Professional Paraplanner

The magazine for paraplanners and financial technicians

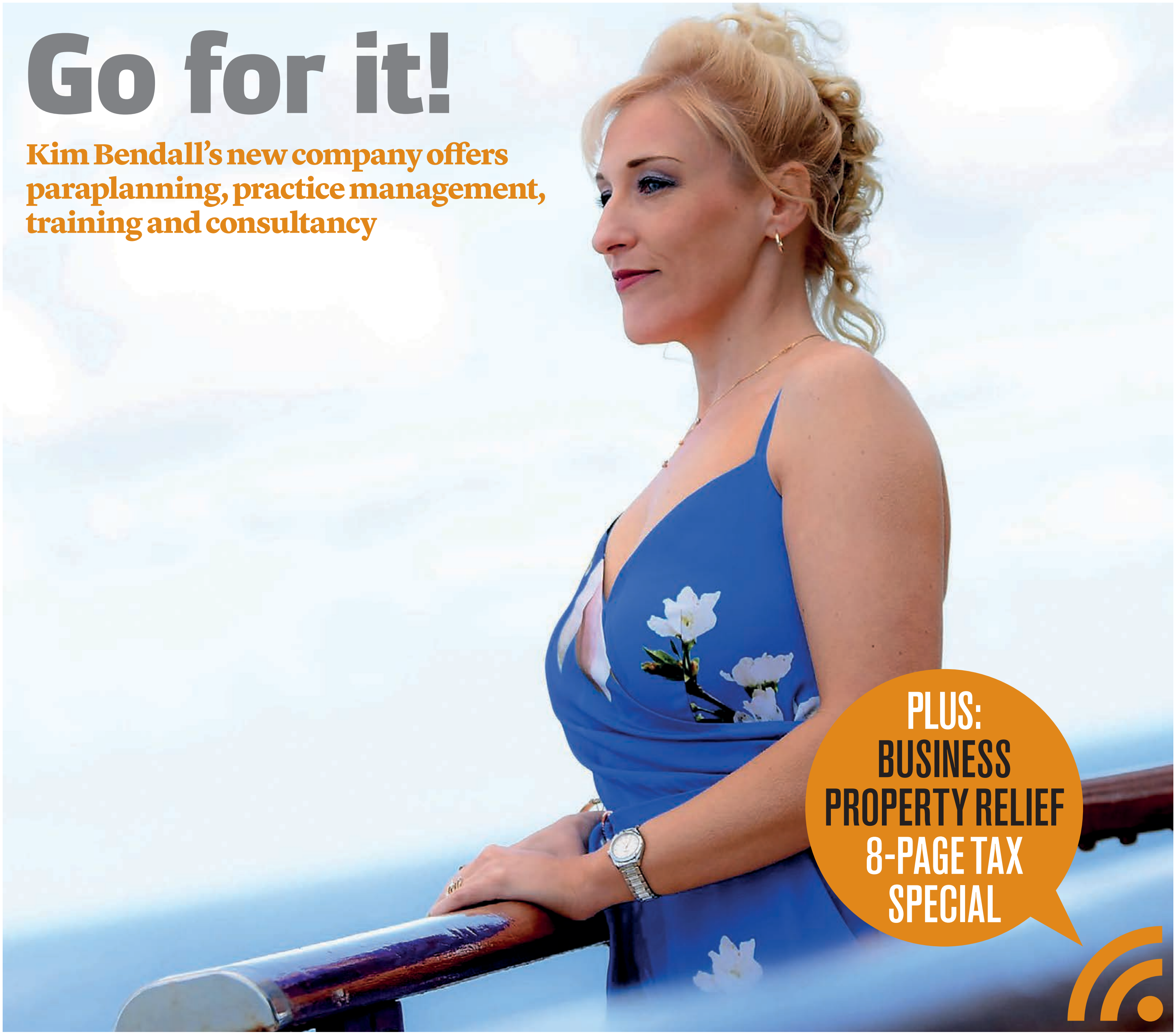
November 2020

Pensions
Scheme death benefits court rule update

Tax & Trusts
Tax quirks of discretionary trusts

Markets
The end of the road for cental bank intervention?

Profile update
Jade Connolly – PP's cover star from October 2015



Go for it!

Kim Bendall's new company offers paraplanning, practice management, training and consultancy

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THE GREAT REFLECTION

There are phrases that sum up a period in time – the Great Depression, the Dotcom bubble, the Financial Crisis. I was talking to Matt Lonsdale, relationship manager at Pershing, about the effects of Covid and he coined what I thought was a pertinent phrase for this period: 'The Great Reflection'.

While this applies to the way people are looking at their lives, longevity, health and careers, it's financial advice businesses and how they are being affected I refer to here. What Matt said he has noticed in industry in general in recent months is that a number of people in the latter phase of their career are looking at an early retirement. Within the financial advice/planning world, this has repercussions, because many of these will be the business-owners considering whether their business can stay viable in a changing world.

A benchmark to that viability, is firms' adoption of digital operations, Matt suggested. Bringing in new technology is not cheap and its adoption never easy, especially when it needs to be employed throughout a firm. It requires capital investment, and the size of the firm and the make-up of its client base (percentage of accumulators to decumulators) are likely to determine whether the level of required investment is considered worth it.

Some may decide to invest; some may decide their clients don't need a digital or digitally enhanced services; some may feel the investment will take more years to recoup than they have before retirement, so it's not worth it; some may throw their hands up and decide enough is enough and close up shop altogether.

Matt's theory is that financial advice firms can be plotted on a four point grid:

- **FAST ADOPTERS:** These reacted to the market when Lockdown came in by buying laptops and using Zoom in order to keep operating; but they have done little else.
- **TRUE ADOPTERS:** These have started implementing a range of digital services, which include providing clients with access to documents and valuations digitally, encouraging e-signatures, working video communication into the business structure, and using a secure channels such as portals to help achieve this.
- **THE TACTICAL:** The tactical firm is focussed on keeping things working so business can continue, dealing with the issues as they arise.
- **THE STRATEGIC:** Since March the strategic firm has developed a long-term plan based on how it sees the industry changing, where it wants its business to be and how digital services can help it get there.

