Professional Paraplanner

The magazine for paraplanners and financial technicians

November 2019

Take your opportunities

Siân Davies Cole, head of paraplanning at Aspirations, on what it takes to run a paraplanning team and how she had to adapt her plans to get her dream role

PAGE 7

5 minutes with…

First of our new quick-fire questions series

Your own business?

Challenges of going it alone

Mitigating IHT

Using a SSAS – case study

Ethical investing

Combining ESG and credit analysis

PLUS NEW SERIES GUIDE TO... SIMPLE INSIGHTS INTO KEY SUBJECTS

Follow us on Twitter
@profparaplanner

Professional
Paraplanner

WHAT'S BEST FOR INVESTORS?

It has been an "interesting" month in the investment world to say the least, with the implosion of Neil Woodford's investment company. Much has been written on the subject and I'm not going to add too much in the way of column inches here but, inevitably, the shock waves will be felt by the industry for some time to come.

Certainly, asset managers will be reviewing their processes and risk controls to ensure they will not experience a similar situation, and we may well see the regulator add its voice along the way.

One has to ask whether winding up the LF Woodford Equity Income fund was in the best interest of ordinary investors? Was there pressure from institutional investors wanting their money out? Private investors in the fund I have spoken to would have liked Woodford to have been given the chance to turn things around rather than see a significant tranche of their money lost, which seems likely to happen – recognising that all investment comes with risk and should be for the long term. Woodford himself said the decision to wind down the fund had not been his but rather the ACD's and he did not believe it was "in the long term interests of [the fund's] investors".

The greatest effect is likely to be on the confidence of consumers in the investment industry. When a fund manager name as big as Woodford falls, and this is combined with doubts around brokers' recommendation lists, where do investors turn? Trust is broken.

One positive might be that it makes hitherto DIY investors reflect on their need for financial advice – not just in terms of where they invest their money but for proper holistic financial planning.

One thing we can be sure of, with potential legal cases already lining up, the negative noise will keep on being generated and client confidence in the investment industry may well need bolstering.

New for this issue

This issue we introduce three new series. Talking to paraplanners around the country at our Technical Insight Seminars about what you would like to see in *Professional Paraplanner*, the overriding feedback has been that we deliver a useful spread of articles in the magazine offering something for everyone. This is gratifying for us and we will continue trying to deliver that range of content.

Paraplanners I spoke to who were new to the role did ask for articles that provide a simpler insight into a particular subject, which would help with understanding how things work and might fit within clients' planning and portfolios.

guide to...

So this issue we introduce the first in our new 'Guide to...' series, which we hope will be of use to paraplanners early in their role as well as those looking to refresh their knowledge or better understand topics for exams. You can find the article on pages 14-15, which outlines how to set up and structure a SSAS and the legal requirements involved.

Also, in response to requests for more quick-to-read articles, we start a new interview series entitled '5 minutes with' in which we will be putting a number of quick-fire questions to paraplanners, company CEOs and a range of industry professionals, to provide useful insight into what they do and how they do it, as well as specific topics, in a one page format.

And, in addition, we are launching a Protection Zone section on the website, alongside articles in the magazine. Logically, a holistic view of a client's circumstances should include relevant protection planning so that were an individual or family to suffer a negative life event, they have insurance in place to ensure they are financially covered and secure. The new zone will provide news and helpful articles on this subject. We are delighted that Scottish Widows is providing content for the Zone. Their first article, on what is required of those providing protection advice under the EU's Insurance Distribution Directive (IDD), can be found on page 13.

Be sure also to read the article on vulnerable clients and the impact of fintech, written by the CISI's head of Financial Planning Jacqueline Lockie. She raises a number of serious questions not least around clients being financial literate and astute enough to conduct their financial planning using some form of fintech – a subject that will become increasingly pertinent over the next few years and not just for vulnerable clients.

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

Follow us on Twitter
@profparaplanner

In this issue...

Professional Paraplanner is published by

RESEARCH IN FINANCE

Address

80 Coleman Street, London EC2R 5BJ

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

W: professionalparaplanner.co.uk

Editorial

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

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

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

Research analytics

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

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

Events

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

Management

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

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

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

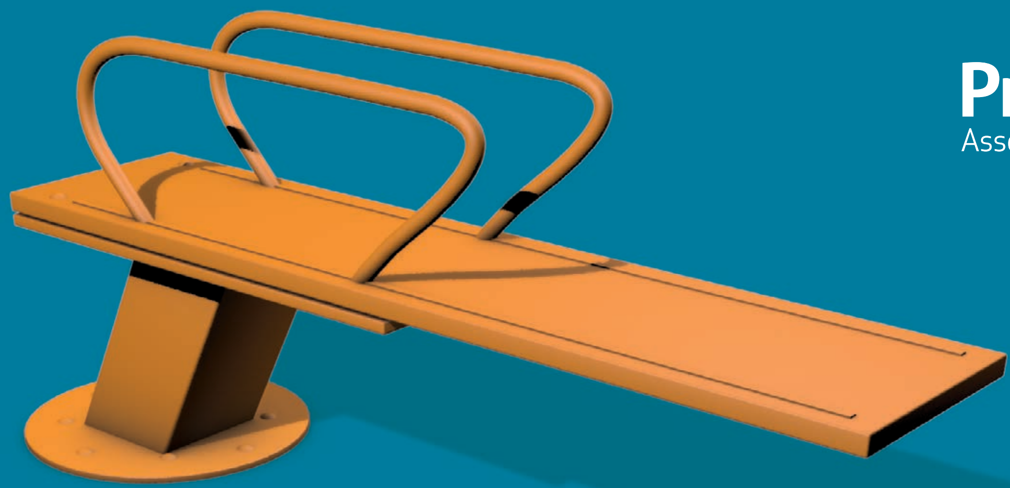
Subscriptions

If you would like to subscribe to the magazine or recommend a colleague please contact the subscriptions department at: subscriptions@researchinfinance.co.uk

Professional Paraplanner is a controlled circulation title and free to those who fit our strict terms of control.

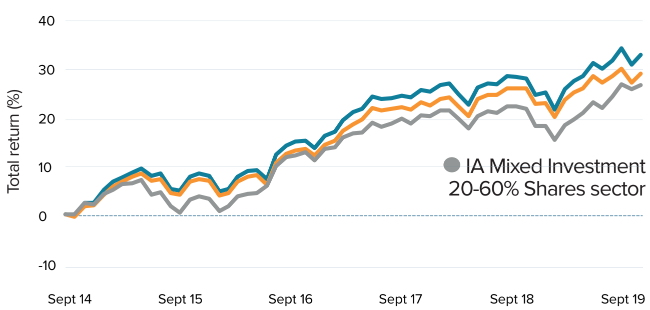
Subscription prices:
UK 1 year £60
Europe 1 year ££75
Rest of world 1 year £95

FOR PROFESSIONAL ADVISERS ONLY



Premier
Asset Management

Proven multi-asset income funds - dive in



Premier Multi-Asset Distribution Fund
Premier Multi-Asset Monthly Income Fund

Source: FE Analytics, 30.09.2014 to 30.09.2019, taken on a bid to bid, total return (income reinvested), UK sterling basis, class C income shares.

Enticing yields from proven multi-asset income funds

Premier Multi-Asset Distribution Fund

4.4% Historic yield Income paid quarterly

- Diversified income opportunities
- Experienced investment management team
- Strong performance record

Premier Multi-Asset Monthly Income Fund

4.8% Historic yield Income paid monthly

Past performance is not a guide to future returns and there is a risk of loss to capital. The value of shares and the income from them are not guaranteed and can go down as well as up. Full details of the fund specific risks are available in the fund prospectus and Key Investor Information Document. Ratings and awards are not an indication, promise or guarantee of future performance of a fund or fund manager.

Find out more: **0333 456 9033**
premierfunds.co.uk/multiassetincome

For professional advisers only. Not suitable for, or to be relied on by, private or retail investors. All data sourced to Premier and based on class C income shares, unless otherwise stated. The historic yield reflects distributions declared over the past twelve months as a percentage of the share price of the fund, as at 01.10.2019. The yield is not guaranteed and will fluctuate. Morningstar Ratings do not constitute investment advice. Copyright © 2019 Morningstar. All Rights Reserved. Based on C share class. The methodology and calculations used by the companies or organisations that provide the fund or fund manager awards and ratings are not verified by Premier Asset Management and we therefore are unable to accept responsibility for their accuracy. Ratings and awards should not be relied upon for making an investment decision. Issued by Premier Asset Management, marketing name for Premier Fund Managers Limited & Premier Portfolio Managers Limited, which are authorised and regulated by the Financial Conduct Authority. Telephone calls may be recorded for training and quality assurance purposes. 04101916167

TAKE YOUR OPPORTUNITIES

Siân Davies Cole, head of paraplanning at Aspirations, talks to Rob Kingsbury about what she believes it takes to run a paraplanning team and how she had to adapt her plans to get her dream role when it arose

Head of paraplanning at Aspirations is the role Siân Davies Cole was waiting for, she says. She brings to it 13 years of experience as a paraplanner in financial planning firms as well as working for the wealth management arm of a large bank.

Siân believes that as the influence of paraplanners within advice firms and the industry continues to grow, there will be more paraplanners moving into management roles. But she is of the firm opinion that to head up a paraplanning team you need a depth of experience and technical knowledge gained on the job.

"I don't believe you can just put a people manager in charge of a team of paraplanners. I've seen that done and it didn't work well because they didn't know the job. You need to have the experience on the ground and to have gone through the exams and know the technical detail to be able to give the team the support it needs," she argues. "That experience and knowledge also means you have the confidence and expertise to help people develop and from a business perspective, to sit down with directors and see things in the bigger picture."

Siân had several roles during her years with the bank, from working in branch, through paraplanning for advisers dealing with the bank's ultra high net worth clients and undertaking compliance checks on advice files. It also included a period based in Jersey as paraplanning manager dealing with financial advice for ex-pats around the world.

There was a lot of moving of roles, she says, "but you have to understand how banks work. For instance, I was involved in a year-long project which then got scrapped. It means you have to be prepared to change roles and take opportunities when they arise."

It's a pragmatic view she has brought with her into her financial planning career. During her time with the bank she studied for her Diploma and Chartered qualifications. This was mainly the IFS qualification route – "I prefer thinking around coursework to cramming for an exam" – but also some CII qualifications. However, having achieved Chartered status she found that to progress further in the bank meant she had to become a financial adviser or to move into compliance full time, "neither of which appealed to me, so I started to look around".

By this time she was based in her native Bristol. She took a chartered paraplanner role with Attivo Group in Cheltenham, heading up a small team consisting of herself, a paraplanner and an administrator. "The company was actively acquiring client banks at the time and our role was to go through a rigorous process of reviewing all acquired clients' plans and portfolios to ensure they conformed with company policy."

