Professional Paraplanner

The magazine for paraplanners and financial technicians
October 2019

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Professional
Paraplanner

CHALLENGING THE NORM

The other day I was discussing paraplanning with the owner of an adviser business, someone I consider to be one of the forward thinkers, challenging the industry to do better and innovating in his business to do the same.

He was expressing the view that in the way the financial planning market was moving, paraplanners were rising in importance and to some extent, paraplanning was developing to become more of a core role within a business than that of the adviser.

He has set his firm up to benefit from paraplanning, which has let him develop the business in the way he wants to – not in line with the market norm. I'll let him describe it in his own words:

"In the olden days the adviser was all important because they brought in the relationship, managed it and if they left they took the client with them. That's not the way it should be.

"The way we have set up, the clients are coming in because of the firm's brand. They are looked after professionally, by the firm and everyone in the firm. The adviser happens to be front facing but increasingly the client will deal with the paraplanner much more than the adviser. When clients have queries we don't want them to ring the adviser, who is likely to be out at meetings, we want them to ring the office, where they will get an immediate answer and a faster response, more often than not from the paraplanner."

The structure the firm uses is a pod system, where a team is seated together consisting of an adviser and two or three paraplanners and administrators, serving a section of the client bank, normally brought in by the adviser.

"A pod could consist of an adviser; a paraplanner team leader, with responsibility for running the support team; a paraplanner on track to be an adviser; and an administrator (possibly training to be a paraplanner)."

The size of each team is decided by the case load of the adviser. One with three support staff would be bringing in a lot of business, he explained. Whereas a paraplanner who has become an adviser and has a lesser amount of cases, will have an administrator and write their own suitability reports, while potentially training the administrator to become a paraplanner to support them in bringing in more business.

"I'm not saying we've got it completely right, you have to review it but it's the way I think things should be going," he said.

Crucially, and certainly not the norm at present, the firm charges fixed fees for its advice work rather than a percentage of the client's assets. As he admits, "we're not making as much money as we could but we think it is better for the client.

"It means if a client comes wanting to consolidate a number of low-value pensions, while most advisers will say 'we can't help you', we have the capability to give the work to one of our paraplanners looking to become an adviser. They will do the work, it will be overseen by a qualified adviser, and we will charge the client a fixed fee. It gives the paraplanner the experience, it takes little time to properly supervise, and the client is happy."

It's a business model that has been working for close to 10 years, he said. And, he stressed, it benefits all concerned.

"I can understand why advisers who do everything don't want to take on clients under £250,000. But where does that leave the smaller client who needs our help? The problem is not with the client, it's with the adviser's business model."

Structuring the business as a brand and putting paraplanning at the core of it, has also enabled him to take a step back from the business, creating a succession plan where talented and loyal staff have been promoted to run the firm.

It's also created a problem for him in that, as he said, "I'd like my paraplanners to stay paraplanners" because of the core role they play. But in recognising and helping paraplanners become advisers he has to train up again. What he gets, however, is motivated staff at all levels, and highly qualified, knowledgeable, client-focussed advisers. That's a problem I'm sure he is happy to live with.

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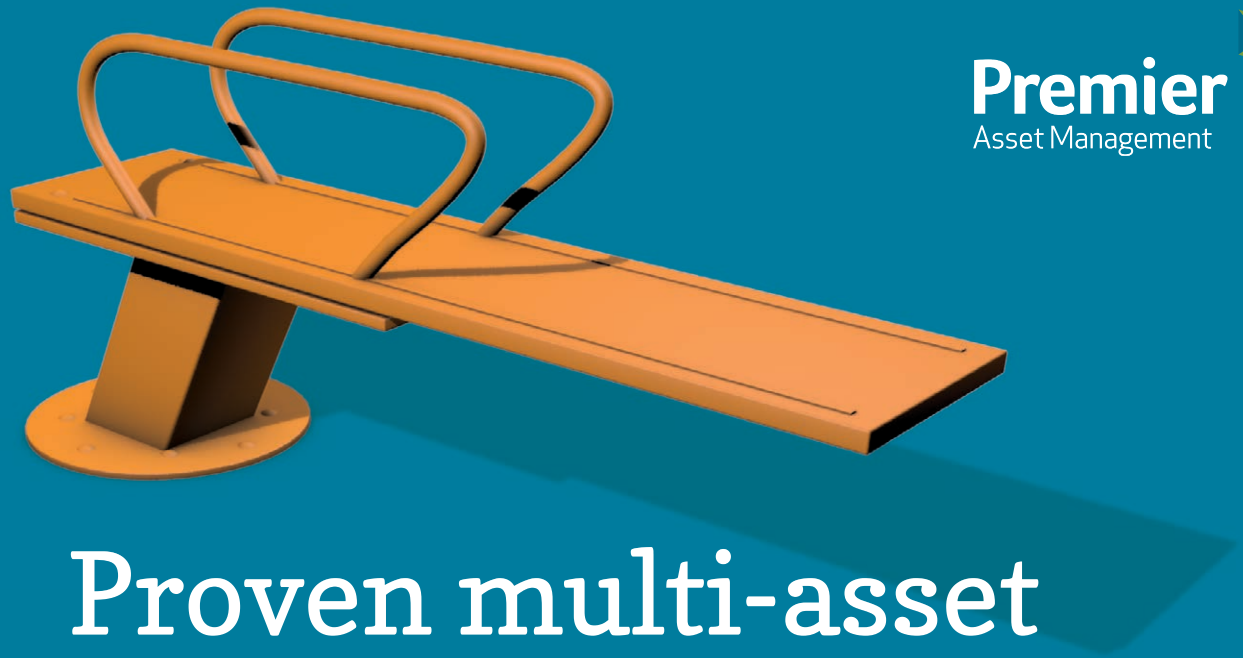

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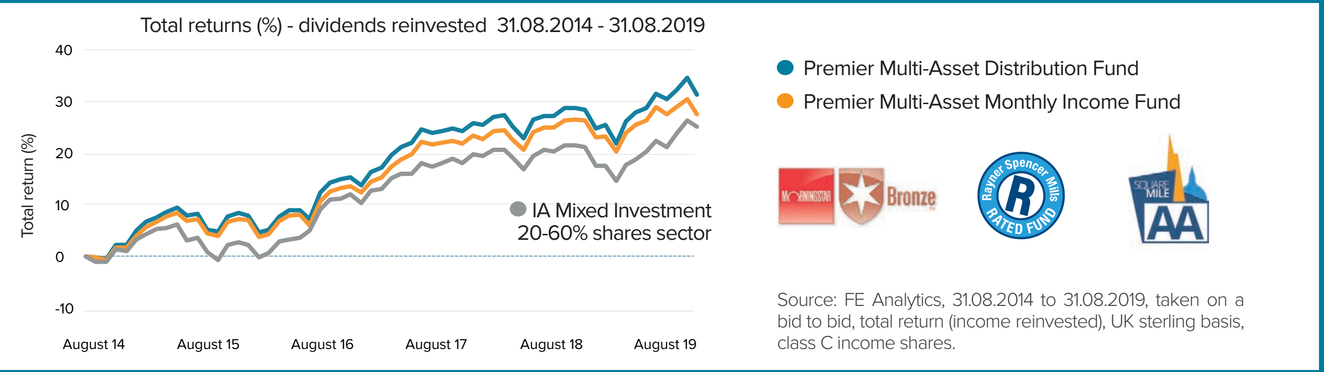

Source: FE Analytics, 31.08.2014 to 31.08.2019, taken on a bid to bid, total return (income reinvested), UK sterling basis, class C income shares.

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VIEWPOINT

Dan Atkinson, head of Technical at EQ Investors considers retirement planning and asks: Do we really know what our clients want?

As paraplanners, one of the things we get involved in for our clients is Retirement Planning. Practically this involves looking at pensions, investments and how we can organise cashflows to meet spending requirements. Our focus is on making sure that the money is likely to last and that tax is sensibly planned for.

Something I've been thinking about recently at EQ Investors is what retirement planning really means for clients. If we set down our spreadsheets and cashflow models for a moment, what is it actually about? What do people need to know about retirement so that they can plan for it? Whilst we may be slightly removed from these questions, I think it is important that we, as paraplanners, develop some understanding so that we can be empathetic in our approach.

So how can we do this? There may be some reading this who are approaching their own retirement, but for many of us this is several decades away. Drawing on our own experiences will be limited and subject to bias as our family circumstances may differ to our clients. Thankfully, there is a growing body of research (and even better – people summarising the lessons from it!) in the public domain we can draw on.

One paper I'd encourage you to download and read is the Pensions Policy Institute's *Living Through Later Life* report. You'll gain insights about how the different phases of independence change what people can do and feel they can do. We should be talking about this as clients map out what they want to achieve. Sharing what we learn from this type of research can help our clients make informed decisions about how to get the most out of retirement.

Comma not a full stop

Traditionally people have thought of retirement as a full stop, but this report shows that this is less of a case. In 2018 half of those reaching State Pension Age were considering continuing to work. Those who are 'tired' of working still seem to step straight into full retirement, but others are finding a transition more helpful. What are your clients planning? Depending on their role they may find opportunities for sharing their skills on a voluntary basis or supporting other businesses in a non-executive director capacity.

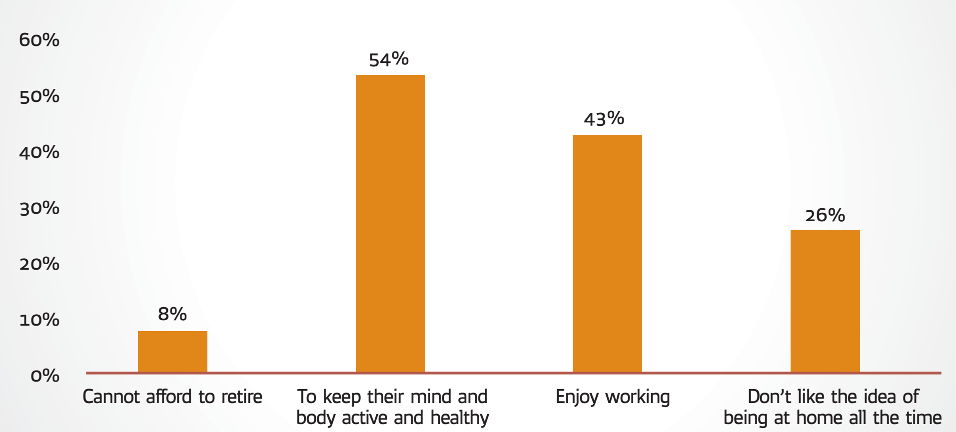
I think we might fall into the trap of thinking that people keep working because they can't afford not to. The chart below looks at the reasons identified by survey respondents who reached State Pension Age in 2018 and were planning to continue working. Even when the researchers looked at all the people remaining in work after State Pension Age they saw that the majority did so by choice rather than necessity.