Fast adopters and tactical firms now could be on the back foot, may have implemented redundancies, and are more likely to have owners with an eye on the exit. True adopters and strategic firms are in the market for the long haul and willing to invest in the business and their staff.

Just as is happening in other industries, we are likely to see firms close, management buy-outs, succession plans brought forward and consolidators invited in to discuss options. While this is talking in very general terms, it is going to be an ever changing space as the industry adapts to the continuing presence of Covid and its impact on the world around us.

Work/Life balance

Continuing with the theme of reflection, for this issue's paraplanner profile, I spent a very pleasant hour catching up with Kim Bendall who has launched her new outsourced paraplanning firm Go Paraplanning.

One of the things we talked about was work/life balance – something that has taken on a slightly different meaning with so many people now operating from home. Achieving it isn't always as easy as it would seem and is in fact, a moving feast.

I thought Kim summed it up rather nicely in her own view on this. She said: "People talk about achieving a work/life balance [running your own business] but I don't think that is clocking off at 5pm on a Friday and starting again at 9am on Monday. It's about enjoying what you're doing whether that's working or home life and making the most of when you are most creative. That might mean doing some work at the weekend but it could also mean taking a couple of hours out in the middle of a weekday to do something non-work related."

It's about achieving life in the round because, as they say, it is not a rehearsal.

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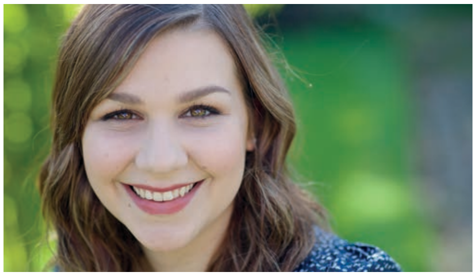
A BIG DECISION

Moving company brings with it a feeling of trepidation, not least during Covid, says Rebecca Tuck, paraplanner with Paradigm Norton Financial Planning



When I made the decision to leave Magenta Financial Planning it was a big one for me. I had been with the firm since it was formed in 2016, and I had been involved in pretty much everything, helping to set up the proposition and the processes – I knew it inside and out.

It was a fantastic role and gave me huge experience, but it was a broad one, and I came to realise that what I wanted to do was refocus on the part of the role I really enjoyed – paraplanning . Once I'd decided what I was looking for, the next challenge was to find it...

Being the sole paraplanner at Magenta during the early days, I learned the importance of a good network. So, when I decided to move, I spoke with a few people for advice. One of those was Dan [Atkinson], who had recently moved from a company he had been with for many years to join Paradigm Norton, so I thought might be well placed to help me get started on my search. By chance, Paradigm Norton had just signed off on a paraplanner vacancy, which seemed to be just what I was looking for!

The interview process was carried out remotely and was very thorough - they put me through my paces. I spoke to several people before the interview process began, and the formal process included a technical assessment, a couple of presentations and an interview. Paradigm Norton takes a team approach to recruitment, involving a range of people, but that way I got to meet a lot of the team and get a real feel for the business.

Happily, I got the job and started in August, working predominately with Tommy Watson as part of the London team. Living in Wales, I will mainly be working from home, but I will go into the London office two days a fortnight (local lockdowns permitting) and hope to visit Bristol every now and then too!

The main changes

To say I was nervous about my new role is a huge understatement. I was leaving everything I knew to work with new people, in a new way, with systems and processes I had absolutely no experience of. It's a vital part of growth, but it doesn't make it any less nerve-racking. The biggest change I found was getting used to new technology and systems. Working remotely, it would have been great to spend my first few days in the office, to meet people and properly "bed in". Obviously, that's not possible at the moment, but the induction was excellent - with a large part of my first two weeks spent on Microsoft Teams meeting as many people as possible, including Barry Horner the CEO.

Communication is key to working remotely – particularly during Covid. Company-wide we have regular weekly huddles, with personal and work updates from various team members, which help give a real family feel. The cakes sent to everyone for the recent team day were a much-appreciated touch, too!

Within my smaller London team, we have a catch up every morning to check workflows, and there is always a handover discussion between Tommy and me so that I know about the client in more detail before I start a piece of work, or meet with them for the first time.

And that is another big change for me; I now attend client meetings. The Paradigm Norton way of working is a group approach, so the clients know the team working for them and the paraplanner is a visible part of that team.

Meetings are virtual at the moment, but I'm now an advocate for that way of working. You can make things so much more personal and pitch the suitability report in just the right way when you've spoken to the client and heard from them directly, gaining an understanding that's almost impossible to replicate with a meeting note.

Now that I've been here a couple of months, I've just about found my feet, and I'm really enjoying the role. Although there was a lot for me to learn, there's been a good opportunity to provide some input too – there's a drive at PN to continually challenge how things are done and to make improvements where possible, and it's been nice that my thoughts and opinions have been welcomed in the same way as more long-standing team members.

> ***Communication is key to working remotely. Company-wide we have regular weekly huddles, with personal and work updates from various team members, which help give a real family feel***

GO FOR IT!

Kim Bendall's new company offers paraplanning, practice management, training and consultancy, she tells Rob Kingsbury

"There's no right or wrong time to start your own business, it's like investing in the markets, there is no optimal time to invest, you've just got to go for it," says Kim Bendall of her newly launched outsourced paraplanning firm.

And that is what everyone told Kim and her business and life partner Ralph Sanders about their idea to launch their own company: 'Go for it!'. Hence the name of the business: Go Paraplanning. The robin on the logo is a different story – more of that later.

She may only be a few weeks into the new business but Kim says she is thoroughly enjoying it. "It feels completely right. It was like a path I was always meant to tread and that I have been preparing for all my working life. It's the next logical step from co-running a business to be fully at the helm."

Having spent nine years as an outsourced paraplanner, including as co-director of an outsourced company, meant Kim knew exactly what was needed to establish her own firm and she could hit the ground running. She also had half a dozen established clients immediately join the firm. "That has helped immensely but there is still a lot of hard work involved in starting and running a business."