Siân says her years paraplanning for the bank had been mainly investment focussed and starting work in a holistic financial planning firm meant she was exposed to a far wider range of planning opportunities. "It was a bit like being thrown in the deep end. I was dealing with a lot of new areas, such as capital gains tax management, IHT and pension planning. Attivo also had an in-house SIPP provider and a commercial property team, which was something I'd not dealt with before. I learned a lot."

A desire to work closer to home saw her join The Citimark Partnership in Bristol, which offered the opportunity to work

> ***"I knew this was the rare kind of opportunity that you have to take because you never know when or if it will arise again. I knew I could make it work because I am so close to home. It sounded like a great prospect and it has turned out to be one"***

on complex financial planning for very wealthy clients, utilising vehicles such as EIS, VCTs, AIM investments and trusts. She started in a team of five paraplanners, of which three were chartered, and after a year moved into a senior paraplanner role. She worked directly for the CEO. "He liked the client side of things and I liked all the technical stuff so we worked well as a team. It also meant I got to deal with some of the most interesting clients with the most complex of situations."

Although enjoying the role, after becoming a mother and her subsequent need for greater work/life flexibility, combined with a minimum of an hour's commute each way across Bristol, Siân decided to look for a role even closer to home. "It was then that the head of paraplanning role at Aspirations came up, with an office literally on my doorstep. It was the perfect opportunity."

Defining the role

While Aspirations has a long history in the financial advice market, the firm saw a management buy-out in September 2018 and Siân's recruitment was part of the new partners' plans for the future of the business, which included the development of the paraplanning proposition.

"When I joined in April 2019, I could see that there wasn't the rigorous paraplanning support system that the business needed. While everything was working and compliant, there was no formal structure or written down procedure for doing things, which meant there could be a lack of consistency in our approach." This is where her years of experience gained in the bank and her previous financial planning roles came in, she says.

"I could see that we needed to put in place greater organisation, formalise our systems, processes and procedures, as well as documenting them, and also to listen to and scope out the team and make sure that as far as possible, everyone was in the right role for them, then drafting job descriptions that were appropriate to that."

While taking on a role as challenging as this one didn't neatly fit with the work/life balance Siân had originally pictured, she says it was a case of being pragmatic and seizing the day. "I knew this was the rare kind of opportunity that you have to take because you never know when or if it will arise again. I knew I could make it work because I am so close to home. It sounded like a great prospect and it has turned out to be one."

The Aspirations paraplanning support team consists of Siân, an administrator, two senior administrators and two paraplanners. On a day-to-day basis Siân says this means she has an oversight across the whole advice process, covering everything from the basic administration tasks through to complex estate planning.

Since taking the role in April, the majority of her time has been involved in putting in place the support needed for the business, "so I know we are doing everything we need to do in a structured way within the firm." She also oversees the team and the workflow and while she no longer writes suitability reports, she allocates and spot checks the cases being written and provides technical support to the financial planners as and when needed."

Make a difference

Throughout her career Siân says she has worked on the principle of making a difference. She explains: "I want to feel that I'm adding value to anyone I work with. This includes informal coaching and helping members of my team get on, whether that is through increasing their technical knowledge and their skills or formulating a plan to help them achieve what they want to in their career. That's because that's what I would want. Over the years I've found that you don't always get the support that you want or that you need and often that can be because no-one asks you. It's important that everyone feels like they are on the right path for them.

"Where we can make a difference for the advisers is in making their lives easier. Their skills set is seeing the clients, doing the business and bringing in the fees. We save them time by dealing with the technical work, providing expertise and helping formulate the recommendations, so they can get on with what they do best."

Looking ahead, Siân says her ambition is to be a director or on the board of a financial planning firm. "I want to be more involved in a firm. I like to influence where I am. That's why my role here at Aspirations is my dream job to date. I know what the directors want and I've been given the responsibility and the authority to do what's necessary. It's a challenge but there's a huge amount of satisfaction in taking it on."

Tips for heading up a paraplanning team

Siân says her three top tips are:

1. To make sure that you understand the role you are overseeing. The best way to get respect from your team is to be able to do the role that you're asking them to do. Don't be afraid to get hands-on.
2. Think about your staff and their development. See how you can help them be the best they can be at their job.
3. Be openminded and flexible. You have to be open to being challenged and to accept feedback and criticism. Ask and listen to people's opinions. People are far more willing to take things on board if they feel they have had an input or they have been given the opportunity to have an input.

FIVE MINUTES WITH...

We start another new series this issue, in which we ask a number of questions of people throughout the financial planning market. This will include paraplanners as well as company CEOs. We will be running the series in the magazine and on the Professional Paraplanner website

We kick off the series with a quick fire interview with Chris Sandfield, CEO of digital investment platform Coinvestor.

IN A NUTSHELL, WHAT IS COINVESTOR

CoInvestor is a digital investment platform for tax-efficient products including EIS, VCT, SITR and BPR. We offer both funds and single company investments, all of which are professionally sponsored and managed. Advisers and paraplanners can create an account and start allocating for free in a matter of minutes.

WHAT DOES THE PLATFORM OFFER PARAPLANNERS?

CoInvestor is an easy way to access, evaluate, allocate and monitor their clients' tax-efficient investments all-in-one-place. Our platform offers an opportunity for paraplanners to move off spread sheets and away from a paper-based process for managing tax-efficient investments.

HOW IN PARTICULAR CAN COINVESTOR MAKE PARAPLANNERS' LIVES EASIER?

On research:

- Our functionality makes it easy for paraplanners to search, filter and discover a range of investment opportunities from leading UK fund managers.
- We work with the managers to create detailed profiles and in-depth information on live investment opportunities to make it easy for paraplanners to review and compare different products.
- We work with research companies to make third party analysis accessible and available on many of our investment opportunities.

On applications :

- With our digital applications, paraplanners no longer need to handwrite forms.
- Key client details are remembered and can be pre-populated into applications saving paraplanners from having to re-key the same client information across multiple applications.

On client valuations

- Fund managers can provide client valuations and documents directly into the platform saving paraplanners from having to chase them directly.
- Paraplanners can export reports straight from the platform ready for a client meeting.

HOW MANY PROVIDERS/ PRODUCTS ARE ON THE PLATFORM CURRENTLY AND WHAT ARE YOUR PLANS FOR ADDING MORE?

We already have over 50% of all investments available, comprising approximately 40 investment opportunities split across 35 fund managers. We are working with the leading UK fund managers in the tax-efficient sector and are continuously adding new investments. Our aim is to have the market in its entirety available on the platform by the end of this year. In 2020 we will further grow our marketplace for tax-efficient products and will also expand into other alternative investment areas. For example, private equity, venture capital and property funds.

WHAT THIRD-PARTY ANALYSIS IS AVAILABLE TO HELP PARAPLANNERS WITH THEIR RESEARCH?

We have recently started working with Hardman Research and are exploring additional opportunities to provide further research on the funds and more generally on the market itself.

WHAT SECURITY IS IN PLACE IN RESPECT OF THE DATA HELD ON THE PLATFORM?

We have a robust permission and access control system built into our application. We organize annual penetration tests, using independent fully certified penetration testers, to assess the security of our platforms. Our infrastructure is hosted in the AWS London (EU) region and is designed around the "principle of least privilege". All data is encrypted at rest and SSL is used on all web traffic. Access to our platform infrastructure and data is tightly controlled. We utilise a layered security approach, including web application firewalls and active monitoring tools to detect and block suspicious activity. Detailed audit logs are maintained for all actions & activity carried out on the platform. We offer our users additional ways to protect their CoInvestor account such as two-factor login.

Coinvestor will be presenting at the Newcastle Technical Insight Seminar and you can also find out more on their website: coinvestor.co.uk

CHALLENGES OF GOING IT ALONE

The promise and excitement around setting up your own outsourced paraplanning firm is not always matched by the reality. Fiona Bond talked to two experienced paraplanners about the challenges they faced and how they overcame them

The virtues of setting up your own business are well known – not least independence, greater flexibility and personal fulfillment – but becoming a business owner also brings with it a number of obstacles and challenges. Making the leap from employee to business owner requires paraplanners to assume new, and often unfamiliar, roles. From marketing and IT to people management and compliance, it can be a daunting prospect.

Aleksandra Sasin founded her own business, Navigatus, in November 2017 and says the early days were a bigger learning curve than she had expected.

"I felt I had gone into the process with my eyes completely open but no amount of research can thoroughly prepare you. I underestimated the time I would need to devote to the actual running of the business, which takes you away from doing what you truly love – paraplanning – and the amount of time I would need to work without being paid for it."

And while Sasin never felt overwhelmed when starting out, she admits she did feel uncomfortable at points.

"When you're working for yourself, you just have to get on with it because you have no other choice. But in hindsight, you realise just how time-consuming and intense it was. You have to be prepared to make mistakes and be kind to yourself, as you will learn from those mistakes."

Setting aside valuable time for managing the business, which could otherwise have been spent working with clients, can be a juggling act for new businesses. In addition, paraplanners also need to factor in time for networking and CPD events, all of which count as "non-billable" hours.

To help ease the pressure, Rebecca Lucas, founder of Lime Outsourced Paraplanning, says a savings buffer was key in setting up her own business.

"Having savings in place before quitting your job and setting up on your own will massively take the pressure off and means you can still cover your salary and overheads if work goes quiet," she says. "Also don't underestimate the initial set up and ongoing monthly costs in running a business, including software, accountancy fees, professional fees and IT."

> ***"It takes a while to build up a good client bank. In the early days, you end up working with anyone and everyone who asks and this can be hard but I feel it's an important step as you learn who your ideal client is and isn't"***

Building a client base

According to Lucas, managing the ups and downs of her workload was one of the hardest parts of running her own business.

"For me, it was very much feast or famine in the first year; I had times when I was working day and night and then also times when there wasn't any work coming in, where I sat at my desk wondering if I'd ever get another piece of work," she says.

While being unsure of when the next job is coming in can be challenging, Lucas admits it was also problematic when there was too much work and not enough hours in the day.

She explains: "It takes a while to build up a good client bank. In the early days, you end up working with anyone and everyone who asks and this can be hard but I feel it's an important step as you learn who your ideal client is and isn't.

"Now we know who our ideal clients are and we are in the fortunate position of working with people who fit the ideal. This all comes with time and sadly, you can't speed up the process, you have to go through the hard times, learn from any mistakes and don't give up.

"My advice to people is to go easy on yourself in the first year as workflow and cashflow is likely to be up and down."

Fortunately, Lucas met her first client at her CII graduation ceremony, which she attended on the first day of running her own business. While she tried advertising in the early days, it didn't have the desired effect.