Now, these people weren't always doing the same job or indeed working at the same company. Look at the reasons highlighted in the chart. The key lesson is that people keep working to keep active. Some research has also linked keeping your mind active with a reduced likelihood of dementia, so this could be a factor. However, for many I suspect the issue of personal identity is a strong motivator (see also page 32 - Ed).

We almost certainly spend more time in the workplace than we do with our families. Whilst we might not be 'industry leaders' or 'influencers' a large part of who we are is influenced by what we do. I've met some incredibly passionate paraplanners who love what they do. Imagine you had been doing what you do for 30-40 years gaining great depths of experience, knowledge and wisdom. You probably have colleagues who come to you for help or to be a sounding board (irrespective of the chain of command). How would you feel about leaving that environment?

We are unlikely to fully comprehend. We might not be having these conversations directly with clients. However, we should try to have empathy. They are considering a huge transition of which money is only a part. So, as we prepare Retirement Planning reports, let's be aware of the thoughts that might be going through our client's heads.

REASONS FOR CONTINUING TO WORK BEYOND SPA AMONG THOSE SCHEDULED TO RETIRE IN 2018 SOURCE: PENSIONS POLICY INSTITUTE



AMERICAN DREAM

Ashley Wiltshire, owner of Wiltshire Paraplanning, tells Rob Kingsbury about how she set up and runs her outsourced paraplanning firm and her imminent move to the United States

Ashley Wiltshire started her outsourced paraplanning firm, Wiltshire Paraplanning, in October 2013 and has built it into a profitable business of seven paraplanners and an office manager, with plans to grow it further.

Born in the USA, Ashley has moved back and forth between the States and England over the years. However, she has lived in England since 2006 and married, had children and built her business here. She has now decided to move to be close to her family in Texas, from where she will continue running the business. It is a move she describes as "exciting but with its challenges".

To facilitate the move, Ashley has bought in a silent partner to the business. "I had been thinking I would have to sell the business and start anew in the US. But he suggested that if he took a 50% stake we could keep it going.

"We get on really well and it's turned out to be an exciting time. We're looking at what we can do to further build the business, including bringing in a couple more paraplanners and another office manager. It's given me a new lease of life in terms of the future of the business: I have new ideas on how we can grow, and we're rebranding and building a website and a Facebook page. These are things I've not needed before as we've mainly worked on referrals – it's taking things a step forward.

"Importantly, it's enabled me and my family to move to America and set up a new business over there, while also keeping the business we have built up over the past six years."

Alongside the practical challenges that come with moving to another country, there will be business issues to contend with. Ashley sees the biggest but not insurmountable one being the time difference. Texas is six hours behind the UK, so she intends to start work around 7am (1pm in the UK), which will give her four to five hours to speak with the UK business. "As everyone in the business works remotely, we are used to dealing over the phone or via Skype, the only major change will be the time difference but that is not so great as to be unmanageable,"

Ashley says. She also intends to return to the UK for an annual team meeting and to meet clients where needed.

The idea is that she will become less of a hands-on paraplanner and will instead focus on managing and growing the firm. She still expects to undertake some cases and with a compliance hat on, will spot check cases before they go back to the client, she says. "But by stepping back from paraplanning I will be able to take more of an overview and focus on the future of the business."

Having a business partner physically in the UK will also help, she adds. While not involved in the day-to-day running of the business, where there is a need for things such as face-to-face interviews in the hiring process, he will be on hand to take care of the practical side.

Becoming a paraplanner

Like many people Ashley "fell into" financial services. Having bought herself a one-way ticket from the States to be with her now husband, Sean, a recruitment agency lined up an interview with St James's Place (SJP) at the company's headquarters in Cirencester. She began working as a partnerships accounts executive, dealing with the partners, which included travelling in southern England presenting to SJP partners. Then, after nearly five years, she transitioned into a business assurance role.

It was during her time at SJP that one of the directors of the company, Paul Gale, began to talk to her about paraplanning. "I look on Paul as one of my mentors. As a result I started studying for my Diploma."

Also, while presenting a couple of years earlier, she had met the owners of an outsourced paraplanning company, KDML Consulting Ltd. Wanting to progress and "do something different" she got in touch with them and joined their company as a trainee paraplanner. "So my experience as a paraplanner has always been in an outsourced role."

She left there to become a compliance consultant with the Intrinsic network. "This was good experience as it was working outside of the SJP model, which gave me exposure to different advisers and providers and what they offered."

"What's important to me is ensuring that, while everyone is self-employed and takes commissions that are right for them and how they want to work, they also feel like they are part of a team"

It was while she was working there that a near death experience made her re-evaluate what she was doing. "It put things into perspective. I realised I wasn't enjoying compliance but I enjoyed paraplanning. So I thought, right, let's just do this. So I gave in my notice and started offering a freelance paraplanning service."

Again it was a mentor who made her think beyond where she was. "I was happy to be paraplanning. I hadn't looked at the bigger picture and thought about how I could develop it into a business. He put it into my mind that I could take on more paraplanners and grow a business from it."

Starting the business

It was challenging at the start, with time being the biggest issue. "You have to put in the time as well as the sweat and tears to get a business to where you want it to be. That can affect your life outside of work."

She began building the business, starting with two paraplanners "but they didn't work out and I found I had to start again. It was difficult as I was committed to delivering a set amount of work for clients." Communication with her clients was important at that time, she says, letting them know what was going on and what they could expect.

Over time, Ashley has built the kind of solid, loyal team she envisaged when she set up the firm. "You learn as you go along," she says. "What's important to me is ensuring that, while everyone is self-employed and takes commissions that are right for them and how they want to work, they also feel like they are part of a team. I don't want anyone to feel they are alone without support, because I've been there myself. So we have regular Skype calls and I monitor the stats and whoever has done best every quarter I'll send them a gift card. We'll also meet up once a year to do something together. This year we canoed down the Thames; it was hilarious.

"I want paraplanners we work with to enjoy and want to work for us. It's also important that they can earn well."

Ashley set up the business working with advice firms in Intrinsic and SJP but gradually shifted to solely work with SJP partners. Currently the firm works with 39 advisers, mainly on a retainer basis. Ashley manages the workflow to ensure the firm's service standards – providing a five working day turnaround – are maintained. "Clearly, it all depends on how quickly we can get answers from providers and the complexity of the case but to date even in our busiest times we have been able to keep to that timetable.

"I allocate the work depending on the number of cases people are currently working on. You get to know everyone and how much work they are able to take on at any one time. One of my main tasks is to ensure that our paraplanners always have plenty of work."

As the firm works virtually, with paraplanners dotted around the country, Skype has been a mainstay over the past few years. However, as part of the new investment in the company, Ashley is working with Excalibur Communications Ltd to bring in a UK-based VOIP telephony system 'Horizon', featuring the use of 'Collaborate' which will provide an internet-based telephony system, team document sharing and chat function enabling continuous contact for all members of the team, at any time.

One of the reasons the firm has transitioned to work solely with SJP, Ashley says, is the companys's in-house system. "The system is very secure, with an encrypted inbox for delivery

Animal lover Ashley and husband Sean intend setting up a canine hydrotherapy service in Texas and finally owning her own horse
Photographs by Cameron Rozard

of work, and it is also streamlined. The network and intranet are very well structured, information is easy to find and there is a framework to follow for cases," Ashley explains.

Charging a retainer is the only way for a business to be profitable, Ashley says. "I never wanted us to be a report writing company; we provide a service, and from the start I was readily available to people for any queries they may have and so on. But solely charging case fees meant that any time I was on the phone or simply working on admin and systems for the business, I wasn't getting paid. So I started charging a set amount for case fees every month, which can be pro-rata rolled over if they are not used, and a smaller amount as a retainer to ensure all other work is paid for too."

With the impending move to the US changing Ashley's role from a less hands-on paraplanner to one focussed on managing and building the business, she has gradually been transitioning how she works and instead of undertaking everything to do with a case herself, the office manager has been data gathering, undertaking the necessary calls and, once the case is ready to submit, uploading all the documents to the system.

It's a system which has worked well and Ashley is looking to extend it by bringing in more people, transitioning the business to have, in effect, an administration resource, thereby allowing the paraplanners to concentrate on the analysis and financial planning of the case while the leg work is undertaken by the office managers.

"A major benefit to this is that cases can continue to be progressed while the paraplanner is involved in the nitty gritty of cases. Also, it means as self-employed people, they can go on holiday knowing their cases are continuing to be processed and work is in the pipeline for when they get back. I think it will ease the stress for paraplanners while allowing them to make a consistent amount of money each month."

A business takes sacrifice, she says. "The biggest drain I found was on family time, especially in the early days where you are having to work hard and all hours to get things off the ground. Also, there will be times along the way where things can go wrong. Then, as the business owner, you just have to put the time in.

"Also, it can be hard to switch off and you need to learn how to do so when it's needed, especially when you're with family. In the past I could get quite emotional when there were issues to deal with but I've learned to be assertive and pragmatic and not to take things personally. It's about being professional. I've also found that kindness goes a long way."

Looking ahead over the next year Ashley says she and her business partner are looking to grow the business organically. "Currently, we have the capacity to take on a couple more SJP partners and over the next few months I want to bring in additional paraplanners and another office manager to help with continuity of the business and the administration for the paraplanners. That will enable us to take on more work in a gradual and sustainable way, while meeting our service standards."

TAXING QUESTION

Would you rather all your money was taxed or just the growth? A fairly simple question, says Les Cameron, head of Technical, Prudential

The question 'would you rather all your money was taxed or just the growth?' will probably get a quick answer! Just on the growth of course – who'd want to pay more tax?

And this is the question that should be being asked of people with unvested pension pots who reply "I don't need the money, it's for the family".

Age 75 is a key point in the tax journey of a defined contribution journey. The growth on drawdown money is tested against the LTA as are any remaining unvested pots.

The question for some might be, is arriving at age 75 with an unvested pension pot the best position to be in? Because the other key change at 75 is the taxation of death benefits. On the stroke of midnight on their 75th birthday a client's death benefits go from being tax free to being taxed at the recipient's marginal rate.

Where they have an unvested pension they will normally have access to 25% of it tax free. If they withdraw it and invest outside the pension only the growth will be taxed. So, by investing in a way that means any tax liability falls on the beneficiary you can make them richer.

Reinvesting in another tax exempt wrapper such as an ISA or offshore bond could give the same investment return as the pension, as with the wide availability of open architecture wrappers, the investments could be the same as those in the pension.

The decision between the wrappers will clearly be down to personal circumstance. Allowance availability, IHT position, the desire to use trusts or the ability to assign in future will all influence the decision.

The simple premise is illustrated in the tables below. The question is: Can better outcomes be achieved – because they've only had the growth taxed and not the capital?

