Professional Paraplanner

The magazine for paraplanners and financial technicians

March 2020

Administrator to partner

Luan Mahoney, partner with Chadney Bulgin, talks about how she progressed her career from mortgage administrator to head of operations and a partner with the firm

PAGE 8

Trusts

Why advice teams need to keep on top of new registration rules

Portfolio evaluation

Calculating money and time weighted returns

Tax Special

End of year tax planning

PLUS SPECIAL REPORT FROM OUR TEAM LEADER SEMINAR

Professional
Paraplanner

ADVANCES IN TECHNOLOGY

It's been a busy month. No doubt it has for you too as the end of the tax year approaches. This issue we have a Tax Planning Special for you, talking to paraplanners about how they tackle end-of-year tax planning and any tips and tricks they have for getting through to 5 April, alongside articles on which clients most need attention and how you can help them through use of tax efficient products such as Business Property Relief.

Here at *Professional Paraplanner*, as well as putting together this issue and the daily website, we launched our Team Leader Seminars series, running the first event in London – we've picked out some highlights on pages 16-17. We are also preparing for this year's Technical Insight Seminars, our Investment Committee events, and the launch of the 2020 Professional Paraplanner Awards (see below for more on all of these).

I also attended three very interesting technology conferences: Financial Technology & Research Centre's (FT&RC) *Empowering Advice Through Technology* 2020; Dynamic Planner's annual conference; and the Getting *Pensions Dashboards Done* event hosted by Origo and identity platform specialist ForgeRock. Each pointed to developments that we can expect to affect financial planning and sooner than we may think. A key theme across all three conferences was developments in Open Finance, i.e. how financial services will adapt technologies developed for open banking to obtain and offer a far more holistic view of an individual's finances and financial planning. Having systems that talk to one another is essential for this to work in financial services companies but the benefits of being able to show clients all of their pensions, long-term savings and investments in one place, and build financial plans off the back of that data, will be huge.

The convergence of health and wealth-related technologies is another opportunity on the horizon. For example, as technology gets better at analysing our DNA and our chances of getting diseases, and thereby, more accurately predicting our longevity, so this information can be used to inform and improve the accuracy of financial planning.

Dynamic Planner introduced the latest development in its Elements line up – a web-based cashflow planning tool, which will draw on the client's risk-based profile. This will be ready later this year – read more about it on our website.

Our industry, we were told at the FT&RC event, "is on the cusp of significant change" being rapidly driven by technological advances. As primary users of financial planning technology, there is no doubt paraplanners are going to be at the heart of these developments.

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

PROFESSIONAL PARAPLANNER EVENTS SERIES 2020

Register for these events via the Events page on the *Professional Paraplanner* website.

Technical Insight Seminars

Register for one of our 16 events around the country. Dates and venues are:

- 29 April: Exeter, Woodbury Park
- 13 May: Birmingham, Crowne Plaza
- 20 May: Norwich, Park Farm Hotel
- 10 June: London, ETC Venues, Liverpool Street
- 17 June: Cardiff, The Vale Resort
- 9 July: Southampton, Hilton Ageas Bowl
- 22 July: Chester, Double Tree Hilton
- 9 September: Nottingham, Nottingham Belfry
- 23 September: Glasgow, Hilton Glasgow
- 24 September: Edinburgh, Waldorf Astoria
- 8 October: Leeds, Oulton Hall
- 21 October: Manchester, Midland Hotel
- 4 November: Reading, Crown Plaza
- 18 November: Bristol, Aztec Hotel
- 25 November: Newcastle, Crowne Plaza
- 2 December: Colchester, Colchester FC

The Investment Committee

- Launch event: 7 April 2020, London.

You can also sign up for events in Manchester and Edinburgh.

Team Leader Seminars

Further dates will be announced shortly.

Professional Paraplanner Awards

We are delighted to announce that Parmenion are once again supporting the Professional Paraplanner Awards, which will be launched on 9 March via our website. There will be six paraplanner and administrator specific awards plus the opportunity to nominate your favourite product and service providers for recognition. The ceremony will take place on 10 June at the ETC Venues, Liverpool Street, London.

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


SAVINGS
YOU
CAN
TRUST.
Help your clients thrive with our 95 Day
SIPP Notice Account at 1.40% Gross PA / AER*
Close Brothers
Savings
fscs
Protected
*AER stands for Annual Equivalent Rate and illustrates what the interest rate would be if interest were paid and added each year. Interest is compounded. Gross PA means Gross Per Annum, i.e. before tax is deducted (at the legal rate). Kindly note, the minimum opening deposit for this account is £25,000. If your balance falls below £25,000, interest will be set at 0.50% gross p.a. (variable) until the balance meets or exceeds £25,000.

FIND AND KEEP GOOD PEOPLE

Natalie Bell, co-founder & director of The Art of Finance and director of Culture & Engagement across The Verve Group, describes how the management team established a development framework for their underlying businesses

Staff training and development – well known, much needed and pretty much always the greatest challenge for any business (that, and recruitment!). So, when you're lucky enough to find your ideal candidate, how do you go about keeping and upskilling them? With so many different training needs and urgency levels it can often be a game of Tetris when it comes to marrying up an individual's development points with that of the organisational goals.

My role across The Verve Group means all things considered 'fluffy', 'people' and 'happiness' all land at my door – staff engagement, coaching and learning & development to name but a few. Thankfully, it's all the stuff I love and genuinely relish in the opportunity to bring out the best version of oneself. It's no secret that businesses which are willing to invest in their employees – such as offering help with qualifications or the practical skills needed for the role – both attract and keep staff. Ultimately, those who receive the appropriate training become more valuable to the business, contribute to the business growth and on a personal level, feel valued in return.

All of that said, training and development isn't as easy as just asking an employee what they want help with and then delivering on it. It takes time and resource – both in identifying the need in the first instance, delivering on it and then the ongoing support to make sure that the new knowledge is transferred back to the business. And often, such time and resource isn't always available to manage internally. Is it a genuine need? Or is it a limiting belief they have about themselves? What's the cost to the business? Is there a benefit back to the business? How do you measure that return on investment? These are all very sound questions to ponder.

Last year, Cathi Harrison, founder of Para-Sols and Apricity Compliance and CEO of The Verve Group, and I created The Art of Finance, having experienced our own internal training challenges whilst scaling Para-Sols and Apricity Compliance. With a really successful graduate programme (The Grad Scheme) across the companies, it was crucial that we developed a learning and development framework to achieve the business growth we'd set out in our business plan. This meant practicing what we preach and carrying out a training needs analysis on ourselves:

- Deciding on the skills we needed in the business to achieve success
- Evaluating the skillsets we already had internally
- Highlighting any skills gaps (and setting about filling them!)

The technical skills were the easiest to identify – the businesses needed paraplanners and compliance officers and we knew that we wanted to support them to gain their Level 4. This was straight forward enough, we identified the route we wanted for them (the CII Diploma in Regulated Financial Planning) and we invested in their qualification-related progress. Even the practical skills needed for the roles were straight forward as the model we'd created was predominately on-the job training, and also scheduled a number of internal workshops to deliver on the varying complexities expected of them as they progressed through their career path (visualised and shared with them from the outset). The greatest challenge came, and still does, with supporting the softer skills – team leading, effective communication and confidence building being some of the most common. As the teams within the group have grown, it's meant we have different challenges now to what we had three years ago so, regularly reviewing training needs analysis is an absolute must!

This experience is in every essence, the uniqueness of The Art of Finance and for the firms who have enrolled their staff to date, it's where they see great value. We've designed our courses to provide the technical support they need to get through the exams and give them the practical skills they need for the role (direct business benefit). Together with the emotional, more coaching style approach, empowers and enables the candidates to thrive (direct personal benefit).

I always say that it should never be a choice of professional or personal development, it's when the two can be blended that the real magic happens for all involved!

The Verve Group is comprised of Para-Sols, Apricity Compliance, The Art of Finance and The Grad Scheme

Businesses which are willing to invest in their employees both attract and keep staff

Professional Paraplanner Technical Insight Seminars

TECHNICAL INSIGHT SEMINARS 2020 – REGISTER TODAY

Register to join your fellow paraplanners at one of 16 events this year

TECHNICAL INSIGHT SEMINARS SPRING/SUMMER/AUTUMN 2020:

Dates and venues

29 April: Exeter, Woodbury Park
13 May: Birmingham, Crowne Plaza
20 May: Norwich, Park Farm Hotel
10 June: London, ETC Venues, Liverpool Street
17 June: Cardiff, The Vale Resort
9 July: Southampton, Hilton Ageas Bowl
22 July: Chester, Double Tree Hilton
9 September: Nottingham, Nottingham Belfry
23 September: Glasgow, Hilton Glasgow
24 September: Edinburgh, Waldorf Astoria
8 October: Leeds, Oulton Hall
21 October: Manchester, Midland Hotel
4 November: Reading, Crown Plaza
18 November: Bristol, Aztec Hotel
25 November: Newcastle, Crowne Plaza
2 December: Colchester, Colchester FC

Our events are a mixture of keynote and workshop sessions, covering a range of topics specifically for paraplanners.

Presenters at this year's Seminars will include speakers from: FundsNetwork, Parmenion, i4C cashflow, ATEB Consulting, Transact, Dentons Pensions Management, Para-Sols, Lime Outsourced Paraplanning, Octopus Investments, Apricity, Cashcalc, NS&I, London Institute of Banking and Finance (LIBF) and more.

Register your interest today at:
www.surveygizmo.com/s3/5397435/2020-Professional-Paraplanner-Technical-Insight-Seminars

ADMINISTRATOR TO PARTNER

Luan Mahoney, partner with Chadney Bulgin, tells Rob Kingsbury how she progressed her career from mortgage administrator to head of Operations and a partner with the firm and why she likes to stay hands-on in her day-to-day role

Luan Mahoney's financial services career stretches back over 25 years but it took off when she joined Hampshire-based Chadney Bulgin in 2002. Her career progression is very much linked to the success and growth of that business over the past 18 years, from a firm just undertaking mortgage work to one now split 65% wealth management and 35% mortgages.

"My career has developed as the business has," Luan explains, "from mortgage administrator to supervisor to manager of a mortgage team, and then manager of a wealth and mortgage team, to head of operations. I became a partner in the business in 2008."

Luan started her working career in retail but quickly found there wasn't much money in it, so she went to night school, learned to type "because that was my perception of what I needed to do to work in an office" and landed her first office job. This happened to be in financial services, working for Abbey National (now Santander) in a mortgage centre processing mortgage applications. She stayed there for seven years until the company moved the office to the north of the UK and she was made redundant.

Her next role was with a mortgage adviser and then she moved to a wealth management IFA. "But most of my roles were with mortgage advisers and when I joined Chadney Bulgin in 2002, it predominantly did mortgages. I joined as a mortgage administrator. We were processing 350 mortgages a month and we had one wealth planning consultant."

An inflow of new management into the business on the retirement of senior partner Tom Chadney, saw the business begin to change, taking on more wealth management work as well as acquiring smaller businesses on the wealth side.

This change of strategy was well timed and, in 2007, it was accelerated as the financial crisis began to take hold and mortgage business dropped off significantly.

The changes brought opportunities both for the business and for the staff. Within two years of joining the firm Luan had been promoted to supervisor and then to manager of the joint mortgage and wealth administration team.

"We have a really good training infrastructure. One of our senior partners is responsible for training across the business. Managers will identify training needs and do on the job training"

The shift from mortgages to financial planning required a lot of re-training of staff, Luan says, "including myself", as well as recruiting. "It was a period of huge change."