Kim is focused on the paraplanning side of the business while Ralph brings experience and knowledge of co-owning an IFA firm, where he specialised in practice management, corporate admin and compliance. They have a clearly defined view of what they want their business to be and the kind of clients they want to work with:

- To be principled and do the right thing.
- That Go Paraplanning is a happy and positive place to work.
- To work with clients that have similar values to us and that we like working with.
- To make our clients feel valued and that working with us is a significant asset to their business.
- To do everything that we can to help the end clients feel in control of their finances.

Kim says: "Our approach is very much one of a partnership with the financial planning firms we work with. We know our established clients very well and they know us."

That partnership approach is why, when first glancing at the Go Paraplanning website, it seems the firm is offering an expansive range of services, including paraplanning, practice management, administration, training and consultancy, aimed not just at financial planning businesses but also life and investment companies as well as software houses. Kim explains: “Outsourced paraplanning services can offer a lot more than just paraplanning and administration, including specific project work and helping firms improve practice management, processes and efficiencies and the outcomes for the end clients. I don’t think that the breadth of help we can give is always realised by financial advice firms and life and investment companies.

“Ralph and I have been doing these kinds of things for years, so what we wanted to do is articulate the full range of services we can provide so people can see the kind of overall package we can bring to the table as and when needed, and that what we offer is more of a partnership and business consultancy.

“We want to attract people who will value our experience, knowledge and skills, and who will treat us in the way they would want to be treated by their clients.”

One area Kim would like to build on is working with advisers in client meetings. “As an outsourced paraplanner you don’t naturally get to meet the end client. Sometimes you don’t even meet the adviser you’re working with. But I’ve found that when you do get to see the end client it can make a massive difference to the way that you write reports. It can also help to have a paraplanner there to field technical questions, provide support and/or minute the meeting as another pair of ears.

“So where an adviser has a big client meeting coming up or is dealing with a complex case and needs some technical support in the meeting, that is where I can see us being more involved. I see adviser firms increasingly realising that outsourced paraplanners can be an asset in this respect.”

Five-year plan

In terms of a five-year business plan, Kim says Go Paraplanning was started “not with the idea of growing an outsourced paraplanning empire” but rather “to be a deliberately small and beautiful firm that does things really, really well for a relatively select number of financial advice firms over a long period of time.”

She envisages the firm taking on a paraplanner a year over the first two years and likes the idea of taking on someone who can be “developed and nurtured” through training and exams, to fit with the Go Paraplanning way of working.

“At the moment I can’t see us growing much bigger than that – I think four or five people is about the right size given the personalised nature of that we want to deliver for clients. We also want to be enjoying what we are doing in five years’ time. You have to know what makes you happy and right now we are happy doing what we are doing – we’re not biting off more than we can chew.”

> ***“I think that post the crisis people will want a period of consolidation and stability, so change may not be as rapid as some people are predicting”***

Industry trends

Kim believes the industry will have changed when we come out of the Covid-19 crisis, “but it won’t be too different”.

“I think it will continue to be a more remotely operated industry, with many advice firms continuing to see clients via video calls. I think we’ll also see firms building complete propositions around a digital service that they can operate at lower cost alongside a bespoke and more expensive service that has face-to-face meetings like they have now.

“Hopefully, life and investments companies will quickly follow suit and adapt to the way the industry is going. But I think also that post the crisis people will want a period of consolidation and stability, so change may not be as rapid as some people are predicting.”

Demand for outsourced paraplanning and related services she sees continuing to grow, particularly as firms have seen that remote working works. “From firms’ point of view only paying for services when you need them makes sense.”

But she also sees a resurgence of firms recruiting in-house support staff. “As much as remote working has proved to work, there are advantages and a familiarity for people when working in close proximity in an office.”

From an outsourced perspective, one of the key positives to come out of the Coronavirus crisis to date, she says, has been that adviser firms have now all had to experience remote working with their in-house teams. “I no longer feel one step removed from their businesses because I now work in much the same way as their in-house teams. For me that’s pretty special; it means we can offer an outsourced service with much more of an in-house feel to it. The whole thing feels like it’s working better than ever before.”

That robin

The robin motif for the firm, Kim explains, comes from a regular visitor to the couple’s garden in the Kentish countryside. “We nicknamed him Bob the Robin which over time got shortened to Bobin. When I’m out in the garden turning over the earth, Bobin is there eating the worms I uncover and at the same time keeping the midges off me.

“So it’s a mutually beneficial relationship. And it got me thinking about the relationship between advisers and paraplanners; we are both working on our part of the financial planning process with our particular skills but we’re also working together and looking after one another for the benefit of the end client. So when we came to set up the firm we adopted Bobin as our mascot.”

In the same way, the firm’s website shows a personal side to Kim and Ralph, with photos from them in the grounds of Scotney Castle in Kent and on the deck of a cruise ship in the Bay of Biscay. “Both instances were very personal to us and very happy times. And that reflects the ethos of our business, which is about positive, happy relationships and doing what you love.”

The Go Paraplanning website can be found at: https://www.goparaplanning.co.uk/

PENSIONS DEATH BENEFITS

Stephen McPhillips, technical sales director, Dentons Pension Management, considers the rules surrounding pension scheme death benefits and provides an update following the recent Supreme Court Judgment

A longstanding feature of most registered pension schemes has been the provision of death benefits in the event of the member's death; indeed some schemes will have the term "retirement and death benefit scheme" in their titles to highlight the underlying nature of the arrangement. For some people, the death benefit element of a scheme will be of greater importance than the fact that it could provide them with retirement income; perhaps because they have sufficient wealth elsewhere and do not need to draw upon the pension scheme during their lifetime.

In any case, death benefit provision is a key part of registered pension schemes and the rules around these need to be carefully considered to ensure that the scheme goes some way to meeting members' hopes and expectations for their beneficiaries. The new 'pension freedoms' introduced in 2015 brought additional flexibility and introduced us to the concepts of 'nominees' and 'successors'.

What happens to the fund on death?

Normally, the Scheme Administrator/ scheme trustees decide, in their absolute discretion, who to pay benefits to and in what amounts. As a result of such discretion being used, the death benefit payments are not normally subject to Inheritance Tax (IHT). However, care needs to be taken where the member was in ill-health in the two years prior to death because IHT might apply in some circumstances. We will look at this in more detail later in the article.