PENSION REMAINING INVESTED

Age at death	Net Growth (5 year period simple)	Pension pot remaining invested	Amount received if pension remains fully invested based on beneficiary marginal rate		
			20%	30%	40%
70	0%	£160,000	£160,000	£160,000	£160,000
75	25%	£200,000	£160,000	£140,000	£120,000
80	25%	£250,000	£200,000	£175,000	£150,000

ISA

Age at death	Net Growth (5 year period simple)	PCLS invested	Pension remaining	Taxable Amount	Amount received if PCLS reinvested based on beneficiary marginal rate			Beneficiary Gain		
					20%	30%	40%	20%	30%	40%
70	0%	£40,000	£120,000	£0	£160,000	£160,000	£160,000	£0	£0	£0
75	25%	£50,000	£150,000	£150,000	£170,000	£155,000	£140,000	£10,000	£15,000	£20,000
80	25%	£62,500	£187,500	£187,500	£212,500	£193,750	£175,000	£12,500	£18,750	£25,000

OFFSHORE BOND

Age at death	Net Growth (5 year period simple)	PCLS invested	Pension remaining	Taxable Amount	Amount received if PCLS reinvested based on beneficiary marginal rate			Beneficiary Gain		
					20%	30%	40%	20%	30%	40%
70	0%	£40,000	£120,000	£0	£160,000	£160,000	£160,000	£0	£0	£0
75	25%	£50,000	£150,000	£160,000	£168,000	£152,000	£136,000	£8,000	£12,000	£16,000
80	25%	£62,500	£187,500	£210,000	£208,000	£187,000	£166,000	£8,000	£12,000	£16,000

HEAD-TO-HEAD

With increased regulation, governance and the potential repercussions of court cases to deal with, we asked: Can smaller SIPP providers survive? Here, Claire Trott and Greg Kingston give their views

I can't think of another market that's faced as much change and as many challenges as the SIPP market, since SIPP operators became regulated in 2007. Beginning with the need to adapt to regulation, operators have managed multiple changes to pension income withdrawal, been subject to no fewer than three thematic reviews and arrive at today amidst sustained negative press and what some consider to be pivotal pending outcomes in court. 'Pensions are boring' is a phrase that clearly does not apply to the SIPP market.

SIPP operators have coped with these challenges in a number of ways. Some have proved highly innovative, moving into other markets such as platforms, albeit with mixed success. Others have proved adept at adapting or expanding their services. Some have accelerated their growth by acquiring other providers, while others have chosen that way to exit the market. And a few have failed.

As the market has developed and each challenge has been met, there's been plenty of speculation over the level of scale a SIPP operator would need in order to survive. When the first acquisitions began, a figure of 4,000 plans was mooted by some, a prediction that hasn't stood the test of time terrible well. Larger operators have succumbed to acquirers, while smaller providers still survive. But can the latter continue to cling to survival and, indeed, should they?

Can smaller SIPP providers survive? Greg Kingston, Group communications director, Curtis Banks:

NO

It has never been correct to say that scale can be determined by how many SIPPs an operator holds. The number of plans is relevant, in terms of providing revenue that can be invested to maintain and improve the business, but for no further reason than that. Sufficient scale – critical mass if you will – is determined by capacity, ability and willingness to change. Do small SIPP operators have the means to adapt and operate as customers and the regulator expects, are they competent to do so and are they sufficiently motivated?

Regrettably, there's enough evidence that the answer is no, smaller SIPP operators should not survive. I'll explain my reasoning.

Due diligence

I've been privileged to have rummaged under the bonnet of more SIPP operators than most, experience drawn from being involved in due diligence on potential acquisitions and then learning the truth and reality of what has been purchased if the acquisition goes ahead. Not all potential acquisitions do, and there can be a number of reasons why that's the case. Those due diligence exercises aim to interrogate far more than just the number of plans and types of investments – they cover a wide range of information. Everything found begins to form a picture of the type of business and how it operates.

As I said earlier, scale is not one single thing but a collection of different factors, and one that's commonly overlooked is the human factor. Put simply, in today's fast-changing highly regulated environment, small SIPP providers risk not having sufficient human resource, experience and quite simply time to manage everything that they need to.

In smaller operations, there are often key person dependencies that cannot be mitigated or which the business chooses not to for cost or control reasons. The same person running the business may be overseeing risk and compliance, any number of governance committees, heading up sales, and interpreting and managing regulatory and legislative change, to name but a few. Conflicts abound, and they all need to be managed effectively.

What's more, in smaller operators there will often be far lower staff turnover in senior positions, denying the organisation the ability to grow understanding with external experience. All these factors can lead to an environment where change risks not being managed effectively or at all, conflicts of interest may not appropriately managed and where few mechanisms exist to effectively challenge decision making.

The regulator probably understands this, and a good recent example is when the regulator was forced to exempt smaller SIPP operators from their investment pathway guidance delivered in PS19/21. This compromise increases the risk to a client purely due to the size of the SIPP operator that they're saving with. Surely it cannot be right that client outcomes are inconsistent due to the size of the SIPP operator. Imagine if a restaurant were able to exempt itself from food hygiene standards by virtue of having fewer tables than another establishment?

In summary, my title holds two questions: can small SIPP operators survive, and should they survive? My answer to the latter question is no, for the reasons listed above. The answer to the former is, for many, a story yet to be concluded. But we know already know the plot – will there be a final twist?

Can smaller SIPP providers survive? Claire Trott, chair of The Association of Member-Directed Pension Schemes: YES

In an ever-changing pensions market, I strongly believe that there is a need for the smaller players in the SIPP profession and that they can remain profitable. SIPPs were a very different beast when they came into being over 30 years ago, with a very clear divide between a standard personal pension and the substantially more flexible SIPP offering. Over these years it has been the bespoke SIPP providers driving the change, offering their clients new and improved services and investment options as soon as legislation allowed, and this isn't something that is going to stop.

As we all know, in the world of pensions there is no one size that fits all. The complexity of the available options and the flexibilities now available to those retiring or passing on their pensions to future generations, means that finding a pension provider to suit your needs is just as important as saving for a pension in the first place. It has always been the case that the nimblest of pension providers have been the smaller players, partly because of their lower overheads and flatter management structures.

It may be thought that the amount of change in recent years couldn't be topped, but we are in a world that likes to throw surprises into the mix at short notice and those that can move quickly to adapt are going to survive any storm to come. Advisers should be assured that the smaller providers will be ready to change and ensure continued good service at the shortest of notice.

Although it is a complex area with many teething issues, the introduction of the capital adequacy requirements for SIPP providers will have strengthened the position of smaller players in the market, giving greater reassurance to those wishing to use the more bespoke services. A SIPP after all is really all about the service, as well as the proposition and available investments. Smaller providers can give the kind of personal service that the bigger players could only dream of, understanding their introducers' and clients' needs and wants on a more individual level.

Pension investors will always want to push the boundaries of what they can invest in, bigger players aren't going to want or be able to deal with the due diligence required to allow investors this freedom to invest how they see fit in appropriate pension investments. The smaller providers have the expertise to understand what their clients want and make it available, if appropriate. They have the experience of a market that continues to be very complex with dedicated technical support not available from the larger providers.

FCA proactive stance

It is clear that times are changing and the FCA is taking a stronger more proactive stance with regards to protecting pension investors, not only from scammers but also from themselves. This isn't a threat to the smaller providers, as long as they follow the guidance and build in the appropriate safeguards. The FCA have, and continue to have, discussions with the SIPP industry to understand the impact of any of their proposals on the market. After all, it isn't in their interest to reduce competition.

Although we have seen significant consolidation in the market, those that remain are committed to providing advisers and their clients with good quality long term administration of their retirement funds.

We have seen plenty of changes to the requirements on SIPP providers since their regulation and every time someone suggests that it will be the downfall of the smaller or more bespoke providers. Yes, some providers have left the market or not kept pace with change sufficiently but that happens in all industries and we must accept that as part of life.

Even the recent court cases have tested the bespoke SIPP market but by engaging and understanding the issues, smaller providers are still able to give their clients options unavailable from the larger providers.

Diversity in a market as complex as pensions is something that we should cherish because it gives advisers and their clients the choice they need and deserve. Big isn't always beautiful, it can be clunky and slow to adapt with the needs of an ever changing and unpredictable landscape.

BUY-TO-LET TAX TRAPS

The government is making life increasingly complicated for private landlords.Paraplanners now need to be wary of a number of potential tax traps when working with clients with second properties, warns Andy Woollon, wealth specialist at Zurich UK

The rapid growth of buy-to-let has seen the number of private landlords reach almost two million, owning one in ten homes in the UK. Against this backdrop, however, the government has been making life more expensive for landlords, taxing them at every step from mortgage to purchase and ongoing letting through to sale.

As a result, paraplanners need to be wary of potential tax traps when managing the affairs of clients with second homes.

Reduction in tax relief

Changes in the taxation of buy-to-let properties could leave clients facing higher tax bills. Under the reforms introduced in April 2017, from 6 April 2020, tax relief on residential property finance costs will be restricted to the basic rate of income tax. Relief will be given as a reduction in tax liability instead of a reduction to taxable rental income. This could increase a landlord's property profits (their taxable

property income) significantly, meaning that, apart from paying increased income tax, many will be pushed into the higher rate tax band (and remembering that the higher rate threshold for Scottish clients is £43,430 this tax year) and various tax traps.

Take, for example, an English landlord earning £45,000 a year, plus receiving £12,000 rental income and paying £2,000 in expenses plus £6,000 mortgage interest.

As the chart below shows, the calculation of their property profits/taxable income and income tax could change significantly.

In this instance, not only will a client's annual income tax liability have increased by £1,200 by 2020/21 (i.e. the difference between higher and basic rate tax relief) but, because of the change in the calculation basis, their taxable property income will have soared by 150% to £10,000. While some landlords may consider moving their portfolio into a limited company to sidestep this and some of the other tax changes, this can be a minefield fraught with alternative taxes and costs, and few appear to have done so with existing properties.

Child benefit tax trap

As their taxable income increases from the buy-to-let tax changes, clients could also fall into the child benefit tax trap.

Using the above example again, if the client was married with three children claiming child benefit of £2,501 a year, the 'high income child benefit tax charge' would now apply as their total taxable income would be £55,000, meaning they would lose £1,250 child benefit (1% for each £100 in excess of £50,000), making a total tax increase of £2,450 a year from 2020/21.

And do not forget the personal allowance and tapered pensions annual allowance tax traps could apply at higher income levels. To avoid this, the tax-planning opportunities include transferring the property and rental income to a spouse/civil partner or making a personal pension contribution.

