Professional Paraplanner

The magazine for paraplanners and financial technicians

September 2020

Business focus

Jackie Boylan, head of FundsNetwork, always wanted to be a businesswoman. She talks about her career, diversity in financial services, and the platform's 20th anniversary

PAGE 8

Pension death benefits

Where a spouse may not be the best beneficiary

Development

Sole trader or limited company?

Income investing

Could income cuts be a good thing for the market?

PLUS
CASE STUDY
EXPANDING
A FAMILY
BUSINESS

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UNLOVED INVESTMENTS?

Recently, Lowes Financial Management, a recognised industry expert in structured products, published a 10-year review of the structured products sector – the *Retail Structured Product Review of the Decade 2010-2019*. This is a raw look at the sector over the decade, warts and all, tracking the challenges it has faced, including a number of isolated but high-profile incidents as well as scrutiny from the regulator, through to the current market which is very much focussed on delivering positive outcomes for the investor.

Structured products have been unloved by many advice firms but over the years, the sector has moved away from riskier structures, such as baskets of individual stocks, as well as American capital protection barriers which track the benchmark throughout the investment period. These days the majority of products have the familiar FTSE 100 as the underlying benchmark, they use European end-of-term capital protection barriers, and there has been a move to longer maximum duration autocalls which has repositioned market risk. There are now products with 8-10 year maturity timeframes rather than 5-6 years previously, which means they are far more likely to deliver a positive return for investors, despite the fluctuations of the stockmarkets.

In simple terms, structured products are contracts between the investor and the counterparty to deliver a set return on a specified date, depending on the performance of the underlying index. This can be useful when combined with specific life goals and tax planning. The risks are that the counterparty, usually a major bank, goes bust or the markets plummet beyond the capital protection barrier at the point the product matures, in which case capital can be lost on a 1:1 basis with the percentage drop in the markets.

As most products are autocalls, they roll over if market performance falls off, and the 8-10 year maturity timeframes now give a decent time period for markets to recover and for the products to deliver positive returns for investors. As might be expected, in Q2 2020 following the pummelling of the FTSE 100 Index and equity markets generally, many plans that had the opportunity to 'kick-out' saw their potential maturity deferred to a later date when the potential gain will be higher.

Three plans produced a loss – but they were the higher risk kind, linked to particular stocks rather than an index.

Interestingly, one DFM has put clients into structured products in the first seven years of drawdown to counter market fluctuations and the potential effects of pound cost 'ravaging' should a market event happen in those early retirement years.

As this report shows, the market has changed considerably for the better over recent years and individual products are worthy of research, notably as a means to help diversify a portfolio, protecting capital against the downside whilst offering upside options as well.

The Lowes report can be found at: https://lowes.co.uk/spdecade

MORE WEBINARS TO COME

Our series of Technical Insight and Investment Committee webinars are proving very popular and we are lining up even more of them for you. We will be rolling them out over the next few months. Keep an eye on our website and our daily emails for further information.

Covid the confidence builder?

With the UK officially in recession and the Covid crisis extending far longer than most people ever expected, it's important to find positives in what we are experiencing. One of the huge benefits of lockdown and enforced working from home, one paraplanner team leader told me, is the feeling of empowerment and confidence this has instilled in her team; no doubt reflected in other teams too.

Firms have found they can trust their team to rise to the challenge, work hard and deliver the same level of work – or more! That trust combined with the flexibility and autonomy of not 'clocking-in' to a physical office can make for a stronger working environment and commitment.

This crisis presents an opportunity for change, which progressive firms are grasping and turning to their advantage. They have adapted to the new environment, using technology to create greater efficiencies, develop a more flexible working structure and deliver advice at a lower overall cost to the business. They are being rewarded by attracting new business and are being flagged to be the big winners post-Covid.

Individuals who step up to the plate in these tough times, likewise, should be recognised by their firms for having done so.

So, what differences can you introduce to your personal and working environments and processes that will empower you and change your life for the better?

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In this issue...

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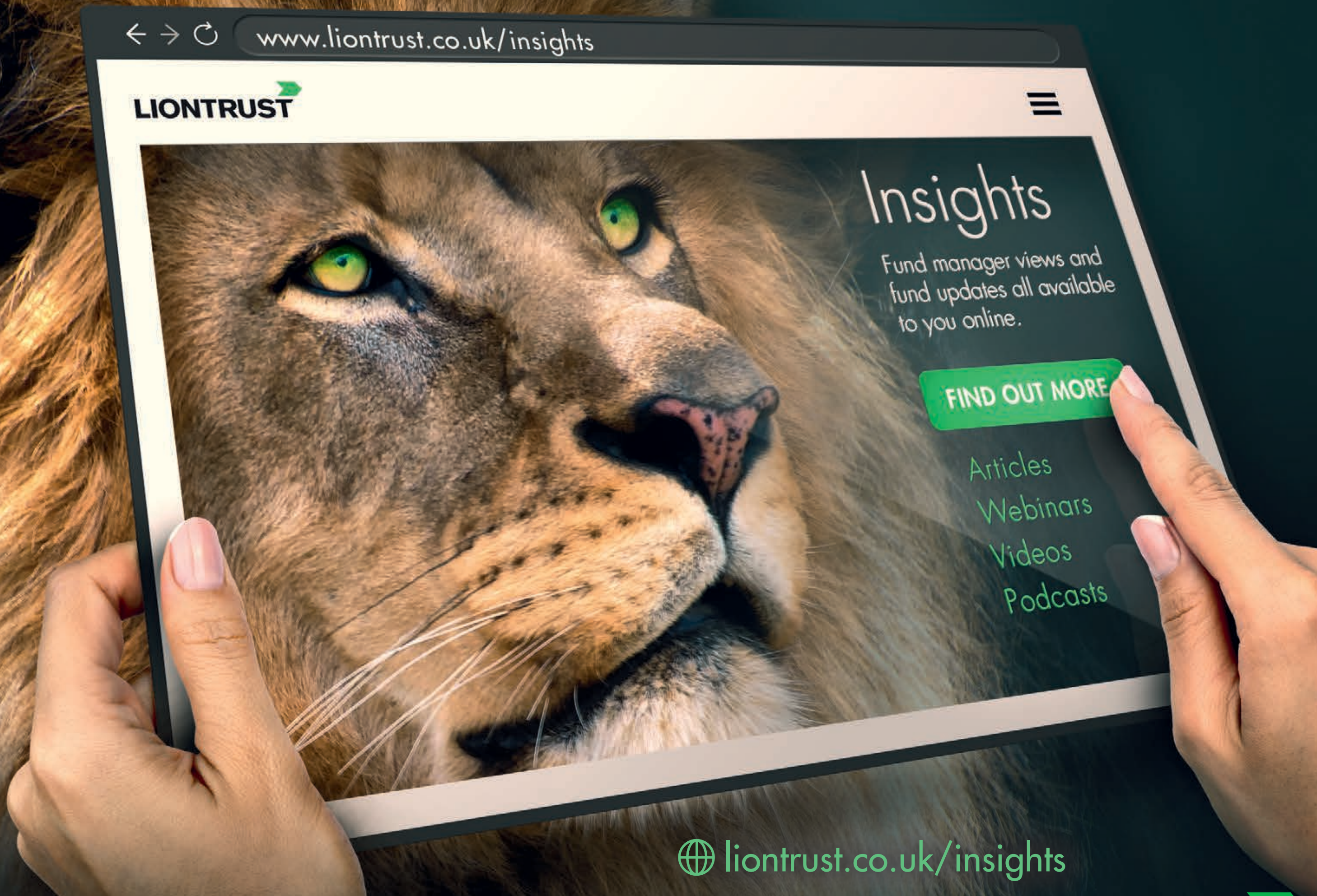

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LEARNING TECHNIQUES

Micheala Hawkins, Professional Paraplanner's Administrator of the Year 2020, failed a number of exams before she adapted her studying process to best suit her way of learning. Here, she describes her exam experience and how, supported by Navigatus, she broke through the barriers that had been holding her back from achieving her potential

Micheala says: "I had taken exams in the past and failed them. When you work for larger companies it can be the old school method of here's the textbook, learn it and take the exam. That didn't work for me. I hadn't studied since I was at school, so I needed to go back to the basics of how to learn – but there wasn't that support. Then when you fail, you look around at the people who have passed the exam and you begin to compare yourself to them. It can knock your confidence.

When I joined Navigatus, the first thing we did was to assess my strengths and weaknesses. I had to admit that maths wasn't my strong point, so Aleks Sasin, the founder, started me off with an Open University Maths course, to bring me up to speed. That also got me back into studying in an easy way.

Then, when it came to studying for exams, Aleks told me to forget everything I'd ever done before and pointed out there was no-one in the firm with which to compare myself. She told me to take my time, write notes on plain paper, do four pages a day from Monday to Friday, and not to work at the weekends. It gave me a structure and a schedule.

It completely worked because I knew exactly when I would finish the book, I knew exactly when I would take the exam, and I always left enough time before the exam to go over my notes. I was also give access to the Wizard Learning and Brand Financial Training courses.

More importantly, I had support. I knew that if I had any questions I could ask them and get an answer. That support makes so much difference. In bigger companies I found I felt less confident about asking questions or saying I didn't understand something in case it made me look less competent than I was.

What also has helped me is starting with the basics, taking the certificate in financial services rather than aiming straight for the diploma qualification. People often want you to go straight for the diploma because it suits the business. Not everyone can take that big a step, especially if they haven't studied for a while.

Now, through structured and regular learning, I have achieved FA2 and CF1. Those passes, have given me greater confidence that not only can I tackle the studying but also pass the exams.

It has also made me want to take courses that will help with my administration role. Currently, I'm taking online courses on Word and Excel to improve my knowledge of the software programs and my skills in using them.

And I now have the confidence to start studying again for my next qualification in the 2020-2021 examination year."

Business owner's view

Aleksandra Sasin, founder of outsourced paraplanning firm Navigatus, describes the process from her perspective. "I am proud of Micheala's exam achievements. She joined the team having had bad exam experiences in the past. She had attempted a few exams in her previous roles, and things did not go well. We decided to approach exams differently and start with a clean slate. Micheala began with an Open University mathematics course which helped her refresh her skills and made her realise how much she knew already.

She was then encouraged to work towards the CII Certificate in Financial Services. Many employers ask their staff to start with R0 units but I feel it is important to encourage staff to build their study skills gradually, to discover how they learn best and to develop a habit of passing exams easily. It sounds counterintuitive as everyone seems to want to be diploma qualified as quickly as possible but this method builds more confident and self-aware learners.

Micheala was open to trying a completely different approach and followed it step-by-step. She studied in small chunks but did it every single day, without fail, before work. She also put a realistic study plan in place to which she knew she could stick from the get-go.

Unsurprisingly to us, she passed both exams on first attempt! More importantly, with those passes her confidence soared and she started believing in herself. She has learnt so much in the process – not just about financial planning and various financial products (all important stuff) but also about how she learns best and that she can pass exams easily."