She continues: "I think the old cliché is true and people buy people. Lots of my work then and today comes from word of mouth, often people I already know come to me for paraplanning or refer people to me.

"But being a great paraplanner isn't enough if you're starting out alone. You have to think about marketing and sales and enjoy that side of things. You need to always have marketing in mind as it's natural to lose clients as you go along so you need to be able to replace them."

Rebecca Lucas receives her Paraplanner of the Year Award at the 2018 Professional Paraplanner Awards (left) while Aleksandra Sasin receives her Professional Paraplanner of the Year Award 2019 (right)

Sasin agrees that building a client base can be one of the biggest hurdles when starting a business, but like Lucas, was able to rely on professional connections. "The first client is undoubtedly the most difficult but we work on a referral basis which I prefer. There is an instinct to take on anyone when you first start out to ensure you have an income, but you need to be very clear about the type of client you want to work with. Our clients have remained with us because we have chosen so carefully," she says.

Managing time

Flexibility is often cited as an advantage of being your own boss but it can also be a challenge striking the right balance in the early days of starting a business.

For Sasin, the expectation that she would have more freedom and greater flexibility proved not to be the case. "I found, especially in the early days, that any extra pockets of time I had went to business functions like setting up the website. As a new business owner, you are a lot slower and everything takes a lot longer."

Managing the expectations of family and friends was also a challenge.

She explains: "Working for yourself means it can be hard to switch off and you need to explain to those around you that you won't be available as much as they might like or expect. I work evenings, weekends and even with holidays, I never fully switch off.

"When you're starting out, you feel that clients expect you to be there constantly and you worry about taking time off. The key is to manage people's expectations so no one is disappointed."

Ongoing challenges

Sasin has grown her business over the past two years to employ three other members of staff. But as the business grows, different problems and challenges demand a new approach.

"If you choose to take on staff, you have the responsibility of people management which might not come naturally to you. The challenge now is that the decisions I make no longer just impact me. It's a process of constant education and learning. It doesn't become easier or more difficult, just different, and you need to adjust to those changes," she says.

Now responsible for a team, Sasin says it helps to share ideas and problems with other business owners.

"There is a huge difference between being a freelance outsourced paraplanner and running your own business," she explains. "In running a business, paraplanning almost becomes secondary. That's why it's so important to have a network of people you can talk to, share experiences with and hear how they overcame certain challenges.

"I was never very good at asking for help but owning my own business has taught me to overcome that. I'm grateful that the paraplanning community as a whole is incredibly supportive of one another."

You can find out more about Navigatus at https://navigatus.co.uk and Lime Outsourced Paraplanning at http://www.outsourcedparaplanner.co.uk

TAX PLANNING

Confused by EISs, VCTs and SEISs? Catriona Standingford, managing director of Brand Financial Training, takes a look at these products which offer opportunities for tax efficient investing

Regularly tested in various CII exams, EISs, VCTs and SEISs investments can cause some confusion. Each scheme offers a range of tax incentives to encourage investment in small unlisted and AIM listed companies. The table highlights the main differences between them.

All three investments are considered to be higher risk and can be illiquid.

VCTs are collective investments much like investment trusts where investors subscribe to shares in the trust and the fund manager invests in VCT qualifying companies. VCTs might be suited to experienced investors who wish to receive tax free dividends, want to reduce their income tax bill and also perhaps for those who have paid the maximum into their pension.

Investment in EISs and SEISs can be done by investing directly in a single qualifying company or by investing through a fund which would offer more diversification. EISs and SEISs might be suited to experienced investors wanting to take advantage of the CGT perks, who want to reduce their income tax bill and who want to reduce their IHT liability – with both EISs and SEISs they can do all this.

The CGT deferral might be of particular interest to those planning on exiting the residential buy-to-let market. A buy-to-let property will potentially be subject to CGT at the higher rates of 18% or 28% which can be deferred if the gain is re-invested into an EIS.

As we all know tax should never be the main motivator for choosing a particular investment – with all of these products there are risks; the risk that the company invested in will go bust, the investments each need to be held for a certain length of time for maximum benefit and liquidity is a serious consideration too.

CII exam papers

Question on EISs, VCTs and SEISs most specifically arise in R02, R03, J10 and AF4 but also in R06, AF1 and AF5.

Brand Financial Training provides a variety of free and paid learning resources to help candidates pass their CII exams.
Visit Brand Financial Training at https://brandft.co.uk

Main differences between EISs, VCTs and SEISs

	Venture Capital Trusts	Enterprise Investment Scheme	Seed Enterprise Investment Scheme
Income Tax	30% relief on investments in new shares up to £200,000 There is no carry back available to the previous tax year Dividends (on shares up to £200,000) are exempt from income tax	30% relief on investments up to £2m (excess over £1m must be invested in knowledge intensive companies) Income tax relief can be carried back to the previous tax year (subject to the overall limit for the year) Dividends are taxable	50% relief on investments up to £100,000 Income tax relief can be carried back to the previous tax year (subject to the overall limit for the year) Dividends are taxable
Capital Gains Tax (CGT)	No reinvestment relief Losses not allowable for CGT purposes Gains exempt (with no minimum holding period)	Re-investment relief available to defer CGT on any asset (one year before and three years after disposal of the original asset) Capital losses can be claimed Gains on disposal are exempt after thee years	Reinvestment relief - 50% exemption on gains re-invested Capital losses can be claimed Gains on disposal are exempt after three years
Inheritance Tax (IHT)	In the estate for IHT	IHT free after two years due to 100% business relief	IHT free after two years due to 100% business relief
Holding period	Five years	Three years	Three years

ADVISING ON INSURANCE

Chris Dunne, Proposition Manager Scottish Widows highlights key points for paraplanners required under the EU's Insurance Distribution Directive when recommending insurance and insurance-based products within a client's financial planning

Insurance products are rising up the recommendation list for financial planners when advising clients. A holistic view of a client's circumstances logically and by necessity should include relevant protection planning so that should an individual or family suffer a negative life event, they have insurance in place to ensure they are financially covered and secure.

Insurance business written by financial planning firms is now covered by the Insurance Distribution Directive (IDD), EU legislation which came into effect on 1 October 2018. This sets regulatory requirements for firms designing and selling insurance products. The IDD replaced the Insurance Mediation Directive (IMD) and aims to enhance consumer protection when buying insurance and to support better competition between insurance distributors. This article covers some of the key points from the directive of which paraplanners should be aware. The directive applies to all firms involved in the "advising on, proposing, or carrying out other work related to contracts, or concluding such contracts", which includes financial planning/adviser firms.

The fundamental principle of the IDD is that distributors "must always act honestly, fairly and professionally in accordance with the best interest of their customers". While this is standard practice of financial planning firms and certainly required by the FCA, the directive requires that firms must be able to provide evidence that they have acted in this way. Hence, robust record keeping which demonstrates how the recommendation is in the client's best interests is essential. This should include a demonstration of how any recommendation is suitable and that information is presented in a form that is "fair, clear and not misleading".

Financial planning firms must also ensure that the product is appropriate for the individual client. Where this is for insurance-based investment products, for example, it must take into account their knowledge and experience of investments, their financial situation including their ability to bear losses, their investment objectives, and their risk tolerance. Due diligence should incorporate a provider's product governance, such as the product approval process, as well as understanding "the characteristics and identified target market of each insurance product".

In addition, firms need to be able to show that they have recorded a client's specific insurance demands and needs and have then aligned these with the products in the market. This requires product knowledge and due diligence on the market's offerings which includes not just price but also the relevant benefits.

In order to ensure that firms "possess appropriate knowledge and ability in order to complete their tasks and perform their duties adequately", the IDD requires that individuals undertake a minimum of 15 hours of relevant CPD per year. This can be included within the 35 hours required by the CII. As with other forms of CPD the learning can be undertaken though courses, online modules, and mentoring; and records need to be kept.

Example topics include the insurance market, applicable laws governing insurance distribution; claims handling, complaints handling, assessing customer needs, appropriate financial competency; and business ethics standards/conflict of interest management.

Most financial planning firms are likely to be undertaking the majority of the points above as a matter of course, and so might only need, for example, to expand their record keeping and ensure staff are undertaking relevant CPD. But we recommend that anyone undertaking this form of business ensures they stay up-to-date with the legislation and regulations which apply. Links to documents and official sites you may find useful are provided below.

FCA requirements

As part of the FCA's implementation of the IDD, it introduced several changes to its rules which further defined regulation and consumer protection in this area. This included three key requirements, to:

1. Identify customers' insurance demands and needs, and to ensure that products offered are consistent with them. ICOBS 5.2 refers. https://www.handbook.fca.org.uk/handbook/ICOBS/5/2.html
2. Have in place product oversight and governance arrangements. PROD 4 refers. https://www.handbook.fca.org.uk/handbook/PROD/4/
3. Adhere to the customer's best interests rule. ICOBS 2.5 refers. https://www.handbook.fca.org.uk/handbook/ICOBS/2/5.html

Further reading:

CII Policy Briefing: https://www.cii.co.uk/media/7775189/cii-policy-briefing-idd-implementation-22march2018.pdf

FCA factsheet: https://www.fca.org.uk/firms/insurance-distribution-directive

The full Directive: https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:32016L0097

Scottish Widows IDD support: https://www.scottishwidowsprotect.co.uk/inourmarket/buildingyourknowledge?wt.mc_id=APAOct19-paraplanner5IDD-support

See the new Protection Zone on the *Professional Paraplanner* website in association with Scottish Widows

guide to...

SETTING UP A SSAS

This issue we introduce a new series of articles providing guides to key subjects, which we hope will be of use to people new to paraplanning as well as those looking to keep up-to-date up on their knowledge.

In this article Paul Darvill, Administration and Technical director, Talbot and Muir, looks at the structure and use of a SSAS and the effective way to establish the vehicle for a business

A Small Self Administered Scheme (SSAS) is a registered pension scheme established up by an employer for a small number of employees, up to 11 in total. The SSAS is designed specifically for senior executives, directors, entrepreneurs and high net worth individuals, although membership can be extended to other employees and family members.

A SSAS enables the trustees, whose number should include all of the scheme members, to have control over the investment selection process for the scheme. Whilst there is no list of allowable investments, HM Revenue & Customs (HMRC) will tax certain assets if held within a SSAS, such as residential property, which makes them unsuitable as an investment. Generally SSAS invest in regulated funds, stocks and shares, and commercial property.

HMRC received new powers in 2015 designed to combat pension scheme scamming. Amendments were made to the Finance Act 2004, which means that HMRC can prevent the registration of new SSAS schemes if they believe the scheme's administrator isn't 'fit and proper'. These powers also extend to de-registering a scheme if they have concerns.