IHT increases

With so many other tax changes afoot, landlords could have overlooked the IHT liability they will be building up, which is unlikely to be covered by the residence nil-rate band (unless the property was previously a main residence). Property prices continue to rise: the average UK

Example buy-to-let property profits/taxable income calculation

Tax year	Rental income	Expenses	Mortgage interest	Property profits	Tax @40%	Basic rate tax relief reducer	Overall tax
2016/17	£12,000	£2,000	£6,000	£4,000	£1,600	-	**£1,600**
2017/18	£12,000	£2,000	(£6k*75%)	£5,500	£2,200	(£6k*25%)*20%	**£1,900**
2018/19	£12,000	£2,000	(£6k*50%)	£7,000	£2,800	(£6k*50%)*20%	**£2,200**
2019/20	£12,000	£2,000	(£6k*25%)	£8,500	£3,400	(£6k*75%)*20%	**£2,500**
2020/21	£12,000	£2,000	0	£10,000	£4,000	£6k*20%	**£2,800**

Source: Zurich UK

house price in April 2019 was £236,619 according to the Halifax, some 5% higher than a year ago and representing average growth of 4.3% every year in the decade since the 2009 low point following the financial crisis. This trend continues to stoke IHT liabilities for landlords.

Paraplanners have an opportunity therefore to pursue the possible use of a guaranteed whole-of-life policy written in trust to cover the IHT liability. Or, alternatively, convertible term assurance, which can provide the cover they need now, at a price they can afford, but with the flexibility to convert to a guaranteed whole-of-life policy in future, with no further medical evidence.

Potentially exempt transfers

To avoid IHT, some landlords may have made outright gifts of second properties to adult children. While taking care not to give rise to a gift with reservation of benefit or trigger pre-owned assets tax, however, they may have overlooked the fact this is a potentially exempt transfer (PET) for IHT purposes. Should they die within seven years, the failed PET will use up the donor's nil-rate band first, with any excess gift value taxed on the donee.

The traditional use of a gift inter-vivos policy (or a series of level term assurances) can cover the donee's potential liability, but it is the loss of the nil-rate band to the donor's estate (increasing IHT by up to £130,000) that is often overlooked. This can be simply covered by a seven-year term assurance written in trust.

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PARA-METERS

Our monthly paraplanner survey tracking trends and topical issues

IN ASSOCIATION WITH LIONTRUST

IT HAS BEEN SUGGESTED THAT THE BRITISH STEEL PENSIONS SCANDAL COULD HAVE BEEN AVOIDED IF PARAPLANNERS AND ADMINISTRATORS WERE AUTHORISED AND THEREFORE HAD TO TAKE GREATER RESPONSIBILITY FOR THE RECOMMENDATIONS MADE. WE ASKED:

DO YOU AGREE?

YES	18%
NO	71%
UNSURE	12%

IN GENERAL, SHOULD PARAPLANNERS BE AUTHORISED?

YES	43%
NO	35%
UNSURE	22%

IN GENERAL, SHOULD ADMINISTRATORS BE AUTHORISED?

YES	7%
NO	88%
UNSURE	6%

As can be seen from the pie chart, the majority of paraplanners believe that regulating paraplanners and administrators would not have avoided the British Steel scandal. Many expressed the opinion that the scandal was created by adviser firms who sniffed easy money and were solely interested in pushing people to transfer so they could take a slice of the pension pot. What came through from the comments was that if the rogue adviser wanted to provide bad advice the opinion or influence of the paraplanner would have had little sway.

"Even if paraplanners were regulated we are not always listened to and opinions are not always sought or welcomed in some firms, so it may not have made a difference if, in fact, they felt they could speak up," said one respondent.

Others added: "An unscrupulous adviser will place pressure on paraplanners to proceed and they risk their jobs if they refuse to do the work."

"Ultimately advisers push for what they want and you either write the report or end up looking for another job."

It was also suggested that where paraplanners are inexperienced, they can be led by the advisers. "I should imagine the majority of these cases were done by IFAs not using experienced/qualified paraplanners and where support was provided it was by inexperienced support. Any qualified/experienced paraplanner would stand up to the adviser and state their disagreement..."

Another pointed out that even paraplanners who would stand up in the client's best interests could be misled by advisers wanting to do the business. "It's impossible for a paraplanner to know the full case unless they are sitting in on each meeting – advisers could simply 'throw in' extra facts or make assumptions which would skew the transfer advice in the direction they wanted."

One suggested solution to improve the industry was that responsibility should pass completely from the individual adviser to the business. This potentially is a firm with employed advisers with full control and responsibility falling squarely on the shoulders of the senior management. Although whether this would have stopped the scandal is debatable – a rogue firm knows exactly what it is doing. As one paraplanner commented: "The scandal was brought about by advisers with no integrity... and the advisers are likely to be leading the firm's moral compass."

General authorisation

We then asked whether, in general, paraplanners and administrators should be individually regulated. In contrast to the first question, 43% of paraplanners responding thought they and their peers should be authorised and regulated.

Practical reasons given, included: "When a planner is out of the office, it would be helpful if a paraplanner is able to give a quick piece of advice if they are familiar with the client and their circumstances" and "It would help with communication and ensure there was more shared responsibility, which can only lead to better advice."

The increasing influence and complexity of the paraplanner role also were cited as reasons why it should be "appropriately regulated".

As one paraplanner put it: "We now live in a world where most good paraplanners are the brains of the operation and possess at times higher and far more detailed knowledge and understanding of matters than advisers. Therefore it does make sense to give authority to paraplanners and recognise this."

Those against paraplanners being regulated pointed out that it should depend on the role of the paraplanner in the firm. "If paraplanners are meeting and giving direct advice to clients, then maybe it would be appropriate.'

While another added: "Authorising paraplanners simply places less responsibility on the advisers – they are responsible for the advice and should continue to be so."

Administrators

Administrators will be pleased to know the vast majority of paraplanners firmly believe they shouldn't be regulated. Although, one paraplanner in favour of regulation pointed out: "They still perform potentially high risk functions that could damage client confidence and organisational reputations when things go wrong."


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What other paraplanners have said about the events so far this year:

"This was a great, well organised event which I thoroughly enjoyed."

"The whole structure of the day is well thought out and I think of particular benefit is the break out into smaller groups to encourage greater interaction."

"The content was superb and I learned a lot from it that I'll be able to apply day to day."

Dates and venues

Leeds: Oulton Hall, 2 October
Manchester: 16 October [WAITING LIST]
Reading: Crowne Plaza, 23 October
Bristol: The Aztec, 13 November
Newcastle: Crowne Plaza, 26 November

How to register

Go to the *Professional Paraplanner* website or use this link: https://www.surveygizmo.com/s3/4701291/TechnicalInsight2019SignUp

POST-DEATH PLANNING

Catriona Standingford, managing director of Brand Financial Training, considers the use of deeds of variation vs disclaimers in post-death planning

Both deeds of variation and disclaimers can be used to vary or redirect assets from a deceased's person's estate. For those studying for exams, this is relevant to CII AF1, AF5, J02 or R06 exams. Here are a few reasons why varying or redirecting assets might be a desirable thing to do:

- To provide for someone who has not been included in a will or who has not been sufficiently provided for;
- To save IHT;
- To make changes to gifts that were made in a will; and
- To make changes to how property is owned – from joint tenants to tenants in common.

Deeds of Variation

A deed of variation is a document which allows the beneficiaries of someone's estate to change the deceased's will up to two years after they've died; although, it's not just a will that can be re-written; changes can be made under the laws of intestacy, where someone has died without a will.

Example

Imagine that June has died having left her estate to her son Max. Max is already concerned about his own inheritance tax problems so decides to put in place a deed of variation to redirect his inheritance to his own children. Using a deed of variation ensures that Max isn't treated as having made a gift himself to his children (and therefore avoids the usual need to survive seven years after making a gift) and also avoids worsening his own IHT situation.

Conditions for a Deed of Variation

A deed of variation is essentially post-death planning and should never be thought of as a substitute for pre-death planning. However, they are useful. As well as needing to be done within two years of death, the following conditions also need to be satisfied:

- The document or deed must refer to the will or intestacy being varied;
- There must be a statement that the variation is to have effect for IHT;
- It must be signed by those involved with the variation;
- Where the result is that more IHT needs to be paid, the deed must also be signed by the personal representatives; and
- There must be no consideration involved.

Disclaimers

A disclaimer is different in that it is someone stating that they do not wish to accept an inheritance under a will or intestacy. The important difference is that for a disclaimer to be valid, the property must not have been accepted by the person. They also have no say as to where the property is to go instead; instead it goes back into the deceased's estate and is distributed accordingly.

Rules for Disclaimers

The rules for disclaimers to be valid are:

- The property must be disclaimed within two years of death;
- There must be no consideration; and
- There must be a statement that the disclaimer is to have effect for IHT (so won't be treated as a transfer of value).

There doesn't need to be a formal deed or document drawn up – it can be simply a letter. HMRC provides a useful 'Instrument of Variation Checklist' to ensure any variation done by letter meets the requirements of the IHT Act and the Taxation of Chargeable Gains Act.

If the variation means more IHT needs to be paid, then a copy needs to be sent to HMRC within six months of making it, but if there is no change, then HMRC don't need to see a copy.

POWWOW 2019

We highlight some of the discussion points from this year's Paraplanners' Powwow

The annual Paraplanners' Powwow provides attending paraplanners with the opportunity to discuss working practices and offer tips to their peers. This year's event, which as usual took place in the 'unconference' setting of teepees in a field in Aynho, Northamptonshire, was no exception.

Here we focus on one session which looked at centralised retirement propositions (CRPs).

In the session, led by Jonny Stubbs, head of Technical Support, LIFT Financial, just a handful of paraplanners said they had a formal CRP process in their firm but as Jonny pointed out, most firms probably do have a process in place, as, he said, a CRP is, in effect, "fundamentally a process... formalising good financial planning practice."

Discussion revolved around the very different environment in which people now find themselves compared to pre the pensions freedoms, where there were established limits such as GAD rates and annuities were the default retirement income option. Just three paraplanners of 30 in the session said they had used an annuity in a decumulation plan in the past year, clearly showing the extent to which drawdown is now used in retirement planning.

"There is no longer a default position. Now, there are more options and choices to be made and different risks to be assessed, such as longevity, about which people are often unrealistic. An architecture now has to built around what is needed and what is possible."

The annual Paraplanners' Powwow and (inset) Jonny Stubbs

From a practical point of view, it was suggested the process around planning for decumulation should start early, around five years from the client's proposed retirement date. This should include a dedicated fact find to ascertain details around the client's likely situation come retirement, whether they will want to take tax free cash, whether they will have other income apart from a pension coming in, what their likely expenditure will be, and so on.

Greater complexity

A key point made was the "massive jump from accumulation to the complexity of decumulation", as the latter needs to account for the different stages in a client's retirement years and the potential changes in their financial requirements as a result.

Due to this complexity, it was suggested that firms write down "what they believe in for clients entering retirement" – so clients know how the firm determines the level of secured income required, how it tests Capacity for Loss, what sustainability is and how the firm stress tests it.