TAKING STOCK

What are the questions that you need to answer of yourself at this crucial time in many business' journey? Michelle Hoskin, MD of Standards International has some suggestions

So… the cat has been put firmly among the pigeons! Six months of ups and downs, trials and tribulations, winning and losing – and of course businesses that have truly shown what they are capable of (or not capable of)!

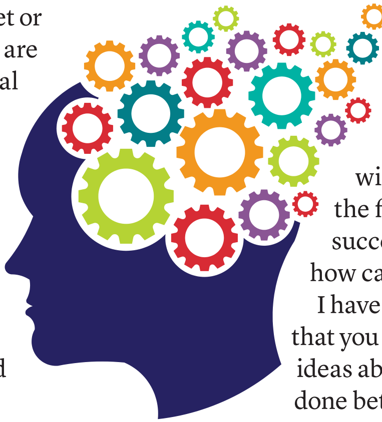
It's been a fascinating time which has provided us with an opportunity to see how the most successful firms thrive when the chips are down. Sadly, this also means watching as other firms slowly drown in an ocean of chaos and uncertainty.

Putting a global pandemic aside, one of the biggest problems with the financial services sector globally is that so many financial services firms and practices are not run by natural business owners or leaders. This in turn causes problems further down the operational food chain.

Without a grounded sense of clarity about the firm's purpose and a clear direction of travel, many firms and their teams simply cruise along, never really being inspired or gaining a sense that they are delivering a valuable contribution.

Let me ask you: how does the land lie as you return to the normal workings of your firm? Are things the same? Better? Worse? Have the past few months shown the true colours of those you work with and for? And probably the most important question is this: does the thought of seeing the year out in your current role make you feel like you've been shot by a rocket or shot out of a rocket? These are real questions that need real and honest answers!

Only this week, I received an email from a paraplanner within a team (not from within one of our clients' firms!) who shared with me that COVID-19 and the way their firm had handled the 'whole thing' meant that they are now questioning their position within the firm and its longevity in the sector. Interesting times, hey? I am guessing that this individual is not alone in their thinking. So, what's next?



Me

I am going to assume that you want to be operating at the top of your game. But what does that mean to you? Are you aiming for the highest level of technical skill or are you striving for much more? More freedom to do your job, to use your skills and abilities, or more autonomy to get fully involved in the job and as a result achieve your highest potential? What do you want and are you in the right place to get it?

Does the business inspire you to bring the best possible version of you to work? If not – why not? And if so, how can you leverage this relationship to secure your value contribution and long-term success and happiness? This conversation with yourself is brutal – but it's essential and there has never been a more important time to have it!

> *It's been a fascinating time which has provided us with an opportunity to see how the most successful firms thrive when the chips are down*

Them

What's the vision of the firm that you're working for? Has it set a vision that excites you? That draws you in and inspires you to achieve something greater than simply doing the day job? Does it have the structures and governance in place which will support and secure both the firm's and therefore your success in the long term? If not, how can you help?

I have no doubt in my mind that you have an abundance of ideas about how things could be done better, about what could be achieved with improved planning and structures. I encourage you to have confidence in your creativity, to speak out and help turn the chaos into calm.

Us

Last up, we have the place where the magic starts to happen! I believe it is the point where collaboration and teamwork meet. The areas that we focus on the most when working with our business owners and their teams is communication and collaboration.

The perfect mix of these two things will support the business to achieve great things. The key is the presence of openness, the confidence that comes from a willingness to delegate, to trust in colleagues, and the self-confidence which releases the need to control every aspect of our role to the detriment of ourselves and all those around us!

BUSINESS FOCUS

This year FundsNetwork celebrates its 20th anniversary. Rob Kingsbury spoke to Jackie Boylan, Head of FundsNetwork, about the milestone, her career, diversity in financial services, and developments with the platform

Being in lockdown was not how FundsNetwork expected to celebrate 20 years since launch, says Jackie Boylan, head of the platform. “We had things planned for our clients and our staff and its disappointing that we can’t go ahead with them but I think we can postpone them until 2021 and still enjoy the milestone.”

Jackie joined Fidelity International as Head of Advisory Services, FundsNetwork in 2017, becoming head of the platform in January 2019. Prior to moving to the UK from her native Australia, she worked for the same asset management company for 22 years, leaving there after over five years as Head of Customer Relations. That experience as well as exposure to what she describes as “some incredible business minds” both in Australia and the United States, greatly influenced the approach she takes to structuring the business. “It’s about designing solutions and experiences and propositions around your client; not, as often happens, producing something in an ivory tower and hoping your clients like it.”

Jackie says she had set her sights on being a businesswoman from the age of 13, “because to me it represented success and financial security”. Hence, when as a first step she started working in a bank, she quickly moved on – “the banking environment 25 years ago didn’t suit me”– joining by chance an investment management company. “In comparison it was just so fascinating and exciting. Evaluating stocks and trying to make money for clients was an amazing job. It was definitely more my pace and more my style.”

Rather than trying to quickly climb the corporate ladder, Jackie says she focussed on developing and improving her skills sets and capabilities. “I wasn’t wildly ambitious. But I was ambitious enough to work hard and do a good job and be successful in that sense.”

She took a business degree, majoring in human resource management and organisational behaviour, which gave her a wide range of different types of business skills and subjects. “I think that has been very beneficial for me; understanding organisations and how they work and what makes people tick, is essential when in a more general management role.”

She followed up her degree with a Graduate Diploma in Applied Finance and Investment, another in Superannuation (Pensions) Management and another in Financial Planning. “Of those I think the one in financial planning was most beneficial, because it showed me how advisers work and how complex financial planning is.”

Asked why she stayed with the same company for 22 years, she says: “If something compelling had come along I might have moved but there wasn’t anything that jumped out at me or made me think there were better opportunities elsewhere.”

She undertook 10 different roles in those 22 years. “I was given so many opportunities and had so much investment in me. I was sent to Wharton Business School in Philadelphia, US; I went on

Diversity in the industry

Jackie spent many years in sales, which often is a male-dominated environment, and she came across barriers and inequalities, many of which remain today. Breaking through those barriers meant working harder than everyone else, working longer hours and weekends, to do more and achieve more, she says, as well as building a resilient outer shell, “when you try not to let anything bother you”.

She adds: “It can be harder to get the same recognition. I know I’ve been paid less than male peers in the past and going to HR to try to redress that was an uncomfortable feeling.”

“But as I’ve gotten older and more experienced, I’ve become passionate about driving change and equality and I feel much more empowered now to influence and drive outcomes. I’m really proud to work for a business that is led by women: Abigail Johnson, chairperson and CEO of Fidelity Investments and Anne Richards, CEO of Fidelity International. I’m not sure there are too many companies like Fidelity out there in this respect.”

Diversity and equality initiatives Fidelity is involved in include women in sales – “an area where we are looking to redress the balance and build a pipeline of women who want to go into sales” – and the Women & Money campaign. “Two years ago we did a big piece of research, which kick started the campaign, examining women’s attitude to investing and how we can get more women investing rather than just saving. The next step, which we launched this year, is Unlocking the Power of Advice. We wanted to examine how many women do take financial advice, if they don’t why not, and how that may be contributing to gender pay gaps, pension gaps, and other issues. We are committed to equality in all its forms, not just internally but with clients and the communities and societies in which we operate.”

The reports can be downloaded from the FundsNetwork website: https://adviserservices.fidelity.co.uk

numerous overseas study, rewards and personal development insight tours; I did a project in the South Pacific, spending time in Fiji and Papua New Guinea; and I was seconded onto a regulatory programme. Having that exposure to different peoples' cultures, companies and environments broadens your understanding, it makes you more curious. It can also make you braver to try new things because you get ideas from people and you can see how it might be successful in other environments."

As one of the rewards packages, she was also given the opportunity to meet with high performing businesses and thought leaders across the United States. "That was two weeks of meeting the most amazing people and from a personal growth perspective was an incredible experience. A programme like that changes your outlook."

While this high level of support and development was one reason she stayed with the company, she says, fundamentally it was because she considered the company was the best in Australia "and I didn't want to work for a company I thought wasn't right up there at the top".

Which is why it took the offer to work for Fidelity to entice her to move companies and countries.

Platform market

Coming to FundsNetwork with experience of the more mature Australia wrap market, Jackie says, helped her when looking at how the platform might be developed, "where we could be going and what further role platforms could play in the adviser market".

FundsNetwork is currently working on enhancing its DFM proposition and its decumulation offering, Jackie explains. "This should all be delivered by end of this year or early 2021. We've done a lot of work on APIs and integrations, particularly with key clients, and we will continue to develop both bespoke and more general APIs and integrations, as we see them as critical not just to our success but also to adviser businesses."

A review and redesign of the website is also being undertaken: "Designing around our clients, by listening to what they are telling us about what they would like to see."

In the pipeline, the platform is also looking at how it can help advisers structure their offering to better support families and so keep intergenerational wealth within their business. "We are also developing decumulation solutions for advisers to use with clients, and ESG solutions, an area increasingly talked about by investors and advisers. ESG is a key strategy work for both Fidelity and FundsNetwork."

FundsNetwork is "very ambitious from a growth perspective", Jackie says. "We have been increasing our share of net new flow over the past 18 months. We are very strongly focused on winning new relationships as well as strengthening our existing ones, a large number of which have been with us for many years. We offer a very good value for advisers who want a solid platform offering with all of the wrappers and investment solutions that they could need."

A focus for Jackie and a key differentiator for FundsNetwork, she believes, is the platform's practitioner support. "We really understand the differences and the different needs between an adviser, a business owner, a paraplanner and support staff and we really try to bring different solutions to each of those segments of an advice business. We provide a lot of technical expertise through conferences, webinars and material on our website, with support and training around pensions and tax and trusts."

Above all, it is the pedigree and the longevity of the platform in the market, which she believes makes it stand out for advice firms. "We position ourselves as a long term business partner. We are privately owned, we have been in this space for 20 years and we are not going anywhere, something advisers tell us gives them great comfort."

What advice would you give to someone who is ambitious to move up the management ladder?

"I'd say don't overlook breadth of experience. It's not all about upward movement. I stayed in sales for a number of years, moving to different areas so that eventually I could speak about a cross-section of the business. Don't be scared about moving sideways to diversify your skill sets and capability, because having expertise across a range of areas means you can probably run any business. If you are a generalist, there is a broader world of opportunity."

PENSION DEATH BENEFITS

There good tax reasons why an individual might look beyond their spouse in respect of the beneficiaries of their pension, says Fiona Tait, Technical Director, Intelligent Pensions

The purpose of a pension plan is first and foremost to provide a replacement income in retirement, however current circumstances mean that for many the importance of providing for family in the event of unexpected death has risen up the agenda.

The vast majority of clients, quite understandably, are looking to leave their pension plan to their partner/spouse, but there are several good reasons why they should perhaps look beyond this.

Inheritance Tax

The first point is that on death the majority of assets fall into a client's estate and may be subject to inheritance tax (IHT) unless they are passed to a spouse or civil partner, whereas in the vast majority of cases a pension can be passed to anyone without any IHT liability.