These changes mean that it is essential for SSAS Trustees to use the services of a professional scheme administrator to act jointly with the member trustees to fulfil this formal role. This will help ensure that the SSAS is registered correctly and run in accordance with the appropriate legislation.

PRACTICAL STEPS

Establishing a SSAS isn't overly complicated but does require a number of steps to be undertaken. Initially the chosen SSAS administration firm should take the following key steps:

- Prepare an application pack and the governing scheme documentation
- Establish the scheme, systems, administration and trusts
- Set up the scheme bank account
- Provide technical guidance to the member trustees where required
- Assist the member trustees in becoming scheme administrators via HMRC's online portal.

Looking at this in more detail, the practical steps are detailed below. The SSAS administrator will work with the

NEW SERIES

adviser to ensure the following documents are communicated to the trustees and completed where necessary:

- The trust deed
- The scheme rules
- Membership announcement letters
- SSAS bank account applications and FSCS information sheet
- Expression of wishes forms
- Administrator declarations for HMRC
- Fees and services agreement
- Schedule of fees and services.

It is at this point that the SSAS provider will also look at the potential investments the SSAS trustees wish to make, and also provide any additional paperwork such as a property questionnaire, if that is required.

The SSAS provider will also require a number of documents from the SSAS members and the company, these include:

- Certified copies of the member's ID such as passport and proof of address
- Corporate Identity Verification Certificate for the principal employer for anti-money laundering purposes
- Any transfer paperwork that might be required.

Once these are received the SSAS administrator will make the necessary checks based on the above paperwork and if the Trust Deed has been returned and signed correctly, along with the relevant fees, then the scheme will be submitted to HMRC for the registration process to commence.

It can take some time for HMRC to register a scheme, typically between four to eight weeks, so it is important that the scheme is registered in good time if there is a requirement for contributions to be made prior to the end of the sponsoring employer's trading period.

Once HMRC has confirmed the SSAS has been successfully registered with them, then at that point any transfer paperwork can be sent to the ceding provider(s).

A SSAS can accept transfers from other types of registered pension schemes. In some circumstances assets may be transferred into the SSAS "in specie". This means that, for example, quoted stocks and shares, commercial property, trustee investment plans (TIPs) and insured funds could be transferred to the SSAS without the need to sell the asset. This would avoid surrender costs and the cost of reinvestment under the SSAS.

ONGOING DUTIES

After the SSAS is established, the administrator should undertake the following on an annual basis:

- Provide professional trustee and joint scheme administrator services
- Reconcile all banking transactions
- Keep up to date scheme records
- Provide an annual valuation report to the member trustees
- Recover tax on investment income (where applicable)
- Prepare and submit scheme returns and event reports to HMRC where required.

Once established, A SSAS has the potential to borrow up to 50% of its net asset value, which would typically assist with commercial property purchase. There is also the potential for a SSAS to loan back funds to the sponsoring employer as long as HMRC's conditions for such loans are met.

SSASs are flexible pension arrangements that are suitable for small to medium size businesses and working with trusted advisers and a reputable SSAS provider will make this a smooth process from the outset.

WHAT GUIDES YOU WOULD LIKE TO SEE?

If you would like to see a guide on a particular subject, please let us know by emailing robkingsbury@researchinfinance.co.uk. We'll also be asking this question as part of our monthly parameters survey.

IT CAN TAKE SOME TIME FOR HMRC TO REGISTER A SCHEME, TYPICALLY BETWEEN FOUR TO EIGHT WEEKS, SO IT IS IMPORTANT THAT THE SCHEME IS REGISTERED IN GOOD TIME IF THERE IS A REQUIREMENT FOR CONTRIBUTIONS TO BE MADE PRIOR TO THE END OF THE SPONSORING EMPLOYER'S TRADING PERIOD

PARA-METERS

Our monthly paraplanner survey tracking trends and topical issues

THE TOP 10 IA SECTORS MOST RESEARCHED BY PARAPLANNERS OVER THE PAST MONTH

1 MIXED INVESTMENT 40-85% SHARES

2 MIXED INVESTMENT 20-60% SHARES

3 MIXED INVESTMENT 0-35% SHARES

4 PERSONAL PENSIONS

5 VOLATILITY MANAGED

6 GLOBAL EMERGING MARKETS

7 UK ALL COMPANIES

8 SPECIALIST

9 EUROPE EXCLUDING UK

10 FLEXIBLE INVESTMENT

WHAT ASSUMPTIONS DO YOU MAKE FOR A CLIENT'S LONGEVITY?

ONS DATA + 0 YEARS	22%
ONS DATA + 5 YEARS	17%
ONS DATA + 10 YEARS	13%
AGE 90/100	34%
OTHER	13%

DO CLIENTS UNDERESTIMATE THEIR POTENTIAL LONGEVITY?

YES	70%
NO	21%
NOT SURE	9%

ON AVERAGE BY HOW MANY YEARS DO CLIENTS UNDERESTIMATE THEIR POTENTIAL LONGEVITY?

LESS THAN 5	2%
5-10 YEARS	82%
10 OR MORE	12%
CAN'T QUANTIFY	4%

ARE ONS FIGURES A GOOD ASSUMPTIONS BASIS FOR WEALTHIER CLIENTS, STATISTICALLY LIKELY TO LIVE LONGER THAN THE AVERAGE?

YES	50%
NO	22%
NOT SURE	28%

Longevity and financial planning

The latest data published by the Office for National Statistics (ONS), showed that the number of people aged 90 and over in the UK is 584,024. It is now estimated that one in five males and one in three females born in 2016 to 2018 are likely to reach the age of 90.

However, at the same time the ONS marked a slowdown in the increase in life expectancy improvements post 2011. People born between 2016 and 2018 have a life expectancy of 79.3 for men and 82.9 for women, an increase of 3.7 and 4.2 weeks respectively over those born in the 2015-17 period. This is lower than the average 15.4 and 10.9 weeks increase recorded in the same period a decade earlier.

We asked paraplanners what assumptions they made for life expectancy of their clients when constructing a financial plan. As can be seen from the chart, a range of assumptions were used from just ONS data to age 99/100. Commenting, some paraplanners said their firm's policy was to use ONS data but to then discuss the client's medical situation as well as family longevity history and make adjustment accordingly. Others add 5 to 10 years to ONS figures as a matter of course, preferring "to err on the conservative side". While others used ONS (+0-10) but ran cashflow models to age 100. Those using age 99/100 data as policy commented: "We use ONS data as an indication of the average but realise that it is somewhat flawed. By definition 50% of clients will live longer than the ONS average. We assume age 99", and "For cashflow we always use 100 unless the client is already in their 90's when we use 110 (max the software goes to)".

In the May issue of *Professional Paraplanner*, pages 18-19, Parmenion's Patrick Ingram questioned assumptions made by financial advice firms based on ONS figures. His argument was that clients of financial advice firms tend to be wealthier and therefore, due to factors such as health education, healthier lifestyle, higher standard of living, better access to healthcare, they are likely to live longer than the average and so will need plans that factor in greater longevity.

We asked if paraplanners believed ONS figures were a good assumptions basis for wealthier clients given this premise. As can be seen, 50% believed they were a good basis, while 22% disagreed and 28% were not sure. Explaining their answers, many paraplanners said they used the ONS stats as a starting point, "because they are produced consistently and are based on evidence".

Another added that ONS had to be the starting point "otherwise we would be looking to use personalised data for everyone which would be time consuming (age, postcode, height, weight, health, family history…) where do you stop?"

What was important was "explaining to the client that ONS is an average and what their chances are of living longer than the average".

Another warned: "If you base advice on ONS statistics you are potentially opening the door to a future complaint. Use ONS as a rough guide, but never assume…"

Or as another paraplanner pointed out, "an assumption is an assumption", highlighting the need to continually re-assess the situation.

SURVEY PRIZE DRAW

Congratulations to Claire Hopkins, PDB Wealth Partners, who is the winner of last month's survey prize draw of £50 worth of Amazon vouchers. Don't miss out on your chance to win a similar prize by completing the monthly survey. Keep an eye out for our email. And if you have any questions that you'd like us to pose to your fellow paraplanners, just fill in the section at the end of the survey form.


Dentons
Pensions
Your trusted SIPP provider.
With 40 years of working in partnership with advisers we know exactly what you need to build positive futures – for your clients and your business.
It's what makes us self invested pension specialists.
We look forward to meeting you at the Technical Insight Seminars.
W www.dentonspensions.co.uk
T 01483 521 521
E enquiries@dentonspensions.co.uk
Dentons Pension Management Ltd is authorised and regulated by the Financial Conduct Authority. This communication is directed at professional financial advisers. It should not be distributed to or relied on by private customers.
Financial Adviser
SERVICE AWARDS 2018
Life and Pensions

TAX CASE STUDY

Stephen McPhillips, technical sales director, Dentons Pension Management uses a case study to spotlight how using a SSAS in pension planning can help to mitigate inheritance tax

Jo and Brian have been running their IT consultancy limited company business very successfully for many years. As their business grew year by year, they employed more staff and it eventually became necessary to look for an alternative to the extension they had built onto their home. Until now, the purpose built extension had been of sufficient size to accommodate their business.

Locating a modern office building on a business park close-by was relatively easy for Jo and Brian because they had been monitoring the property market for some time. For them, the more difficult task was deciding how to fund the purchase of the office.

To date, their IT business had been profitable and cash-generative and their operating overheads were relatively low. In turn, this had enabled Jo and Brian to enjoy the fruits of their labours by extracting profits from the business in the form of substantial annual dividends. The success of the business had also meant that the company had substantial cash reserves. It could have purchased the new office building outright (at a cost of £285,000), had Jo and Brian wanted to do so.

However, Jo and Brian were becoming more and more conscious that their continued success was creating a potential Inheritance Tax (IHT) problem. With a couple of teenage children to think about, they sought advice from

both Phil, their Accountant, and Marie, their financial planner. Jo and Brian had experienced Phil and Marie working collaboratively on their behalf in the past and found it to be very effective.

For Jo and Brian, the real icing on the cake was the fact that the property was growing in value, free of Income Tax, Capital Gains Tax and IHT and that, through the SSAS, it could be cascaded down through the generations free of IHT

Discussing options

Working hand in hand, Phil and Marie discussed various options for the office purchase; company purchase, personal purchase by Jo and Brian or purchase through a self invested pension scheme (SIPP). Jo and Brian gained an understanding of the pros and cons of each approach.

Uppermost in their minds was the fact that their teenage children were likely to join the business in the near future and they really liked the idea of being able to pass the property down a generation with no IHT implications.