It was also suggested that, from a technical perspective, having a defined policy with a document that formally records what the firm has agreed with the client as to how they will meet their income needs throughout retirement, was a sensible strategy. It could then be the starting point for all reviews (see box).

Jonny offered as an example his firm's Withdrawal Policy Statement, which includes key areas such as income, portfolio size, withdrawal income goals, initial withdrawal rate, the sources of the withdrawals, what the annual review will look at in respect of the strategy, and so on.

In calculating income needs, paraplanners said the advisers they work with take different approaches, with some creating an expenditure spreadsheet and going through it line by line with the client and others who take a more broad brush approach, establishing a bottom line figure with the client and looking at how that might be sustained through the years.

Drawdown Document

Withdrawal income goals for a couple might state:

- Receive annual withdrawals, starting now, and continuing throughout both of your lifetimes.
- Increase your annual withdrawal each year to offset lost purchasing power from inflation.
- If possible, pass on any remaining pension wealth to your children.

Cashflow modelling was seen as essential to test sustainability of income streams but, it was added, "could only be a starting point" because of the assumptions which had to be made.

One of the issues which was flagged was ensuring clients understand what they can actually afford versus the expectations and objectives they may have for their retirement years. "It's slowing down the client's thinking around their dreams and aspirations, which they often have before coming in to see a financial planner."

A useful way of doing this is in pictorial form, using cashflow modelling to show what is achievable.

Sustainability

While sustainability was essential to decumulation planning, it was pointed out this would be particular to the individual client's needs and expectations. As such, it could be maintaining capital at a set level or running it down through the client's lifetime.

The first step should be "to establish a minimum standard of living that the client wants and which is realistically achievable, through income and expenditure analysis."

One suggested means was to divide the client's wealth into capital set aside to generate income and capital designated for their legacy.

One paraplanner said: "We tell our advisers that a retirement plan has to take into account all reasonable options, such as pensions, annuity, low risk drawdown, etc, so we know the client will always have that standard of living. Then we can take more risk with the remaining portfolio to build their legacy, if that is what the client wants to do and is happy with that."

Noting the low use of annuities and that drawdown had become the primary option in current plans, it was emphasised that "drawdown gets less right for people as they get older. It needs to be regularly reassessed. We can't discount the use of annuities as the client gets older; at reviews we need to obtain a personalised annuity quote in order to compare the options."

While annuities had fallen out of favour, it was noted that in recent years they were being considered more regularly again. Fixed term annuities were seen as "very useful for the right client in the right circumstance."

Suggested sustainability strategies included taking income from different wrappers and parts of a portfolio and 'bucket' planning, where retirement plans and investment strategies were set for the near, medium and long-term buckets. An annuity could be useful to deliver guaranteed income to a set level and having a cash buffer, where the client has a year's income in cash, could provide a level income for a year both to help offset sequencing risk or, for example, where a strategy may have to be changed due to altered circumstances.

"We have to plan for the fact that we are dealing with situations outside of our control and that drawdown plans can and will go wrong. We need to ensure that our retirement planning strategies and our review processes are robust so that we can show the client that we have done everything we could in the circumstances."

Above all, it was agreed, "sustainability has to be understandable to the client".

The Powwows are held under Chatham House rules – which allow for reporting of what was said but not who said it. Those mentioned directly in this piece have given their permission for their name to be used.

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 19/20, examinable by the CII until 31 August 2020.

1. If a client said that all of their current investments were in emerging market funds, what might this indicate to the adviser?

- A That the client was considering retiring abroad
- B That the client has little confidence in the UK stock market
- C That the client was reckless
- D That the client has an adventurous attitude to risk

2. What primary factors determine the rate of interest paid to an investor/depositor? Tick all that apply.

- A The level of risk taken e.g. Gilt versus corporate bond
- B Notice period on deposit accounts
- C The age of the investor / depositor
- D The tax status of the investor / depositor

3. Which of the following individuals would be classed as a UK resident in this tax year? Tick all that apply.

- A George who has lived in the UK for an average of 40 days a year for the last 4 years
- B Yvonne who will be in the UK for 185 days in this tax year
- C Gordon who arrived in the UK on 01/12/17 to take up full time employment
- D Graham who lives in Germany but visits his family in the UK for 2 weeks every 3 months
- E Eleanor's family home is in Brighton, but due to extensive work commitments this year will have spent 140 days this tax year in Florida

4. Glen McArthur Financial Management's 'Aggressive Opportunities Fund' has a Jensen's alpha of 1.2%. This tells potential investors:

- A The manager has outperformed the market
- B The fund has a high level of gearing
- C Beta has been adjusted for alpha
- D The standard deviation is the same as beta

5. At age 80, Sidney dies, leaving behind a wife and child. Sidney had uncrystallised benefits. How can the fund pay out any lump sum death benefits?

- A No LTA test needed and can pay out a lump sum subject to 45% tax charge.
- B Benefit crystallisation event so LTA test needed with any excess taxed at 55%.
- C No LTA test needed and lump sum is payable tax free if paid within 2 years.
- D No LTA test needed and lump sum taxable at the recipient's rate of tax.

6. A mortgage is distinguished from an absolute assignment by a right known as the:

- A Law of reassignment
- B Equity of redemption
- C Repayment of security
- D Power of retention

7. A machine needed to produce goods for a company is bought for £5,000. It has a useful life of 6 years and an expected re-sale value then of £500. What is the annual depreciation charge?

- A £916
- B £833
- C £750
- D £417

8. Fred aged 80 took out an equity release mortgage when his wife died 5 years ago. The house has increased in value and he now wishes to release more capital. This is likely to be by what method?

- A Potentially Exempt Transfer
- B Further advance
- C Drawdown
- D Will not be possible

9. Barry suffers from Parkinson's disease and has been assessed as suffering from cognitive impairment. What additional condition, if any, needs to apply for him to be able to make a claim under his Long-Term Care Insurance policy?

- A He must be unable to carry out one Activity of Daily Living (ADL) as well as the diagnosis of cognitive impairment
- B Barry must be treated as an Elderly Mentally Ill patient
- C A diagnosis of cognitive impairment is sufficient for Barry to make a valid claim
- D He must be unable to carry out three Activities of Daily Living (ADLs)

10. Jo is a first-time buyer in her late 40s. Which housing scheme can offer her a government bonus when she uses her savings to buy her first home?

- A Lifetime ISA
- B FirstBuy scheme
- C Help to Buy ISA
- D Help to Buy equity loan

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 https://brandft.co.uk

NEW SECTION

THE INVESTMENT COMMITTEE

In our new dedicated section providing information and insight for paraplanners engaged in research into investments and for those contributing to their firm's Investment Committee decisions, we will be covering key areas from individual funds and alternatives, through to themes and market commentaries. We will be particularly focussed on responsible investing.

The section will be dovetailed with a dedicated investment event to be held in London. Keep an eye on these pages and our website professionalparaplanner.co.uk for further details.

If you are interested in attending the London event please email our events manager louisa.hooper@researchinfinance.co.uk and she will send you further details in due course.

INVESTMENT COMMITTEE MEMBER

Rob Kingsbury spoke to Martin Green, paraplanning manager at Chadney Bulgin, about being a member of the firm's Investment Committee and what it entails

Martin Green has been a member of the Chadney Bulgin Investment Committee since it was formed over a decade ago. The committee meets on a monthly basis, but will convene in between if required, for example if prompted by market or other external events.

The primary function of the committee is to ensure that not only is the firm conforming to its investment philosophy but also to review that philosophy and the finer detail to ensure it remains valid for the firm and its clients.

That finer detail, Martin says, includes "ensuring the research within the firm is up-to-date, exploring new funds and products that enter the market, and making sure that the current investment propositions are still suitable. We'll review new products as well as those we are using today to ensure they are still relevant going forward."

The remit of the committee is not confined to investments, he adds. Recently it reviewed the nature of DB transfer work and whether the firm wanted to continue handling this type of business. That was then referred to the partners of the business for further discussion.

The committee consists of a range of personnel, with specific job functions pertinent to the committee – the operations manager, head of compliance, two Chartered Financial Planners who are also partners in the business, a financial planner, and the paraplanning manager and deputy paraplanning manager.

As paraplanning manager Martin heads the research side of the business, which includes the investment philosophy. He authored the investment process document for the business and he is responsible for the fund and product research and analysis undertaken in the firm, as well as looking at the providers the company uses, reporting to the committee at the monthly meetings.

"If, for example, the company decided to use VCTs for tax purposes, it would be my responsibility to go into the marketplace to ascertain the providers and then undertake deeper research into the products and then report back to the committee my recommendations in respect of which companies and products we use and the reasons why," he explains.

This then will flow into the investment process, including the right risk questionnaires to use, etc, and the operations manager will pick that up and implement it into the firm's systems and processes. The biggest challenge for the committee, Martin says, is "getting

> ***"The reason we have a range of people on the committee is because we want different opinions and we want people to express those opinions. Inevitably, there are going to be opposing views"***

everyone around the table to agree." But that, he says, "is a positive challenge."

"The reason we have a range of people on the committee is because we want different opinions and we want people to express those opinions. Inevitably, there are going to be opposing views at times. So, the challenge is to take onboard an idea or view and then look at the positive or negative effects on the various parts of the business. Then its balancing the weight of the positive effect on one part of the business against the negative effect elsewhere. It's finding that way to progress matters forward that ultimately is in the best interests of our clients and the best interests of the business."

The area most discussed by the committee, Martin says, inevitably is the firm's investment philosophy. "It's fundamental to our clients' outcomes and the success of the business. We have a long term approach but we will discuss what's happening in the market, asking whether it's just noise or does it need further attention? We will look at our asset allocation, what we are invested in and where."

As an example, he says, the committee will look at which providers it is using, the amount of money invested with each, whether that presents a concentration risk to client portfolios. "Then we might look at whether we should bring in a new provider, or whether one provider could be brought in to complement another and spread the risk, and make a decision on it."

Investment Committee Tips

If Martin has a tip for any paraplanner when first joining their firm's investment committee it is to be patient and for the first couple of meetings at least, to sit and listen to how the meeting is conducted and how to put across a point in the discussion. "You need to get used to the way your committee works. Your opinion is valid – you'll be on the committee because people value your input and want to hear what you have to say – but I'd recommend understanding the subtleties before voicing your opinion. One reason for this is that often in a lively discussion your idea can get knocked back at you.

"So observe and think about how you are going to put across your points and do so in a constructive way. Also be opened minded and be prepared to compromise where needed. If I've learned anything about being part of the meetings, it's that having the patience to sit and listen and then put across your point pays off."

As an Investment Committee member and paraplanner, Martin recently was asked by BlackRock to provide input in helping design a new low cost fund range. You can read more about Martin's experience on the *Professional Paraplanner* website.