Who can benefit?

There could be a broad range of potential beneficiaries (including financial dependants, charities, trusts and so on) who could receive monies from the scheme. Given the discretionary nature of the decision to be made by the Scheme Administrator/scheme trustees, it is vital that the member completes a Nomination/ Expression of Wishes form.

This should indicate which beneficiaries the member would like to be considered by the Scheme Administrator/trustees and it should be lodged with them. It should be reviewed regularly by the member and adviser to ensure that it meets their current requirements.

Death benefit provision is a key part of registered pension schemes and the rules around these need to be carefully considered

What benefits can be provided?

As might be expected of a registered pension scheme, lump sums, drawdown pensions and annuities could be provided. It's important to note, however, that whilst lump sums can be paid to a broad range of beneficiaries, drawdown pensions and annuities can only be paid to beneficiaries named on the Nomination/Expression of

Wishes form, unless there are no surviving dependants/nominees. In that case, the Scheme Administrator/scheme trustees can choose recipients to receive these.

What are the death benefit tax consequences?

These can become quite complex and brevity prevents a full analysis of them here. However, it is important to note that one of the key factors involved is the age of the member/nominee/successor at the date of death. Upon death of the member/nominee/successor before their 75th birthday, generally the benefits are paid tax-free to individuals, assuming that the Lifetime Allowance has not been exceeded, in which case a Lifetime Allowance tax charge would apply if the payment is made within two years.

It is equally important to note that the tax consequences can change as benefits are cascaded. For example, the original scheme member may have died before their 75th birthday, meaning that the benefits are paid tax-free. If then, a nominee/successor dies after his/her 75th birthday, then his/her beneficiaries would pay tax on their benefits at their marginal rate. Had the original member died after their 75th birthday, his/her beneficiaries would have paid tax on their benefits at their marginal rate of tax.

Different rules apply where the recipient is a trust, charity or the member's estate.

The Staveley case

As mentioned above in relation to IHT, a recent Supreme Court case has shed some light on the potential charge to IHT where the member was in ill-health in the two years prior to death and had transferred from one registered pension scheme to another whilst in ill-health.

Briefly, Mrs Staveley's transfer from a section 32 contract to personal pension (PP), followed by her omission to take benefits before her death were assessed by HMRC as giving rise to an IHT charge.

HMRC's position was that, had she remained in the section 32 contract, on her death there would have been a payment to her estate, but by transferring to PP and nominating her sons as beneficiaries, her estate was deprived of that payment. Mrs Staveley transferred to PP in order to avoid her former husband or his company benefitting from any surplus in the section 32 contract. On her death, the Scheme Administrator of the PP, in its discretion, paid the death benefits to Mrs Staveley's two sons.

HMRC argued that both the transfer from section 32 contract to PP and the omission to take benefits were linked and should be viewed together when considering the IHT position as "transfers of value".

The Judgment was handed down on 19 August 2020. The outcome, by majority, was that, whilst the transfer to PP did not give rise to an IHT charge, the omission to take benefits did. However, this omission to act is now an academic point because of a change in legislation in 2011 regarding omissions to act.

Potential implications for paraplanners / advisers might be:

- Defined benefit (DB) to defined contribution (DC) transfers in ill-health where death occurs within two years might still give rise to an IHT liability because of an intent to confer a "gratuitous benefit" i.e. one that did not exist before the transfer.
- Transfers in ill-health from DC to DC arrangements for genuine commercial reasons, and where there are no changes in beneficiaries, may not give rise to an IHT liability.
- Ultimately, care needs to be taken with any pension transfers/switches during ill-health.

TAX QUIRKS

The Brand Financial Training team looks at tax quirks that apply to discretionary trusts

There are a couple of oddities in respect of the taxation of discretionary trusts that paraplanners should consider when revising for exams. The taxation of trusts can be tested in various CII exams but mostly they will appear in AF1 Personal Tax and Trust Planning, R03 Personal Taxation and J02 Trusts.

The first quirk is the taxation implications of creating a discretionary trust; this will be a chargeable lifetime transfer and an immediate charge to inheritance tax will be triggered if the transfer exceeds the settlor's nil rate band (together with any other chargeable lifetime transfers in the previous seven years).

The rate of tax is half the death rate, in other words 20% – with nothing further to pay if the settlor lives for the next 7 years. This is the rate if the trustees pay the tax; where the donor (also called the settlor or transferor) pays the tax the transfer has to be grossed up.

An example

Murphy gifts £350,000 into a discretionary trust. He already regularly used his annual allowance of £3,000 but had made no other gifts. If the trustees pay the tax on the gift, their liability will be: £350,000 - £325,000 = £25,000 x 20% = £5,000.

If Murphy pays the tax as settlor, then the value has to be grossed up. The easiest way to work this through is by multiplying the net transfer by 1.25 (or divide by 0.8), i.e. £25,000 x 1.25 = £31,250 and multiplying this by 20% to give £6,250.

The reason we have to gross up is because IHT is based on the loss to the person's estate. If they make a transfer to the trustees AND they pay the tax then the loss to the estate is the two added together and tax is worked out on that figure. In the exam to save time and to easily remember, if the trustees pay the tax multiply the net transfer (in our example £25,000) by 20% and if it's the settlor paying the tax multiply by 25% and you'll get the right answer every time. In particular look out for this question in R03; as it's a multiple-choice exam often both answers will be an option and it's easy to go for the 20% answer and miss the fact that they've said the settlor is paying the tax.

Testing in AF1

The way it has been tested before in AF1 (and J02) is as follows (adapted from a past AF1 paper): In May 2020, James, having made no previous lifetime gifts, settled £650,000 into a discretionary trust, with his children as potential beneficiaries.

The question is, calculate the initial IHT liability on the transfer of the gift into the trust – assuming that James pays any tax due. The information has been given that the settlor is paying the tax on the transfer. The answer, as given in the exam guide, is: £650,000 - £6,000 - £325,000 = £319,000 x 25% = £79, 750. As you can see the exam guide just shows the net transfer being multiplied by 25% - however credit should also have been given for candidates showing the correct grossing up of the gift, i.e.: £319,000 grossed up by 20% (divide by 0.8) = £398,750 x 20% = £79,750.