Another key consideration for all concerned was the extraction of cash from the business. Jo and Brian had realised that once paid into their personal bank accounts, the dividends became part of their personal wealth for IHT calculation purposes and they had already amassed enough wealth each to breach the nil rate band threshold.

The idea of accumulating additional wealth outside of their Estate through a registered pension scheme was very attractive to them, particularly considering that member and employer contributions were very tax efficient in themselves. Jo and Brian accepted that they hadn't funded their executive pension plan (EPP) scheme as much as they could have in the past (between them, they had accumulated funds of £100,000 in the EPP). They also accepted that the scope for member contributions was limited because of their focus on dividends to keep their salaries low as part of wider tax planning in place.

Using a SSAS

Having weighed-up all factors, and having taken Marie's financial planning advice, Jo and Brian agreed to convert their EPP scheme into a small self administered scheme (SSAS). Marie had explained that such a mechanism simply widened-out the investment powers available to the trustees and enabled the direct purchase of commercial property. Marie also explained that this had the added advantage of avoiding the need for a new SSAS to be registered, which in turn speeded-up the property purchase process.

With the conversion of the EPP to SSAS having taken place, Jo and Brian arranged for their limited company to make an employer contribution of £220,000 into it (using some unused Annual Allowance through Carry Forward). They were pleased to be reminded that this contribution would be treated as a business expense through the company's Profit and Loss Account (P&L) and substantially reduce its Corporation Tax liability, without it adding to their personal wealth.

As trustees of the SSAS, Jo and Brian purchased the office building with the cash held within the trustee bank account. The property was then immediately leased to their limited company at a RICS Registered Valuer's confirmed annual rent of £21,375, representing a 7.5% annual yield.

Jo and Brian noted a number of benefits from this. Firstly, the rent was being received tax free into the SSAS to grow for their retirements. Secondly, it was a further business expense through their company's P&L. Thirdly, and very importantly for them, the £21,375 was not inflating the value of their personal wealth as it would have done if they had personally bought the property and leased it to their business. They calculated that the additional IHT liability on their estates would have been £8,550 (40% of £21,375) for each year they held the property personally.

For Jo and Brian, the real icing on the cake was the fact that the property was growing in value, free of Income Tax, Capital Gains Tax and IHT and that, through the SSAS, it could be cascaded down through the generations free of IHT. Marie pointed out that at a value of £285,000, had this property sat within their Estates, it would have created an additional IHT liability of £114,000.

UNLOCKING ESTATE PLANNING

Overcoming clients' reluctance to relinquish control of their assets can be the first step on the road to effective estate planning, says Paul Latham, managing director, Octopus Investments

If you had to name one thing that holds clients back from doing their estate planning, you may well say a reluctance to give up control of their assets. Overcome this objection and your firm can help more clients. The crucial first step is to show clients that in fact they can reduce their inheritance tax liability while retaining control of their assets.

The key to this is Business Property Relief (BPR). A strong knowledge of BPR can help you write inheritance tax business across the board, not just more BPR business, because it helps address a major objection.

Clients often become a lot more engaged in the planning process once the inertia is broken. The key is getting them to have that first conversation. Talking about BPR can be a great way to do that, whether or not it ends up being part of the solution for that particular client. So it's well worth having a good knowledge of BPR, what it is, and how it can help your clients.

Two clear advantages over gifting

Let's start with the basics. A client who holds a BPR-qualifying investment, such as shares in qualifying companies listed on the Alternative Investment Market (AIM) for at least two years, and who is still holding it when they die, can pass it on without their beneficiaries having to pay inheritance tax.

That offers two clear advantages over gifting. The first is that it takes two years to become fully exempt from inheritance tax, compared to seven years with gifting. The second is that a BPR-qualifying investment stays in the client's name. If they need capital later on, they can sell the investment.

People are living longer, so this second advantage is likely to grow in importance. Clients could find they live another 20 or 30 years after they first do their estate planning. So, while they need to have planning in place in case they pass away earlier, there's an understandable reluctance to give away wealth they may later need. For some clients, BPR may offer a solution to this dilemma.

> ***Now is the time to start sparking more estate planning conversations. In a world where advice firms are increasingly expected to demonstrate value and justify their fee, inheritance tax planning offers an opportunity to do exactly that***

What's the catch?

Clients often want to know why it's possible to save 40% inheritance tax by making a BPR-qualifying investment. "There must be a catch," they think.

The answer is very simple. This tax relief exists as an incentive for investors to take on the risk of backing BPR-qualifying companies. These tend to be small or unquoted businesses that are making a valuable contribution to the economy but are considered high risk investments.

Clients need to be aware that they're investing in the shares of one or more actively trading businesses. That means their capital is at risk, and they may not get back the full amount they put in.

It can also be helpful to give clients a potted history of BPR.

BPR was first introduced in the 1976 Finance Act. The idea was to make sure that, after the death of the owner, a family-owned business could survive as a trading entity, without having to be sold or broken up to pay an inheritance tax liability. Over time, successive governments have recognised the value of a tax relief that encourages people to invest in trading businesses regardless of whether they run the business themselves, not least because such businesses provide jobs and support economic growth, therefore the rules have been extended. So, for more than two decades, BPR has not just been for family businesses – it has been available as an incentive for private investors to buy shares in qualifying companies as well.

Having conversations

Now is the time to start sparking more estate planning conversations. In a world where advice firms are increasingly expected to demonstrate value and justify their fee, inheritance tax planning offers an opportunity to do exactly that.

A lot of baby boomers have wealth tied up in property that's likely to have risen significantly in value since they bought it. Many could have an inheritance tax liability they still need to plan for, and this isn't something where clients can indulge in a spot of 'do it yourself'.

Good estate planning has long-lasting benefits for clients, and for the relationship they have with their adviser. Helping clients with estate planning opens up opportunities to build rewarding relationships with their children and grandchildren. There is more chance that they will continue to hold the investments they inherit, and they could turn into clients themselves.

But just because the opportunity is there, it doesn't mean that estate planning conversations are easy or effective. Using BPR as a key to unlock more of these conversations can be a win-win for firms and their clients.

Whilst there are clear benefits of BPR, there are also risks. Relief isn't guaranteed and tax treatment depends on individual circumstances and could change in the future. Tax relief depends on portfolio companies maintaining their qualifying status.

Boost your BPR knowledge

If you're going to talk about BPR, the more thoroughly you know the subject the better. Speak to a provider of BPR-qualifying investments such as Octopus who can provide further information.

Further information can be found on the Octopus estate planning hub

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. Which of the following consequences of trying to embed ethics into an organisation should be encouraged?

- A Superficial ethical behaviour being viewed as a marketing ploy
- B Inconsistent ethical behaviour resulting in cynicism
- C Senior management 'walking the talk' to reinforce the ethics of the business
- D Not addressing behaviours that could underpin an organisation

2. When comparing the money-weighted rate of return (MWR) with the time- weighted rate of return, which of the following statements are correct? Tick all that apply.

- A MWR measures the overall return on capital invested over a specific period
- B MWR allows comparisons to be made of the performance of one manager with another
- C TWR breaks the period being assessed down into sub-periods
- D TWR is sometimes also known as the internal rate of return

3. Simon makes payments to his occupational pension scheme by deduction from his pay. What is this method known as?

- A Net pay arrangement
- B Relief at source
- C Gross pay arrangement
- D Relief by claim

4. Paul made a PET of £450,000 in June 2015. If he dies in September 2019, how much inheritance tax would the donee be liable for? (Assume no annual allowances are available).

- A £30,000
- B £180,000
- C £50,000
- D £102,000

5. Joyce is about to retire and take the benefits from her defined benefit arrangement, which she has been a member of since 2006. In payment, her benefits must increase by a minimum of:

- A CPI to a maximum of 5%.
- B CPI to a maximum of 2.5%.
- C CPI to a maximum of 3%.
- D CPI to a maximum of 1%.

6. A company is within a sector where the average PE ratio currently stands at 9. If earnings per share are expected to be 40p and dividend cover is 2.8, what is the implied value of a share in this company?

- A 360p
- B 1428p
- C 445p
- D 321p

7. An indexed portfolio is using stratified sampling as its tracking method. This means:

- A Each constituent of the index is held according to its weighting
- B A computer modelling technique is being employed
- C A representative sample from each sector in the index is held
- D The fund manager will be using derivatives

8. Why do lenders not make much larger LTV mortgages available or mortgages available at younger ages?

- A Because the Equity Release Council set out that condition in their rulebook
- B It is a requirement of the lender gaining FCA approval
- C The mortgage will typically be repaid from a Pension Commencement Lump Sum
- D They are not otherwise economically viable to the lender

9. Maureen, who lives in England, is assessed as eligible for nursing care funded by the National Health Service. Who is primarily responsible for its payment?

- A Her local authority
- B The Department of Health
- C Her GP's Clinical Commissioning Group
- D The Strategic Health Authority

10. Caroline has made a profit on the sale of her buy-to-let property and owes capital gains tax of £6,000 in this tax year (2019/20). She will need to pay this tax by:

- A 31st January 2020
- B 31st July 2020
- C 31st January 2021
- D 31st July 2021

Your answers

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

Last issue's answers

Q	Answers	Reference material
1	D	CII R01 Study Text Chapter 8
2	A, B	CII R02 Study Text Chapter 1:1
3	B, C, E	CII R03 Study Text Chapter 5
4	A	CII J10 Study Text Chapter 9
5	D	CII R04 Study Text Chapter 2.2
6	B	CII R05 Study Text Chapter 4
7	C	CII J12 Study Text Chapter 8
8	B	CII ER1 Study Text Chapter 9
9	C	CII CF8 Study Text Chapter 6
10	C	CII R07 Study Text Chapter 6

Answers and cross-references can be found under the Development tab on the Professional Paraplanner website. Need help with your CII exams? For resources 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.

UNLOVED JAPAN

Japan could be worthy of long-term investments, particularly with the low valuations of Japanese companies and the yen also at a low price, says Darius McDermott, managing director, FundCalibre

As an export driven nation, the impact of trade tension and a slowdown in the Chinese economy have weighed heavily on Japan in recent months. As a consequence, its stock market has not experienced the bounce back in valuations welcomed by many of its developed peers so far this year. The lag is clear but is apathy the cause?

Abenomics and current challenges

The re-election of prime minister Abe Shinzo a year ago has allowed him to continue his policy of 'Abenomics', which is based upon monetary easing, fiscal stimulus and structural reforms. Started seven years ago, it has resulted in improvements to Japan's corporate governance.

But there are still ongoing challenges for the Japanese economy. Its manufacturing PMI has remained below 50 for four months now – the longest stretch for three years, as those external concerns continue to bite. Inflation also remains comfortably below the coveted 2% target.