As the business has expanded, there has been development and specialisation of those teams. Chadney Bulgin now has a mortgage administration team, a wealth administration team, a service team, and paraplanning teams both on the wealth and the mortgage sides of the business.

When mortgages came back after the financial crisis subsided, for a while the financial advisers straddled both areas, taking on mortgage advice as well as wealth planning, but over time they became specialists in their areas, as have the support teams, Luan explains. "That makes sense, particularly in support, because the pace and demands on administration are very different between the two arms. It enables us to concentrate on the areas and what they need. We find it takes different skills and personality to be a mortgage administrator to someone on the wealth side. As an example, on the mortgage side it is faster paced, there is more contact and chasing of providers for quick answers, which means there is a lot of telephone work and a high level of tenacity is needed to chase and challenge the lenders.

"On the wealth side you need more technical and analytical skills sets. We find people tend to settle and fit into one team or the other, although we do get people moving between teams in order to develop and progress their career prospects."

A growing business naturally develops a need for more and more infrastructure. Luan was promoted to head of Operations in 2017, overseeing the firm's offices in Fleet, Hampshire and Chichester, Sussex. Her responsibilities now include the management of all sales support staff, operations, business strategies and maintaining service to all clients throughout their ongoing relationship with Chadney Bulgin.

Paraplanning team

Originally the firm had no paraplanning operation. Luan has overseen the growth of the paraplanning team, bringing in Martin Green as the first paraplanner, who is now paraplanner manager.*

The firm encourages staff to develop and learn and to progress their careers within the business. "We have people move from administration into paraplanning and from paraplanning into advice,' Luan says. "We have a really good training infrastructure. One of our senior partners is responsible for training across the business. Managers will identify training needs and do on the job training but if we feel there is a need for deeper learning, we will have classroom sessions.

"It helps us manage risks in the business when people are learning and developing and know to ask the right questions of the right people to get the answers they need. Having the ability to spot something that doesn't sound correct is a useful attribute."

Also, the firm is a registered examination centre with the CII and has just launched its own Training Academy on the wealth side. "We have a number of wealth advisers who are going to be retiring over the next five to ten years and we are looking to bring people through the academy to replace them. This is a very exciting development for us as a business."

Firm culture

Despite the growth of the business over the years, what's important to Chadney Bulgin, Luan stresses, is that the firm retains its culture, which she feels is important to both the people in the business and its clients. "We don't want to be big corporate; we still want to have that family feeling within the business. The size we are now is a nice size. It means the senior managing partners know everyone's name and what they do, and if anyone has an opinion or an idea it is listened to and valued. We never want to lose that. It's important; it's what has kept people working here for a long time – and it's what has kept people as clients for a long time."

Looking back over her 18 years with the firm Luan says she recognises the benefits of working for a firm of the size and ambition of Chadney Bulgin. "The firm has vastly changed over the past 18 years and as the business has developed so my career has developed and changed with it. It's been an exciting career path.

"But for me the most exciting part has been to see other people's careers develop within the firm as well, for me to hand over responsibilities and for people to have opportunities to progress their careers just as I've had."

A typical day

"As head of Operations, I'm the hub for that side of the business. IT takes up a big part of my day. It will depend on project work as well. For example, we are moving our back-office system between providers at the moment. For a company of our size with over 80 members of staff, we have a huge amount of data to migrate across, all of which requires data mapping, alongside the training of staff on the new system.

"Finding the right system also came within my remit, researching the market and conducting due diligence. The biggest challenge for us is that we have the two arms, wealth and mortgage, and while I went to the market and found some amazing systems that did wealth well or mortgages well, there was no system that did both to the level that we wanted. So, we targeted a company that handles the wealth side of the business very well and is willing to work with us to build a better system for our mortgage side, so we can benefit from greater efficiencies for our mortgage advisers and support teams.

"As a partner I am involved in business strategy, looking at where we go in the future. I sit on our investment committee, I have regular meetings with my department managers, in administration, paraplanning and HR, across Fleet and Chichester. They report to me on what's happening in their departments, what issues they have, and we work on solutions together.

"I'm still very much involved in what's happening in all the teams and I wouldn't have it any other way because that's where I came from and I've a stake in it. I've built up the teams and having that experience of the business at so many different levels, I tend to have come across most things and they can bounce ideas and solutions off me for a second opinion."

***Martin Green talks about being a paraplanning manager in this video:
https://professionalparaplanner.co.uk/interview-being-a-paraplanning-manager/
Martin also explains what being part of the investment Committee entails here:
https://professionalparaplanner.co.uk/paraplanner-as-investment-committee-member/
[In the September 2018 issue we wrote about the structure of the Chadney Bulgin paraplanning team – Ed]**

Three key elements for a good administration department

Luan believes the top three elements needed to run a good administration department are:

1. **Variety of interesting work. Having a variety of interesting work keeps people engaged, wanting to learn and improve. It also feeds the next key element, which is...**
2. **Morale. You have to have good morale and camaraderie. It has to be a good place to come to work.**
3. **Strong leadership. Staff need someone to guide them or to go to with problems, whether those are work related or personal. They have to feel confidence in the leadership team and that they are supported by them.**

UNAUTHORISED PAYMENTS

Stephen McPhillips, technical sales director, Dentons Pension Management Limited looks at unauthorised payments from registered pensions schemes that are SIPPs or SSAS

Registered pension schemes enjoy many tax advantages. These can range from tax relievable employer and member contributions through to income tax-free returns, capital gains tax-free growth and beyond that to tax-free lump sums upon taking retirement benefits and inheritance tax-free death benefit payments.

Substantial tax advantages such as these are extremely valuable. They do however, come with conditions. Breaching any of the conditions relating to payments to members and/or employers can be a very costly exercise for the scheme member and/or employer. There can also be implications for the scheme administrator attached to the scheme. This article focusses on "unauthorised payments" to members and employers as they might relate to self invested personal pensions (SIPPs) and / or small self administered schemes (SSAS).

Breaching any of the conditions relating to payments to members and/or employers can be a very costly exercise for the scheme member and/or employer. There can also be implications for the scheme administrator

Unauthorised member payments

When an unauthorised payment is made to a scheme member, a tax charge of 40% of the amount of the unauthorised payment is levied. This is payable by the scheme member. If the unauthorised member payment exceeds 25% of the member's fund value, there is a further surcharge tax amounting to 15% of the unauthorised payment. This is also payable by the member. In addition, the scheme administrator will usually be subject to a tax charge of 15% of the unauthorised payment. However, this could increase to 40% if the member fails to pay all of the tax charges that have arisen.

It therefore follows that tax charges of 70% (or more) of the unauthorised payment amount could arise where such a member payment occurs. Examples of unauthorised member payments include:

- A loan directly or indirectly to a member or anyone connected with the member, including a company controlled directly or indirectly by a member.
- Payment of benefits to anyone other than the member whilst the member is still alive.
- Benefit payments to a member before the age of 55 (unless they satisfy the ill health requirements or have a protected lower pension age).
- Va shifting, i.e. where a pension scheme enters into a transaction that increases the value of an asset or decreases the amount of a liability of a member, or a person connected with a member (and in the case of a SSAS, a sponsoring employer), on anything other than what would normally be expected on arm's length terms.

This is not an exhaustive list and care should be taken to ensure that unauthorised member payments do not take place.

Unauthorised employer payments

When an unauthorised payment is made to an employer, a tax charge of 40% of the amount of the unauthorised payment is levied. This is payable by the employer.

If the unauthorised employer payment exceeds 25% of the member's fund value, there is a further surcharge tax amounting to 15% of the unauthorised payment. This is also payable by the sponsoring employer.

In addition, the scheme administrator will usually be subject to a tax charge of 15% of the unauthorised payment. However, this could increase to 40% if the sponsoring employer fails to pay all of the tax charges that have arisen.

It therefore follows that tax charges of 70% (or more) of the unauthorised payment amount could arise where such an employer payment occurs.

Example of unauthorised employer payments

A loan from a SSAS to a sponsoring employer that does not satisfy each and every one of the strict requirements for such a loan to be an authorised payment. Such requirements include the fact that the loan must be secured by a First Legal Charge over a suitable asset or assets.

Potential impacts on SIPP and SSAS

Most responsible providers of SIPP and SSAS arrangements will take all necessary and reasonable steps to avoid the occurrence of any such tax charges. In turn, this will often mean that providers will:

- Undertake robust due diligence on any proposed investment which could give rise to unauthorised payments. For example, a peer to peer lending platform might not be acceptable to a provider if the end borrower cannot always be identified.
- Operate a strict company policy on SSAS loans to employers in order to ensure that the five strict HMRC requirements are met in full without any additional complications (such as the SSAS trustees taking possession of any property which could be deemed as "taxable property" in the event of default by the borrower – items such as plant and machinery or stock).
- Not permit the shifting of any value from one member to another within its arrangements.

Summary table

Tax situation	Tax charge
Unauthorised member payment	40% of the amount of the unauthorised payment Payable by the member
Unauthorised employer payment (SSAS)	40% of the amount of the unauthorised payment Payable by the relevant sponsoring employer
Unauthorised payment is more than 25% of the value of the relevant member(s) pension funds	Member/sponsoring employer will be liable to a surcharge of 15%
Tax charge on the pension scheme (via the Administrator)	Usually 15% of the amount of the unauthorised payment. However, if the member or sponsoring employer fails to pay the full amount of their tax charges, it could be as much as 40%.

Total tax charges for an unauthorised payment could be as high as 70% of the amount of the unauthorised payment.

PORTFOLIO EVALUATION

Catriona Standingford, MD of Brand Financial Training, considers money-weighted rate of return and time-weighted rate of return in evaluating performance of an investment portfolio and are seen in a number of CII exams

Anyone sitting one of the CII investment exams will need to be familiar with measuring returns.

In this article we look at the money-weighted rate of return (MWR) and the time-weighted rate of return (TWR) both of which are examined in R02 as well as in J10, J12 and AF4; in particular in AF4 students may need to actually do the calculations whereas in R02 it will be more about understanding the theory.

The time-weighted return shows the performance regardless of the timing of new monies. The money-weighted return takes account of timing of additions and withdrawals. Let's look at a typical exam question:

Calculate the money-weighted rate of return for the following investment:

Value at 1 January	Money invested 31 March	Income received 30 June	Value at 31 December
£100,000	£20,000	£2,000	£119,000

The MWR formula is: $\dfrac{D + V_1 - V_0 - C}{V_0 + (C \times \frac{n}{12})}$

Where:

- D = income received during the year i.e. £2,000
- V_1 = the value at the end of the period i.e. £119,000
- V_0 = the value at the start of the period i.e. £100,000
- C = the new money introduced during the year i.e. £20,000
- n = the number of months remaining in the year i.e. 31 March until the 31 December

If we input the figures into the formula:
£2,000 + £119,000 - £100,000 - £20,000 /£100,000 + (£20,000 x 9/12)
Therefore:
£1,000 / £115,000 x 100 = MWR of 0.87 or 0.87%

The MWR is influenced by the timing of cash flows which are of course outside the fund manager's control. The TWR aims to eliminate this problem by measuring compound growth irrespective of money flows.

To calculate TWR we need to know when and how much new money is invested, when and how much of a withdrawal is made and what the portfolio value was at the time. Returns are then calculated for each period between these contributions or withdrawals and then the periods are all multiplied together. Let's look at an example of this:

1 January	1 April	30 June
Value = £1,000	Value = £1,200	Value = £2,400
	Further investment =£1,000	

What is the TWR?