Note: Remember, if the trustees pay the tax multiply the net transfer by 20% and if it's the settlor paying the tax multiply by 25%.

The taxation of trusts can be tested in various CII exams but mostly they will appear in AF1 Personal Tax and Trust Planning, R03 Personal Taxation and J02 Trusts

Income tax

The next quirk we are going to cover is an income tax issue. As you will know the rates applicable to discretionary trusts are as those for an additional rate taxpayer. Trustees do have a standard rate band of £1,000; this must be split between the number of trusts the settlor has set up (to a minimum of £200 per trust).

Dividend income up to £1,000 is taxed at 7.5%. Any dividend income received above £1,000 is taxed at 38.1%. Interest or rental income up to £1,000 is taxed at 20% with anything over £1,000 taxed at 45%. (Note that the standard rate band is firstly set against non-savings income, then savings income and lastly dividend income).

Example

A discretionary trust receives a dividend payment of £1,000. Assuming the standard rate band has been used by savings interest, the trustees will pay £1,000 @ 38.1% =£381. If the income was accumulated in the trust fund then the net amount accumulated would be £619.

If the net income is paid out to a beneficiary it gets slightly more complicated. The beneficiary would receive £550 with a tax credit of £450. This is because the income stops being 'dividend income' and becomes 'trust income' meaning that the trustees are actually liable for 45% on £1,000 i.e. £450. From this the trustees can deduct £381 already paid leaving them with extra tax to pay of £69.

Once the beneficiary receives the net income with tax credit it then depends on their own income tax position as to whether they can reclaim all, or some, or none of this. This tax credit (basically income tax that is treated as having been deducted) needs to have been covered by tax already paid by the trustees. After all, HMRC needs to make sure that any tax reclaim being made by a beneficiary is not more than the amount of tax originally paid by the trustees.

This is where the tax pool comes in; it is basically a record of the running total of income tax that has been paid by the trustees and if, at the end of the tax year, enough hasn't been paid to cover the 45% tax credit then they owe the difference to HMRC paid through self-assessment.

The tax pool therefore is a record of the total income tax paid which can be used to offset the tax credit when a payment is made to a beneficiary. The pool is then reduced by the appropriate amount. If there is a balance outstanding then this can be carried forward to the next tax year and used to offset against future payments.

The tax pool record is sent to HMRC when the trustees submit their tax return. Tax pools are more likely to be tested in AF1 and J02 rather than the R03 exam.

DIGITAL SUITABILITY

Richard Wake Intelliflo's chief customer officer, UK, looks at how technology can facilitate the suitability report writing process

For many paraplanners and advisers, creating suitability letters and reports for clients is thoroughly time consuming. But, as a core part of keeping the client updated, advisers can streamline the process whilst making it something that the client will value.

The first port of call is always the CRM (customer relationship management) system. Assuming most paraplanners have access to one, repurposing what you already have on a database is the best starting point.

You may have already completed some client information on the CRM, so taking some extra time and care at the outset and thinking about how to utilise this data across the business could reap rewards in the future. Review everything and anything, from client's personal details, to planning income and expenditure.

Most CRM systems will have varying degrees of functionality, but you should still find huge efficiencies regardless of the system you use and there are some things everyone should consider doing to make sure the technology is used to its maximum potential.

Tip 1

Set up base templates that can be used across the company. Not only does this save time, but it also generates consistency across the business. Use version control by assigning main users with access rights to ensure all staff are using the latest and greatest version of the document in question. Using this template, you can personalise and adapt in a way that's best for your client – but having the basics in order first is an important time-saver.

Tip 2

Better integration of the tools at your disposal is essential to sharing and repurposing work that has already been done. Most systems should have some degree of mail-merge facility – a system which allows data to be pulled from the CRM and repurposed for things like suitability letters and letters of authority right through to pension transfer letters. You should also consider technology that integrates with universal tools such as Microsoft Word. Some systems also integrate with digital signature systems such as DocuSign, again, creating efficiencies, improving the client experience and keeping the documentation secure in transit.

> ***Sharing documents you have generated securely with your clients is an utmost priority. You can send them in the post, but the quickest, cheapest and safest way is to send via a client portal***

Tip 3

Sharing documents you have generated securely with your clients is an utmost priority. You can send them in the post, but the quickest, cheapest and safest way is to send via a client portal.

There's a noticeable shift towards greater client digital engagement and recent research from Intelliflo uncovered that, between February and April 2020, logins to the Personal Finance Portal increased more than three times, whilst the digital signature functionality, DocuSign, experienced an uplift of over ten times. Clients are familiar with using technology to manage their money and the financial planning process should be no different.

Tip 4

To assist advisory firm productivity, some networks and service providers can feed their suitability letter content into the back-office system, ensuring-up-to date content that feeds straight into your own system automatically. This helps member firms keep track of the latest and most compliant content, which you will thank yourself for on those busier days.

A recent Intelliflo poll shows that 53% of advisory firm employees will work from home for the foreseeable future. Now more than ever, working in an increasingly digital world certainly has its convenient perks. For advisers and paraplanners, one of these is generating and sending suitability letters in the most efficient way possible. With a little thought and the right application, your firm can enhance its existing client service and find ways of cutting back the hours spent on doing so.

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 20/21, examinable by the CII until 31 August 2021.

1. Which of the following statements regarding 'structured' and 'unstructured' loans is incorrect?

- A Structured loans are viewed as lower risk than unstructured
- B Unstructured loans tend to be for larger amounts
- C The interest rate applied on an unstructured loan is usually linked to a base rate
- D There is often no collateral to back up a structured loan

2. These two company shares sit in the same sector:

	Share A	Share B
Price	210p	190p
EPS	29p	23p

From the information given we can make the general comment that:

- A Share A is over-priced.
- B Share B is under-priced.
- C Share A will provide better returns than B.
- D Share B is expected to grow more than Share A.