And there are still some questions to answer. For example, what impact will the decision to raise the consumption tax from 8% to 10% on 1 October 2019 have? The tax hike is expected to slow the economy amid the uncertain backdrop, while others say it is a necessity to foot the bill for growing social welfare costs of an aging population. The International Monetary Fund has predicted growth of 1% for Japan this year, falling to 0.5% in 2020[1].

The Rugby World Cup has helped place Japan under the global spotlight

Mixed outlook but opportunities are there

Japan's biggest challenge is its demographics and workforce. The effects of an ageing population (a third of the population is now over 65 years of age) and low immigration, has resulted in tight labour markets, with the 'jobs to applicant's ratio' standing at 1.63x - the highest it has been in 17 years[2].

The country is not standing still and has looked to tackle the problem, with more Japanese women entering the workforce, while the country has also been one of the largest buyers of robotics. It employs 308 robots for every 10,000 humans. It also has businesses like Outsourcing Inc who look to take advantage of the labour shortages. The business model hires workers from major corporations as regular employees and gives them the benefits of being a permanent member of staff – before it leases them back to the company they came from. The arrangement removes expensive staff overheads for clients.

There are a couple of other long-term megatrends where Japan is set to be at the epicentre of change. One of those is the ageing population globally and the

Cash on the corporate balance sheets of Japanese companies last year stood at 250 trillion yen, with over half the listed companies in a net cash position

increased need for income. Cash on the corporate balance sheets of Japanese companies last year stood at 250 trillion yen, with over half the listed companies in a net cash position[3]. This allowed companies to pay out dividends, not only from their earnings, but also from their cash pile – the result being that while the TOPIX fell 3%[3] in terms of net profits last year, dividends rose by 10%[3]. The second factor is technology, a sector which Japan boasts a market size of 6.4 trillion yen – although there remain numerous opportunities for start-ups in Japan to potentially disrupt it[4].

With the Rugby World Cup now fully into the business end of proceedings and the Olympics coming in 2020, Japan is under the global spotlight. From a wider perspective, significant change is being undertaken in the likes of the healthcare, technology and services sectors. From my perspective it remains a strong long-term investment, but history dictates the ride is unlikely to be a smooth one. There remains a good opportunity given the low valuations of Japanese companies. Growth has also dominated the market for some time, but the apathy seen by investors could also give value a chance in the future. The yen is also at a low price, making it an attractive entry point for investors.

For those looking to invest I would consider the T. Rowe Price Japanese Equity fund, managed by Archibald Ciganer. The portfolio is currently overweight the information technology and services, and machinery sectors, while underweighting banks, and transportation and logistics[5]. Comgest Japan Growth fund is another option with a concentrated portfolio of 30-40 stocks. The team believes that markets fail to correctly price a company's sustainable competitive advantage, which should help it generate above average earnings growth.

And finally, the Baillie Gifford Japanese Income Growth fund – which now has a three-year track record – is an option for those hunting for income. The 45-65 holding portfolio aims to benefit from the improving corporate governance in Japan, as more and more businesses move towards a progressive dividend-paying policy.

[1] Source: IMF, World Economic Outlook, 9 April 2019
[2] Source: The Japan Institute for Labour Policy and Training, 2019.
[3] Source: Baillie Gifford Japanese Income Growth third quarter 2019 update
[4] Source: btrax.com Japanese Trends, 11 June 2019
[5] Source: Fund factsheet, 31 August 2019

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

ESG AND CORPORATE BONDS

Martin Foden, head of Credit Research at Royal London Asset Management, explains how ESG and credit analysis must be integrated to achieve superior investment returns

In this article we look at the application of ESG/sustainable considerations across asset classes. As ESG investing started as an equity specialism, much of the data and analysis used today is still centred on equities. Some investment firms use these tools and 'read across' from equities to credit. Their claims about multi-asset sustainable investing appear reasonable at a high level, yet they quickly unwind for two reasons.

First, only around 40% of the bonds in the sterling credit index have a public equity profile. Not only does a focus on companies with a public equity listing greatly reduce the opportunity set, it is also the very area of the market where information dissemination is already most efficient. Secondly, while there are clearly similarities, equities are fundamentally different from credit. What works for one isn't always relevant or important for the other. For example, bondholders have no ownership of a company and therefore direct influence can be limited, particularly for larger-cap companies.

More importantly, the risk/return payoffs are completely different. Unlike equities, credit risks are asymmetric: upside returns are capped however the company performs, yet deterioration can lead to negative returns, through default, forced sale because of fund restrictions or mark-to-market losses. The relevance of ESG factors is obvious: risk doesn't discriminate and its origin doesn't matter. And given the skewed nature of returns there is, arguably, no asset class to which sustainability is more important than credit.

The importance of a research-based investment process

As credit investors, we believe it is hard to outsource effectively the analysis of ESG risks to third parties. As well as the limited scope of equity-based platforms, the apparent simplicity and convenience of an 'ESG score' often fails to capture the vagaries of the real world and the sheer idiosyncrasies of credit. We know this inefficiency well from the role of credit ratings in the market: while broadly helpful, the over-distillation of information into one rating creates distortions that active investors can exploit.

The only credible solution is proper, bottom-up research and an investment process that acknowledges the false distinction between traditional credit and ESG analysis. However, while ESG analysis needs to be intrinsic to the process to be credible, achieving this in practice is not easy. At RLAM, our credit and ESG teams collaborate to improve information discovery and dissemination, but getting the right decision-making sequence is key – ultimately, the final decisions to buy or sell and portfolio positioning are still made by fixed income specialists, given their experience of evaluating and mitigating credit risk.

By way of example, the transmission of a risk through a company's balance sheet is not a one-dimensional concept and can be materially impacted and dampened by not just who we lend to, but how and where: for instance, is our debt secured and covenanted, or are we lending into distinct company subsidiaries?

Are green bonds the solution?

'Green bonds' have seen huge growth over recent years. You might deduce that this reflects their effectiveness in delivering sustainable credit investment. In reality, the popularity of green bonds highlights both the opportunities and potential limitations of the increasing focus on ESG factors in fixed income investment.

Any government or company that can issue bonds can issue green bonds. Proceeds are clearly earmarked for green projects, but are backed by the issuer's entire balance sheet. In principle, we are very supportive: green bonds have undoubtedly raised awareness of sustainable investing and represent a positive force for change for both issuers and investors. In practice, however, they may be an inefficient solution that isn't in the long-term interests of investors.

There are several aspects of green bonds that should be challenged. In certain cases, the 'use of proceeds' are self-validated or independently validated only at the point of investment. And as money is an entirely fungible concept, green lending can easily release other money for non-green projects. In fact, as most green bonds tend to be unsecured, the ability for investors to truly monitor and control the use of their funding, as well as how their bond cashflows are serviced is extremely limited. As a result, using an appropriate framework for assessing the true 'green' credentials for each individual green bond and green bond issuer is crucial.

Perhaps the most vexatious issue with certain green bonds, however, is their negative impact on potential returns. The sheer volume of money chasing green bonds, as investors attempt to demonstrate their green credentials to clients and potential clients as conveniently as possible can be observed to reduce the yield on labelled green bonds compared to fundamentally equivalent 'non-labelled' bonds. More positively, the market's preference for convenience generates opportunities for active investors who are prepared to put in the hard work to understand a company's over-arching sustainability, or search for bonds secured on specific green assets to embed these bonds into portfolios without compromising achievable yields.

> ***Applying sustainable criteria in a bespoke way with different considerations for equities and credit unlocks very real opportunities in these very different asset classes***

An example of one such bond is First Hydro Finance 9% 2021, which is an unrated, off-benchmark bond issued by a subsidiary of French company, Engie SA. As an electricity generator with some non-renewable capacity, the parent company may have a poor ESG rating. However, its subsidiary, First Hydro, generates hydro-electric power in Snowdonia and has a far better sustainability assessment. In addition, the bonds are secured, with strong covenants and ring-fenced assets and cashflows.

The attractions of a bond that may fail a traditional ESG credit screen only become apparent under our more bespoke and integrated credit and ESG approach. Ultimately, it is vital that the integration of ESG analysis does not constrain opportunity in a failed attempt to diminish risk.

Our sustainable investment process

Our investment process for our sustainable fund range has key cornerstones that, critically, are specific to the asset type being considered:

- Products and services – we seek out companies that are aiming to create a cleaner, healthier, safer and more inclusive society.
- ESG leadership – companies that encourage good corporate behaviour.
- And for bonds in particular:
- Bondholder protection – we focus on bonds with good structures, and strong security and covenants. We particularly like secured bonds and certain high-quality asset-backed securities with strong features to protect bondholders. This requires diligent credit research but can help to improve pre-emptive bondholder control as well as dampen the impact of unforeseen ESG liabilities.
- Effective portfolio diversification – the single most important way of reducing stock-specific risk and credit skew by investing across a range of bond issuers.

Summary

Applying sustainable criteria in a bespoke way with different considerations for equities and credit unlocks very real opportunities in these very different asset classes (figure 1). This illustrates how the intelligent application of sustainable factors can improve the returns we achieve for investors across our five sustainable funds while reducing risks.

Two of Royal London's funds celebrate their 10-year anniversary this year – the Royal London Sustainable Diversified Trust and Royal London Sustainable World Trust (rlam.co.uk/sustainable).

Figure 1: Different sectors respond well to sustainable criteria in equity and credit investing

Sustainable	Credit	Equities
Cleaner, healthier, safer, more inclusive society	Social Housing	Healthcare
ESG leadership	Utilities	Technology
Lowering investment risks	Infrastructure	Engineering
	Financials	Chemistry

FUNDING UNDER THREAT

The sources of funding for new and smaller companies are being challenged and we should be worried about the longer term ramifications, says Neil Birrell, chief investment officer, Premier Asset Management

For an economy to exist there has to be a route for entrepreneurs to source funding in order to develop and grow businesses so that commerce and trade can function and flourish. Over time those sources have grown in number and complexity, however, they are based on two simple methods; provide the capital yourself or get it from someone else. By definition entrepreneurs or those who start new companies, are unlikely to have that capital and therefore need to find it elsewhere.

It strikes me that events that have taken place in the last 10 years are starting to limit the ability of new companies to find funding and therefore risking the long-term health of the economy. That funding can come from many places; friends, family and a wide range of other third parties. Banks are the obvious first call as that is what they do; take your money on deposit, pay you a rate of interest and then lend your money to others at a higher rate. Simple commerce in action. Bond markets originated so that companies could borrow money from other lenders and pay them a return for the risk that they were taking and then stock markets got going so that investors could buy a share of the company and receive their percentage of the profit. There are many derivations of these original models in the modern economy; private equity, mezzanine finance, venture capital, hedge funds and crowd funding are just some examples. But two of the key ones are coming under threat.