ABSOLUTELY NON-FABULOUS

Can absolute return funds finally prove their worth? Darius McDermott, managing director, FundCalibre looks at a sector that has not lived up to the hype

In the past 15 years there have been plenty of investments which have widely been tipped as the funds for the future. But many have failed to meet expectations and some have done so in dramatic fashion.

Fund fads which come to mind include 130/30 funds – which allowed managers to short up to 30% of their portfolio, and 'best ideas' vehicles that combined top stock picks of numerous fund managers. All were hailed as the "next big thing" but ultimately failed to substantiate those claims.

Absolute return funds have – almost – managed to avoid this fate. After all, they now have their own sector. But the same fanfare that popularised these vehicles has worn off, given many have failed to live up to expectations.

They came to the fore in the wake of the global financial crisis, as many troubled investors looked for more risk-averse solutions. Smooth returns, which minimised volatility, became 'cool'.

Poor performance and complexity leads to outflows

The idea is that while these funds may not participate in the upside of markets as enthusiastically as plain old equity funds, crucially, they do not lose as much in down periods. This has been the case on the upside but, as volatility rose in 2018, these vehicles struggled, with the average fund falling 2.8%[1], and some fell a lot more than that.

Let's look at the disparity in performance of the sector in more detail. In 2018 the best performer was the BlackRock Emerging Markets Absolute Alpha fund returning 12.3%, while the worst performer fell -13.5% – a difference of more than 25%. In 2017, the difference between best and worst was almost 60% and, in 2016, it was over 50%[2]. These are a major disparities.

Longer-term track records mean more, so I had a look at all the funds with a ten-year track record in terms of their discrete annual performance. None produced a positive return every year. Three had done reasonably well - only losing money in one of those 10 years (all in 2018), but two funds had lost money in five of those 10 years.

The figures do not make pleasant reading. The sector has only returned 4.06%[3] in the past three years at a time when most others have delivered double digits.

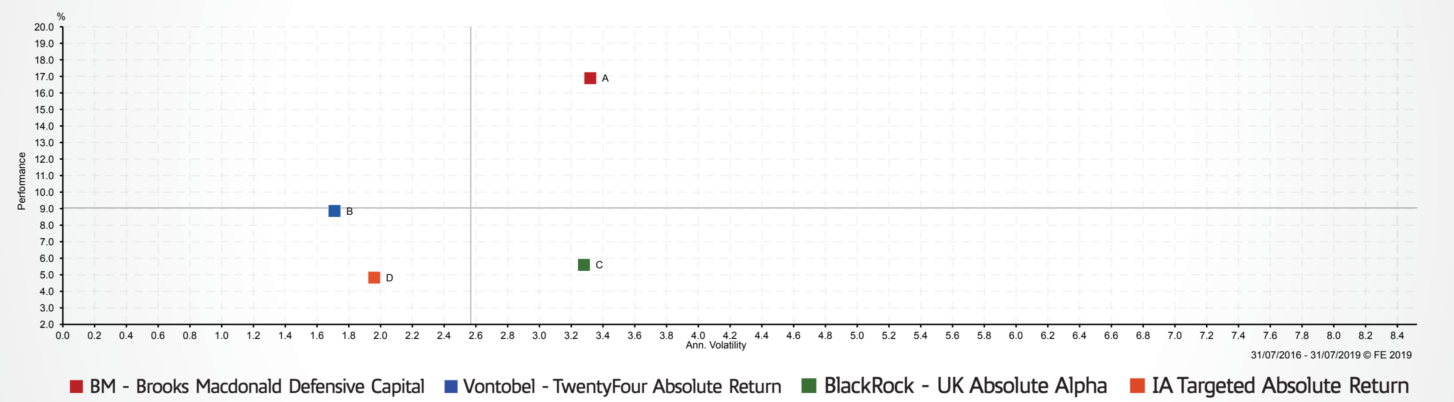
Having been the sector with the largest net retail sales in 2015 and 2016 the sector has now seen £5.3bn of outflows in the last nine months[4]. Many of those outflows in the short to medium term can be attributed to a number of multi-strategy vehicles, such as Aberdeen Standard Investments' Global Absolute Return Strategies (GARS) fund, which at its peak held well over £20bn of assets but has now shrunk to less than £8bn[5]. Others like Aviva and Invesco have looked to tap into that success with their own versions of this strategy, although poor performance has led to outflows. In my view the challenge these funds have had is they are too complex for retail investors to understand and when things go wrong, people vote with their feet.

Benefits and another opportunity to redeem themselves

The failure of these funds in 2018 has been well documented, but I believe

ABSOLUTE RETURN FUND PERFORMANCE

SOURCE:FE ANALYTICS AS AT 23/8/19



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I believe there are still strong options for investors in this sector. Much has been made of the late-cycle investing scenario we are now in and, if markets do enter a prolonged downturn, there will be another opportunity for these funds to restore faith

there are still strong options for investors in this sector. Much has been made of the late-cycle investing scenario we are now in and, if markets do enter a prolonged downturn, there will be another opportunity for these funds to restore faith. They do have a role to play as a diversifier, as they offer low correlation to other assets. Many also incorporate risk management into their investment process, so they can evaluate absolute risk.

The challenge is picking the right one given you have a sector that holds long-only, long-short, UK, global, fixed interest and even some old-style hedge funds. Those with a simple philosophy are often best. A good example is the TwentyFour Absolute Return Credit fund. It is long-only and looks to preserve capital by investing purely in bonds with short-maturity dates. Over the past three years it has returned 7.67%[3].

Another we like is the BlackRock UK Absolute Alpha fund, which is a long/short UK equity fund, which also uses pair trades and cash. The fund has returned 27.97% since Nigel Ridge took charge in March 2013 and 6.04% over three years[3].

Investors may also want to consider a multi-asset vehicle like the Brooks Macdonald Defensive Capital fund. It aims to deliver positive absolute returns over rolling three-year periods. The managers seek to create a portfolio with 'predictable' performance by investing in assets that have fixed returns. It has returned 13.56% in the last three years [3].

[1]Source: FE Analytics, total returns in sterling, IA Targeted Absolute return sector average, calendar year 2018
[2]Source: FE Analytics, total returns in sterling, calender years 2016 to 2018.
[3]Source: FE Analytics, total returns in sterling, three years to 21 August 2019
[4]Source: Investment Association figures from October 2018 to June 2019
[5]Source: Fund factsheet, 31 July 2019

Past performance is not a reliable guide to future returns. Darius's views are his own and do not constitute financial advice.

WHAT IS SUSTAINABLE INVESTING?

Mike Fox, head of Sustainable Investments at Royal London Asset Management, describes the sustainable investing landscape and demystifies the terminology

After years on the sidelines, sustainable investing has finally moved into the mainstream. At Royal London Asset Management we've been integrating ESG factors into our investment processes since 2003 and two of the funds in our sustainable range celebrate their 10th anniversaries this year. While we're naturally delighted about this new-found popularity, we're a little frustrated by some of the more questionable marketing it has generated.

Growing pains

Admittedly, the terminology can be confusing – what is the difference between sustainable and responsible investing, for example? And what difference does it make to apply ESG screening or consider ESG factors? Also, the sector's newly-fashionable status has led to some blurring of the terminology in the scramble to launch new products. Distinct and clearly-defined investment approaches have been stretched and morphed to appeal to an even wider investor base. Much of this comes from inexperience, although some feels more cynical.

What can you do to avoid being sucked in by marketing hype? My advice is to get a clear understanding of the differences between the core approaches; consider your client's specific requirements; and then find a fund manager with a record of delivering good long-term investment returns across different market conditions.

Defining the landscape

Ethical investing, which began meaningfully in the 1990s with 'green funds', was based on negative screening i.e. screening out 'bad' stocks on criteria such as environmental impact (e.g. oil and mining companies) and social harm (tobacco companies, arms manufacturers). 'Dark green' investors often accepted that returns could be below market. They would trade off financial returns against social or moral returns.

Over time, this has evolved into responsible investing (see graphic), which is more sophisticated and can deliver market rates of return, but is still based on the concept of screening out against certain ESG factors. For example, a fund may screen out mining or fossil fuel companies on their environmental impact or a bank on its corporate governance standards. This will be set out in the fund's mandate and essentially be fixed over time.

Sustainable investing is different from responsible investing. While having common origins in old-school ethical, it is a more modern and inclusive manifestation of embedding values in investing. The conceptual difference compared to responsible investing is that the screening is positive – rather than 'screening out', we 'screen in'. It is about doing good, rather than avoiding bad.

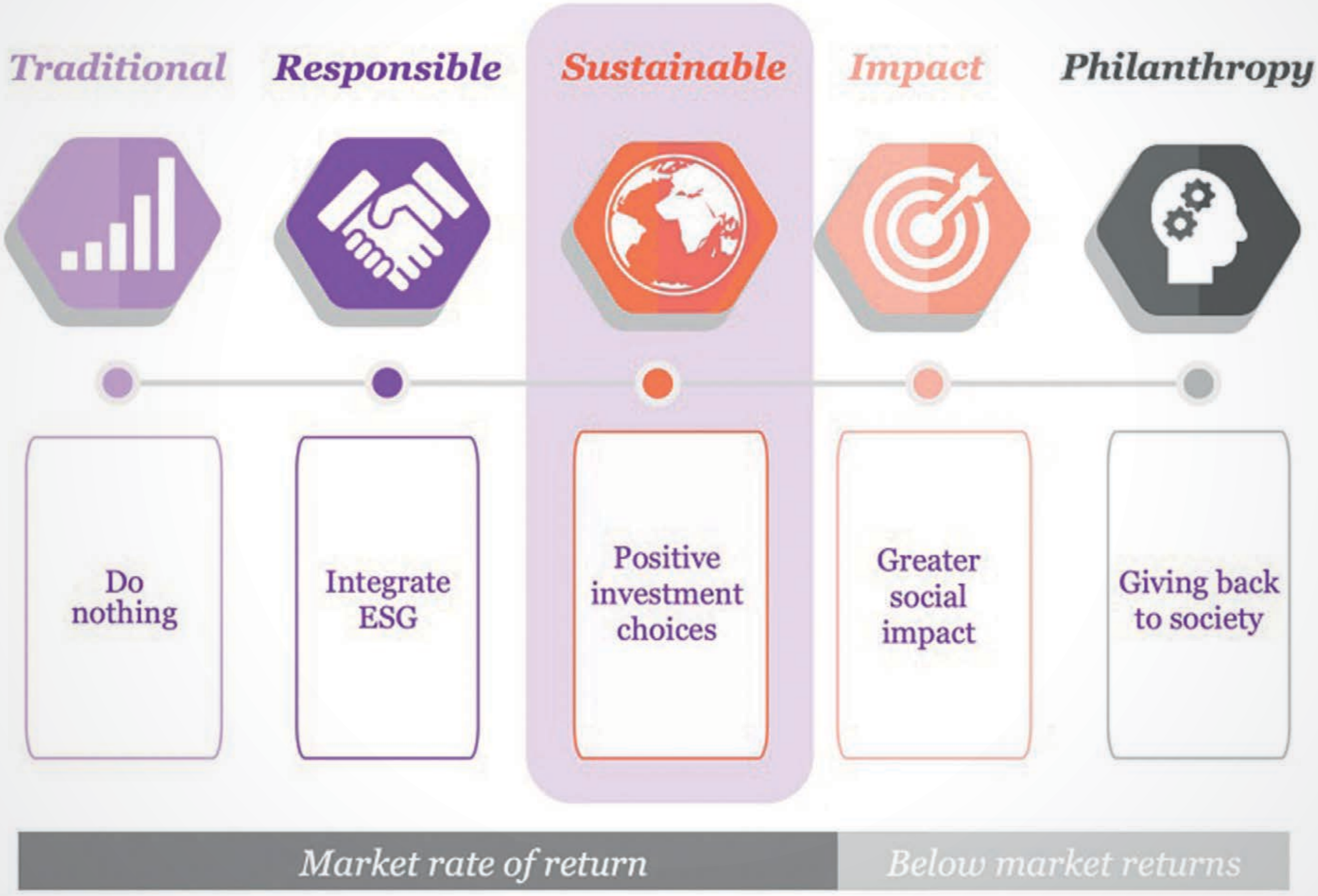
We consider similar ESG factors but seek to make pragmatic investments that will make a positive impact on society. As an example, we don't invest in fossil fuel companies not because of screening, but because we believe that their business models face obsolescence and contain embedded risks. However, were an oil company to invest hugely in renewable energy and battery technology, thereby de-risking its business, over time we might consider an investment.