3. Stan has taken out a partial home reversion plan. What will be the position on Stan's death?

- A The entire property will not form part of Stan's estate on his death
- B On Stan's death, the loan in respect of the part of the property in the plan will need to be repaid
- C The part of the property retained by Stan will form part of his estate
- D Property will revert in full to the plan provider

4. John's pension fund is invested in with profits. John should be aware that: Tick all that apply.

- A A terminal bonus is guaranteed to be paid on crystallisation or earlier death.
- B Once added, reversionary bonuses cannot be taken away.
- C The fund will only invest in cautious/low risk investment areas.
- D Annual bonuses are aimed at "smoothing" returns over the term.

5. Susan has a mortgage payment protection insurance policy. If she makes a claim on becoming unemployed, the very maximum amount of time for which benefits will be paid is usually:

- A 9 months
- B 12 months
- C 18 months
- D 24 months

6. If the Stock market rises by 4% which of the following shares is most likely to rise by more than 4%?

Share	Beta
A	0.8
B	0.6
C	1.2
D	1

- A Share A
- B Share B
- C Share C
- D Share D

7. What is the fundamental difference between bearer shares and registered shares?

- A There is no name on a bearer share certificate.
- B A bearer share certificate is held in a central vault.
- C The share certificate is dispensed with altogether.
- D A depository takes custody of the bearer share certificate.

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

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

9. Caroline has recently made a profit on the sale of her buy-to-let property. She now owes HMRC capital gains tax of £6,000. The sale completed on 1 September 2020. She will therefore need to pay this tax by:

- A 30 September 2020
- B 31st January 2021
- C 5th April 2021
- D 6th April 2021

10. Which Act makes local authorities responsible for promoting individual wellbeing?

- A Health and Social Care Act 2001
- B Care Standards Act 2000
- C Mental Health Act 2007
- D Care Act 2014

Your answers

1. ☐ 2. ☐ 3. ☐ 4. ☐☐ 5. ☐

6. ☐ 7. ☐ 8. ☐ 9. ☐ 10. ☐

Last issue's answers

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

Answers and cross-references can be found under the Development tab on the Professional Paraplanner website.
Need help with your CII exams? For resources visit https://brandft.co.uk

prepare to pass Brand FINANCIAL TRAINING

PULLING FOR THE TEAM

How does a firm move from one or two people in isolation making all the decisions to an entire team working for the benefit of the business? Michelle Hoskin plots a course that can help

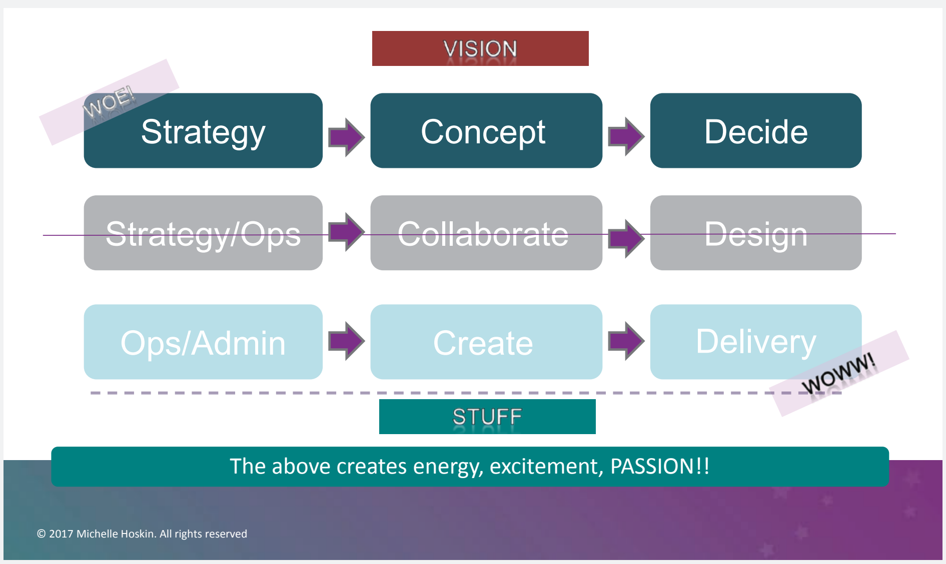
One of the biggest problems with the financial services sector globally is that so many financial services firms and practices are not run by natural business owners or leaders. This in turn causes problems further down the operational food chain.

Without a grounding 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.

So, what is the answer? For me, the solution is somewhat complex and goes deeper than anything that can be shared in one article – but what I can say is that it starts with a bit of self honesty followed by a bucket load of teamwork.

Our research, which has come from literally thousands of conversations with firm owners, is that it is lonely running a business; they are often the ones who are sought out to fix all of the world's problems. They sit at the top of the food chain and feel isolated and at times totally unsupported ... out on a lake, in a boat, without a paddle! Whilst this is often far from the truth; the feelings are very much real.

From WOE! to WOWW!



Identifying strengths

But if they are going to be the one at the top then first and foremost, they have to understand themselves! They need to know what they are good at, what they are not good at, what they like, what they don't like, what standards and beliefs they have, and what they are happy to let go.

Whilst I know this conversation may be a tricky one for you to have with your boss or lead financial planner, I can't stress enough how valuable it is for all involved. It's always the place I start when I am coaching and what I am then able to uncover leads to so many discoveries and helps lay the track for great teamwork.

Here's some food for thought. The concept of '*From WOE! to WOWW!*' was

created because I could see that – for whatever reason – our clients couldn't understand the struggles and messes in their minds unless I literally got my colouring pens out!

So off I went…

It's simple, visual and they get it, so there is no reason you couldn't too. But let me explain how this works.

First of all, I want you to imagine that the business you work for is a lovely calm lake with a water line (see image) that divides the vision at the top and the stuff that goes on at the bottom.

Above the water line is where the 'strategy' lives, where 'concepts' are created and 'decisions' are made. At this level, none of the 'how' exists, it's just the ideas and ideals bursting from the minds of a selected few. They are so conceptual and high level that they could literally be written on one side of A4 and no more.

Then we have the point where strategy meets operations: this is where the operations and leadership teams collaborate with the decision-makers on designing the outcomes that will ensure the business realises its purpose and achieves its goals.