Period 1 = This is the first three months when the fund went from £1,000 to £1,200.
Period 2 = This is the next three months when £1,200 plus the additional investment of £1,000 grew to £2,400.

The return for each period is calculated by dividing the end value by the value at the beginning.
Period 1 = £1,200/£1,000 = 1.2
Period 2 = £2,400/£2,200 = 1.0909

So now we know that in the first 3 months a gain of 20% was made and in the second 3 months a gain of 9.09% was made. To find the TWR we need to multiply the two periods together:
(1.2) x (1.0909) - 1 x 100 = 30.91%

In conclusion, both the MWR and the TWR are useful when evaluating performance of an investment portfolio over a given time period. However, TWR focuses just on performance and is therefore more suitable when comparing different portfolio returns.

About Brand Financial Training

Brand Financial Training provides a variety of immediately accessible free and paid learning resources to help candidates pass their CII exams. Their resource range ensures there is something that suits every style of learning including mock papers, calculation workbooks, videos, audio masterclasses, study notes and more. Visit Brand Financial Training at www.brandft.co.uk

BUSINESS OWNER CLIENTS

Most adviser firms will have business owners as clients. Ensuring they have the right insurance protection in place can be a valuable part of their financial planning, says Chris Dunne, proposition manager, Scottish Widows

Business owners can all too easily be focussed on the day-to-day challenges of running the business and overlook a vital element of running and maintaining a successful business. It is essential that consideration is given to all the potential risks to the business, not least of which is the potential impact should, for any reason, the business lose them as Leader, or indeed another key member of staff.

Fundamental questions to ask business owners and leaders are: 'What would happen if one day you were in the unfortunate position where a key person in the business had suddenly died or become critically ill? How would the business cope? What steps have you taken to address this potential situation in your business planning?

You may be surprised by the answers. While businesses will insure equipment and premises they often overlook insuring their key people. Even when some thought has been given to the issue, often not enough has been done to prepare for it.

This is not just about ensuring the business is still able to operate and trade. It also concerns the wellbeing of staff and their families, and shareholders in the business. There are four types of cover your clients should consider, depending on their circumstances:

1. Key person

Key person cover protects a business against the loss of one of its key employees through death or serious illness.

When talking to clients, ask how the business would be affected by the long-term absence or death of a team member – an owner, director, salesperson or employee with specialist skills or knowledge. Ask them to make a list of those members. They may be surprised at the length of the list.

This type of insurance covers the key person but the business is the policy owner and pays the premiums. The cover can also be written in trust if needed.

2. Loan protection

Another risk area to a business is where a loan needs to be repaid in the event of the death or serious illness of a loan guarantor. This can represent a serious personal risk where third party security has been taken against the loan, such as a second legal charge on the director's family home. In this situation, insuring for the full value of the loan in the event of death or serious illness can be vitally important to the wellbeing of the surviving family.

Query with your clients what arrangements they have in place. This could save not just a business, but safeguard a family home further down the line.

Where a director has made a personal loan to the business, which is required to be repaid on death, this is better covered under a key person policy.

3. Shareholder protection

Should a fellow director or partner die, provision should be in place to assure the financial interests of surviving shareholders in the business. The purpose here is to enable the remaining owners to be able to buy the business share from the deceased shareholder's estate at fair value.

Again, having the appropriate level of cover in place here can both ensure the continuation of the business, and that fair value of the deceased's holding in the business is transferred into their estate.

4. Relevant life cover

These are individual life cover policies enabling businesses to offer tax-efficient death-in-service benefits to their employees, outside of a registered group life scheme. They are also used for high-earning employees who have substantial pension funds, and want their death-in-service benefits to sit outside of their lifetime allowance. Other tax advantages of Relevant Life Cover include:

- Payments made do not form part of the employee's annual pension allowance.
- Premiums aren't normally subject to income tax.
- Premiums can be treated as an allowable expense for the employer in calculating their tax liability.
- Writing the policy in trust will mean that in most cases the benefits are paid free of inheritance tax, because the benefits are paid through that trust.

Helpful Calculators

So that businesses may assess the cover they need, we have developed three calculators to help determine the sum assured:

- **Key Person Calculator: to help work out the value of the key person.**
- **Business Valuation Calculator: to help work out the value of a business.**
- **Relevant Life Policy Calculator: to show the potential tax savings of this cover.**

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. UK ALL COMPANIES
4. GLOBAL
5. MIXED INVESTMENT 0-35% SHARES
6. PERSONAL PENSIONS
7. UK EQUITY INCOME
8. VOLATILITY MANAGED
9. PROPERTY
10. FLEXIBLE INVESTMENT

DO YOU BELIEVE PENSIONS TAX RELIEF NEEDS REFORMING?

YES	55%
NO	33%
NOT SURE	12%

SHOULD A FLAT RATE PENSIONS TAX RELIEF BE INTRODUCED?

YES	41%
NO	47%
NOT SURE	12%

SHOULD A FLAT RATE PENSIONS TAX RELIEF BE:

20%	25%
25%	31%
30%	43%

DO YOU THINK IT MIGHT CHANGE RETIREMENT SAVING BEHAVIOURS?

YES	69%
NO	15%
NOT SURE	16%

Rumours around changes to pensions tax relief are rife in the industry, above and beyond a change in Chancellor of the Exchequer. For our latest Para-meters survey we asked for your opinions on pensions tax relief and in particular the introduction of a flat rate of pensions tax relief, which it is suggested is most likely to arise in the Budget on 11 March.

As can be seen from the data above, the majority of paraplanners responding to our survey thought pensions tax relief needed reforming but opinions were split over whether a flat rate of tax relief should be introduced.

Asked what benefits or issues they saw with a flat rate tax, respondents tended to couch the benefits in general terms such as greater consistency, simplicity, fairer, more straightforward, more transparency in the tax system. Also, that it might encourage basic rate taxpayers to contribute more (if the flat rate was above the current 20% basic rate tax level). Other benefits cited were simpler calculation and administration of taxes, saving the Treasury money, and making tax relief easier for the general public to understand.

Those who saw disadvantages said they thought a flat rate system would not encourage low earners to pay into pensions thereby not helping bridge the savings gap, there would be less incentive for higher earners to pay into pensions which while saving the Treasury money now could reduce the income tax take for governments further down the line, higher rate earners would be forced to seek alternatives, and there would be issues for DB schemes and employer contributions.

Changing behaviours

By far the largest majority of people – 69% – thought that a flat rate of pensions tax relief would change people's retirement saving behaviours. Higher rate tax payers were seen as most likely to change their behaviours, as a reduction in tax relief would be seen as a disincentivise to save into a pension as a main long-term saving vehicle. While pensions would still be seen as useful tax tools, as one respondent said: "People need to be incentivised to save into pensions and if their tax relief going in was seen to have been reduced it could put them off contributing in this way when what we actually need is more savings into pensions not less."

What would likely be seen, it was suggested, is people putting less into pensions and more money into other tax wrappers, such as ISAs, or looking to tax efficient investments such as VCTs and EISs, or turning more to property as a long-term investment. One paraplanner said: "It would change behaviours for the worse. It would not make people on lower wages save more and it would discourage people on higher earnings to make pension contributions."

Would it change your recommendations?

Asked whether a flat rate would change the recommendations made to clients, paraplanners said this would depend on the level of flat rate relief and would be case specific. Most said pensions would remain a primary savings vehicle, "pensions will still be one of the best tax efficient investments and we would maximise investments into them", although some said they would change the type of contributions – "I'd be unlikely to recommend lump sum contributions much; I'd be more likely to look at employer contributions".

However, paraplanners said that in some cases, ISAs would be considered more appropriate – "it will be difficult to recommend a pension over an ISA for a higher rate taxpayer who would get basic rate relief now but might still expect to pay higher rate tax in retirement – and/or tax wrappers such as onshore and offshore bonds and general investment accounts.

SURVEY PRIZE DRAW

Congratulations to Sukhi Dhamrait, Aurea Financial Planning, who is the winner of this 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.

REGISTRATION RULES

Trust registration deadlines are changing and paraplanners need to know about them, says John Humphreys, inheritance tax specialist at WAY Investment Services

On 10 January 2020, the Fifth EU Money Laundering Directive (5MLD) came into force in the UK, with an objective to ensure that the UK's anti-money laundering and counter terrorist financing regime is 'up-to-date, effective and proportionate.'

As part of this, the rules and deadlines for registering trusts online with the Trust Registration Service (TRS) are set to change. Previously, Trusts only had to register with the TRS if a reportable tax event occurred. Under the new regime far more trusts will have to register, even if there is no tax to pay.

The challenge for advice teams is that the precise details of which trusts will need to register and definitive deadlines have not yet been confirmed. Although 5MLD is now law, the implementation of the new rules for trusts has been delayed, and instead a new technical consultation* was opened by HMRC on 24 January. Interested parties had until 21 February to provide comment.

Initially, it seemed that a vast number of trusts would be affected by the new rules, with the Association of Taxation Technicians (ATT) estimating that the number of trusts on the TRS system could increase up to ten-fold from 200,000 to two million. The latest consultation document suggests that although trusts without a tax liability will

still have to register, trusts that consist solely of pure protection policy with payment not made until death or terminal illness won't have to – as it would be disproportionate to the risk of them being used for money laundering or terrorist financing. The same applies to charitable trusts, and registered pension schemes held in trust will also be exempt unless they aren't registered with HMRC. The consultation document has also suggested a completely new set of deadlines to those stated before:

- Trusts in existence on 10 March 2020 must register by 10 March 2022.
- Trusts set up after 10 March 2020 must register within the later of 30 days or 10 March 2022.
- Trusts set up on or after 10 March 2022 will have to register within 30 days.
- Once registered, trustees will have 30 days to update any changes.
- Until 10 March 2022, all trusts that incur a tax liability for the first time should register on TRS under the current process in place for 4MLD and tax registration purposes.

The penalties for failing to meet these deadlines are also still to be confirmed, but if deemed to be deliberate, could be 'financial'.

> ***The challenge for advice teams is that the precise details of which trusts will need to register and definitive deadlines have not yet been confirmed***

Whilst the latest proposed deadlines now give trustees more time to register than suggested before, advice teams need to consider whether they have processes in place to cope with the changes. It seems fairly clear that trusts set up by families for estate planning and to pass assets inter-generationally will need to register. There is little point in delaying this for new trusts. It may also take some time to track down some older trusts, and time has a habit of flying. Perhaps this consultation could serve as a trigger for advice firms to discuss and review with clients any trusts they may hold and possibly even have forgotten about.

From the point of view of Trustees, their already-extensive list of responsibilities is getting longer. As well as reading the latest consultation document, they need to ensure compliance with the Trustee Act 2000, which is very prescriptive and includes dealing with all payments to settlors and beneficiaries, trust expenses, accounts and tax returns, meeting tax reporting requirements (including exit and periodic charges) and be diligent. Included in this list of responsibilities, Trustees are also expected to conduct regular investment reviews, with a suitably qualified and certificated investment adviser.

Professional Trustees are well equipped for this, but it will be more of a challenge for some lay trustees. Existing Trustees will need to be sure they are prepared and willing to take on the new responsibility and fulfil all of their fiduciary responsibilities; this may be a trigger for them to consider employing the services of professional trustees instead. In the meantime, families setting up new trusts need to think very carefully about their choice of Trustees. Likewise, families considering appointing friends or family members as Trustees should question whether it is fair to put them in that position.