Bad decisions

Firstly, the fall out of the global financial crisis of the last decade and the re-financing and re-structuring of the global banking system has had very significant ramifications. Rather than worrying about the world as a whole, let's just think about domestic issues. Banks have always made bad lending decisions, but that's OK and part of what they do, but the scale of those bad decisions 10 years ago was so great that the regulators and the government had to step in and change the face of bank lending for ever. This meant that many industries became starved of capital and had to look elsewhere to borrow money. Those industries include key drivers of the economy and society; technology, life sciences, the consumer, manufacturing and financial services. It has opened up opportunities for new providers of capital and the specialist lending industry has flourished, a good example of this is the expansion of the investment trust sector. It has the great dynamic of being able to raise capital for fixed periods of time to lend to industries that need their cash.

Generally, capitalist economies will find ways to adapt and grow, but there are currently specific factors impacting the UK stock market, which is a key source of funding for corporates, that needs some consideration.

MiFID II came into effect at the start of 2018 and brought with it concerns about how the new regime would impact on the research coverage of listed UK smaller companies. On the face of it there wasn't much of a change to begin with, but it is changing now. Indeed, Andrew Bailey, the CEO of the FCA has said that research budgets have been cut by 20-30% this year and that reflects our own experience at Premier. He noted that research charges paid by UK equity portfolios had fallen by £180m and there can be no doubt that will be focused on smaller companies. If brokers aren't researching smaller companies, they won't be bringing them to the market and that's another source of potential funding shrinking.

Generally, capitalist economies will find ways to adapt and grow, but there are currently specific factors impacting the UK stock market, which is a key source of funding for corporates

Liquidity issue

But the focus on liquidity within the fund industry is potentially of greater concern. Liquidity has always been a risk in portfolio management and as long as the risk is known, quantified, understood and managed, that is fine. The suspension of dealing in the Woodford Equity Income Fund brought fund liquidity into stark focus. It is proper and normal that investors in our funds should consider liquidity and

we have always monitored the liquidity and redemption profiles of our funds as a matter of course and see these as key risk controls.

There can be no doubt that fund managers, administrators and regulators will look more closely at the topic, but I think we need to be very careful that we do not introduce limits which mean that liquidity management drives the investment decision and portfolio construction processes. It could change the face of risk taking, which is what we do, potentially for the wrong reasons and ultimately could result in risk capital being unable to invest in smaller, less liquid companies. There is already a mismatch in retail funds offering daily dealing, whilst making investments on 3 to 5 year time horizons and suggesting that is the time scale that investors should take.

There is no easy answer to these problems and I don't know what the answer is either but I do know that some longer term thinking and discussion is required by all interested parties in order to avoid significant and negative unintended consequences.

WHY EUROPE NOW?

Europe is a misunderstood market but you need to look for quality, says Kurt Cruickshank, investment director European equities, Aberdeen Standard Investments

Europe is often perceived as a wasteland for the equity investor. Weighed down by an inability to implement coordinated reform following the global financial crisis, the continent has endured a period of muted and fragile economic growth over the past decade. Add to this the complexity of a region formed of many countries, cultures, languages, and legal systems – and it may be easy to conclude that more compelling investment opportunities lie elsewhere.

And yet Europe is home to some of the best businesses in the world – global market leading companies with European roots, able to grow materially ahead of the wider economy and much less susceptible to external shocks.

There are world-class franchises with exposure to powerful structural growth drivers such as the enduring value of premium brands, the growth of the emerging market middle class, rising healthcare needs of ageing populations, and demand for increasing digitisation permeating throughout almost every industry. Top-down oversimplification overlooks these attractions. It is a misunderstood market.

Think of Italy, for example, a market characterised by negative perceptions of political risk. Here one can point to Amplifon, the global market leading retailer of hearing aids; Campari Group, the spirits company behind the fastest growing cocktail in the world; and Brunello Cucinelli, the ultra-luxury ready to wear clothing brand. The three growth drivers that sit behind these companies have very little to do with the domestic economic situation or political noise.

It is however only a relatively small proportion of companies that can deliver robust operational performance regardless of economic conditions. Even fewer exhibit many of the other characteristics typical of high quality companies.

Definitions of quality vary, but tend to include earnings predictability and stability, sustainable competitive advantage leading to high returns on capital, and balance sheet strength. Modern definitions, including ours, may also include trust in management teams as effective allocators of capital, and a strong culture and track record of better ESG risk management. Ultimately, quality aims to offer an attractive combination of upside capture and downside protection to deliver attractive risk-adjusted, or lower volatility, returns.

The technology sector is a great example where Europe flies under the radar, given that the sector is over 20% of the US benchmark versus just 7% in Europe. However, within that 7% there is a select list of world class technology businesses with high quality characteristics – typically generating compelling economics in terms of profit margins, returns on capital, and cash conversion thanks to high proportions of recurring revenue and capital-light business models.

These don't need to be giants. Europe has companies like Temenos, the Swiss-listed global number one provider of banking software, and Nemetschek, a German company that supplies design software for the construction industry – two industries in pressing need of digitisation to save cost and adhere to regulation.

As an increasing proportion of investors have become concerned about the equity market outlook, companies with superior visibility and robust earnings growth have outperformed, and the valuation dispersion between quality and value factors has in fact widened.

However, this dispersion has been driven by a de-rating of value stocks rather than a re-rating of quality stocks, reflecting increased scepticism about the earnings outlook for more economically-sensitive companies in a late-cycle environment. Meanwhile, a familiar pattern for the European equity investor is to see earnings estimates for the market begin the year at over 10% growth and gradually fade to zero over the course of the year as initial exuberance subsides. 2019 has been no different.

High quality companies have once again been the exception to this rule, generally delivering earnings growth in line with or even above expectations, thereby more than justifying their valuation premium. This is one way in which the market tends to undervalue high quality companies.

So, given the context of low economic growth, low inflation, low interest rates and a long list of downside risks to the outlook – trade wars, Brexit, manufacturing downturns, and initial signs of weakness from the US consumer – it seems as though market conditions at present are set to remain suited to a quality-led approach where it is possible to have firmer confidence in future prospects.

Growth is scarce. Earnings stability, better ESG risk management, and balance sheet strength should ensure robust downside resilience in most scenarios. And volatility often presents opportunities for those with a longer term approach.

SECTOR CONSIDERATIONS: ABSOLUTE RETURN VS BONDS

FUND CALIBRE ELITE RATED FUNDS OVER THREE YEARS

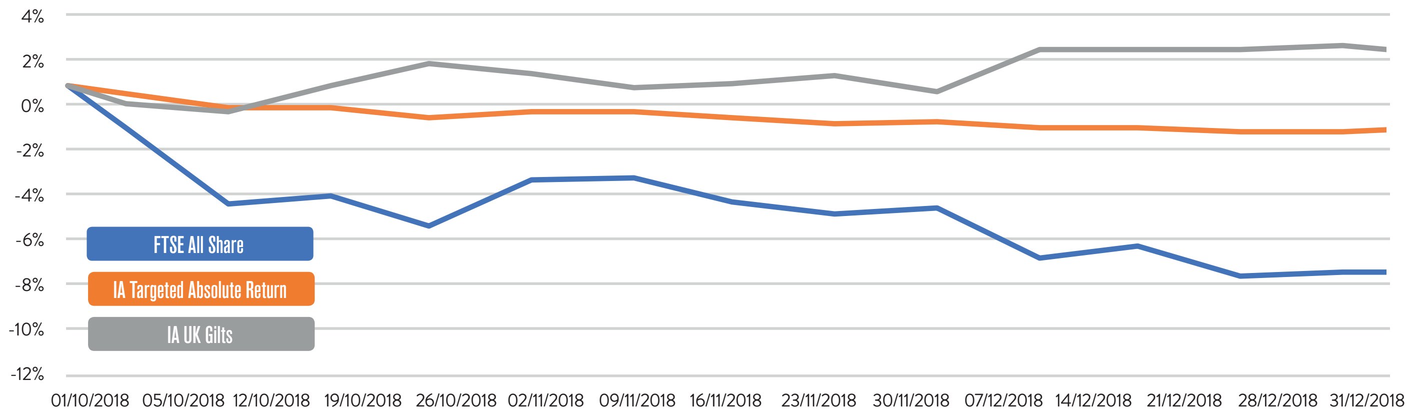
Data provided by FE

Correlation

Positive correlation | Low correlation

	FTSE All Share	IA Sterling Corporate Bond	IA Sterling High Yield	IA Targeted Absolute Return	IA UK Gilts	MSCI World
FTSE All Share		0.41	0.68	0.66	0.04	0.79
IA Sterling Corporate Bond	0.41		0.43	0.47	0.79	0.37
IA Sterling High Yield	0.68	0.43		0.56	-0.07	0.59
IA Targeted Absolute Return	0.66	0.47	0.56		0.08	0.64
IA UK Gilts	0.04	0.79	-0.07	0.08		0.07
MSCI World	0.79	0.37	0.59	0.64	0.07	

Value and growth strategies



Fund Calibre comment:
How best to protect a portfolio from potential stock market falls has become a bit of a conundrum. Back in the 'good old days' pre-global financial crisis, you could rely on government bonds to fulfil the role for you. But years of quantitative easing and record low interest rates has resulted in more than $17 trillion in global debt now trading at sub-zero yields. The UK 10 year gilt is holding up – it yields 0.53%[1] today – but a 1% rise in interest rates could result in capital losses of 8%[2]. That doesn't scream 'safe' to us. So the alternative for some time has been targeted absolute return funds. But they haven't exactly bathed themselves in glory. Looking back at the last time portfolios needed some down-side protection – the last quarter of 2018 – the average fund fell 2.39%[3] and 50 out of 119 funds fell more than 3%. But to put it into perspective, the FTSE All Share fell 10%. Arguably, the majority fulfilled their role.

So what to do? To us, correlation – or lack of – is key to the conversation. Overall UK gilts still win hands down – as you can see from the chart above, they are lowly correlated to the UK stock market, targeted absolute return funds and most other bond sectors (bar Sterling Corporate Bonds). We don't expect a big rate rise any time soon but you have to be cognisant of the risk. But some targeted absolute return funds are negatively correlated to UK stock markets too. Jupiter Absolute Return, for example, has a -0.22 correlation and Merian Global Absolute Return is -0.20. The Jupiter fund was also in positive territory in Q4 2018 – up 1.76% while the Merian fund fell 1.96%. The sector itself is a mixed bag – too much so in our opinion – so you have to look carefully at each fund and the role it may play.