It therefore makes sense, if there are sufficient other assets to support the spouse, to pass the pension fund to someone else the client cares about, such as adult children or grandchildren. They receive it IHT-free and the money is kept out of the spouse's estate in turn. If the spouse does need money from the pension to live on this can still be accomplished by using nominee's Flexi-access drawdown (FAD) or, if required, a bypass trust.

Generational planning

The death benefit options can be really confusing to a spouse, who is likely to be distressed and vulnerable while having to make key decisions, and yet the decision may be simpler for them than it might have been for their spouse as they are less likely to have anyone in their own generation to support.

If there is no other family the choice is similar to the original member's – lump sum or income, the latter guaranteed or invested. However, if there are other family members the spouse is likely to

be focussed on them and the choice is easier – pass on any remaining funds via their estate (lump sum) or via the pension (FAD). The latter is more tax-efficient and potentially also caters for future generations so it would seem a good option for most beneficiary spouses.

> ***The death benefit options can be really confusing to a spouse, who is likely to be distressed and vulnerable while having to make key decisions***

Control

Nominee FAD is not without its problems however, for both the original member and the recipient. While the recipient may have doubts about managing the investment the original member may also have been concerned with the fact that their spouse now has control over who gets the money next.

In most circumstances they are likely to have the same focus on their joint family, but this is not always the case where step-children and second families are concerned. We often see clients who lay out how they want their funds to be left, to whom, and in what order; however, if they make this directional the funds would then form part of the estate.

This is where the bypass trust comes in. The fund is passed under trustee discretion to a separate trust set up by the member prior to their death, and the member is able to appoint their own trustee to manage it in accordance with their wishes.

So long as the spouse is one of the beneficiaries, they can receive a share during their lifetime in the form of a loan, and any remaining funds may be distributed as the member wanted following their death. Catering for the spouse by providing a loan from the trust has the added advantage of creating a debt on the spouse's estate if IHT is still an issue.

The bypass trust is not for everyone, the periodic tax charges make it less tax-efficient than a simple nomination from the spouse to successor beneficiaries, but it does help to resolve any future arguments between successive beneficiaries.

The age 75 thing

Logical or not, we are still living with the cliff-edge situation whereby if a member dies prior to age 75 the fund may be passed on to the nominated beneficiaries free of tax. If they die having reached 75 the fund will be subject to a tax charge which is based on the income tax position of the recipient.

In many cases this is simply a fact and must be accepted, however in the specific case of a beneficiary who pays higher or additional rate tax it raised the argument of whether they would in fact be better off paying IHT on the transfer of assets rather than the income tax charge. Trusts are also subject to a 45% tax charge which, on the face of it, would seem to outweigh an IHT charge of 40%.

The answer to this conundrum is specific to each client requiring a comparison of the IHT that might be due on the estate with the tax charge that would be due on the pension fund.

Summary

Every individual will have different priorities and advisers should help their clients to consider the wider family situation rather than simply passing both the money and the decision-making to their other half.

THE ROAD AHEAD

Matt Lonsdale, relationship manager at BNY Mellon's Pershing EMEA, discusses the future of financial planning as the sector enters a 'new normal'

Since March of this year the term 'face-to-face advice' has taken on a different meaning. Not only have advisers and planners turned to technology to support their services, but the advice itself is taking on a new shape, with quality remaining at the core.

Quality of advice

Technical expertise has – and will continue – to underpin the trusted relationship that is built between the financial planner and client. But before this can be achieved it is vital the client recognises the benefits and quality of the service.

Crucially, clients need to understand what they are paying for. As advisers' costs are impacted by increasing regulatory fees, for example professional indemnity insurance and FSCS contributions, the temptation would be to increase fees. But to do that, it is important that they can continue to demonstrate to clients how they are delivering good value for money. Advisers must continually raise their own game and work hard to demonstrate this.

Aside from rising costs, quality advice also needs to be flexible to changing circumstances, and this flexibility is being put to the test in the here and now. Covid-19 has forced the industry to adapt in many ways whilst also increasing the need for advice and financial planning. In the last six months a number of clients will have been reflecting regularly on their circumstances, some will reassess based on quality of life and some on necessity of circumstances. For some clients, things may have changed considerably, and advisers need to be prepared to assess their changing priorities or circumstances and adjust financial plans in real-time to provide the best outcome for their clients.

Operational efficiency

Covid-19 – and the technological challenges it has brought – has been a steep learning curve for the industry. Advisers have learned of the relative ease of digitally implementing advice and associated services, including e-signatures and online valuation reports, and clients' acceptance of electronic documentation, which has varied from case to case.

In many circumstances it has required a major effort with email communication, ongoing advisory support and vast levels of encouragement to achieve a 30-50% take up of online client portals. Adapting the business model to meet current circumstances has involved short-term investment but will yield long-term time and cost savings.

Recent changes are undoubtedly here to stay, but there is much further to go. Digital integration has picked up pace and the industry is on track for further developments. In the short term, we expect this to be in the form of data aggregation, making it easier for advisers to oversee all client assets and for clients to view their financial portfolios in one place. From there, open banking and/or open wealth management may be a significant growth market.

What will emerge?

Despite the rise of technology, face-to-face engagement will not die, but instead be acknowledged as the premium service and the format for having difficult or complex conversations and the primary way to build trust. Meanwhile, investor portals will be the go-to for a swift and easy service.

It's cheaper, bite-sized, saves paperwork and travel time, and works incredibly well in support of face-to-face interaction, reassuring the client that there is still a human being at the end of the line. It is important to note that despite the widespread use of popular apps such as Zoom for keeping in touch with friends and family, true digital adoption involves a secure investor portal that is integrated with CRM and back-office systems.

And when normality does return, and business owners have time to reflect on the changes they made to their businesses, it is highly likely that a new hybrid of face-to-face and virtual communication will continue. This may well evolve to a more technologically advanced level where artificial intelligence starts to create efficiencies and even bring down costs and subsequent fees.

While 2020 has been a challenging year so far for both advisers and investors, the changes the industry is undergoing will hopefully serve to better meet investor goals in a more effective and efficient manner in future.

> ***When normality does return, and business owners have time to reflect on the changes they made to their businesses, it is highly likely that a new hybrid of face-to-face and virtual communication will continue***

PENSIONS TAX

Stephen McPhillips, technical sales director, Dentons Pension Management Limited looks at the new threshold and adjusted income definition amounts applicable from 6 April 2020

Readers will no doubt already be familiar with the concepts of Annual Allowance (AA) and Carry Forward of unused AA in relation to tax relievable pension contributions. Those readers with clients whose annual earnings extend beyond six figures may also have had practical experience of the Tapered Annual Allowance (TAA) in action. The TAA came into operation on 6 April 2017.

The recent changes to the earnings figures for "threshold" and "adjusted" definitions will have brought some welcome relief for those previously impacted by the TAA, but how does this make a difference in practice, particularly when it comes to Carry Forward?

The new threshold and adjusted income definition amounts came into effect on 6 April 2020. The threshold income figure was increased from £110,000 to £200,000 and the adjusted income figure was increased from £150,000 to £240,000. Each of these changes will have positive effects for many high-earning pension savers who otherwise would have been impacted by an AA Tax Charge. Some senior NHS clinicians (and others) were amongst the groups of people who had been affected by the TAA at the previous levels.

In order to demonstrate the positive effects of the change, and in relation to Carry Forward, it may help to consider a case study.

Case Study

Kathy has been a member of a registered pension scheme since 2009 and therefore has potential capability to carry forward unused AA from the previous three tax years to the current tax year. Kathy's adviser makes her aware that the current year's AA must be used first before any unused AA can be carried forward from earlier years.

Kathy's earnings in the tax year 2019/2020 were £200,000. This, in turn meant that her available AA for that year was scaled back by the TAA to £15,000. Kathy's earnings in the earlier tax years meant that she was unaffected by the TAA, and she made pension contributions as shown in the table below.

Kathy's earnings in the tax year 2020/2021 are also £200,000. However, because of the increase in threshold earnings from £110,000 to £200,000 for this tax year, Kathy is no longer subject to the TAA and has a full AA of £40,000 instead of it being tapered back to £15,000. In turn, this means that her available AA has increased by £25,000.

The tables indicate how Kathy's carry forward position would have looked before and also after the changes to the TAA. From these, it is clear that Kathy's maximum tax relievable contribution in the current tax year has increased from £55,000 to £80,000.

The net effect of the changes to the TAA mean that Kathy can maximise her pension contributions in the current tax year in a highly tax-efficient manner. Given the level of her earnings, Kathy should obtain full tax relief on the pension contribution of £80,000 in the 2020/2021 tax year.

Kathy's carry forward position, had there been no changes to TAA:

Year	Adjusted income	AA	Employee Cont.	Unused AA
2020/21	£200,000	£15,000	£0	£15,000
2019/20	£200,000	£15,000	£10,000	£5,000
2018/19	£75,000	£40,000	£20,000	£20,000
2017/18	£65,000	£40,000	£25,000	£15,000

Kathy's carry forward position, following changes to TAA:

Year	Adjusted income	AA	Employee Cont.	Unused AA
2020/21	£200,000	£40,000	£0	£40,000
2019/20	£200,000	£15,000	£10,000	£5,000
2018/19	£75,000	£40,000	£20,000	£20,000
2017/18	£65,000	£40,000	£25,000	£15,000

Technical notes:

a. 'Member' means active member, pensioner member, deferred pensioner member or pension credit member.

b. Tapered annual allowance reduces a pension scheme member's annual allowance on a sliding scale for a tax year in which their 'adjusted income*' exceeds a certain figure. For the 2020/21 tax year, this is £240,000. Members with an adjusted income of £312,000 or more in the tax year 2020/21 will have a maximum tapered annual allowance of £4,000. The tapered annual allowance will not apply if a member's 'threshold income' is £200,000 or less, even if they have adjusted income of £240,000 or more. The annual allowance was not affected by the tapering in tax years prior to 2016/17, although it may have been affected by the money purchase annual allowance from 6/4/2015.

c. Adjusted income includes the member's earnings, dividends, interest on savings and pension contributions (including those made as a result of a salary sacrifice or similar arrangement).

d. Threshold income is broadly similar to adjusted income except that pension contributions that entitle the member to Relief at Source and employer contributions resulting from a salary sacrifice (or similar arrangement) made before 9 July 2015 are excluded.

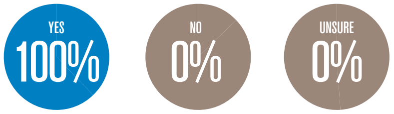
PARA-METERS

Our monthly paraplanner survey tracking trends and topical issues

1. HAVE CLIENTS EXPRESSED MORE INTEREST IN ANNUITIES AND IF 'YES', WHY?

2. ARE YOU RECOMMENDING ANNUITIES MORE THAN PRE THE PANDEMIC PERIOD?

3. DO YOU RECOMMEND THAT CLIENTS HAVE A CASH BUFFER AS PART OF THEIR FINANCIAL PLAN?

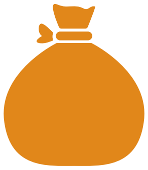


3(A). IS THERE A SET CASH AMOUNT YOU RECOMMEND?