Advice teams need to keep on top of this. Trustees need to keep abreast of developments and listen out for new announcements. Professional Trustee services will be doing so already, for lay trustees it may be a little harder.

TEAM LEADER SEMINAR

Professional Paraplanner's first Team Leader Seminar took place on 6 February 2020. Here we pick out some of the highlights of the day and from the peer-to-peer discussions

The Seminar was held under Chatham House rules allowing reporting of what was said but not who said it.

The Professional Paraplanner Team Leader Seminar was a mix of presentations, practical and interactive sessions and peer-to-peer discussions. Often paraplanners become team leaders as part of the expansion of a firm's paraplanner capability but they receive no formal management training. The Professional Paraplanner Team Leader Seminars aim to help paraplanners with the transition, their management style and techniques, as well as providing the opportunity to discuss issues with their fellow team leaders in a supportive environment.

The Seminar was hosted by Fidelity FundsNetwork and delegates heard from Jackie Boylan, Head of UK Advisor Platform FundsNetwork on her experiences as a manager and her insights into what she termed her 'non negotiables of leadership'. These included treating people how you'd expect to be treated, listening to others, recognising leadership qualities you appreciate in others, being honest in self-appraisal, having the best people around you and, above all and at all times, communicating with those around you.

Head of HR at Fidelity International Nella Mereu talked though key areas for team leaders, such as mental health awareness, "team leaders are often best positioned to know colleagues and when something is not right" and the wellbeing not just of your staff but of yourself as an individual.

Interactive sessions were delivered by leadership and management development specialist Mark Nobbs, who took delegates through some practical tasks to demonstrate how teams work together and how management styles come through when people have problems to solve.

Peer-to-peer discussions

In the peer-to-peer discussions delegates had the opportunity to talk to several topics identified as specific to their roles as paraplanner team leaders, including what's required of a paraplanner team leader in today's advice firm; when to stop being a hands-on paraplanner; becoming a boss; getting the most productivity from your team; and happiness in the role. Here we pick up on some of the points raised.

There is always someone better than you. Good managers recruit at the next level up from the role being advertised. That way they raise the bar through their recruitment strategy

One of the biggest issues raised by individuals when moving from paraplanner to manager was that they were promoted into leading a team but with no structure or support in place to help them do so, in some cases including a defined job description, meaning they had to learn as went along. "I was thrown in the deep end. It was very tough and a huge challenge," one delegate said, while another described being given the job "and a list of things that needed fixing".

What is important in this situation, delegates advised, is not to rush in and try to address everything from the word go. Taking a step back and some time to review the strengths and weaknesses of the team and planning how you want the team to look are good first steps. If necessary, write your own job description, covering areas such as management tasks, technical work and training/development. The act of getting things down on paper can help clarify the tasks to be done and which ones need to be tackled first.

On a personal level, another clear issue for those transitioning into a management role was their passion for paraplanning itself and a "concern" that their new job was taking them away from what they like to do best. "I'm not comfortable with that," one delegate admitted. "It can be difficult," another delegate advised, "but at some point, you've got to step out of your comfort zone. You have to let it go."

One way suggested to do that was to focus on training others as a means of passing on your knowledge and experience.

Linked with this issue were two other related ones, not wanting to give up control and "being too nice". They are related in that they both resulted in team leaders retaining too much day-to-day paraplanning work and not passing on tasks they should no longer be doing if they are to properly manage their team.

Disadvantages were identified as:

- Unnecessary/increased workload for the team leader.
- Avoidable/increased stress for the team leader.
- Time not spent in their role as managers.
- Restrictions on their own development.
- Limiting staff development.
- Lack of staff job satisfaction potentially. leading to them leaving the firm.

Solutions to retaining too much control included, first recognising that is what you are doing; identifying the areas of strength of individual members of staff and their specialisms; and trusting them to do the job. "Delegation is core to management. It's having the best person do that job in the overall scheme and more often than not that person is not you."

It is also important to identify where there are training and development needs, what they are and arrange for them to be met. "The more you trust and give staff to do, the greater their confidence grows and your confidence grows in them." It can be a symbiotic development.

It was clear that a number of delegates were carrying their teams or specific individuals by taking on too much work themselves. Again, it was identified that by doing this neither the team nor the team leader were benefiting and it is a situation that has to be tackled. "Your team won't be learning and the risk is they will never progress."

This spilled into team leaders wanting to remain on friendly terms with team members. It can be difficult to go from colleague to manager, with the incumbent responsibilities of that role. As one delegate said: "I don't want to be too tough. I want them to talk to me."

Those who had been managing for a while said it was possible to be part of the team while also managing it, but it was about achieving balance. "You can care about your team and stay friends with them, but you have to know where to draw the line."

One way to do that, others suggested, was to be consistent in the standards you require and in your dealings with the team.

Recruiting and HR

One of the key take-aways from Jackie Boylan's presentation was that successful team leaders build strong teams around them. Her advice to never settle for someone who 'will do' for a job, but to hold out for the person you know really fits the role, both to have the best team and to avoid problems further down the line, resonated with team leaders and was echoed in the peer-to-peer sessions.

"Recruitment is a fantastic part of leadership because you get to choose who you work with," delegates were advised. "There is always someone better than you. Good managers recruit and nurture them. They recruit at the next level up from the role being advertised. That way they raise the bar through their recruitment strategy. Also, with the business in mind, it means there is a successor to you when you want to move on."

On the flip side of this, how to handle difficult individuals also was raised as an issue, especially where a paraplanner team was 'inherited' by the team leader. As tough as it was to deal with it, this was not an issue that could be shirked, delegates advised.

With difficult characters, starting from a point of empathy was advised as there may well be issues in or out of work affecting the individual. Getting to the cause of those issues was important. It could be change within the business or outside it.

Where the business needs things done or change occurs, delegates said, it was important to explain what management wanted and the reasons for it and to reassure people of management goals.

Where an individual is not meeting standards, delegates advised team leaders should provide constant feedback so the person knows exactly what is expected of them and where they may not be meeting expectations and to work on ways to improve that situation. It is also important that is documented in some way, because there will be times when a person simply doesn't want to fit in. "Sometimes there are tough decisions to be made."

Support

Another key message was that it's not just about the team. Your own wellbeing and achieving your own work/life balance must feature highly too. Delegates admitted that being a team leader can feel lonely at times. "It is important to be aware of this and know where to get the support you need in the role." Finding a mentor or a coach within or external to a firm was recommended for any team leader. Also, networking with like-minded people whether internal or external to an organisation can provide useful contacts for discussions around management issues and best practice.

Look out for further insights from the seminar on the Professional Paraplanner website.

Team Leader Events 2020

***Professional Paraplanner* is looking to run further Team Leader Seminars at selected venues around the country. If you are interested in attending a seminar, please email louisahooper@researchinfinance.co.uk providing your contact details and company name and address.**

THE RIGHT FIT

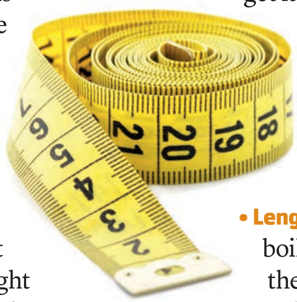
How do you ensure you employ the right paraplanner for the role? Michelle Hoskin, managing director of Standards International, looks at where firms get it right – and wrong

You know when you work with someone and, whilst they seem to have all the skills to do the job, there is something not quite right. Welcome to the challenge of 'fit'. It's a real thing – yet sadly day after day financial planning practices are making decisions to hire team members on everything apart from the most important thing of all. 'Fit' is that feeling when you just know it's right (or not!). Your gut instinct is shouting at you loud and clear – trust your gut instinct.

One thing that we have to remember; whilst the business of financial planning and advice is emotional, it is not personal and the best question that I tell all of my clients to ask daily is: Is this [relationship/task/action] in the best interests of the business? If they answer 'yes', they do it or keep doing it. If it's a no then don't or stop doing it. But, whilst this is simple to say, it's extremely hard to do.

With the ever-growing need for great paraplanners in our sector, firms are getting desperate and because of this they are hiring fast and foolishly. The problem is this won't end well. I am yet to come across a successful hire which was panic placed; and the worst thing is; it continues to happen every day.

So, let's have a look at the main attributes that, typically, firms hire on:



- **Qualifications** I am sure we both know some of the most qualified people in this profession who just don't get it. Qualifications are an indication of a person's academic and technical understanding of the job, but it doesn't mean for one minute that they can do it in practice.
- **Length of time doing the job** This boils down to how much training they may need to learn how to apply the knowledge that they have so committedly 'learnt', or how much back-tracking you are going to do to help them 'unlearn' all of those bad and unhelpful practices that have kept them nice and busy in their previous roles.
- **When can they start?** Often the hiring process is left way too late in the day and firms need someone to start ASAP. Whatever you do, don't make long term decisions without giving yourself the long-term space to make the right ones.
- **What is their 'what next?'** Are they a career paraplanner or do they want to be a financial adviser? Clearly this all starts with the firm's understanding of the candidate they are looking to hire; also, paraplanners need to be upfront and honest about themselves.

With the ever-growing need for great paraplanners in our sector, firms are getting desperate and because of this they are hiring fast and foolishly

Wrong fit? What's the solution?

To be honest if you've hired someone into your team that doesn't fit – I am afraid that is on you. But it's not a total disaster.

- The first step is to have the appropriate conversations with the person(s) and a HR Professional. You need to be honest, brave and confident in your feelings that something is not right.
- Take recruitment seriously. These days firms have to offer the extra special to get people through the door, which is often not what you think. Ask yourself what you would need to do to secure a waiting list of candidates at your door.
- Review your recruitment processes and practices. Make sure in future you allow plenty of time for the process to blossom; so, think and plan ahead. Why not include some personality, psychometric tests into the process?

At Standards International our two favourites are:

- **The Kolbe A™ Index** This measures an individual's innate 'modus operandi' across four indicators – Factfinder/Follow Through/Quick Start/Implementor: **kolbe.com/kolbe-a-index**
- **The 5 Love Languages** This evaluates how an individual likes to be communicated with/appreciated across five indicators – words of affirmation/acts of service/receiving gifts/quality time/physical touch: **5lovelanguages.com**

To prove these work we recently helped one of our clients with the recruitment of a technical manager. We carried out the Kolbe and fed back our recommendations on their Kolbe score and this was the feedback from the firm's owner. "Your 5 min Kolbe feedback was so accurate. I honestly don't think you could have summarised him better if you spent all-day interviewing him!'

See, it works!

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. An investment manager who uses arbitrage pricing theory hopes to:

- A Magnify his gains through borrowing
- B Identify shares that offer long-term sustainable advantage
- C Identify shares that are mispriced in the market
- D Prove that average opinion is usually wrong

2. Which of the following individuals would be entitled to National Insurance credits?

- A Harriet, aged 19, who is on an approved full-time training course
- B Charlotte who earns £140 a week
- C Matt who is taking statutory paternity leave
- D Archie, aged 55, who has retired
- E Gemma who has left work to consider re-training

3. Caroline died aged 66 with uncrystallised funds valued at £1,600,000. What is the lifetime allowance charge (if any) if benefits over the lifetime allowance are paid as a dependant's lifetime annuity within two years of her death?

- A £400,000
- B £299,750
- C £136,250
- D £0

4. Dorian took out a Home Reversion Plan at age 80 when he received a lump sum of £50,000 from the plan provider from his £100,000 value house. He is now aged 102 and still lives in the house valued at £250,000 – approximately how much does he owe the plan provider?