This stage requires clarity of thinking and control over the over-eager obsession with diving straight in without a plan for how to get the 'stuff' done. Add to this that leadership teams by their very nature are hardcore doers. However, at this stage that approach is the kiss of death. Staying objective, and above the water line is key – the only focus here is designing the 'how'. The plan to get the stuff done.

Without a plan you will fail to achieve everything you decide to do.

Last up, we have the place where the magic starts to happen – it is the responsibility of the operations and/or leadership team (preferably not the business owner(s), financial planner(s) or adviser(s)) to meet and discuss with the rest of the administration and support team what needs to be done: to create the processes, procedures and step-by-step tasks that are needed to deliver the outcomes you want. This is where the 'what' lives.

There is a but here … everyone involved must be realistic with their time, abilities and commitments. Overcommitting helps no one. Pretending that you have the skills and the time to do the stuff that needs to be done is even less helpful – so this is where real teamwork can be seen and enjoyed.

Of course, this can only work like the perfect boat race if you have the right people – with the right skills and in the right place – on the boat! Crack this … and you will be gliding across that lake with best practice perfection.

TAKE YOUR OPPORTUNITIES

Jade Connolly was the Professional Paraplanner cover star in October 2015. Rob Kingsbury spoke to her about her career progression from paraplanner to M&A adviser over the past five years and what advice she has for ambitious paraplanners

In 2015 Jade Connolly, then head of Paraplanning at Thomas Miller Investments, said that if paraplanners take the initiative they have the ability to shape their own careers. Since then, Jade has done just that, having moved into financial services management and recently been appointed as M&A director at Dyer Baade & Company, an independent corporate finance boutique, specialising in mergers and acquisitions.

The original career path she had mapped for herself was to become a financial planner. "I'd been a paraplanner, senior paraplanner and then head of the department, the go-to person for all things technical. And as part of the management team I'd enjoyed the strategic planning and making a difference at a company level.

"But I also believe you have to take the opportunities when they arise, so when the role of head of Advice at Ascot Lloyd came up I took it," she says.

Her next opportunity came a year later when Ascot Lloyd was bought by Bellpenny and she was given the interim role at Ascot Lloyd of operations director to help manage the change and integration of the two firms. This role included merging two back-office systems, designing the advice proposition for the combined firm (blending independent and restricted propositions) and amalgamating the firms' processes.

Her work on that project led to her being offered the role of Strategy & Acquisitions manager, involved in identifying potential firms, the negotiations and leading the integration of businesses into Ascot Lloyd. She has used her deep operational expertise to add value to business owners in the 20 acquisitions she has been involved in to-date.

She joined Dyer Baade in September 2020, where her remit is working with business owners within financial services who are looking to achieve the sale of their firm.

Use your experience

While Jade says her career has "developed organically", the broad set of experience and skills she learned as a paraplanner gave her a very sound foundation, she says. "I learned two important lessons; how to deal with financial advisers and how to develop a strategy. In the M&A role, I deal with a lot of financial advisers so I'm glad I've worked with a wide range of individuals and really understand the role they provide to their clients. I'm also now very familiar with the reasons they fall out of love with being an adviser, or more commonly, running an IFA business.

"Creating a strategy for a firm is not dissimilar to paraplanning. It involves looking at the hard facts about a business, seeing what the goals/objectives of the vendor are and understanding which firms may make a suitable alternative home. The methodical approach to working as a paraplanner certainly has helped me get to where I am today."

Having been through two M&A processes herself, the first when the IFA she worked for, Broadstone Wealth Management, was acquired by Thomas Miller and then the Ascot Lloyd acquisition, also has helped, she says. "With my extensive knowledge of the inner workings of an IFA firm and my experience of 20 acquisitions at Ascot Lloyd, I know what works best for clients and staff when it comes to a transaction and how best to achieve the most favourable outcome for a vendor. If you can make a transaction as smooth as possible for clients and staff, typically the vendors achieve what they want with as little disruption as possible."

In fact, what can make or break a negotiation, she adds, is not the hard facts but the emotional side of the business. "Adviser business owners want to know that their staff and their clients will be looked after. My knowledge of the way an advice firm works, that I can look at a business and understand it and I'm not just a number cruncher, helps give owners the confidence that there will be an emotional fit as well as a business one."

Jade fully believes paraplanners have the opportunity now to forge the kind of careers they want, if they put the work in. "You don't have to stick to the traditional pathways. Whilst paraplanning is a career of its own, the knowledge required to undertake the role can be vast and applicable to many other positions. Team leadership, compliance, finance would all be natural routes for a strong paraplanner."

What you need, she adds are: "Sound technical knowledge; confidence to challenge the status quo; the courage of your convictions. Good paraplanners have all three."

SPECIAL REPORT
BUSINESS PROPERTY RELIEF

In association with

octopus investments

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Fiona Bond talks to paraplanners about when and how they use BPR within inheritance tax planning and with which clients it tends to resonate

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Using Business Property Relief

Fiona Bond talks to paraplanners about when and how they use BPR within inheritance tax planning and with which clients it tends to resonate

Four decades on from its inception, Business Property Relief (BPR) has evolved to become a valuable inheritance tax planning tool for advice firms. Hayley Broad, research director at Absolute Financial Management, says the firm uses BPR as one of its core IHT planning strategies for clients over the age of 60, in part due to its exemption rules. In contrast to gifts, which generally have a seven-year "survival period", BPR-qualifying investments are exempt from IHT within just two years.

"The two-year holding period has made BPR a very compelling investment strategy, particularly for our elderly clients, those in ill health or those who have recently inherited significant ISA portfolios from their spouse and need to mitigate their IHT," says Broad. "Compared to other estate planning options, BPR has the added attraction of providing clients with income and the opportunity for ongoing growth."

Originally designed to allow small, family-owned businesses to pass from generation to generation without falling prey to IHT, over time the scope of BPR has broadened to allow a greater number of people to invest in private businesses as a way of reducing their tax liability.

Crucially, BPR-qualifying investments remain under the control of the investor, enabling clients to balance estate planning with a change in their personal circumstances.