29% RECOMMEND HOLDING £10-20K AS A CASH BUFFER

£5-10K	6%
£10-20K	29%
£100K+	8%
£50K	2%
3+ MONTHS LIVING EXPENSES	8%
DEPENDS	19%
NONE - N/A	27%

3(B). DO YOU RECOMMEND A SET PERCENTAGE OF WEALTH?



27% RECOMMEND HOLDING 1-5% OF A CLIENT'S WEALTH AS A CASH BUFFER

1-5%	27%
6-10%	18%
11-20%	4%
OVER 20%	0%
DEPENDS	27%
NO / N/A	24%

3(C). DO YOU RECOMMEND HOLDING CASH FOR A SET TIME?

45% RECOMMEND HOLDING SUFFICIENT CASH FOR 3-6 MONTHS

3 MONTHS	11%
3-6 MONTHS	45%
6-12 MONTHS	25%
MORE THAN 12 MONTHS	7%
CASH AMOUNT	6%
DEPENDS	7%

Annuities market insight

Occasional reports of an uptick in interest in annuities, appears not to be borne out by the majority of paraplanners' experiences, even during the Covid-19 crisis when there has been increased volatility in the financial markets and greater uncertainty around income, Professional Paraplanner's Parameter survey shows.

Client interest in annuities has remained largely static. Over four fifths (82%) of paraplanners surveyed said clients had not expressed more interest in annuities in recent months, with just 8% seeing an uptick in demand. One in ten (10%) said they were unsure.

Among those who had not witnessed a change in interest as a result of the Covid-19 uncertainty, many cited the poor value of annuities as the reason. "They (clients) feel that they offer poor value."

The decision to opt for alternative products was also expressed by one paraplanner, who noted that most clients had already used the flexibility provided by drawdown, for example, to reduce their income while their outgoings decreased during the Covid-19 crisis.

Highlighting the lack of interest in annuities, one respondent said they had provided advice on annuities just twice in the last three years.

Of those paraplanners who had seen a rise in demand for annuities, the general reason given was clients' need for greater certainty of income during difficult market conditions.

One commented: "Clients are worried about investment returns keeping pace with income withdrawals in the current economic climate."

Another said growing interest was driven by "market volatility and future uncertainty brought on by the global pandemic."

When asked by *Professional Paraplanner* whether they were recommending annuities more than in the pre-Covid-19 period, nearly nine in ten (88%) respondents said no. In stark contrast, just 6% said yes.

One paraplanner said: "We research and recommend at each review for those in drawdown to provide an indication of annuity that's available."

Another commented: "The cases I work on seem to be concentrating more on securing income either via annuity or scheme pension."

Meanwhile, those who said they were not recommending annuities more continued to cite low annuity rates as a reason.

One said: "The annuity rates do not seem to provide good value."

Another said it was a matter of clients preferring to "wait and see what happens."

SURVEY PRIZE DRAW

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

BUSINESS EXPANSION

David Bonneywell, director at Talbot and Muir, looks at how a business owner uses good financial advice and planning to help expand his family business

Neil owns a car dealership and has seen a substantial amount of growth and demand for his vehicles. He is therefore looking to build on his current success and to expand and purchase another business unit to operate from.

Neil already owns 50% of the current site in his SIPP along with his company who owns the other 50% share. Neil arranges a meeting with his financial adviser to discuss his options in terms of possibly purchasing another site with his SIPP.

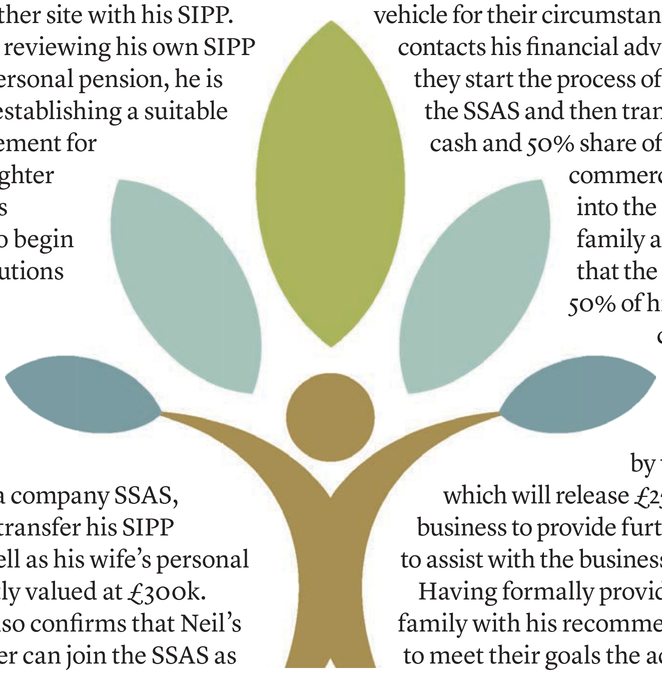
In addition to reviewing his own SIPP and his wife's personal pension, he is also looking at establishing a suitable pension arrangement for his son and daughter who work for his company, and to begin making contributions on their behalf.

At the meeting, Neil's adviser discusses the possibility of establishing a company SSAS, which Neil can transfer his SIPP assets into as well as his wife's personal pension currently valued at £300k. Neil's adviser also confirms that Neil's son and daughter can join the SSAS as they are both over 18, and Neil's company could make contributions of £40k each on their behalf, subject to receiving confirmation from his accountant any such payments would be deemed wholly and justifiably for the purpose trade.

Neil's adviser explains that they could look to establish a SSAS and that the proposed figures would amount to £880,000 (£630,000 in cash). This would be made up of:

- £500k transfer from Neil's SIPP which includes 50% share of the current company property.
- £300k transfer from Neil's wife's personal pension transferred in cash.
- £40k contribution for Neil's son.
- £40k contribution for Neil's daughter.

Neil has identified a suitable property which is valued at £600k. Neil and his family agree a SSAS will be the most suitable vehicle for their circumstances He contacts his financial adviser and they start the process of setting up the SSAS and then transferring the cash and 50% share of his original commercial property into the scheme. The family also decide that the remaining 50% of his current commercial property should be purchased by the SSAS which will release £250K into the business to provide further liquidity to assist with the business expansion.



Having formally provided the family with his recommendations to meet their goals the adviser in conjunction with the SSAS provider arrange for the following:

- A new SSAS to be established, this process including obtaining HMRC approval takes approximately 6-8 weeks.
- Once the SSAS is established Neil's SIPP is transferred across. The transfer is made up of £250k in cash and 50% of the property held in the SIPP.
- At the same time the SIPP's property holding is transferred in specie, the solicitors handling this also purchase the remaining 50% owned by the business.
- On transfer of the property, cash is transferred from SSAS back to the business.
- Neil's wife's personal pension is transferred to the SSAS in cash.
- The company makes £40k contributions for both children.

The SSAS now owns 100% of the existing property worth £500k. Following the transfer of Neil's wife's personal pension and the payment of the two contributions for the children, the scheme has a cash balance of £380k. In order to purchase the new property the SSAS trustees will need to borrow a further £220k plus SDLT, charges and disbursements. The maximum borrowing the SSAS can undertake is a value no greater than 50% of net scheme assets. This is currently £440k so there is plenty of scope. Neil has a very good relationship with his bank and a suitable mortgage is arranged through them.

Once the mortgage is agreed, the Trustees through their financial adviser and the SSAS Professional Trustee, arrange for the purchase of the new property which takes six weeks.

Neil and his family are delighted with the outcome. They are all now part of their own pension arrangement of which they feel they are in control of. Both business premises are now held in a tax efficient arrangement which will ultimately benefit them all. They have achieved this with minimal impact financially on the business and have also increased liquidity within the company to assist with its continued growth.

This is one of many ways in which a SSAS can assist with the ongoing growth of a business and at the same provide a tax efficient retirement vehicle for its members.

BUSINESS SET UP

This issue the Brand Financial Training team compare the options and benefits between setting up a business as a sole trader or as a limited company

When setting up in business, one of the first things to decide upon is the best legal structure to use; the options are as a sole trader, as a partnership or as a limited company. It can be a difficult decision to weigh up, although for most it will be the decision between a sole trader or a limited company, so in this article we compare these two options.

Setting up a business as a sole trader

- A sole trader is a self-employed person who runs their own business.
- The sole trader receives all the profit but they are also liable for any debt.
- The business can be passed down to the next generation, normally without an IHT liability if the business is a qualifying trade.
- Income tax is paid on profits above any available personal allowance in January and in July.
- Opening year rules apply for the newly self-employed, which can be complicated.
- Any expenses incurred wholly and exclusively for the business can be deducted.
- Class 2 National Insurance contributions (NICs) of £3.05 per week are paid where profits exceed £6,475 per annum.
- Class 4 NICs are paid on annual profits between £9,501 and £50,000 at 9% and at 2% above £50,000.
- Accounts must be kept but they don't have to be made public.
- A sole trader must register for VAT if VAT taxable turnover goes over £85,000 (or they expect it to in the next 30 day period).
- It is possible to voluntarily register for VAT.
- Paying salary to family members must be justified commercially to be an allowable expense.

Pros

- Set up is simply done by registering for self-assessment with HMRC if profits are more than £1,000 in a tax year.
- A sole trader is their own boss; they have no-one telling them what to do.
- The money they earn is their own.
- Can choose where and when to work.

Cons

- If things go wrong, personal assets could be at risk, including the family home.
- No paid holiday.
- No sick pay.

> ***With smaller profits it may be that the sole trader route is more suitable as it is much simpler to operate with fewer administration costs***

- No employer to pay pension contributions on their behalf or provide other benefits.

Setting up as a limited company

- A limited company is privately owned with limited liability. The owner's liability for debt is limited; the company could be sued but not the individual.
- The company is a separate entity from the director/shareholder.
- Any earnings belong to the company.
- It can be set up whether someone is a one-person business or whether they have employees.
- If a director dies the company continues; company shares generally qualify for IHT relief where the company is trading.
- The company must be registered with Companies House and for payment of corporation tax.
- A certificate of incorporation confirms the existence of the company along with its number and the date it was formed.
- Corporation tax is paid on taxable profits at a rate lower than the higher rates of income tax.
- Corporation tax is payable no later than 9 months and 1 day after the accounting period end.
- A company tax return has to be filed within 12 months of its financial year end.
- A company can voluntarily register for VAT.
- It must register for VAT when VAT taxable turnover exceeds £85,000 or is expected to within 30 days.
- Directors (employees for tax purposes) pay income tax and NICs via PAYE.
- Directors must register for self-assessment to report all income received.
- Salary payments are tax deductible for corporation tax purposes.
- NICs are paid at a higher rate of 12% above a primary threshold.
- If salary is more than a secondary threshold, the company also pays NICs.
- Directors can pay themselves a salary up to the personal allowance with the rest taken as dividends.
- Dividends are subject to income tax above £2,000 but are not liable to NICs.
- A limited company must keep public accounts - available to view through Companies House.