First and foremost, however, we aim for market rates of return or above. My aim as a fund manager is to generate positive returns for investors. Our sustainable investment process highlights market inefficiencies that can be exploited to generate positive investment returns. By considering both the positive and negative sides of ESG factors, I believe we have an edge over traditional fund managers.

At the end of the spectrum is philanthropy, which is usually focused on very wealthy people or institutions that want to 'give back to society'. The key is that while the social or moral returns may be high, the investment

> ***Our process highlights market inefficiencies that can be exploited to generate positive investment returns. By considering both the positive and negative sides of ESG factors, I believe we have an edge over traditional fund managers***

WHILE SIMILAR, SUSTAINABLE INVESTING IS CONCEPTUALLY DIFFERENT FROM OTHER APPROACHES – IT SHOULD GENERATE COMPETITIVE INVESTMENT RETURNS, WHILE MAKING A POSITIVE IMPACT ON THE WORLD SOURCE: RLAM



returns are zero (beyond tax breaks). Philanthropy can have an amazing social impact, but it isn't investing.

The link is impact investing, which previously had a niche, but important role between philanthropy and sustainable investing. It described investment that offered sub-market returns, but enabled projects or products that had significant social benefits – sub-market investment returns were compensated by philanthropic 'impact'. The key was additionally, which described the benefit to society that happened only because someone was prepared to give up investment returns.

Then marketing got hold of the term. It has now been hijacked as funds lay claim to the aggregate ESG impact of all of their holdings. There's so much hyperbole and double-counting that, in my opinion, 'impact investing' has become meaningless. These effects would often accrue without the fund's investment: there's no additionally.

Our approach

For us, sustainable investing has three core principles:

1 **Financial returns** – this is the point of investing and we believe it's entirely complementary to the other two factors. Well-managed companies by ESG metrics are likely to be financially well run – in basic terms, sustainable investing improves returns.

2 **Social and environmental improvement** – we believe companies that address social issues or environmental challenges through innovation are more likely to succeed over time.

3 **Engagement** – no company is perfect and after investing we will engage with them to make the case for higher standards or a different approach. Not only does this help to make society better, it can improve financial returns by highlighting problems in advance.

Over the years, we've had time to develop a differentiated investment process based not just on data-driven models as ESG data standards are poor. Overall, we aim to invest in companies demonstrating a net benefit to society, through either the products and services they offer or ESG leadership. As a result, we invest in a range of innovative, responsible, well-managed companies with strong long-term growth potential.

Two funds, a decade of delivery

Two of the funds at Royal London Asset Management – the Royal London Sustainable Diversified Trust and Royal London Sustainable World Trust – celebrate their 10 year anniversary this year (rlam.co.uk).

GLOBALISATION

Govinda Finn, Japan and developed Asia economist, Aberdeen Standard Investments says globalisation today is profoundly different to the past

In the past, 'globalisation' mainly meant the movements of goods and money across national boundaries. Examples included the manufacturing of smartphones, which might entail the manufacturing of components and their partial assembly in a range of different countries.

But a form of globalisation that we are starting to see today – and could see much more of in the future – is profoundly different. Rather than being concerned with the movement of physical goods and capital, it involves global trade in information and human talent.

Our research shows, flows of trade and capital – the traditional drivers of globalisation – have slowed in the wake of the financial crisis. But flows of information and people have proved more resilient – and in some cases have even accelerated. This points to the potential for a new form of globalisation – one enabled by technology.

The 'human cloud'

Today, digital technologies promise service-sector firms the ability to coordinate complicated tasks across international borders. This offers them the opportunity to exploit lower costs by arbitraging wage differentials between countries at the points where those gaps are the largest.

There are already signs that the services workforce is reorganising along these lines. Tele-migration services – in the form of international freelancers or the 'human cloud' – are creating a highly skilled and globally mobile workforce that could transform value chains within the services sector. In recent months, high adoption rates and structural revenue growth have supported a string of initial public offerings (IPOs) related to the human cloud, including Lyft and Uber, two of the three largest firms in the industry.

Importantly, this is a truly global phenomenon. Five of the world's 10 leading human-cloud firms by revenue are based in emerging markets. The two largest presences in this area are the US and China, but European and other Asia-Pacific countries are also well represented.

The rollout of 5G technology has the potential to greatly accelerate this shift – expected to improve speeds a hundred-fold as well as leading to a plethora of technological innovations, from smart infrastructure to autonomous driving.

But this 'new globalisation' is not guaranteed. Recently, plans for the rollout of 5G have hit a major stumbling block as China's Huawei has been dragged into an increasingly bitter feud over data security. Exclusions on regulatory grounds are likely to cost billions and could delay the launch of 5G networks by years.

Fragmentation and barriers

More generally, barriers to international trade in services remain high, with no harmonisation of national standards. To create the same sort of supply-chain acceleration that occurred in physical trade, governments will need to open up domestic sectors that are currently protected and allow technology to facilitate transformative change in digital trade and services.

Another threat to the integration of services and information is the fragmentation of the internet. We are already witnessing a fracturing of internet-related information flows, with new barriers emerging in critical areas including digital rights and privacy. The former is fundamentally an issue of governance with lines of demarcation between the US open-internet model and China's cyber-sovereignty model. Despite dominating bourses in both China and the US, direct competition between Google, Facebook and Amazon in the US and Baidu, WeChat and Alibaba is limited by the different governance regimes in which they operate. The EU has exerted its own credentials by demanding restrictions on firms that do not provide adequate privacy protection.

So, can technology and the integration of people and information flows reinvigorate globalisation? We do see scope for globalisation to regain momentum through an unbundling of the services sector and the application of new technologies.

Investors' role

Investors will play a critical role in this transition as the rewards from reallocating capital efficiently will be high. This will heighten the disruptive impact on firms in both the non-manufacturing and manufacturing sector.

This conclusion comes with a heavy caveat. Proponents on 'new economy' globalisation have a considerably more challenging job to mobilise resources than their predecessors. Not only is there is an ongoing backlash against the perceived failures of globalisation in the West, there is much less consensus for building international governance architecture to expand and regulate data and people flows.

With US influence over globalisation waning, China and Asian nations, where the net benefits have been much stronger, are likely to step into the vacuum. But with great power comes great responsibility. The need for the creation of a governance model capable of supporting the changing nature of globalisation has never been higher.

SECTOR CONSIDERATIONS: JAPAN

FUND CALIBRE ELITE RATED FUNDS OVER THREE YEARS

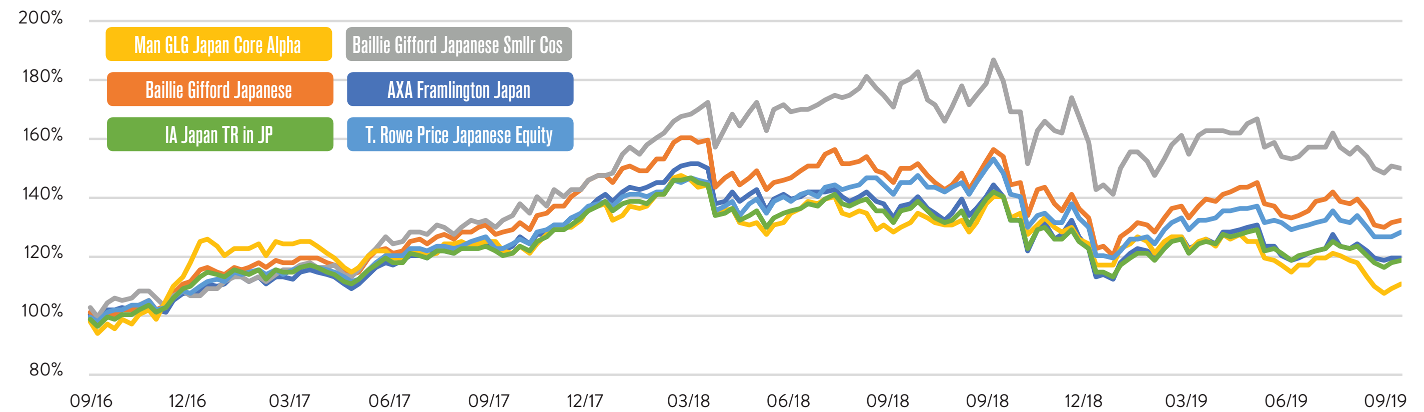
Data provided by FE

Correlation

Positive correlation | Low correlation

	AXA - Framlington Japan	Baillie Gifford – Japanese	Baillie Gifford - Japanese Smllr Cos	IA Japan	Man GLG - Japan Core Alpha	T. Rowe Price - Japanese Equity
AXA Framlington Japan		0.93	0.92	0.94	0.64	0.93
Baillie Gifford Japanese	0.93		0.81	0.97	0.78	0.91
Baillie Gifford Japanese Smllr Cos	0.92	0.81		0.82	0.45	0.91
IA Japan	0.94	0.97	0.82		0.80	0.94
Man GLG – Japan Core Alpha	0.64	0.78	0.45	0.80		0.60
T. Rowe Price – Japanese Equity	0.93	0.91	0.91	0.94	0.60	

Value and growth strategies



When Fund Calibre conducts its investment review meetings Japan is often a market which makes for an interesting debate, given it has a number of unique characteristics. For starters, it is the most stylistic market in the developed world from a growth and value perspective. The Yen also has a huge impact on the economy and stock markets – more so than most other currencies over the long term.