- A Nothing
- B £50,000
- C £100,000
- D £125,000

5. Helen has made a chargeable gain of £4,500 on the surrender of her non-qualifying life assurance policy. If her taxable income in 2019/2020 is £40,000 she will be liable for which of the following taxes on the gain?

- A Capital gains tax at 10%
- B Capital gains tax at 20%
- C Income tax at an extra 20%
- D Income tax at an extra 40%

6. Under the Enterprise Act 2002, how long does bankruptcy normally last?

- A 6 months
- B 12 months
- C 3 years
- D 5 years

7. Vanessa has never been married and made a will 20 years ago leaving all her property to the local cat's home, a registered charity. She has recently lost mental capacity and a Deputy has been appointed to look after her affairs. How does this affect her existing will?

- A The Deputy will need to arrange for a new Statutory Will to be executed
- B It will continue to be valid
- C The Trustees of the cat's home charity will need to apply to the Court of Protection for the will to be attested
- D It will be immediately revoked

8. An investor holds 1,000 9.581% preference shares with a nominal value of £1. If dividends are paid half yearly, what amount would they receive in each half yearly payment?

- A £95.81
- B £76.65
- C £47.90
- D £43.11

9. A new competitor enters the market producing essentially the same product as an existing manufacturer. What type of risk is this an example of?

- A Non-systematic risk
- B Systematic risk
- C Market risk
- D Diversification risk

10. Steve is building a shed in his garden and Simon is building a swimming pool in his. Which of the following is true regarding planning permission?

- A Steve will need planning permission and Simon won't
- B Steve won't need planning permission but Simon will
- C Neither will need planning permission
- D Both will need planning permission

Your answers

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

Last issue's answers

Q	Answers	Reference material
1.	A	CII R01 Study Text Chapter 2
2.	A	CII R02 Study Text Chapter 3
3.	A	CII R03 Study Text Chapter 10
4.	D	CII R05 Study Text Chapter 4
5.	D	CII J10 Study Text Chapter 6
6.	D	CII J12 Study Text Chapter 11
7.	A	CII CF8 Study Text Chapter 4
8.	D	CII ER1 Study Text Chapter 5
9.	D	CII R04 Study Text Chapter 2.2
10.	D	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

Professional Paraplanner

The Investment Committee

This dedicated section within the magazine and on the *Professional Paraplanner* website provides 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 market trends and commentaries.

Investment Committee events

Professional Paraplanner's Investment Committee event is taking place on 7 April 2020 in London, where you will hear from some of the top names in UK investment. Places will be limited so register now to secure yours. We will be taking The Investment Committee events to Manchester and Edinburgh later this year. Further details and the registration form for the event can be found on our website. To register for a place in London, or to register your interest in our Manchester or Edinburgh events please email: **lousia.hooper@researchinfinance.co.uk**


In association with
Fidelity
INTERNATIONAL

WHEN IS AVERAGE BETTER THAN AVERAGE?

Intrigued by this headline? Simon Evan-Cook, senior investment manager, Premier Miton Investors, uses the body size of 1940s US Airforce pilots to explain

In the 1940s, the US Air Force carried out an exercise to ascertain the dimensions of their average pilot. This wasn't academic: their planes kept crashing, and they had traced the problems back to cockpit design. If they could design a cockpit for the average pilot, they reasoned, then most pilots will be able to fly it.

Their study included 4,063 pilots, and covered 10 key body measurements such as arm length and chest size. Once completed, out of interest they checked the data back to see how many pilots were 'average' (in so far as they were within 30% of the average on all of the 10 measurements). Having pre-selected them for not being physical outliers in the first place, they assumed most of them would be. But the actual number turned out to be zero: not one of them had the 'average' body. There is a similar, unexpected phenomenon that concerns fund sectors. Which is that a sector average is, on many measures, nothing like the average fund in that sector.

Volatility is a good example. Take the IA Mixed Investment 40% to 85% Shares sector. Over the last decade, the sector average has registered an annualised volatility figure of 7.9%. Hearing that, you might reasonably assume that number represents the volatility of the average fund in that sector. But it doesn't – it is notably lower. In fact, if the sector average was a fund, it would rank in the top quartile of its own sector for volatility (13th out of 87, to be precise). When you take the individual annualised volatility numbers for each of the sector's funds for that period, then work out their average, it comes out at 8.7%.

This might sound like semantics, and I guess on a couple of levels it is (volatility is not a particularly meaningful measure of real-world risk, and you can't invest in the sector average, so who cares?). But it is useful in illustrating a couple of points. Firstly, it's instructive to understand why this happens. For the most part, I believe it is down to diversification. To explain, imagine a sector with two funds, both with a volatility of 10%. If I asked you to calculate the average volatility for that sector, you would say 10%. And you would be right.

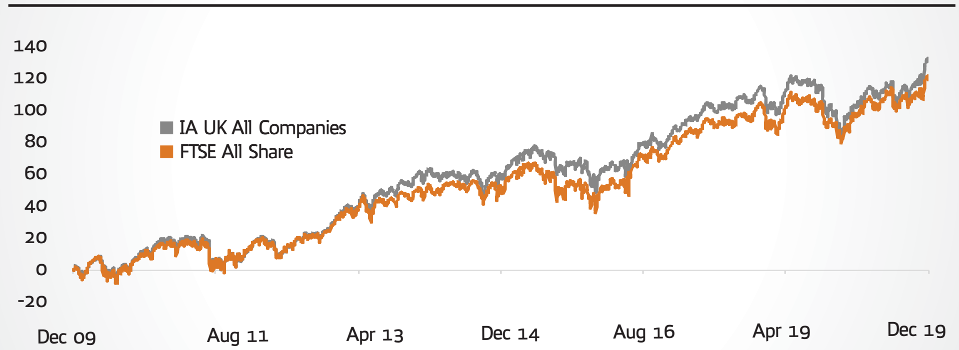
But now imagine those funds moved in perfectly opposite directions to each other. So Fund A's rise over any month was exactly matched by Fund B's fall. They would both still have an individual volatility measure of 10%, but when blended together into one composite – which is how a sector average is manufactured – it would produce a perfectly flat line (it would never move up or down, so would have a volatility of 0%).

Clearly it isn't as extreme as this in practice, as funds in most sectors tend to move in roughly the same direction. But there is still a dampening effect, with the movements of some funds cancelling out the movements of others.

One obvious impact of this is how you might judge an individual fund. We had been giving ourselves a hard time because our own fund in that sector, which has made top-decile returns over that decade, was coming out as more volatile than average. It turns out it wasn't though: it ranks in the top of the second quartile for volatility. It was just more volatile than the manufactured sector average: a massively diversified composite that doesn't actually exist.

Another takeaway from this is to treat averages with caution: they're not all born equal. Before relying on one, it's always worth knowing how it's calculated and the nature of its underlying constituents (particularly the largest outliers). The passive argument, for example, is centred on averages. Specifically what they genuinely believe to be a simple, mathematical proof: that the average fund cannot outperform the market because its performance will be average less its higher charges. And yet, the IA UK All Companies sector average – the widely accepted proxy for the average UK equity fund – managed to disprove that 'proof' by outpacing the FTSE All-Share Index by 11% over the last decade (after charges, and with survivor bias removed). Explain that...

IA UK ALL COMPANIES VS FTSE ALL SHARE



TOO LATE FOR US?

Are US equities still worth the risk? Darius McDermott, managing director, FundCalibre looks at the pressures on the US economy and markets

"Be fearful when others are greedy and greedy when others are fearful." Warren Buffett's contrarian views on stock markets are a strong statement to put to those who are backing US equities at the moment.

There can be no denying the US is in a late business cycle – which typically brings greater levels of market volatility. Only recently, the S&P 500 closed at record highs in January 2020[1], as positive US economic data, low interest rates and easing trade tensions propelled investor optimism – but scratch beneath the surface and we can see some real bumps in the road for the economy.

According to a research model from Bloomberg Economics in November 2019, there is roughly a one in four chance of a recession in the US in the next 12 months.

Trade war uncertainty is one reason for the concerned outlook, as is the Treasury yield curve inversion since May.

And figures from the International Monetary Fund estimate the US will grow at a modest 2% in 2020[2], markedly below the 4% growth President Donald Trump promised earlier in his term.

Trade wars uncertainty

The trade war between the US and China has dominated the US economic narrative and has also been slowing business investment. In January, the two superpowers officially signed the first phase of a trade deal, putting an end to some of the tit-for-tat tariffs that have been raised by both in the past couple of years.

Is that the end of it? Unfortunately, I think not. Phase two is likely to be even slower and more painful than phase one. But what it does do is prevent the impact of any tariffs until after the US election.

Charles De Quinsonas, deputy manager of the M&G Emerging Markets Bond fund, stated recently that trade wars are here to stay, regardless of whether there is a deal or not. And I agree. The decision by Trump to strike a temporary deal – which he is likely to have needed to be re-elected – doesn't mean that he won't change his mind after the election. But time and many structural trends are on China's side in this stand-off.

A research note from Russell Investments, highlights the need for more than just an interim deal to move the dial in the corporate sector. It says: "Management teams will need to feel confident in their respective five-year outlook to invest. For impacted industries, rebuilding that confidence will likely require the partial removal of existing tariffs and a clear, committed and believable de-escalation plan."^

Although US equities have always commanded a premium, investors who are diving in now have to accept they are buying at significant highs

Market control

Is monetary policy enough to control markets? Interest rate cuts by the Federal Reserve and other central banks have yet to re-accelerate slowing global economic growth. However, following its third rate cut of the year in October, comments from Fed Chairman Jerome Powell indicated there are no plans for rates to be increased again until inflation overshoots the 2% target. AXA Framlington's American Growth fund manager, Stephen Kelly, believes the decision means rates are unlikely to increase for a number of years – given inflation has not got near the 2% mark in the past decade, adding that "stable rates and an ongoing economic expansion should be positive for equity markets, and we expect economic expansion to continue for several years."

Although US equities have always commanded a premium, investors who are diving in now have to accept they are buying at significant highs. I accept they could get higher, but I go back to that Buffett quote on greed and everything tells me that even if it is the biggest market in the world, I would look to diversify as best I can to protect on the downside. The fact is there are a number of mega-cap growth companies, headlined by the technology stocks, which look very expensive at this stage.

Those who believe the US equity run is set to continue might want to consider the AXA Framlington American Growth fund. The fund is overweight large-caps (79.2%) and has significant exposure to the technology sector (38.3%)[3].

If we are approaching the end of a cycle where growth has significantly outperformed, and you expect a valuation tilt, you would opt for the Schroder US Mid-Cap fund, run by Robert Kaynor. The fund invests in three different types of companies. Mispriced growth companies and consistent "steady eddies" form the larger parts of the portfolio, with turnaround stocks typically accounting for less than 10%.

Those who are very cautious may choose to access US equities through a global vehicle, such as the Fidelity Global Dividend fund, which has 28% of its portfolio in US equities[4]. This is a well-diversified, lower risk fund that may suit investors seeking a stable, and potentially rising, global income.

[1] As at 16 January 2020
[2] Source: IMF World Economic Outlook Jan 2020
[3] Source: Russell Investments – Q4 outlook – US equities
[4] Source: fund factsheets, 31 December 2019

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

SPECIAL REPORT

END OF YEAR TAX PLANNING

In association with

octopus investments

Preparing for Tax Year End

With the end of the tax year looming, paraplanners talk to *Professional Paraplanner* about the increased workload, how they tackle last minute demands and share their top tips for staying in control

"Things get really busy towards the end of the tax year and as an outsourced provider, it can be very hard to plan. We prioritise based on client impact as much as we can, but other than that, we deal with work in the order it's received"

Alan Gow, Argonaut Paraplanning

As the end of the tax year approaches, the old adage "don't put off until tomorrow what you can do today" seems to be one by which paraplanners abide. The end of the tax year can be one of the busiest and most stressful periods for advisory firms and with just a matter of weeks to go until the 5 April deadline, paraplanners are increasingly seeing their workload grow.