Pros

- Protection of personal assets.
- A one person business has the flexibility of work location and hours as a sole trader.
- Trading as a limited company may give a more professional feel to the business which might help with getting credit from suppliers.
- Flexible remuneration strategies.
- Company can pay pension contributions and provide other benefits to the director/shareholder.

Cons

- More paperwork and more statutory obligations to fulfil as regulated by Companies House.
- Even if an accountant is employed the ultimate responsibility to provide accurate accounts lies with the director.
- More expensive to operate.

So which is best?

It will depend largely on what suits the personal situation of the individual. Often with smaller profits it may be that the sole trader route is more suitable as it is much simpler to operate with fewer administration costs.

However, factors to be mindful of currently are that National Insurance contributions for the self-employed may be brought more in line with those paid by employees and HMRC is introducing 'Making Tax Digital' for the self-employed which may include payments of income tax being made more frequently than twice a year.

With larger profits it is often more tax efficient to trade as a limited company. This is because salary up to the personal allowance can be taken with the rest drawn as dividends which pay no NICs and there is also the additional benefit of a £2,000 dividend allowance.

A lot of people starting their own small businesses begin as a sole trader and move to a limited company structure later as their business expands.

FIVE MINUTES WITH...

Steve Bailey, director, ATEB. Rob Kingsbury spoke to him about the compliance consultancy, good compliance practice, tips for FCA visits and the firm's work for the FCA on Section 166 reviews

WHAT DOES ATEB DO FOR THE FINANCIAL ADVICE MARKET?

ATEB Consulting is known to the FCA Investment, Wholesale & Specialists Division team. We are regarded as a firm of the upmost integrity; our views are aligned to those of the FCA and this is demonstrated through our work with them.

Our primary objective is to give our clients pragmatic support and assistance to help them meet both their business objectives and their regulatory commitments. We believe that this is best achieved through a 'hands on' service. We will work on site at firms' offices at agreed intervals, to implement and test systems and solutions. We act for our clients alone and place our clients' interests at the centre of our advice. We do not receive any third-party remuneration.

We are not a 'Report and Run' business, quite the opposite in fact; we find that having a closer working relationship with our clients works better because if we do the job properly we can prevent (and manage) things rather than 'patching up' afterwards. We examine all tasks that need to be achieved in a 12-month period (file checks only form part of this) and then agree/allocate responsibilities. Once tasks are agreed this is then translated into time (internal and external). We use a comprehensive audit followed by a compliance calendar to document and agree this. The ATEB model is designed to give you an extra member of staff for a very small fraction of the cost of employing someone full or part time. The irony of all this being we often end up committing much more time than agreed, certainly in the early stages.

We emphasise the need for 'best practice', sound 'business processes' and secure 'risk management'. If these principles are firmly in place, then compliance should be a by-product. We pride ourselves on our ability to offer plain language guidance and to communicate in a friendly and relaxed manner, making compliance both interesting and enjoyable.

IN YOUR VIEW WHAT'S THE MOST ESSENTIAL ELEMENT OF A GOOD COMPLIANCE PROCESS IN AN ADVICE FIRM?

Being clear about what you are trying to achieve. We see too many firms going through the motions repeating and replaying bad practice and bad habits because they believe what they are doing is compliant. There are lots of examples but if you consider a 'switching process' there are ways in which rules can be poorly interpreted leading to a significant influx of new business but done so in a contrived manner so as to primarily suit the adviser.

We only need to look at FOS case studies (freely available and there are patterns) and work backwards and what they are clear to point out regarding replacement business is that comparisons should include ALL costs. You may be surprised to hear that some firms choose to include or exclude various costs to create the outcome they desire. Remember the FCA still talks about outputs so always "begin with the end in mind".

> *"Any compliance company worth their salt will challenge you in a respectful and constructive manner and give you an in-depth professional view and something to think about!"*

IS THERE ONE PRIMARY MISTAKE OR OMISSION YOU SEE ADVICE FIRMS MAKE IN RESPECT OF REGULATION AND STAYING COMPLIANT?

This question is simple to answer: Not challenging your compliance consultants (or your compliance consultants not challenging you).

This may be quite a task as often "you don't know what you don't know" so I would suggest that you pick up the phone and see if you can get 30 mins or so ex gratia with a couple of alternative firms if you have concerns or suspicions.

Please be certain about one thing however, engaging a compliance firm once per year for a passive audit that is no more than a tick box exercise, cup of coffee and pat on your back is money down the drain and will undoubtedly come back to bite.

Any compliance company worth their salt will challenge you in a respectful and constructive manner and give you an in-depth professional view and something to think about!

WHAT'S ONE TIP YOU'D GIVE WHEN PREPARING FOR AN FCA VISIT?

I've lost count of the number of regulator visits ATEB has attended but it must be over 150. So, there are lots of tips but the main one for me personally is 'Be transparent and anticipate what the regulator will need'.

The FCA personnel are only human (today anyway!) and the more difficult it is to find their answers the more frustrated they will become. If you can anticipate what they need in advance and get them to their 'destination' quickly this will normally work to your advantage.

Try to achieve a quick turnaround on pre-visit requests for information and always keep your regulatory and compliance business plan up to date. Maintaining a habitual comprehensive audit trail in your day-to-day activities so that you can showcase consistency and reliability throughout any FCA intervention is essential.

HOW DO FIRMS END UP REQUIRING A SECTION 166 REVIEW?

Firstly, just to explain, this is an independent review (completed by a compliance firm of good standing such as ATEB) of a regulated firm, usually focusing on specific issues where the regulator wishes to investigate a firm's activities. You do not want one because they are time consuming, disruptive, costly and can result in reputational damage. We have completed many of these over the years and continue to do so.

There are many of reasons why firms end up requiring a Section 166 review but often its linked to an increase in earnings and / or involvement in 'high-risk' activities. Firms may not be aware but the FCA have huge amounts of MI and are alerted to anomalies. Examples that we have seen over the years include advisory firms caught in a 'chain' where they are linked to wider regulatory investigation, such as the SIPP, unregulated introducer, and unregulated investment projects.

Two pieces of advice I have given to firms over the past 22 years are, firstly do not be ashamed to be 'Vanilla' and secondly, if something sounds too good to be true it probably is. As I mention above if someone approaches you with an 'idea' or 'concept' make sure you research it carefully and seek external council from someone wise. Sadly, the problem may have been repeated many times over by the time ATEB are called in. Going for long periods of time without a real robust challenge can leave a firm with quite a shock.

WHAT ADVICE DO YOU HAVE FOR PARAPLANNERS WHO WANT TO ENSURE THEIR WORK IS ALWAYS COMPLIANT WITH CURRENT REGULATION?

That is a wide-ranging question because there are so many rules to comply with and so priorities are clearly important. Most people with any common sense will know instinctively if something is wrong, but what to do? I suggest having access to someone you can ask for a second opinion is important. Ensure that your sales process is well considered, this will be at the heart of any potential non-compliance. Off the top of my head, here are eight essential elements that should be in situ to ensure work remains compliant:

- Full and detailed KYC supporting why something is suitable.
- Client segmentation with risk/ solution mapping.
- PROD work completed.
- Clear supporting evidence to show Independence.
- Personalised and detailed discounting of alternatives.
- Sufficient 'differentiators' between solutions.
- Robust switching and analysis process.
- Removal of conflicts (particularly around 'favourite' solutions).

This is not an exhaustive list but if any of these things apply then it is essential to make changes.

WHAT ADVICE WOULD YOU GIVE TO MAKE A PARAPLANNER'S LIFE EASIER?

My main advice would be to somehow obtain the supernatural ability to 'read the mind of the adviser' (I believe Elon Musk is working on this one). For the moment, however, whilst we can't read minds we should look to improve communication between the adviser and the paraplanner. I suggest that joint training for advisers and paraplanners leading to greater KYC and a fuller picture of client circumstances is worthwhile. When I originally built www.atebsuitability.co.uk I had in mind the phrase "reasons why". However, so many suitability outputs today settle for a 'lazy reasons what' which are often bland, generic, and repetitive.

Poor KYC can leave the paraplanner with a dilemma that often results in … "if in doubt take it out" and this leads to a poorer weaker output. So I would recommend a more joined up process where the adviser captures specific reasons for each step of the client journey that can then be 'inserted' into the process output and create a 'glue' that links the feature to the client circumstances and thus creating a benefit.

A compliance utopia can be brought about by greater personalisation, this will offer the firm and all alike greater protection and ability to sleep at night. For me, it is about doing things right and feeling good about the job and this means getting the basics in place.

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. Pauline is the holder of a financial option; what choices are available to her? Tick all that apply

- A Sell the option
- B Exercise the option
- C Buy the option
- D Let the option expire worthless

2. Under the identification rules used for calculating CGT on shares of the same type and class acquired at different times, how are shares grouped? Tick all that apply.

- A Acquisitions within the following 90 days
- B Acquisitions on the same day
- C Acquisitions arising from a rights issue
- D Acquisitions in the share pool

3. Mary is receiving an income under an earmarking order. How will this be taxed?

- A On the member at the basic rate of income tax
- B On the member at their highest marginal rate of income tax
- C On Mary at the basic rate of income tax
- D On Mary at her highest marginal rate of income tax

4. Jack, who is married to Vera, has an endowment policy approaching maturity. The life office's form of discharge can be signed by:

- A Jack or his solicitor
- B Jack or Vera
- C Jack or anyone appointed by him
- D Jack only

5. Within trust law, trustees must consider the standard investment criteria – what does this comprise of?

- A The need for diversification and suitability
- B Due diligence and productivity
- C The power to appoint investment managers
- D Duty to invest the trust fund and keep accurate accounts

6. Why would file reviews be a useful Management Information (MI) tool in evaluating a firm's ethics?

- A To understand what a firm's client bank typically consists of which allows for a more effective marketing strategy
- B To assess the overall standard of paperwork produced before, during and after advice to identify any trends that are of concern
- C Files are tangible objects and so analysing data is more straightforward
- D Files can be analysed as part of the new business submission process so not adding additional pressure to the firm's administration staff

7. Why is the market price for "A" ordinary shares usually lower than ordinary shares?

- A They rank behind ordinary shareholders in the event of liquidation
- B They don't qualify for dividends until the dividends on ordinary shares have reached a pre-determined level
- C Shareholders of "A" ordinary shares are entitled to a smaller proportion of profits than ordinary shareholders
- D The shareholders of "A" ordinary shares receive the same dividend although they have either restricted or no voting rights

8. What is the essential difference between a Lifetime Mortgage and a Home Reversion Plan?

- A A Lifetime Mortgage lasts for the mortgagee's lifetime but a Home Reversion Plan is for a set time period
- B A Lifetime Mortgage can typically only be taken out by over 55s whereas a Home Reversion Plan can be taken out at any age
- C A Lifetime mortgage is a loan secured against a property; a Home Reversion Plan is not a loan but involves the sale of the property;
- D Lifetime mortgages tend to have a much lower interest rate than Home Reversion Plans

9. Anna, aged 70, owns her own property and wishes to retain full ownership. She would like to raise £15,000 for home improvements shortly and a further £10,000 next year to pay for a holiday with her family. Which equity release scheme would be most appropriate?

