring Structured CPD points must read the magazine for at least 30 minutes and correctly answer the 10 questions on this page.

Under the CISI CPD Scheme all members must undertake a range of CPD activities in a year to demonstrate that they meet the requirements of the scheme. CPD activities undertaken during the year will fall under the following categories:

- Technical Knowledge
- Ethics
- Professional Standards
- Personal Development
- Practice Management

Members must satisfy themselves that the content is appropriate for their own development when allocating CPD points to their own record. The content will be reviewed on a quarterly basis by the CISI.

Complete and retain a copy of this page from the printed version of the magazine or download the pdf of the page from our digital edition and complete and retain that for CPD compliance purposes.

Professional Paraplanner CPD questions for Structured CPD verification

Viewpoint (p6)
What is a Certified B Corp?

Managing your time (p10)
What does the writer suggest is a good way to start the working day?
- ☐ Clearing your emails
- ☐ Some planning time
- ☐ Starting a fresh task

Taxation of trusts (p14)
Under a bare trust parental settlement rules, tax is payable by the settlor parent if gross income:
- ☐ Exceeds £50
- ☐ Exceeds £100
- ☐ Exceeds £150
- ☐ Tax is not payable

Taxation of trusts (p14)
With a bare trust the settlor can only claim holdover relief if the gift into trust is a:
- ☐ personal asset
- ☐ business asset

Taxation of trusts (p14)
Under interest in possession trusts, parental settlement rules do not apply:
- ☐ True
- ☐ False

Taxation of trusts (p14)
For income tax, a single discretionary trust will benefit from a £1,000 standard rate tax band.
- ☐ True
- ☐ False

Estate Planning (p17)
Business Relief qualifying investments pass out of an estate for IHT purposes after:
- ☐ 1 year
- ☐ 2 years
- ☐ 3 years
- ☐ 5 years

Estate Planning (p17)
Some Business Relief qualifying investments may be held in an ISA.
- ☐ True
- ☐ False

Paying Dividends (p36)
Link Asset Services figures show 51% of all UK dividends in Q1 2019 came from how many companies?
- ☐ 5
- ☐ 8
- ☐ 11
- ☐ 26

Data download (p43)
The third most charted IA fund in May 2019 was:
- ☐ Vanguard LifeStrategy 40% Equity
- ☐ Fundsmith Equity
- ☐ Woodford Equity Income

DATA DOWNLOAD

Monthly facts and figures on investment performance, risk v return, outflows and inflows, and the most analysed areas of the market. Data to 31 May 2019, provided by FE

BEST RATED FUNDS

IA	3 year Cumulative Performance	FE Alpha Manager Rated	FE Crown Fund Rating
TM Cavendish AIM	109.04	✓	5
Lindsell Train Global Equity	95.32	✓	5
Morgan Stanley Global Opportunity	93.56	✓	5
JPM Asia Growth	82.42	✓	5
Fundsmith Equity	77.35	✓	5

AIC	3 year Cumulative Performance	FE Alpha Manager Rated	FE Crown Fund Rating
Lindsell Train IT	217.73	✓	5
Baillie Gifford Monks IT	105.12	✓	5
Schroder Asian Total Return	78.32	✓	5
BlackRock World Mining IT	70.67	✓	5
Frostrow Capital - Finsbury Growth & Income	57.39	✓	5

BEST PERFORMING FUNDS IN TERMS OF RISK VS RETURN

IA	3 year Cumulative Performance	FE Risk Score
Polar Capital Global Technology	123.29	173
BNY Mellon Brazil Equity	122.41	230
Neptune Global Technology	118.94	156
AXA Framlington Global Technology	115.83	184
Morgan Stanley US Growth	113.15	-

AIC	3 year Cumulative Performance	FE Risk Score
Leaf Clean Energy Company	258.21	1,655
Lindsell Train IT	217.73	283
Warana Capital Alternative Liquidity	188.7	330
Allianz Technology Trust	160.54	239
Globalworth Real Estate Investments	130.48	166

RISKIEST SECTORS

IA	3 year Cumulative Performance	FE Risk Score
China/Greater China	58.31	162
Japanese Smaller Companies	40.67	142
North American Smaller Companies	60.37	137
Technology & Telecommunications	85.32	135
North America	55.73	122

AIC	3 year Cumulative Performance	FE Risk Score
Forestry & Timber	-10.4	217
VCT Specialist: Health & Biotech	-2.44	186
Country Specialists: Latin America	56.26	183
Biotechnology & Healthcare	43.69	179
Country Specialist: Europe ex UK	98.54	166

OUTFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	Out (£m)
M&G Optimal Income	23,813.75	3,673.30	-2,828.26	-17,312.19
SLI Global Absolute Return Strategies	18,655.90	8,798.30	-218.97	-9,638.63
M&G Global Dividend	6,170.51	2,480.61	-311.23	-3,378.67
M&G Global Floating Rate High Yield	5,007.09	708.89	-963.29	-3,334.92
Newton Real Return	9,456.15	6,767.26	371.19	-3,060.07

INFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	In (£m)
Royal London Global Equity Diversified	51.11	1,950.38	154.8	1,744.48
Federated Short-Term Sterling Prime	2,900.00	4,400.00	6.83	1,493.17
Vanguard LifeStrategy 60% Equity	3,873.43	5,588.14	314.6	1,400.11
BlackRock ACS World ex UK Eqty Trkr	5,707.23	7,898.53	842.57	1,348.74
TM UBS (UK) Global Balanced	901.81	2,319.34	83.33	1,334.21

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FE BE BETTER INFORMED

Data provided by FE

BEST PERFOMING SECTORS

3 year Cumulative Performance

IA

Technology & Telecommunications	85.32
North American Smaller Companies	60.37
China/Greater China	58.31
North America	55.73
Asia Pacific Excluding Japan	50.8

AIC

Technology & Media	139.73
Country Specialist: Europe ex UK	98.54
Utilities	76.41
European Emerging Markets	75.9
Financials	64.08

FE Crown Fund Rating: FE Crown Fund Ratings enable investors to distinguish between funds that are strongly outperforming their benchmark and those that are not. The top 10% of funds will be awarded five FE Crowns, the next 15% receiving four Crowns and each of the remaining three quartiles will be given three, two and one Crown respectively.

MARKET'S EYE VIEW

Which are the most researched sectors, which the most viewed factsheets and which the most charted funds? FE provides Professional Paraplanner with data for the past month showing where financial adviser and planner firms have been conducting their research.

MOST RESEARCHED SECTOR

	IA		AIC
1	UK All Companies	1	UK Equity Income
2	Global	2	Global
3	Unclassified	3	Infrastructure
4	Mixed Investment 20-60% Shares	4	Flexible Investment
5	Mixed Investment 40-85% Shares	5	Property - UK Commercial

MOST VIEWED FACTSHEETS

	IA		AIC
1	Fundsmith Equity	1	Baillie Gifford Scottish Mortgage IT
2	Vanguard LifeStrategy 60% Equity	2	InfraRed Capital Partners HICL Infrastructure
3	Lindsell Train UK Equity	3	Amber Infrastructure Group Int'l Public Pship
4	Lindsell Train Global Equity	4	Frostrow Capital Finsbury Growth & Income
5	Vanguard LifeStrategy 40% Equity	5	Fundsmith Smithson Investment Trust

MOST CHARTED

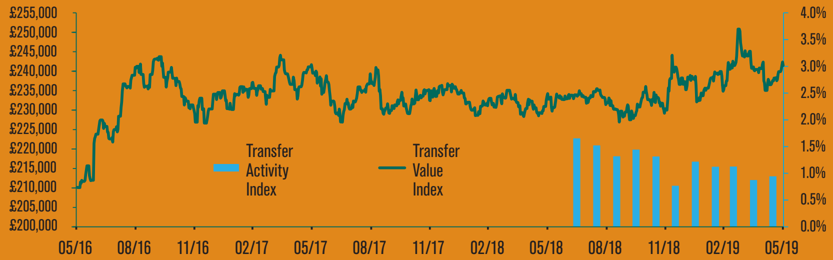
	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	BBaillie Gifford Scottish Mortgage IT
2	Fundsmith Equity	2	InfraRed Capital Partners HICL Infrastructure
3	Vanguard LifeStrategy 40% Equity	3	BMO F&C Investment Trust
4	Vanguard LifeStrategy 80% Equity	4	Greencoat Capital Greencoat UK Wind
5	Vanguard LifeStrategy 100% Equity	5	Frostrow Capital Finsbury Growth & Income Trust

PENSION TRANSFER VALUE INDEX

XPS PENSIONS GROUP TRANSFER VALUE INDEX: 1 JUNE 2016 – 1 JUNE 2019

Transfer values remain close to record highs during May 2019, ending the month at £241,500, from £242,300 at the end of April. Government bond yields fell over the month, although this was partially offset by a fall in inflation expectations. The new Transfer Activity Index has shown a slight increase in the number of transfers processed during May 2019, with an annual equivalent of 0.94% of eligible members, compared to 0.87% in April. Transfer values continue to run near record highs and, with the current political uncertainty, it doesn't seem likely that they'll fall significantly in the near future. Although there's been a slight increase in the transfer index during May, it seems to be settling at a figure of around 1% of eligible members transferring each year but we will see whether the current high transfer values result in more members taking a transfer in the coming months.

Note: As it is three years since the index was launched, XPS's assumptions have been updated to reflect recent life expectancy data which reduced the index by around 2.5% on 1 May 2019.



Note: The Xafinity Transfer Value index is based on a large pension scheme which invests a significant proportion of its assets in return-generating investments (rather than just investing its assets in Gilts). The index tracks the transfer value that would be provided by this scheme to a member aged 64 who is currently entitled to a pension of £10,000 each year starting at age 65 (increasing each year in line with inflation).

Source: XPS Group