Rebecca Lucas, founder and director of Lime Outsourced Paraplanning, says: "Our workload tends to spike from February onwards. It consists of pension transfers, new investments and a few last minutes ISAs."

To cope with the extra work, Lucas says her team break down what is required and prioritise what is urgent. She says: "We have a worksheet, where we list out every case that comes in, how many days we have had it and a brief description of the work and the status of the case. My colleagues and I flag up anything that is particularly time sensitive such as ISAs and prioritise who will do what and a priority order."

Reece Edwards, technical and research manager at Hampshire Hill Group, says he starts to experience an increase in end of tax year work as early as mid-January. Edwards says: "In order to prevent a large build up, I start preparing before we close for Christmas, letting the advisers know what clients they have with unused ISA allowances, before contacting the majority of clients across January and February."

Alan Gow, founder, Argonaut Paraplanning, agrees: "Things get really busy towards the end of the tax year and as an outsourced provider, it can be very hard to plan. We prioritise based on client impact as much as we can, but other than that, we deal with work in the order it's received."

Popular products

In the run up to the end of the tax year, the focus is on ensuring all clients have maximised the use of their allowances and exemptions. Enterprise Investment Schemes and Venture Capital Trusts can be particularly useful for clients who have used their ISA and pension allowances and are in a position to accept higher risk.

Capital Gains Tax annual allowance is another area that can be very valuable according to Joanna Redmond, financial planner at Investment for Life. Redmond says that making sure clients take full advantage of their CGT allowance is one of the firm's biggest priorities, as well as ensuring that clients who have investments and remaining ISA capacity make use of the opportunity to Bed and ISA.

Indeed, ISAs and pensions remain the two most commonly used products, according to paraplanners. Edwards says: "Our workload generally consists of ISA allowances top ups, of which a lot of Bed and ISA work is done, however we are seeing more and more clients fully utilising their pension allowance before the end of the tax year."

Edwards says the firm has a set list of things to cover off with each individual client and is looking to develop its review process to allow the firm to make clients more aware of unused allowances within each tax year. For Redmond, pensions are still one of the most important tax-efficient methods a client can use. "We often find that a lot of people don't use pensions to their maximum," says Redmond. "If you want your child to start saving for their future, children's pensions are also a great way to do that so making a gift before the end of the tax year is something we raise."

The future of pensions tax relief has been thrown into question in recent weeks, amid growing speculation that there will be a cut in higher rate pension tax relief in the March budget in favour of a flat 20% rate. However, it does not appear to be spooking paraplanners or clients. Redmond says: "There are always rumours and if we listened to every single one, we would be constantly changing our tactics. The key for us is to look at the white paper behind the headlines and see if there's any truth in the rumours."

Last minute rush

While tax efficient investing is part of a client's overall financial planning strategy, and not just the reserve of tax-year end, there are still clients

who gravitate towards the April cut off or for whom it is difficult to plan their finances until the end of the tax year.

As Aram Kupelian, paraplanning manager, Holden & Partners, explains: "Due to the nature of our industry some last minute work is inevitable from time to time but this is more prevalent at tax year end, where some clients don't have confirmation of things like income figures until very late. "Ultimately, we need to act in the client's best interests, so occasionally we may have to be flexible in our process to ensure the funds make their way into the respective wrapper before the deadline."

Gow says it's not uncommon to be asked to carry out pension and tax calculations as the deadline approaches, without having enough information, or with information that doesn't look correct.

But coping with client requests in time is only one part of the jigsaw; provider-specific deadlines is the other. As Edwards explains: "The most common issue we can have at this point is finding enough time to present our recommendations to the client before the providers' deadline for applications."

Redmond adds: "We go through our client list in February and send messages to clients where needed, but the real key is to contact providers and make sure we know of all their deadlines. We've had to act quickly to get money into accounts but that's usually as a result of a provider deadline."

Keep calm and carry on paraplanning

In the face of increased pressure, paraplanners' organisational skills need to be second to none. Lucas says: "Having a plan massively helps you feel more in control and in less of a panic. When we are really busy, my colleagues and I have a plan for which reports we will tackle each day, breaking a big workload into smaller chunks makes everything seem more doable. It's important to keep a sense of perspective and also be adaptable and change your plan if you need to."

For Kupelian, categorising tasks by urgency and importance and segmenting work into parts makes it appear less overwhelming. In addition, he likes to look for "quick wins".

He says: "These can often result in being able to complete a series of smaller tasks off your lists, which can act as a psychological boost when you see it shrinking. Identify problems early and ask for help. If you procrastinate and leave it to the last minute to ask for help, it is less likely someone can drop what they are doing to help you."

Communication is equally important, ensuring everyone has a clear understanding of where client cases are in the advice process, what the next steps are and who is responsible for taking the appropriate action. For Kupelian, communicating with advisers to manage their expectations on turnaround times is helpful as they, in turn, can manage their clients' expectations. "Clients don't mind a delay too much, if they are kept informed of progress, although there is of course a balance to be found," he explains.

And finally, regular breaks can be the perfect tonic for keeping a clear head. As Gow points out: "Taking time out and getting some fresh air can help you work better and think straight."

"Having a plan massively helps you feel more in control and in less of a panic. When we are really busy, my colleagues and I have a plan for which reports we will tackle each day, breaking a big workload into smaller chunks makes everything seem more doable"

Rebecca Lucas, Lime Outsourced Paraplanning

Business Property Relief

Business Property Relief is helping advice firms to unlock estate planning opportunities, says Jessica Franks, Octopus Investments

Advice firms who have Business Property Relief (BPR) in their arsenal are better equipped to make the most of estate planning. That's important to know, because estate planning looks set to be the single biggest advice opportunity of the coming decade. New research we have just published[1] shows that three quarters of advisers surveyed find estate planning leads to them advising on client assets that they hadn't advised on previously.

However, an issue firms come across is clients' concerns about giving up access to their capital, which can make them reluctant to do any estate planning at all. This may explain why more than half of all advisers surveyed said they now recommend BPR-qualifying investments, which stay in a client's name and so can be sold later if need be.

How estate planning can bring more assets under advice

The greater visibility of a client's assets which comes from planning for the whole estate can lead to previously non-advised assets that might be better allocated for the client. Examples are investment bonds and large ISA accounts, which may have been accumulated by clients directly over the years of which their adviser may not have been aware prior to undertaking their estate planning.

Estate planning rarely happens in isolation, either. Some clients may be planning to sell their home with a view to downsizing, or selling a business as they retire, both of which would free up previously illiquid wealth.

Second properties are a case in point. Clients realise that the value of the property is going to be taxed at 40% when they pass away, because their home uses up their nil-rate band. An option is to sell the property, take the cash and put that into an inheritance tax service.

Greater IHT risk

Thanks to rising house prices and stock markets, more people than ever are set to face an inheritance tax bill. The amount of inheritance

tax paid to the Treasury is predicted to reach £6.9 billion by 2023-24[2]. That's an increase of £1.5 billion in just five years. Then there is the fact that the UK has an ageing population. A woman aged 65 can now expect to live to 86 on average[3]. That has two profound implications.

The first is that there are now more people than ever who are old enough for estate planning to be a concern. And their numbers are growing.

The second implication is that clients are more wary about running out of money during their lifetime. Hence, giving away a large sum of money, which will then not be available to them should they need it can be quite an uncomfortable thought. Our survey showed that nine out of ten advisers say clients are increasingly reluctant to give up access to capital[1]. It's in this area that BPR can make a critical difference.

The role of BPR

One way advisers say they address this is to tell their clients about BPR, which can enable them to do inheritance tax planning while keeping assets in their own name.

Whether or not a client eventually uses BPR as a solution, discussing it as part of the estate planning conversation can help more clients feel confident about taking action.

Another advantage to discussing BPR-qualifying investment with clients for whom they're suitable, is that it brings the conversation back to something with which they feel comfortable: an investment. BPR-qualifying investments are considered high risk, so won't be suitable for everyone – see below – but for the right clients, it represents a piece of estate planning that feels like a natural extension of all the other investments on which they have been advised.

Suitability of BPR

As mentioned above, BPR-qualifying investments won't be suitable for every client. They put capital at risk, meaning the value of an investment and any income from it, could go down as well as up. Investors could get back less than they invest.

Clients should also understand that the value of inheritance tax relief will depend on an investor's personal tax situation, and on tax legislation, which could change in the future. Tax relief depends on portfolio companies maintaining their qualifying status. Investors should also keep in mind that AIM-listed and unquoted shares can fall or rise in value more than shares listed on the main market of the London Stock Exchange. They can also be harder to sell.

This last point is particularly relevant for clients who are considering BPR as a way to retain access to their assets.

Since 2007, Octopus has provided more than £650 million of liquidity to investors in its flagship Octopus Inheritance Tax Service. We aim to provide liquidity as quickly as possible, with shares historically being sold within 10 days. However, given the nature of unquoted shares it could take significantly longer. These figures reflect the fact that liquidity is at the heart of how we've built our inheritance tax products. However, liquidity can never be guaranteed, and it is important clients understand that.

[1] Unlocking Estate Planning: How Business Property Relief is opening doors for advisers, published by Octopus Investments, February 2020
[2] HM Treasury Budget, October 2019.
[3] Social Security, Benefits Planner, Life Expectancy, www.ssa.gov/planners/lifeexpectancy.html

New report

Octopus has published a new report called Unlocking Estate Planning: How Business Property Relief is opening doors for advisers. To obtain a copy or for further information on BPR call: 0800 316 2067.

Estate planning rarely happens in isolation... some clients may be planning to sell their home with a view to downsizing, or selling a business as they retire, both of which would free up previously illiquid wealth

Pension tax planning

Which clients do you need to focus on at this busy time running up to the end of the tax year? The Prudential Technical team highlights three different types of client, with helpful case studies

Tax relief is available at an individual's highest marginal rate on contributions up to 100% of relevant earnings (or £3,600 if higher). Tax relief is only available on individual or third party pension contributions paid before the member reaches age 75. And tax relief is granted in the tax year the pension contribution is actually paid.

A quick reminder that Scottish taxpayers will pay the Scottish rate of income tax (SRIT) on non-savings and non-dividend (NSND) income. NSND income includes employment income, profits from self-employment (including sole trades and partnerships), rental profits, and pension income (including the state pension). Similarly, from 6 April 2019 Welsh Taxpayers have paid the Welsh Rate of Income Tax (CRIT (C for Cymru)) on NSND income.

Other tax and deductions such as Corporation Tax, dividends, savings income and National Insurance Contributions etc. will remain based on UK rules. This could mean the amount of income tax relief which can be claimed on pension contributions by Scottish and UK taxpayers may not be the same.

1. Individuals who fall into one of the tax traps

Higher rate tax

Max has relevant earnings of £52,000 (no other income) so has £2,000 subject to higher rate tax. Using the UK rate of 40% this means from that £2,000 he takes home £1,200 (National Insurance contributions ignored).

If instead he made a net pension contribution of £1,600 (assuming this is paid to a Relief At Source scheme, it will be grossed up to £2,000 in the pension), and completes his self-assessment tax return to claim a further 20% on the £2,000 contribution, the net cost to Max is £1,200 but he has £2,000 invested in his pension.