- A Home Income Plan
- B Home Reversion Plan
- C Drawdown mortgage
- D Interest only mortgage

10. James, a first-time buyer, is entering into a mortgage contract with a lender. At what point should he receive a Key Facts Illustration (KFI)?

- A Before he submits an application form
- B Once he has submitted an application form
- C Before his application form has been accepted
- D Once his application form has been accepted

Your answers

1. ☐☐☐ 2. ☐☐ 3. ☐ 4. ☐

5. ☐ 6. ☐ 7. ☐ 8. ☐ 9. ☐ 10. ☐

Last issue's answers

Q	Answers	Reference material
1	B	CII R01 Study Text Chapter 5:2
2	A	CII R02 Study Text Chapter 8
3	A	CII R04 Study Text Chapter 1
4	B	CII R05 Study Text Chapter 10.2
5	A	CII R03 Study Text Chapter 10
6	A	CII J10 Study Text Chapter 1
7	B	CII J12 Study Text Chapter 6
8	A	CII CF8 Study Text Chapter 4
9	C	CII ER1 Study Text Chapter 7
10	D	CII R07 Study Text Chapter 3

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

In association with

Fidelity INTERNATIONAL

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

The Investment Committee series of webinars are now in full flow, with a number lined up for the autumn. To date we have seen presentations from Close Brothers, Fidelity and the BMO Multi-Manager team, with presentations on the macro environment and portfolio positioning, the structural trends emerging from Covid-19 and potential long-term trends, the importance of ESG integration, and the prospects for the bond market. Keep your eyes on our website and the daily email alert for announcements of future webinars.

CHILD'S PLAY?

Fund managers often dabbled with stocks when young, buying companies with products they knew – but most admit they got their fingers burned, warns Premier-Miton's Simon Evan-Cook

A silver lining of lockdown is spending more time with my kids, but with that comes renewed attempts to explain my job to them. Having entered their second decades, my boys are getting it. This is great, except they're now giving me stock tips. 'Doritos' was their latest. "Yes" I say, "Doritos are delicious. But you have to remember they're not a company; they're part of a larger business – PepsiCo."

"Why don't you buy that then?"

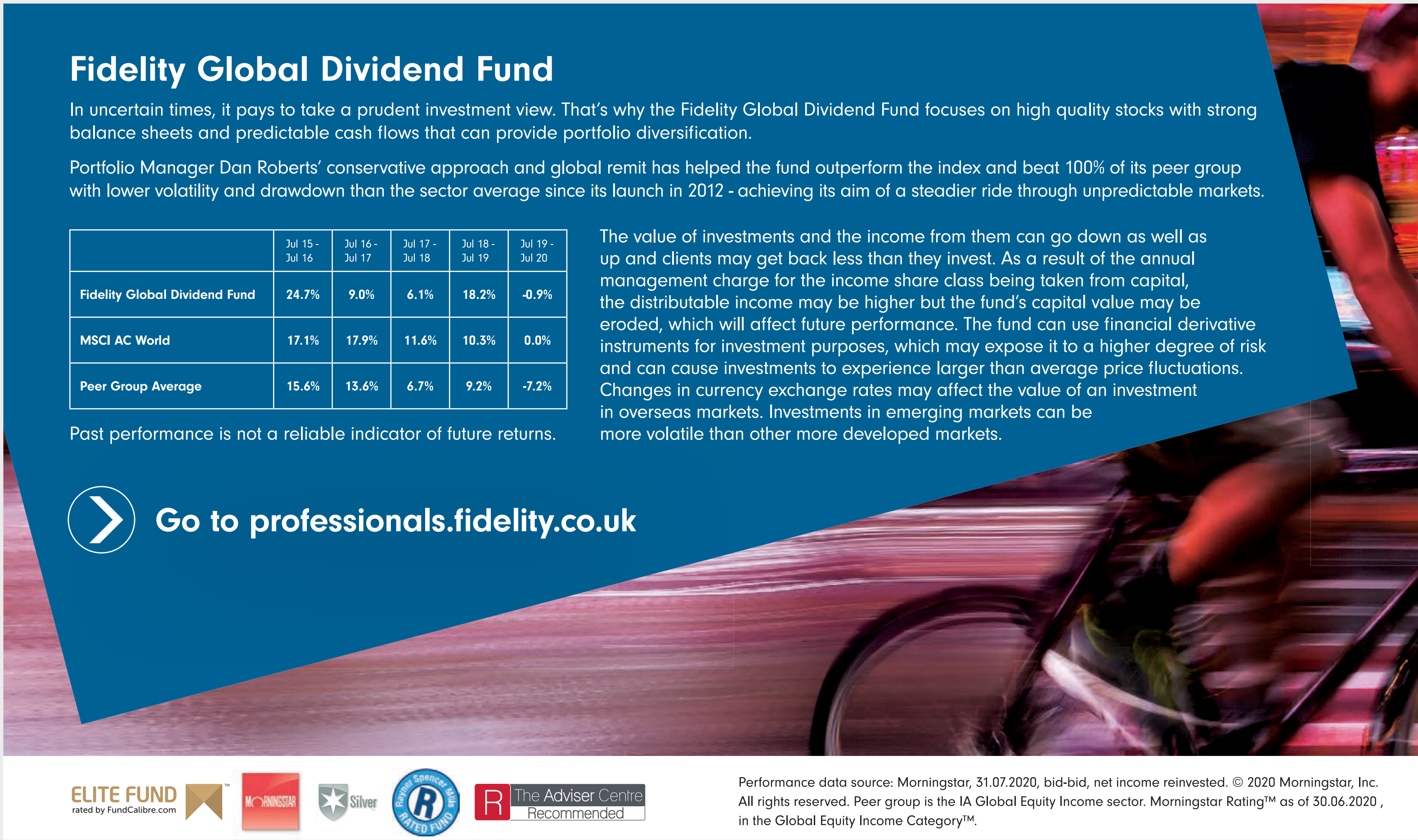
"You can't just buy PepsiCo because you like Doritos. You need to consider other stuff, like: What else do they do? Are their markets growing? Is the management any good? Have they borrowed too much? What are their competitors doing? And even then, the share price might be too high."

Lecture delivered, I had an alarming thought: If my kids had been investing, they would have trounced me this year. For one, they've only actually heard of ten companies, so they'd have been super concentrated. Obviously that can go either way, making stock selection critical. Here I think they would have crushed it. Microsoft would be first on the list, courtesy of owning Xbox. iPads are also popular with the Evan-Cook brothers, so add in Apple. They love Amazon – one click and Nerf guns arrive. I suspect Google would sneak onto that list too. Of the world's five biggest companies, then, only Facebook misses out. Because, and here we agree, "it's boring".

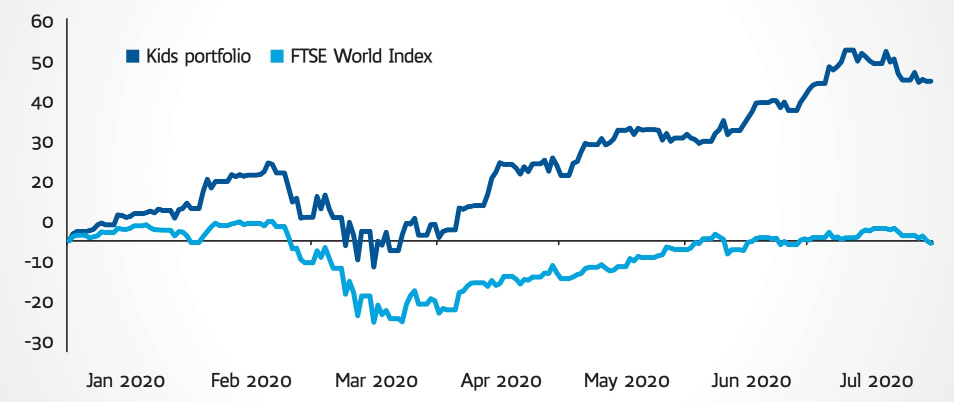
Elsewhere they'd have overweights in Nintendo, Dorito-powered PepsiCo and Tesla, which makes cars with a 'Fart Mode' (quipping that my VW outdoes a Tesla for unpleasant emissions left them stony-faced). Round that off with Activision Blizzard who make Xbox games; Netflix, for the rare moments they aren't gaming; and lastly Disney, which owns Marvel and Star Wars.

In short, they'd have backed a highly concentrated portfolio of lockdown winners (See chart). It's only let down by their disinterest in biotechnology, and Disney (their only negative pick in 2020, hurt by its theme parks and delayed movie releases).

So what are the lessons? Should we not just embrace our inner child, but invest like them too? No. This would be a mistake. While



KIDS PORTFOLIO VS FTSE WORLD INDEX SOURCE: MORNINGSTAR (01/01/20-31/7/20)



there's something to be said for investing in simple ideas, there's a danger of making it too simple. When I ask fund managers how they got into investing, their first teenage dabbles were invariably with stocks whose products they loved. They almost all ended badly. Usually because they didn't bother with the details I bored my kids with: Great product, but it had peaked; or the company had too much debt; or – the most common - they were right about the company but were late to the party and so paid too much.

The great investors learn from those mistakes and start paying attention to 'boring' details. Unfortunately, every now and again there are phases in which these don't matter; when winning stocks need only two things: To be exciting, and to have just gone up a lot. So spending weeks analysing a mid-cap industrial stock, ensuring that it's financially sound, still growing nicely and, therefore, far too cheap (and so could easily make 15% a year) becomes wasted effort. We're in one of those now: Five years ago the market might have rewarded that diligence, but today its response is "Whatever – Tesla's up 245% this year, so why should I bother?".

Similarly, avoiding highly expensive shares, built on exciting-but-as-yet-undelivered growth, is usually a safe way to invest. It wasn't in 1999 though, and it hasn't been in 2020: The unexpected lockdown, which suited tech business models, put them among the few assets whose prices have risen. So avoiding such stocks on valuation concerns, as many fundamentals-based fund managers did, made them look careless, not careful.

These are the conditions that ruled during the 90s tech bubble and, to a lesser extent, in the crypto mania of 2017. They eventually collapsed under their own weight. The losses were costly, but the experience was invaluable. Today's best managers learned these lessons as kids: and they won't make the same mistake twice.

INCOME INVESTING

Income cuts could be a good thing…. eventually, argues Darius McDermott, managing director, FundCalibre

To say income investors are feeling the pain at the moment would be to put it mildly – but there's an argument that this could be the timely reset that a number of UK companies paying dividends have needed. In truth, the model for dividends has been looking challenging for some time. The demand for income has been insatiable and the hunt has stretched across both regions and asset classes.

That hunt kick-started in the aftermath of the credit crunch, when we saw UK interest rates fall from 5% to 0.5% between 2008-2009. They're now at 0.1% thanks to Covid-19 and I think it's fair to say the days of 5% on cash accounts are unlikely to be seen any time soon.