This is because it is seen as a safe haven currency, so when investor fears increase people buy gold, Dollars and Yen: we need to consider this in uncertain periods and it's one of the few areas of the market where we occasionally move between hedged and unhedged shareclasses.

The chart above shows the three year performance of Elite Rated Japanese equity funds. Those with a small and mid-cap bias have done better and, at first glance, you might dismiss the Man GLG fund. The value style of investing has been very much out of favour in Japan (as in other markets) but this fund still works really well when combined with other Japanese equity funds in a wider portfolio, as it has a remarkably low correlation to all the others (shown on the table).

Although it has struggled over three years we are still big fans, because the value bias should see strong outperformance should markets shift – as was the case in 2016 when value bounced back and the fund outperformed the sector by a good 10%.

MORE THAN NUMBER CRUNCHING

How does our identity change when we retire? And what does this mean for paraplanners putting together a financial plan? Jacqueline Lockie, head of Financial Planning, CISI, considers some recent research

You may have seen the recent research publicised on BBC news channel on 20 August entitled "Why we lie about being retired". The article talked about the findings of four years of research by Professor Amabile at Harvard University in the US. Her team interviewed 120 individuals at different stages of life in various parts of the US and talked to them about their perspectives about retirement. As you'd expect, retirees started off relaxing and enjoying being retired, but the shine soon wore off.

The study identified that many people do not envisage what life would be like when they actually retire. One reason suggested for this was that the financial planning that goes on prior to retirement seems to be viewed as more of a mathematical exercise of crunching numbers to ensure the retirees have sufficient money to live on when they reach retirement.

But as we all know from creating financial plans for clients, doing the number crunching is just one part of the process. Getting the client to imagine what life would be like when they retire is something I don't often see talked about in client meetings or written about in financial plans.

Imagine this scenario, you are retired, it is a rainy Tuesday afternoon, what are you doing? Having a doze whilst watching Midsummer Murders or doing something a little more exciting? Having a doze is all well and good for our health, but perhaps not on every rainy day.

One of the most interesting things about this research was they found when they asked retirees what they did for a living. Most said, "I'm a retired…librarian/bio chemist/banker…". They didn't just say that they were retired, they all added their previous job to the statement. The researchers suggested that we do this naturally because we seek some sort of identity when retired.

But would a client really need to add their previous job title when retired if they felt their life post full-time work, had value and meaning? As paraplanners you are in the ideal position to ensure that the financial plans that you create for clients help them see how they might live a long and fruitful life in retirement.

The research also went on to comment about the economic factors at play and it made me think about the potential impact on cashflow planning.

As Governments around the world but particularly in Europe, start extending the normal retirement age, how might this impact those who are planning for their retirement in less than ten years' time?

It lead me on to think about what many of my own clients used to do for a living before they came to me for advice. If, like me, you write financial plans for white collar workers, consider whether they have always undertaken roles like that. If, like some of my old clients, they started work as a manual worker before starting their own business, it might be that extending their retirement age to allow more time to meet their objectives, might not always work well. Some might suffer more ill health as an effect of previous occupations. So understanding about a client's entire working life is important.

We all know that if we use the client's own words and terminology when writing financial plans for them, this makes it personal to them as they can see themselves reflected in your words. Their goals and objectives are brought to life. But research shows that when it comes to retirement, there is more that we can do to show clients what that could really feel like.

As Governments around the world but particularly in Europe, start extending the normal retirement age, how might this impact those who are planning for their retirement in less than ten years' time?

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

Paraplanner profile (p8)
What is the turnaround round time for cases quoted by Wiltshire Paraplanning?

- ☐ 4 working days
- ☐ 5 working days
- ☐ 6 working days
- ☐ 7 working days

Tax (p14)
Name three Buy-to-Let tax traps of which landlords should be aware.

1.

2.

3.

Tax (p14)
Name a tax issue when landlords make outright gifts of second properties to their children.

Post death planning (p19)
Name a reason for varying or redirecting assets from a deceased person's estate.

Post death planning (p19)
A deed of variation can be set up until how many years after a person has died?

- ☐ One year
- ☐ Two years
- ☐ Three years
- ☐ Five years
- ☐ Seven years

Post death planning (p19)
Name one condition for setting up a deed of variation.

Post death planning (p19)
Name one rule for a disclaimer to be valid.

Investment Committee Member (p24)
Name a reason the Chadney Bulgin investment committee has a range of personnel as members.

Investment (p26)
In 2018 the difference between the highest and lowest performing Absolute Return funds was what?

- ☐ +15%
- ☐ +25%
- ☐ +50%
- ☐ +60%

Sustainable investing (p28)
What concerns fund manager Mike Fox regarding the move of sustainable investing into mainstream?

- ☐ Increased competition
- ☐ Poor performance
- ☐ Questionable marketing

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 August 2019, provided by FE

BEST RATED FUNDS

IA

Fund	3 year Cumulative Performance	FE Alpha Manager Rated	FE Crown Fund Rating
Morgan Stanley Global Opportunity	82.83	✓	5
Lindsell Train Global Equity	82.82	✓	5
T. Rowe Price US Blue Chip Equity	80.96	✓	5
TM Cavendish AIM	79.20	✓	5
Baillie Gifford Global Discovery	72.81	✓	5

AIC

Fund	3 year Cumulative Performance	FE Alpha Manager Rated	FE Crown Fund Rating
Baillie Gifford Monks IT	86.86	✓	5
Lindsell Train IT	70.68	✓	5
Frostrow Capital - Finsbury Growth & Income	51.30	✓	5
Schroder Asian Total Return	48.92	✓	5
N/A	-		-

BEST PERFORMING FUNDS IN TERMS OF RISK VS RETURN

IA

Fund	3 year Cumulative Performance	FE Risk Score
Polar Capital Global Technology	100.35	173
Aviva Inv Asia Pacific Property	99.19	776
Neptune Global Technology	96.78	156
AXA Framlington Global Technology	96.49	181
Baillie Gifford American	93.40	203

AIC

Fund	3 year Cumulative Performance	FE Risk Score
Leaf Clean Energy Company	179.07	1,540
Warana Capital Alternative Liquidity Limited	178.54	335
Allianz Technology	125.82	231
Dunedin Enterprise IT	115.27	208
Kubera Cross Border	113.19	305

RISKIEST SECTORS

IA

Sector	3 year Cumulative Performance	FE Risk Score
China/Greater China	38.13	164
Japanese Smaller Companies	35.18	142
North American Smaller Companies	46.38	136
Technology & Telecommunications	69.46	132
North America	47.98	123

AIC

Sector	3 year Cumulative Performance	FE Risk Score
VCT Specialist: Health & Biotech	5.15	228
Forestry & Timber	-16.51	186
Growth Capital	-17.53	181
Country Specialist: Latin America	23.47	176
Latin America	25.09	167

OUTFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	Out (£m)
M&G Optimal Income	23,804.76	3,566.65	-4,168.25	-16,069.86
ASI Global Absolute Return Strategies	17,098.10	7,844.40	196.02	-9,449.72
M&G Global Floating Rate High Yield	4,819.63	624.62	-1,094.60	-3,100.41
M&G Global Dividend	6,271.32	2,522.62	-923.33	-2,825.37
BNY Mellon Real Return	8,932.37	6,685.81	477.76	-2,724.32

INFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	In (£m)
Royal London Global Equity Diversified	55.12	2,285.48	323.04	1,907.31
Vanguard LifeStrategy 60% Equity	4,327.49	6,493.47	450.68	1,715.30
Vanguard FTSE U.K. All Share Index	7,790.72	9,454.49	129.19	1,534.59
Federated Short-Term Sterling Prime	3,300.00	4,700.00	8.50	1,391.50
State Street UK Equity Tracker	5,332.14	6,789.33	141.45	1,315.74

FE BE BETTER INFORMED

Data provided by FE

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.

BEST PERFORMING SECTORS

3 year Cumulative Performance

IA

Technology & Telecommunications
69.46

North America
47.98

North American Smaller Companies
46.38

China/Greater China
38.13

Gloal
37.00

AIC

Technology & Media
101.91

Country Specialist: Europe ex UK
89.65

Utilities
72.16

European Emerging Markets
59.82

Japanese Smaller Companies
50.00

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.

MOST RESEARCHED SECTOR

	IA		AIC
1	UK All Companies	1	UK Equity Income
2	Global	2	VCT Generalist
3	Unclassified	3	Global
4	Specialist	4	Flexible Investment
5	Mixed Investment 20-60% Shares	5	UK Smaller Companies

MOST VIEWED FACTSHEETS

	IA		AIC
1	Fundsmith Equity	1	Baillie Gifford Scottish Mortgage IT
2	Vanguard LifeStrategy 60% Equity	2	Fundsmith Smithson IT
3	Vanguard LifeStrategy 40% Equity	3	Frostrow Capital Finsbury Growth & Income Trust
4	Lindsell Train UK Equity	4	Thames River Property Investment Trust
5	Invesco High Income (UK)	5	BMO F&C Investment Trust

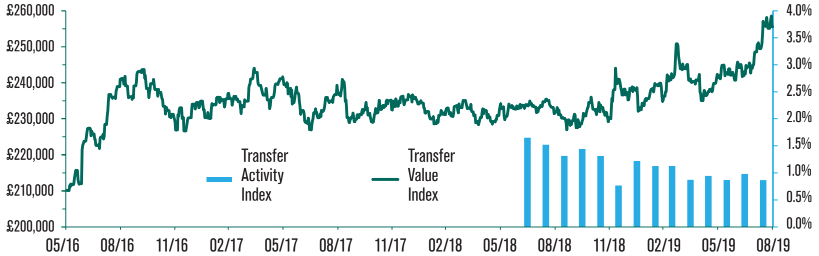
MOST CHARTED

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Baillie Gifford Scottish Mortgage IT
2	Fundsmith Equity	2	Baillie Gifford Monks IT
3	Vanguard LifeStrategy 40% Equity	3	Capital Gearing Trust plc
4	Vanguard LifeStrategy 80% Equity	4	BMO F&C Investment Trust
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 SEPTEMBER 2019

Transfer values jumped sharply during August, hitting all-time highs at £258,600 on 29 August 2019. The Index fell slightly to £255,600 at the end of the month, up from £247,400 at the end of July 2019, driven by a significant fall in gilt yields, partially offset by a smaller fall in inflation expectations. The Transfer Activity Index recorded a fall in the number of transfers processed during August, to an annual equivalent of 0.86% of eligible members, down from 0.98% in July. This is significantly down on the rates of 1.46% observed last August. Transfer activity has remained steady recently and it will be interesting if high transfer values will impact on activity over the coming months.



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