For clients in this scenario you need to identify earnings in higher tax bands. If Max wanted to pay more, e.g. £5,000, there would be no higher rate tax relief on £3,000 of this contribution.

However, you could maximise tax relief by splitting large contributions across tax years where there is insufficient earnings in marginal bands this year to achieve full marginal rate relief. Caveat that tax relief rules may change before further contributions are paid.

Child benefit tax charge

The high income child benefit tax charge (HICBC) applies to those who have adjusted net income over £50,000 and are (or their partner is) receiving child benefit. Reducing adjusted net income can reduce the impact.

Do you need a reminder on how to calculate adjusted net income?

For clients in this scenario you need to calculate adjusted net income, identify the excess over £50,000 limit, calculate the pension contribution required to reduce adjusted net income to £50,000, and make the personal pension contribution in the tax year in which the HICBC would be due. Tax relief is over 60% if you have three children!

Loss of personal allowance

Noel received a generous winter bonus of £25,000, but with salary of £100,000 this means he'll lose all his personal allowance. You lose £1 personal allowance for each £2 of adjusted net income (ANI) above £100,000. He doesn't need his bonus and wants to invest it. Can he avoid losing personal allowance?

A relief at source (RAS) pension contribution of £20,000 net (£25,000 gross) reduces his ANI from £125,000 to £100,000 regaining the full personal allowance. The effective rate of tax relief on this contribution would be 60%.

For clients in a similar situation you need to identify total income for personal allowance purposes i.e. adjusted net income, calculate excess over £100,000 limit, calculate pension contribution required to reduce adjusted net income to £100,000,

There have been calls to scrap the tapered annual allowance but it's not gone yet. Reform appears to be on the political radar though and make the personal pension contribution in the tax year in which the personal allowance is lost.

With 60% tax relief and 25% tax free cash you end up with £75 of taxable income costing £15!

2. Individuals with gains in higher rate

Bond gains - where does their slice fall?

Chargeable gains on investment bonds are included in taxable income calculations. Broadly, the gain is divided by the amount of years the bond has been held to determine the 'slice'.

The slice is then added to the top of the individual's income to assess any tax. This means that "Income" = total income + dividends + bond slice + capital gains. Remember, it is the full gain that is taken in to account in ANI (not the 'slice').

For onshore bonds if the slice is in the basic rate tax band then no further tax is paid (as the bond is assumed to have paid basic rate tax within the fund). If the slice falls fully in the higher rate band a further 20% tax is due, with some top slicing potentially available now. Within the additional rate band a further 25% is payable. The amount of tax on the slice is multiplied by the complete number of plan years the bond is held to get the total tax payable.

Paying personal pension contributions extends the basic and higher rate tax bands which gives more room for the slice to fit in to the basic (or higher) rate tax band. For clients affected, identify earnings in higher rate tax bands, calculate bond gain 'slice', calculate contribution needed to move some or all of slice into lower tax band and make the personal pension contribution in the tax year in which the bond gain is taxed. Tax saved can be higher than contribution made!

Capital gains

A Capital Gain is taxed at 10% for non and basic rate taxpayers and 20% for higher and additional rate taxpayers. When the gain is calculated it is added to the top of an individual's income after all other income and any slice on bond gains. The part of the gain, if any, in the basic rate tax band is taxed at 10% and the balance at 20%.

As mentioned above, paying personal pension contributions extends the basic and higher rate tax bands, and in this case would allow more room for the gain to fit in to the basic rate tax band.

For clients affected, again identify earnings in higher rate tax bands, calculate taxable gain, calculate contribution needed to move some or all of gain into basic rate tax band and make the personal pension contribution in the tax year in which the Capital Gain is taxed. Getting higher rate CGT relief means 30% tax relief – more than the tax on the gain!

You can see worked examples of these tax planning angles in our knowledge centre and they work the same with net pay arrangements too

3. Individuals with a tapered annual allowance

There have been calls to scrap the tapered annual allowance but it's not gone yet. Reform appears to be on the political radar though. You may know of a client who is likely to have a tapered annual allowance for the 2019/20 tax year. If that's the case, now's the time to review their numbers. Income levels should be clearer allowing you a chance to check the threshold income sums. If this exceeds £110,000 you need to go on to calculate adjusted income. This is different from the ANI calculations talked about earlier. Adjusted income is a term only relating to annual allowance. If this also exceeds £150,000 then a reduced annual allowance applies. The member loses £1 of annual allowance for every £2 above the £150,000 adjusted income limit.

It is possible to make a member's pension contribution, either by net pay or relief at source methods, which will reduce the threshold income amount. If you can get this down to £110,000 or below, then this restores the full amount of the standard AA for this tax year (as you need to breach both threshold and adjusted income to have a tapered annual allowance).

We have seen a case where a contribution lower than £100 restored £30,000 of annual allowance!

In summary

If someone has money to invest, they should put it in the place that has the most benefit for them. So, with tax relief as we know it still here, and tax free cash on exit, the pension will be a good place for many to be investing. So, it's tax year end and the traditional pension season. No need to "fill your boots" before tax relief disappears. But shouldn't you fill them as it's currently one of the most sensible places to be?

If someone has money to invest, they should put it in the place that has the most benefit for them. So, with tax relief as we know it still here, and tax free cash on exit, the pension will be a good place for many to be investing

GOALS AND OBJECTIVES

What are goals', 'objectives', 'strategy' and 'tactics' and how do you use them? Robert Harper, senior paraplanner at Strabens Hall and PFS Paraplanner Panel member considers this question in relation to client portfolios

As Aristotle probably once said on 'the excellence of practical rationality and self-planning' "First have a definite, clear and practical ideal; a goal, an objective. Second have the necessary means to achieve your ends; wisdom, money, materials and methods. Third adjust your means to an end".

Goals, objectives, strategy and tactics make up a client's financial plan and have been central to living life in general, even before year zero in Aristotle's time!

Goals and objectives

Generally speaking, a goal is a description given by a client of what they want, stated in quite general terms. An objective on the other hand is a 'measure' of the progress needed to get as close to an ideal as reasonably possible with the priority of other goals taken into account. Goal examples:

- "I want to maximise the amount I can spend in retirement".
- "I want to gift money to my children to buy property".

The problem with goals left as they are is that they are just statements that lack specifics, timelines, level of motivation, priority and most importantly 'a reality check'. If goals are not restated as objectives, the adviser/client will find it hard to measure progress towards goals or make sure that the plan is working in the way the various parts should be prioritised/optimised. Goals it would seem, have a nasty habit of conflicting with one another.

Make Goals 'SMART' objectives

The SMART acronym was probably first written down in 1981 in Washington by a former Director of Corporate Planning for Washington Water Power Company. It can be adapted quite well for setting client objectives:

- **Specific:** 'What' is the target or specific client area of improvement?
- **Measurable:** What quantity, estimate, indicator of progress that can actually be written down? This serves as a measure of progress for future reviews, priority weighted.
- **Achievable:** Is the knowledge and experience of the client/adviser enough to 'get it done'? Can the client discipline themselves to stick to the objective?
- **Realistic:** Can present resources, 'realistically' hit the future target measure? Is it attainable without being too easy or too hard? If too easy, does the client really need to take the maximum risk defined by risk profiling? Should 'measure' increase?
- **Time-bound:** When can the result be achieved? Over what time period? (Deadlines make it easier to achieve objectives).

SMART goals remove the woolly thinking out of the equation – bringing clarity, focus and motivation to the client and adviser. Cashflow modelling is a great help for 'R' and 'T'.

Examples – Making the goals 'SMART' objectives

- **Objective 1:** You will retire at age 65. After allowing for your essential spending of 16,000 p.a. in retirement, you will aim to spend a further £24,000 p.a. on your lifestyle (which includes holidays and leisure) sustainably over your retirement. In total you will spend £40,000 p.a.
- **Objective 2:** You will gift £50,000 in five years to each of your daughters, Molly and Polly who are currently finishing University, to help with their property purchases. This is likely to be the minimum they will need in your local area to get a mortgage assuming 5% p.a. growth in property.

Next comes strategy. This is the 'life plan' – updated every year, it's a long-term view of what's needed to achieve the objectives. It includes things like:

- Emergency fund.
- Cash amount for capital expenditure within five years.
- Amount to invest and wrapper types.
- How much to save and where in the accumulation phase of life.
- Withdrawals in retirement.
- How much to gift and when.

Finally there are tactics which implement the strategy and show action in the 'here and now' (product related), things like:

- Choice of provider funds/discretionary fund manager.
- Pension, ISA or GIA transfers.

Fitting it together

When planning for the client; avoid stating goals, strategy or tactics as objectives, but do link strategy and tactics to the objectives when formulating reasons why. Build the plan in the right order. Goals, objectives, strategy tactics and if helpful hold a strategy meeting with the client before tactics. Most importantly think SMART.

CONTINUING PROFESSIONAL DEVELOPMENT VERIFICATION TEST

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

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

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

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

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

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

Professional Paraplanner CPD questions for Structured CPD verification

Paraplanner profile (p8)
Name one key element recommended for a good administration department.

SIPPS/SSAS (p10)
Give an example of an unauthorised payment from a SIPP or SSAS.

SIPPS/SSAS (p10)
What is the tax charge on an unauthorised member payment?
- ☐ 15%
- ☐ 32.5%
- ☐ 40%

TDQ: Investment (p12)
A time-weighted return shows portfolio performance:
- ☐ Regardless of the timing of new monies
- ☐ Taking account of timing of additions / withdrawals

TDQ: Investment (p12)
Which is the most useful when comparing different portfolio returns?
- ☐ Time-weighted return
- ☐ Money-weighted return

Trusts (p15)
Under new rules trusts have to register with the TRS if:
- ☐ A reportable tax event occurred
- ☐ If there is no tax to pay
- ☐ Both

Trusts (p15)
Name one potential exclusion from the new rules.

Management (p18)
The Kolbe A™ Index psychometric test measures across four indicators. Name one.