Many investors would typically accept a 4% income return as a figure that is sustainable for their long-term goals – a figure many UK equity income funds would see as the bare minimum to make them attractive. That may now change as UK equity markets face a plethora of dividend cuts and rights issues in the wake of the pandemic and associated economic shutdown. Figures show dividend payouts plunged 57% in the second quarter of 2020, as the pandemic took a heavy toll on company balance sheets. Link Asset Services says that 176 companies cancelled payouts and 30 more cut them – together representing three quarters of payers in the second quarter of 2020[1].

Could it be that Covid-19 is the catalyst that has brought the unrelenting search for income by a number of UK companies – often at the expense of growth – to a timely conclusion?

Fund manager views

Rathbone Income fund manager Carl Stick says the rebasing of dividends across the UK stock market is an opportunity for companies to reallocate capital more sensibly – citing the fact that some businesses have been over-distributing in recent years with yields of 7-10%. It's a view echoed by Threadneedle UK Equity Income manager Richard Colwell, who believes the cuts were long overdue as some companies “played to their audience and paid dividends when perhaps they shouldn't have done”[2].

> *In truth, the model for dividends has been looking challenging for some time. The demand for income has been insatiable and the hunt has stretched across both regions and asset classes*

It was a note from Baillie Gifford investment manager James Dow, again echoing this sentiment, that really tipped the balance for me. James also says the pandemic could result in the decline in ‘bad dividend investing': companies which are paying too much, not investing enough in their own business and possibly borrowing to pay dividends[3].

These companies, he believes, are structurally in decline or low growth, and have been paying dividends in a desperate attempt to entice shareholders. He cites high street retail as a strong example – instead of meeting the challenge of ecommerce by investing in it, they look to pay out a greater dividend to existing shareholders.

The big question that remains is what investors should do? For me, it's very dependent on their time horizon and whether they can afford to be patient in what is likely to be a turbulent 12-18 months. GAM UK Equity Income manager Adrian Gosden believes that companies with the right business models will be back to 2019 earnings levels in 2021/2022, adding that while dividends have taken a hit, they should return within 12-24 months, albeit perhaps less generous in some cases[4].

If investors can hold their nerve, there may also be opportunities for strong growth. LF Gresham House UK Multi Cap Income or Marlborough Multi Cap Income are both funds that invest in dividend paying companies further down the market cap scale, offering the chance of capital growth and a growing income stream.

Retirement income needs

For those investors who are at or approaching retirement, the income need is naturally more pressing. Options include going down the investment trust route – as they fall back on their revenue reserves when company dividends falter. A trust which has already committed to doing this is the City of London Investment

trust, managed by Job Curtis, which has increased its dividend payment for the past 53 years and currently has an attractive yield of 5.59%[5].

A global offering, such as the Murray International Investment Trust, or a multi-asset fund like the Premier Multi-Asset Monthly Income fund, are also options which currently offer yields well in excess of 5%.

Another consideration would be to use a specialist asset class like infrastructure to maintain your income, as a sector with exposure to essential services with strong pricing power, structural growth, high barriers to entry and steady cashflows. The VT Gravis UK Infrastructure Income fund is one such option. It invests mainly in investment trusts exposed to different types of UK infrastructure; from railways and roads to GP surgeries and solar power. It has an income target of 5% per annum, which is distributed quarterly, and offers exposure to a less volatile and higher-yielding area of the UK economy.

[1] Source: Link Asset Services Dividend Monitor, Q2 2020

[2] Source: FundCalibre – Why dividend cuts may be a good thing

[3] Source: Baillie Gifford Insights July 2020 – Searching for Tomorrow's Income Aristocrats

[4] Source: GAM Investments: Dividends are down but not out – 1 June 2020

[5] Source: Fund factsheet, 30 June 2020

Past performance is not a reliable guide to future returns. You may not get back the amount originally invested, and tax rules can change over time. Darius's views are his own and do not constitute financial advice.

A SHAKEOUT FOR PROPERTY

Are offices as we knew them and therefore commercial property investment about to change significantly? David Coombs, fund manager, Rathbone Multi-Asset Portfolio Funds sees opportunities in the upheaval

People caught up in the COVID uncertainty blame the government. Yet the backdrop was always going to be precarious for any sort of planning. Anyone travelling abroad must be aware of the reality and have taken it into account. So why the surprise at the breakdown of air bridges? Perhaps they were subconsciously persuaded by a 'Pandemic Put' sold by governments.

The 'Greenspan Put' is an assumption that the US Federal Reserve effectively creates a floor for equity valuations by pumping up the stock market if it falls on hard times. If this assumption holds true it has a similar effect to owning a put option, which gives you the option to sell an asset at a set price to set a floor for your losses.

The Pandemic Put allows you to take whatever risk you take and then the government throws money at the problem to get you out of trouble. That is until they stop. Government backstops have a curious impact on people's approach to risk. People ignore the risks and fill their boots, assuming they'll be bailed out if things go wrong. We've had more government backstops in six months than in the past decade. That has distorted risk judgments, perhaps in life choices, certainly in investments. It's worrying, but I thought I'd channel my inner Boris and identify some positive economic benefits of more home working.

The office

For years, London has been the dominant force behind UK GDP. Left-behind regional towns and rural areas became reliant on fiscal transfers from their wealthy neighbours. In many cases, wealthier people in these towns and villages travelled to London each day to pour their money into that pot. Now, working from home, they might spend locally, giving these towns a shot in the arm.

What is clear is that the office is not dead. I suspect people miss the social aspect of offices and a life outside home. Offices are helpful for businesses too: teams get siloed very easily when staff aren't surrounded by the buzz of the business. Meanwhile, career-building and business innovation do seem to require physical gatherings.

I don't hear much about working from "close to home", losing the long commute, but still spending time in an office with colleagues who live near you. These smaller clusters could use technology that helps us work from home to connect with other clusters. It may help businesses recruit smart people who never wanted to commute vast distances and so were never spotted in the past.

> *I am not calling the bottom on commercial property, but I think there will be some interesting assets to pick up over the next 12 months*

Bright spots in commercial property

The commercial property sector (excluding logistics) has been unattractive for some time, in my opinion, due to ecommerce, Brexit and now COVID. Our Multi-Asset Portfolio Funds have had little or no exposure to this area for several years. However, there may soon be opportunities in the upheaval this sector may experience.

The outlook could be bright in some areas once valuers get real and forget their models. Grade A regional offices may enjoy a renaissance on a multi-let basis as white collar workers move to flexible contracts with offices closer to home. Lower-grade regional offices and large retail spaces could be converted to homes, helping bring life back to town centres – a boon for smaller retail units offering specialist shopping and hospitality. This would need affordable rents and rates, so values need to fall to reflect this. I don't think they have fallen far enough yet.

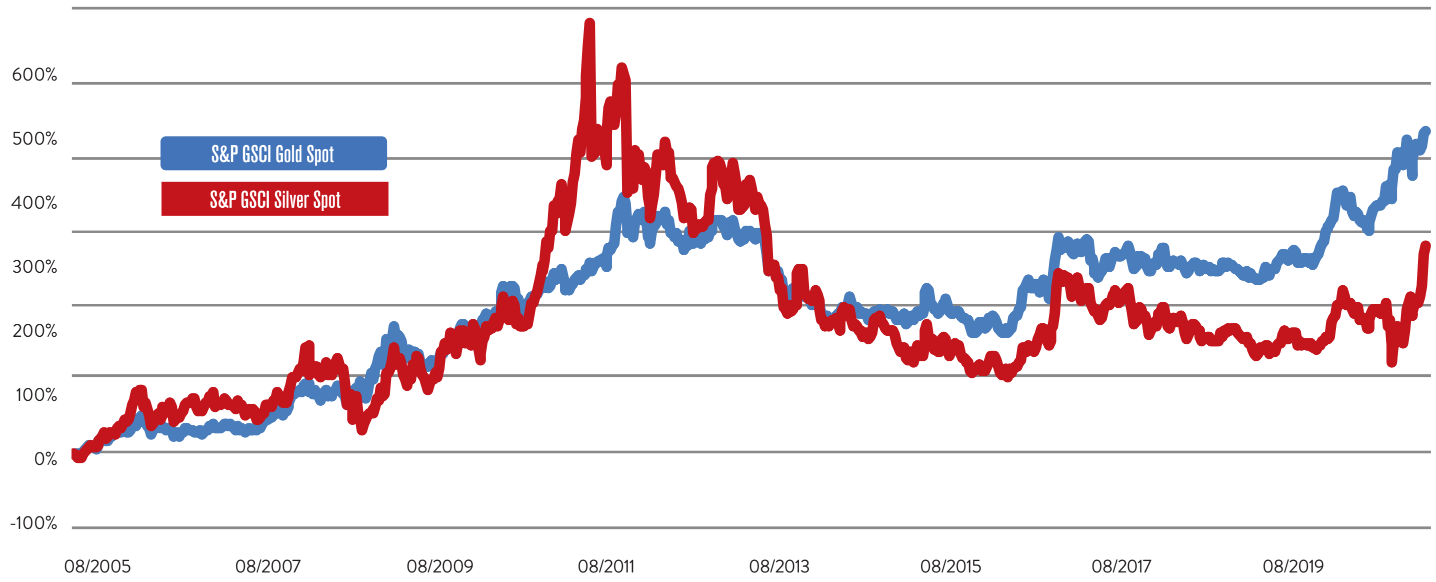
Another area worth considering, for the brave, is industrial units. In a post-Brexit world, local supply chains could become extremely valuable. Might we see the return of manufacturing to the UK? I think we might, as the UK consumer market is still one of the biggest in the world.

I am not calling the bottom on commercial property, but I think there will be some interesting assets to pick up over the next 12 months. These may well be for our higher-risk funds as a growth driver rather than as diversifiers. But I think the days of property as a diversifier may be over for good. Both in 2008/09 and 2020, property has fallen in virtual lockstep with equity markets.

If I do buy commercial property, I'll take the blame if it doesn't work out, but I won't be blaming the government, which is why I want to see lower prices before I commit. However, if the Bank of England did want to buy property REITS after a crash, it would be rude to refuse to sell ... wouldn't it?

SECTOR CONSIDERATIONS:
GOLD & SILVER

Value and growth strategies



FE fundinfo

Gold and Silver Correlation

	IA Global	IA UK All Companies	IA UK Gilts	S&P GSCI Gold Spot	S&P GSCI Silver Spot
IA Global		0.88	-0.13	0.07	0.29
IA UK All Companies	0.88		-0.18	-0.08	0.2
IA UK Gilts	-0.13	-0.18		0.47	0.19
S&P GSCI Gold Spot	0.07	-0.08	0.47		0.74
S&P GSCI Silver Spot	0.29	0.2	0.19	0.74	

Fund Calibre comment:

Gold topped $2,000 an ounce for the first time in early August, as traders looked for a safe haven to tackle the global implications of the Covid-19 pandemic.

We've always held a position in the yellow metal within some of our fund range since launching in 2017, but unlike many of our peers we've tended to weight towards silver/silver miners as a high beta play – a move which we've started to benefit from recently. Silver is a volatile commodity with a relatively small market compared to gold – this means relatively large flows in and out of silver can have a significant impact on the price of the commodity.