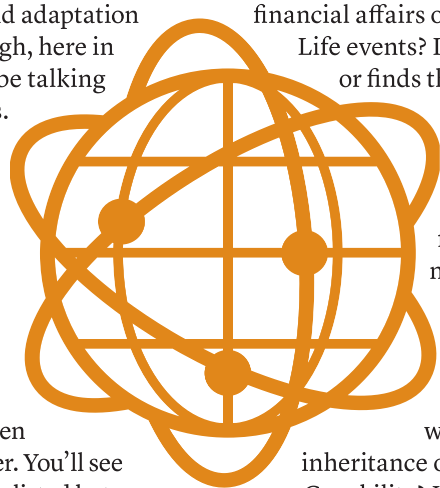
1 As at 26 September 2019
2 Source: Invesco, 6 August 2019
3 Source: FE Analytics, total returns in sterling, 1 October 2018 to 31 December 2018

VULNERABLE CLIENTS

Jackie Lockie, head of Financial Planning at the CISI, looks at the potential impact of advancing technology on vulnerable clients

As I'm sure you know, the FCA closed its most recent consultation paper 65 GC19/3 on vulnerable clients on 4th October 2019. That paper talked much more broadly than its previous communications about the potential markers for consideration when identifying and supporting vulnerable clients. As paraplanners, you will play an important role in both identifying and supporting vulnerable clients in your businesses. The onus is on all of us to play our part.

Whilst in Zurich recently, I participated in three days of meetings of the global financial planning professional bodies and I talked to them about the issues that we are facing, not only in the UK but also across Europe. We shared ideas and thoughts on what happens in other countries. What was interesting was the complete acceptance and recognition that globally we all need to do more to identify and support vulnerable clients. Across 26 different cultures the same concept of vulnerability exists and is recognised. In some countries the government takes responsibility. In others it is the regulator. In Europe, MiFID II (Section 40) talks about identification and adaptation too. Interestingly though, here in the UK we do seem to be talking in much broader terms.



One thing that jumped out at me during our discussions was an innocuous question from one of the other delegates, "How does fintech impact this?" It got me thinking. Here is the table of information given in the consultation paper. You'll see that age isn't specifically listed but much broader groups of people, e.g. under 24 and over 65, are referred to in the FCA consultation paper.

Categories	Actions
Health	Recognise
Resilience	Record
Life events	Respond
Capability	

As financial planning advances and fintech becomes more commonplace, where can these advancements hinder our consideration of vulnerable clients? If we look at each of these categories, where does fintech impact?

Health? Yes, if a client is in pain or has a medical condition that might make it hard for them to read from a screen or your normal font size in documents.

Resilience? Other than our 'silver surfers', those over 50s who are very tech savvy, there are millions of people who do not have easy access to the internet. Of those who do and even those who might have a tablet device, many will not be confident in using that technology on a regular basis. The impact might be that they would not want to conduct their financial affairs online.

Life events? If a client has an accident or finds themselves in a completely different situation, they may not be familiar or confident in accessing fintech to conduct their financial affairs. This might be either temporary or permanent. It would also encompass, for example, receiving a sudden cash windfall, such as from an inheritance or business sale.

Capability? I heard that in one emerging economy, the government has reduced the pass mark for maths examinations in a reaction to a whole generation of tech savvy children seemingly being unable to assimilate technical information. This will have long term ramifications to the world we inhabit.

Whilst various countries around the world have differing situations, we should consider the impact of clients and their children being financial literate and astute enough to conduct their financial planning using some form of fintech moving forward. Did you know, for example that in one Asian country, almost no one has a laptop! Everyone has a mobile phone and nothing else. Some of those who have a phone aren't confident using it. Add in financial literacy issues and we could have major issues popping up in the future. There certainly do seem to be many individuals around the world who are using technology but also many who do not understand what these fintech solutions are really doing for them.

So in answer to that innocuous question, fintech impacts everywhere.

If a client has an accident or finds themselves in a completely different situation, they may not be familiar or confident in accessing fintech to conduct their financial affairs

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

Tax planning (p12)
Name one reason VCTs might suit experienced investors:

Tax planning (p12)
Income tax relief on EIS investments up to £2m is:
- [ ] 20%
- [ ] 30%
- [ ] 40%

Tax planning (p12)
SEIS are eligible for 50% income tax relief on investments up to:
- [ ] £100,000
- [ ] £1m
- [ ] £2m

Protection (p13)
The Insurance Distribution Directive (IDD) came into effect in which month of 2018?
- [ ] January
- [ ] April
- [ ] September
- [ ] October

Guide to (p14)
Generally SSAS invest in which of the following:
- [ ] Commercial property
- [ ] Regulated funds
- [ ] Residential property
- [ ] Stocks and shares

Guide to (p14)
Name one duty a SSAS administrator should undertake on an annual basis:

Parameters (p16)
Latest ONS figures show the number of people currently aged 90 and over in the UK is:
- [ ] 495,085
- [ ] 505,026
- [ ] 584,024

Estate planning (p20)
BPR was first introduced in the Finance Act of:
- [ ] 1948
- [ ] 1972
- [ ] 1976
- [ ] 1984

Estate planning (p20)
BPR can save 40% IHT liability:
- [ ] True
- [ ] False

Investment (p24)
What fraction of Japan's population is aged over 65?
- [ ] 1/4
- [ ] 1/3
- [ ] 1/2
- [ ] 2/3

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 30 September 2019, provided by FE

BEST RATED FUNDS

IA	3 year Cumulative Performance	FE Alpha Manager Rated	FE Crown Fund Rating
T. Rowe Price US Blue Chip Equity	73.82	✓	5
Lindsell Train Global Equity	73.39	✓	5
TTM Cavendish AIM	73.16	✓	5
Morg Stanley Global Opportunity	72.99	✓	5
Comgest Growth World	61.46	✓	5

AIC	3 year Cumulative Performance	FE Alpha Manager Rated	FE Crown Fund Rating
Lindsell Train IT	76.02	✓	5
Baillie Gifford Monks IT	74.23	✓	5
Finsbury Growth & Income Trust	51.9	✓	5
Schroder Asian Total Return Investment Company	49.34	✓	5
N/A	-		-

BEST PERFORMING FUNDS IN TERMS OF RISK VS RETURN

IA	3 year Cumulative Performance	FE Risk Score
Polar Capital Global Technology	87.52	165
AXA Framlington Global Technology	84.34	170
Fiera Capital Europe Magna MENA	81.85	110
Fidelity Global Technology	81.01	141
Liontrust Global Technology	79.76	150

AIC	3 year Cumulative Performance	FE Risk Score
Leaf Clean Energy Company	249.4	1,443
Globalworth Real Estate Investments	123.97	150
Allianz Technology Trust	110.33	223
Alpha Real Capital Alpha Real Trust	106.33	169
Mineral & Financial Investments Limited	104.44	480

RISKIEST SECTORS

IA	3 year Cumulative Performance	FE Risk Score
China/Greater China	32.49	154
Japanese Smaller Companies	29.82	132
North American Smaller Companies	44.24	129
Technology & Telecommunications	63.77	124
North America	46.97	116

AIC	3 year Cumulative Performance	FE Risk Score
VCT Specialist: Health & Biotech	5.46	212
Insurance & Reinsurance Strategies	-10.69	211
Forestry & Timber	-18.34	175
Growth Capital	-19.84	173
Country Specialist: Latin America	23.14	164

OUTFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	Out (£m)
M&G Optimal Income	23,800.83	3,504.66	-4,035.26	-16,260.91
ASI Global Absolute Return Strategies	16,210.40	6,944.90	325.77	-9,591.27
M&G Global Floating Rate High Yield	4,847.16	603.1	-1,060.24	-3,183.81
M&G Global Dividend	6,398.57	2,411.89	-1,149.29	-2,837.39
BNY Mellon Real Return	8,761.85	6,736.88	549.71	-2,574.67

INFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	In (£m)
Royal London Global Equity Diversified	114.97	2,220.67	256.17	1,849.54
Vanguard LifeStrategy 60% Equity	4,503.65	6,663.87	409.74	1,750.48
Vanguard FTSE U.K. All Share Index	7,694.08	9,404.01	12	1,697.93
Federated Short-Term Sterling Prime	3,400.00	4,900.00	8.72	1,491.28
State Street UK Equity Tracker	5,283.67	6,711.02	46.42	1,380.93

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	63.77
North America	46.97
North American Smaller Companies	44.24
Global	35.95
China/Greater China	32.49

AIC

Technology & Media	87.79
Country Specialist: Europe ex UK	87.02
Utilities	64.67
European Emerging Markets	57.19
Financials	53.15

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	VCT Generalist
2	Global	2	UK Equity Income
3	Unclassified	3	Global
4	Mixed Investment 20-60% Shares	4	Flexible Investment
5	Specialist	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	Invesco Asset Management Edinburgh IT
4	Lindsell Train UK Equity	4	BMO F&C Investment Trust
5	Lindsell Train Global Equity	5	Amber Infrastructure Grp Int Public Prtnrship

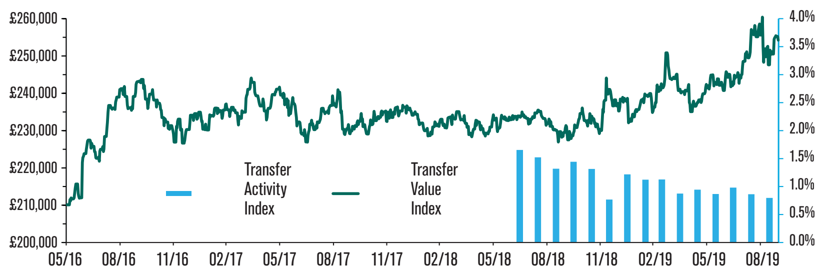
MOST CHARTED

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Baillie Gifford Scottish Mortgage
2	Fundsmith Equity	2	InfraRed Capital Partners HICL Infrastructure
3	Vanguard LifeStrategy 40% Equity	3	Capital Gearing Trust
4	Vanguard LifeStrategy 80% Equity	4	BMO F&C Investment Trust
5	Vanguard LifeStrategy 100% Equity	5	RIT Capital Partners plc

PENSION TRANSFER VALUE INDEX

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

Transfer values varied significantly during September, with a 5% swing being seen during the month. The Index reached a record high of £260,400 on 3 September before dropping sharply to a low of £247,700 on 13 September, primarily driven by fluctuations in gilt yields. The Index ended the month at £254,300; down slightly from £255,600 at the end of August. September was a very turbulent month for the financial markets, mainly due to ongoing political uncertainty around Brexit, which has resulted in significant volatility in the Transfer Value Index. The Transfer Activity Index recorded a further fall in the number of transfers processed during September, to an annual equivalent of 0.80% of eligible members, down from 0.86% in August. This is significantly down on the rate of 1.30% observed this time last year.



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