Business Property Relief (p28)
Advisers might use BPR for IHT planning because:
- ☐ It keeps the assets in the client's name
- ☐ Clients understand it as an investment
- ☐ It is considered high risk

Pension tax planning (p30)
Pensions tax relief is only available on individual or third party pension contributions paid before the member reaches age 75:
- ☐ True
- ☐ False

DATA DOWNLOAD

Monthly facts and figures on investment performance, risk v return, outflows and inflows, and the most analysed areas of the market. Data to 31 January 2020, provided by FE Fundinfo

BEST RATED FUNDS

3 year Cumulative Performance | FE Fundinfo Alpha Manager Rated | FE Fundinfo Crown Fund Rating

IA	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Morgan Stanley Global Opportunity	77.67	✓	5
Baillie Gifford Global Discovery	72.6	✓	5
T. Rowe Price US Blue Chip Equity	69.53	✓	5
Lindsell Train Global Equity	66.59	✓	5
Liontrust UK Micro Cap	65.71	✓	5

AIC	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Baillie Gifford Monks Investment Trust	61.54	✓	5
Frostrow Capital LLP Finsbury Growth & Income Trust	45.18	✓	5
Schroder Asian Total Return Investment Company	37.82	✓	5
BMO Managed Portfolio Trust	34.93	✓	5
N/A	-		-

BEST PERFORMING FUNDS IN TERMS OF RISK VS RETURN

IA	3 year Cumulative Performance	FE Fundinfo Risk Score
Aviva Inv Asia Pacific Property	94.81	587
Polar Capital Global Technology	93.88	145
Baillie Gifford Positive Change	92.84	140
AXA Framlington Global Technology	90.27	155
Liontrust Global Technology	89.4	139

AIC	3 year Cumulative Performance	FE Fundinfo Risk Score
Downing Downing Four VCT	183.96	603
Dunedin Enterprise IT	126.12	167
Gresham House	119.72	172
Allianz Technology Trust	111.07	216
Sirius Real Estate Ltd	110.67	163

RISKIEST SECTORS

IA	3 year Cumulative Performance	FE Fundinfo Risk Score
China/Greater China	30.73	158
Japanese Smaller Companies	22.99	124
Technology & Telecommunications	67.14	123
North American Smaller Companies	30.95	121
Asia Pacific Excluding Japan	21.14	119

AIC	3 year Cumulative Performance	FE Fundinfo Risk Score
VCT Specialist: Health & Biotech	5.61	202
Insurance & Reinsurance Strategies	-9.6	199
Growth Capital	-29.2	165
Country Specialist: Europe ex UK	59.41	161
Biotechnology & Healthcare	38.53	152

OUTFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	Out (£m)
M&G Optimal Income	20,167.04	3,335.34	-2,284.42	-14,547.28
ASI Global Absolute Return Strategies	11,301.00	4,586.70	617.95	-7,332.25
M&G Japan Smaller Companies	13,494.02	11,357.58	1,087.50	-3,223.94
M&G Japan	43,082.49	43,946.00	3,832.25	-2,968.74
Invesco Global Targeted Returns (UK)	11,848.19	9,539.34	344.33	-2,653.18

INFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	In (£m)
Vanguard LifeStrategy 60% Equity	4,614.88	7,564.55	778.78	2,170.89
Vanguard FTSE U.K. All Share Index	7,433.00	10,753.32	1,458.49	1,861.83
ASI Global Corporate Bond Tracker	1,806.65	3,657.37	236.78	1,613.94
BlackRock ACS World ex UK Eqty Trkr	6,195.03	9,387.39	1,634.38	1,557.98
Vanguard LifeStrategy 40% Equity	3,138.87	5,078.95	427.43	1,512.65

FE fundinfo

Data provided by FE Fundinfo

MARKET'S EYE VIEW

Which are the most researched sectors, which the most viewed factsheets and which the most charted funds? FE Fundinfo 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
67.14

UK Smaller Companies
38.11

North American
36.66

North America Smaller Companies
30.95

China/Greater China
30.73

AIC

Technology & Media
79.72

Infrastructure Securities
75.2

Property Securities
74.47

Country Specialist: Europe ex UK
59.41

Environmental
47.96

MOST RESEARCHED

	IA		AIC
1	Fundsmith Equity	1	Baillie Gifford Scottish Mortgage
2	Vanguard LifeStrategy 60% Equity	2	Amber Infrastructure International Public P/ship
3	Lindsell Train UK Equity	3	InfraRed Capital Partners HICL Infrastructure
4	Liontrust Special Situations	4	Frostrow Capital Finsbury Growth & Income Trust
5	BNY Mellon Global Income	5	JP Morgan Emerging Markets IT

MOST VIEWED FACTSHEETS

	IA		AIC
1	Fundsmith Equity	1	Baillie Gifford Scottish Mortgage IT
2	Vanguard LifeStrategy 60% Equity	2	Frostrow Capital Finsbury Growth & Income Trust
3	Vanguard LifeStrategy 40% Equity	3	BMO F&C Investment Trust
4	Lindsell Train UK Equity	4	Thames River Property Investment Trust
5	Vanguard LifeStrategy 80% Equity	5	InfraRed Capital Partners HICL Infrastructure

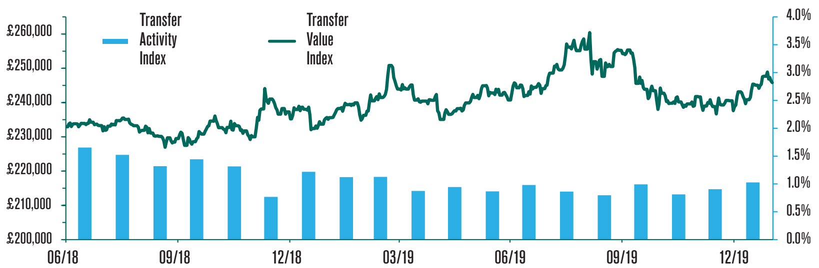
MOST CHARTED

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Baillie Gifford Scottish Mortgage
2	Fundsmith Equity	2	Baillie Gifford Monks Investment Trust
3	Vanguard LifeStrategy 40% Equity	3	Octopus Titan VCT
4	Vanguard LifeStrategy 80% Equity	4	Frostrow Capital Finsbury Growth & Income Trust
5	Vanguard LifeStrategy 100% Equity	5	Baillie Gifford Japan Trust

PENSION TRANSFER VALUE INDEX

XPS TRANSFER VALUE WATCH: 1 JUNE 2016 - 1 FEBRUARY 2020

Transfer values regained much of the ground they had lost in the last quarter of 2019 and the number of members taking a transfer value reached the highest level in almost a year, according to XPS Transfer Watch. The Index rose from £238,800 at the end of December, to £245,800 at the end of January, with movements driven by a 0.3% fall in gilt yields over the month. Transfer Activity Index recorded another increase in the number of transfers completed in January, to an annual equivalent of 1.03% of eligible members, up from 0.91% in December 2019. The marked increase in transfer activity is likely due to the elimination of some of the political uncertainty plaguing the markets over the last year, which may have been putting members off making big financial decisions.



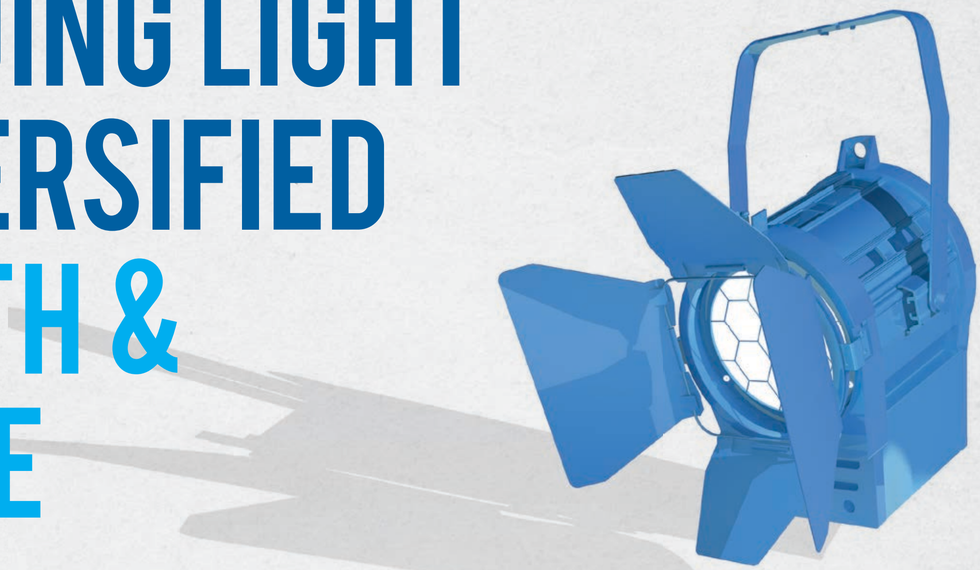
Note: The Xafinity Transfer Value index is based on a large pension scheme which invests a significant proportion of its assets in return-generating investments (rather than just investing its assets in Gilts). The index tracks the transfer value that would be provided by this scheme to a member aged 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

FOR INVESTMENT PROFESSIONALS ONLY

Premier Miton INVESTORS

A LEADING LIGHT IN DIVERSIFIED GROWTH & INCOME



Premier Diversified Growth Fund OCF 0.59%

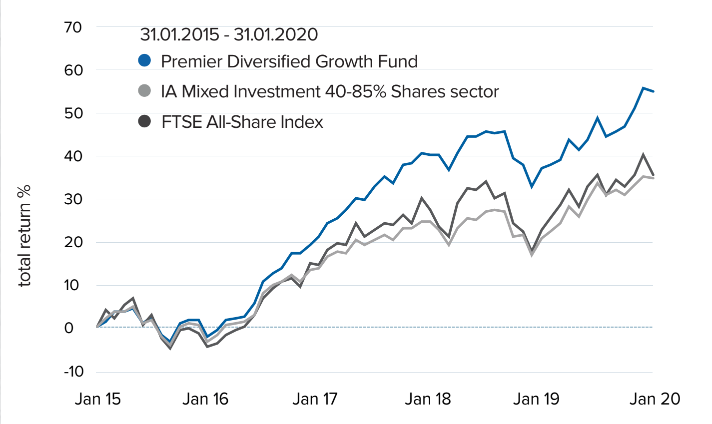
9.2% annualised total return vs 6.3% from UK equities with 74.2% of the volatility of UK equities[2]

Premier Diversified Income Fund OCF 0.78%

3.9% Historic yield[1]

Launched 2017

1 quartile total returns over 5 years for Premier Diversified Growth Fund and since launch for Premier Diversified Income Fund.



Also available - launched March 2019

Premier Diversified Cautious Growth Fund
Premier Diversified Balanced Growth Fund
Premier Diversified Dynamic Growth Fund

The yield is not guaranteed and will fluctuate. 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. We do not verify third party awards and ratings and are not responsible for their accuracy.

Find out more: **0333 456 9033**

premiermiton.com/diversified

For investment professionals only. Not suitable for, or to be relied on by, private or retail investors.

[1]Source: Premier Miton. The historic yield reflects distributions declared over the past twelve months as a percentage of the share price of the fund, class D income shares, as at 03.02.2020, income paid out quarterly. [2]Performance source: FE Analytics, to 31.01.2020, based on a bid to bid, total return, UK sterling basis, net of fees, class D income shares. On 20.01.2020, the funds moved from a single pricing basis (mid) to a swing pricing basis. Performance could be shown on a combination of bid, mid or offer prices, depending on the period of reporting, and is shown net of fees with income reinvested. Volatility for the Premier Diversified Growth Fund taken on a monthly basis. The Premier Diversified Income Fund Launched 19.06.2017, OCFs as at 20.01.2020. UK equities: FTSE All-Share Index. Source: FTSE International Limited ("FTSE") © FTSE 2020. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and / or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and / or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent. The methodology and calculations used by the companies or organisations that provide the fund or fund manager awards and ratings are not verified by us and we are unable to accept responsibility for their accuracy. FE fundinfo Crown Fund Ratings do not constitute investment advice offered by FE fundinfo and should not be used as the sole basis for making any investment decision. All rights reserved. The Elite Rating™ system is proprietary to FundCalibre Ltd, but should not be taken as a recommendation. Morningstar ratings do not constitute investment advice. Copyright © 2020 Morningstar. All Rights Reserved. The Defaqto 2020 Diamond Rating is based on the class D shares for the fund. Defaqto is an independent researcher of financial products and is not authorised to provide financial advice. We do not have any influence or control over the Defaqto Diamond Ratings or the methodology used to create them. We are therefore unable to guarantee their accuracy or that these will not change in the future, or that we will continue to use Defaqto ratings in the future. Issued by Premier Miton Investors, marketing name for Premier Fund Managers Limited, Premier Portfolio Managers Limited, Miton Asset Management Limited and Miton Trust Managers Limited, which are authorised and regulated by the Financial Conduct Authority. Telephone calls may be recorded for training and quality assurance purposes.

10022016740