This cycle historically repeats, and the price of silver can rise sharply over a relatively short period before crashing back down. The first chart above shows this to be the case in 2011.

The point is that while gold is the place to be going into a crisis – silver has shown its best performance coming out of one.

People think of gold as a defensive asset, and that is and isn't true – the fact is that gold is largely uncorrelated to the rest of the market. As the second chart shows, silver does have a greater correlation to equities – meaning it is unlikely to do well in a market crash.

We've started to take some profits on silver given the strong rise we've seen in the past few weeks – but we would not be surprised if the world of record low rates sees this rally last a little longer.

RISING TO THE CHALLENGE

Could the Coronavirus crisis actually turn out to be good for financial planning firms? Anecdotal evidence is pointing that way, says Caroline Stuart, director of Sparrow Paraplanning and PFS Board member

It's been a funny old year, hasn't it? Six months ago, most of us would never have even heard of furlough, viral load, PPE or social distancing before, yet here they are in our everyday conversations like they've always been there.

Lockdown, when it did arrive, came as a massive shock. I think, like many people, I just thought, well that won't ever happen here, but of course it did, and we all found ourselves having to learn and cope with not just a whole new way of working but a whole new way of living.

Sometimes it feels like things are getting back to some sort of normality, I know some people, myself included, have returned to the office. I personally wasn't a massive fan of working from home, but that's only because I'm living in a bit of a building site at the moment which believe me is not compatible with trying to be an effective paraplanner.

I'm under no illusion that I've had a fairly easy time of it though. Some people have really struggled, whether it's with the working from home, being isolated or sadly losing someone close to them.

Understandably, at the start of lockdown, it felt like the whole country went into shock. Everyone was told to stay at home, and everything just seemed to stop. We've all seen the footage of nature taking back over – deserted towns where herds of goats invaded and were now ruling the streets. It felt like we were in some sort of dystopian movie where you'd be forgiven for half expecting Brad Pitt or Will Smith to turn up with a miracle cure.

For many, I think it gave them time to reflect and assess what's important to them and then decide to do something about it. Once people began to emerge from the 'shock' phase, with their newly established order of what actually is important in life, they started seeking the people who could help – financial planners.

Following the initial and inevitable lockdown paralysis, people I spoke to just a few months ago who were really worried about their business and for whom work had literally 'fallen off a cliff' are now telling me they've never been busier.

As paraplanners, our role is to work with the financial planner to help clients understand what they want in life, and then plot out a way for them to achieve it. Never has this been a more appropriate time to do so. We are going to be in an unusual state of flux for the foreseeable future, and it's likely to also be a challenging time for many from a financial and economical point of view, but don't forget, this is what we do.

Clients are coming to us because they are unsure of their financial future, they want peace of mind and just to feel that everything is going to be ok. With still so much uncertainty out there, we probably won't be able to give them all the answers but we will be able to at least start them on their journey by giving them high quality financial planning and advice.

We are able to do this because many businesses have moved heaven and earth to complete infrastructure and logistical changes of gargantuan proportions to the way they work to ensure clients still receive great service, whilst ensuring the safety of their teams.

Because of this, all the paraplanners I have spoken to over the last few months are still able to do a fantastic job for their clients, helping to give them that peace of mind they are craving. Whilst it has been a scary, challenging and worrying time for all, just remember, you are doing an amazing job, and should be very proud!

> ***Our role is to work with the financial planner to help clients understand what they want in life, and then plot out a way for them to achieve it. Never has this been a more appropriate time to do so***

CONTINUING PROFESSIONAL DEVELOPMENT VERIFICATION TEST

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

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

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

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

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

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

Professional Paraplanner CPD questions for Structured CPD verification

Viewpoint (p6)
Name one of the studying/development techniques used to achieve exam success.

Pensions tax (p10)
Name one scenario when it can make sense to pass a pension plan to someone other than a spouse.

Pensions tax (p10)
Name the type of trust which can be used to pass on a pension but allow a surviving spouse to draw an income from it.

☐ Bare trust
☐ Bypass trust
☐ Discretionary trust

Pensions (p15)
The maximum borrowing a SSAS can undertake is a value no greater than what % of net scheme assets?

☐ 45%
☐ 50%
☐ 75%
☐ 100%

TDQ: Development (p16)
Sole trader businesses can be passed down to the next generation, normally without an IHT liability if the business is a qualifying trade.

☐ True
☐ False

TDQ: Development (p16)
Limited company shares generally qualify for IHT relief where the company is trading.

☐ True
☐ False

5 minutes with (p18)
What is cited as the most essential element of a good compliance process?

5 minutes with (p18)
Why might a financial advice firm require a FCA Section 166 review?

Income investing (p24)
Dividend payouts fell by what percentage in Q2 2020?

☐ 29%
☐ 35%
☐ 57%
☐ 63%

Income investing (p24)
Why might investment trusts be an option for income seekers.

☐ They can hold revenue reserves
☐ They offer gearing
☐ They increase dividend payments yearly

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 July 2020, provided by FE Fundinfo

BEST RATED FUNDS

IA	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Baillie Gifford Global Discovery	94.81	✓	5
Brown Advisory US Equity Growth	94.67	✓	5
Morgan Stanley Global Opportunity	75.55	✓	5
T. Rowe Price US Blue Chip Equity	72.31	✓	5
T. Rowe Price Global Focused Growth Equity	67.06	✓	5

AIC	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Baillie Gifford Edinburgh Worldwide	108.66	✓	5
Martin Currie Global Portfolio Trust	44.45	✓	5
Schroder Asian Total Return Investment Company	23.49	✓	5
Standard Life UK Smaller Companies Trust	22.2	✓	5
Frostrow Capital LLP Finsbury Growth & Income	19.2	✓	5

BEST PERFORMING FUNDS IN TERMS OF RISK VS RETURN

IA	3 year Cumulative Performance	FE Fundinfo Risk Score
Baillie Gifford American	153.07	129
Morgan Stanley US Growth	142.06	131
LF Ruffer Gold	138.21	140
Baillie Gifford Long Term Global Growth Investment	124.15	106
Baillie Gifford Positive Change	123.13	91

AIC	3 year Cumulative Performance	FE Fundinfo Risk Score
Starvest	360.87	343
Downing Four VCT	183.96	219
Allianz Technology Trust	127.98	132
Baillie Gifford Scottish Mortgage	118.29	114
Gresham House	114.48	129

RISKIEST SECTORS

IA	3 year Cumulative Performance	FE Fundinfo Risk Score
North American Smaller Companies	27.15	105
UK Smaller Companies	0.3	103
Japanese Smaller Companies	7.07	99
UK All Companies	-8.31	97
UK Equity Income	-13.65	94

AIC	3 year Cumulative Performance	FE Fundinfo Risk Score
Country Specialist: Latin America	6.9	165
North American Smaller Companies	8.12	152
VCT Specialist: Health & Biotech	51.83	147
European Emerging Markets	4.02	141
Country Specialist: Europe ex UK	57.48	138

OUTFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	Out (£m)
M&G Japan	43,626.32	245.69	-1,669.86	-41,710.77
Liontrust Japan Equity	40,682.72	28,300.03	917.84	-13,300.53
M&G Japan Smaller Companies	11,678.57	68.09	-103.82	-11,506.66
ASI Global Absolute Return Strategies	8,055.10	3,803.50	117.72	-4,369.32
Invesco Global Targeted Returns (UK)	11,202.92	7,519.24	14.40	-3,698.09

INFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	In (£m)
Vanguard FTSE U.K. All Share Index	9,060.68	10,409.20	-1,367.11	2,715.63
Vanguard LifeStrategy 60% Equity	6,098.38	8,479.92	239.77	2,141.77
State Street UK Equity Tracker	6,538.56	7,684.28	-904.20	2,049.92
iShares UK Equity Index (UK)	9,987.30	10,423.23	-1,311.08	1,747.01
Vanguard LifeStrategy 40% Equity	4,028.06	5,722.47	215.39	1,479.02

Data provided by FE Fundinfo

BEST PERFORMING SECTORS

3 year Cumulative Performance

IA	
Technology & Telecommunications	73.04
China/Greater China	34.59
North America	33.52
North America Smaller Companies	27.15
UK Index Linked Gilts	25.15

AIC	
Infrastructure Securities	76.3
Technology & Media	74.92
Country Specialist: Europe ex UK	57.48
VCT Specialist: Health & Biotech	51.83
Biotechnology & Healthcare	33.14

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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.

MOST RESEARCHED

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

MOST VIEWED FACTSHEETS

IA		AIC	
1	Fundsmith Equity	1	Baillie Gifford Scottish Mortgage
2	Vanguard LifeStrategy 60% Equity	2	Fundsmith Smithson
3	Royal London Sustainable Diversified Trust	3	Polar Capital Technology Trust PLC
4	Baillie Gifford Managed	4	Frostrow Capital Finsbury Growth & Income
5	Royal London Sustainable World Trust	5	Baillie Gifford Edinburgh

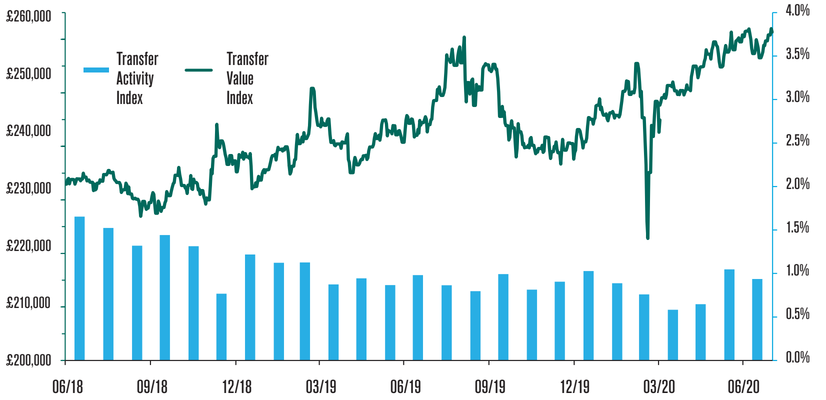
MOST CHARTED

IA		AIC	
1	Vanguard LifeStrategy 60% Equity	1	Baillie Gifford Scottish Mortgage
2	Fundsmith Equity	2	Polar Capital Technology Trust
3	Vanguard LifeStrategy 40% Equity	3	Baillie Gifford Monks Investment Trust
4	Vanguard LifeStrategy 80% Equity	4	BMO F&C Investment Trust
5	SJP International Equity	5	Baillie Gifford Shin Nippon

PENSION TRANSFER VALUE INDEX

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

DB transfer values increased again during July, whilst the number of members taking a transfer continued at pre-lockdown levels, according to XPS Transfer Watch. XPS Pensions Group's Transfer Value Index rose from £259,700 at the end of June to reach a new record high of £261,500 on 30 July, before falling to £260,700 on 31 July. The increase was due to a fall in gilt yields. XPS Pensions Group's Transfer Activity Index fell slightly in July to an annual equivalent of 0.94% of eligible members, down from 1.05% in June.



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