Rebecca Lucas, founder of Lime Outsourced Paraplanning, explains: "Client circumstances can change, particularly with longer life spans and care costs, so we find that the flexibility and financial control of BPR can be very attractive. In a sense, it provides our clients with a halfway house.

"The introduction of the ISA option in 2013, which made it possible for clients to hold AIM shares in their ISA, has also made it more accessible and straightforward and we saw a steady increase in the use of BPR directly after that time. We often use the Octopus AIM ISA with our clients."

But, despite growing awareness, a client's capacity for loss and their personal circumstances must be carefully considered. As investments, there is the potential for the value to drop and this means robust client suitability checks and due diligence must be in place. For Broad, it is a matter of ensuring that clients understand the different objectives around IHT planning and investing.

"If clients, and particularly older clients, are quite conservative in their nature and have taken a cautious approach to investing, we explain the different objectives around IHT planning and ensure that while the level of risk may be higher with BPR, the overall risk profile of the clients' portfolio remains balanced," Broad says. "Our focus is on capital preservation for our clients, and we have taken the lowest possible risk during this turbulent time."

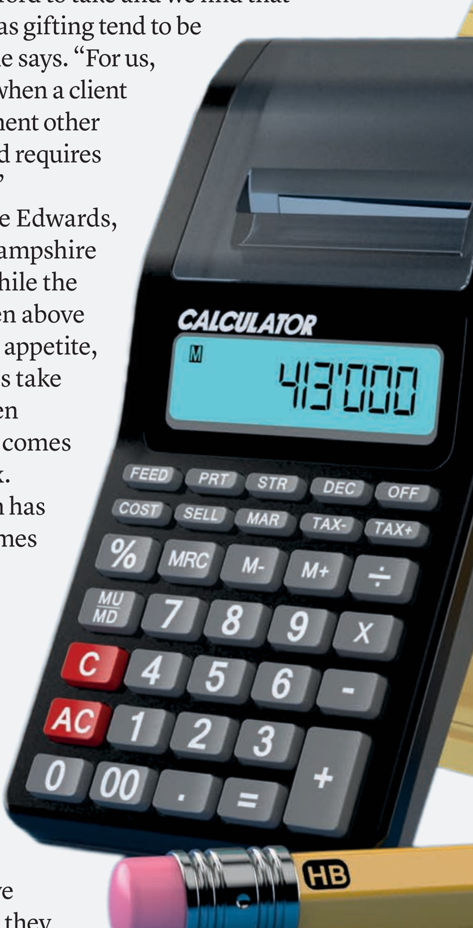
"While BPR can be very effective for certain clients, we are extremely careful about the level of risk that clients can afford to take"

Rebecca Lucas, Lime Outsourced Paraplanning

Lucas says clients must be careful not to prioritise IHT planning over the need for income in life. "While BPR can be very effective for certain clients, we are extremely careful about the level of risk that clients can afford to take and we find that alternatives such as gifting tend to be more popular," she says. "For us, BPR is best used when a client needs to complement other IHT strategies and requires something extra."

However, Reece Edwards, paraplanner at Hampshire Hill, notes that while the risk of BPR is often above clients' usual risk appetite, many older clients take an objective driven approach when it comes to inheritance tax.

The firm, which has used BPR eight times over the past two years, says all but one client were over the age of 70. Edwards says: "We find older clients tend to be very firm on what they want to achieve. They have a goal of ensuring they protect their children



from IHT and while they may be much more cautious with the rest of their financial planning, they are less concerned with risk when it comes to reducing IHT and much more about achieving the objective."

Edwards says BPR has worked well for two of the firm's divorced clients who wished to pass on wealth to their children from a previous marriage. He explains: "Making provisions for children from a previous relationship can be the elephant in the room at times, but BPR can be used to ensure a client's children are provided for rather than placing the onus on the current partner to make those provisions in the event of their death."

But, according to Edwards, BPR investments in a single client's name can also prove problematic. "The disadvantage for couples using BPR is that it provides one with control. In those instances, we would look at alternative strategies such as gifting," he adds.

There have also been some concerns that the Government may look to alter BPR as part of a wider IHT overhaul, but paraplanners agree that at a time when small businesses will be critical to the recovery of the economy, the Chancellor is unlikely to wield his axe.

Broad says: "A lot of the lower risk investments within AIM are focused on leasing goods to the NHS and public sector funding, which is great for investors looking to make a positive impact with their investments. As a business, we are really interested in a more sustainable approach and we are seeing growing interest from both existing and new clients in ESG."

"We find older clients tend to be very firm on what they want to achieve. They have a goal of ensuring they protect their children from IHT"

Reece Edwards, Hampshire Hill

Business Property Relief Q&A

Rob Kingsbury spoke to Jessica Franks, Head of Tax at Octopus about the benefits, risks and uses of BPR for advised clients

IS BUSINESS PROPERTY RELIEF (BPR) UNDER-UTILISED WITHIN THE INDUSTRY?

Advisers tell us they think BPR is under-utilised and every year when we survey them, they say they intend to write more BPR business in the coming year.

In our most recent survey, nine out of ten advisers said their clients have become more mindful of potentially needing access to their money in later life, while also being mindful of the inheritance tax (IHT) implications[1]. That sentiment points to the potential for advisers to be turning more to BPR in the future because of the client need.

Advisers and paraplanners who write BPR business say they will begin by looking holistically with the client at their exposure to IHT and then approach the subject. Often the conversation will turn to retaining control of their wealth during their lifetime. They won't want to gift it away, in case they need it for unexpected expenses.

But they might want the opportunity, based on current tax rules, to pass wealth on more tax efficiently if it means they can retain access.

For this reason, talking about BPR can be a door opener to conversations that are otherwise difficult to start. The thought of giving away assets is so difficult to be comfortable with and BPR can overcome that objection. Once the conversation has started, putting part of an estate in a BPR investment will appeal to investors with different risk-reward profiles for a range of different reasons.

WHAT ARE THE MAIN TAX PLANNING BENEFITS BPR OFFERS ADVISED CLIENTS?

There are various reasons people invest in BPR-qualifying portfolios. The primary reason is that it enables people to undertake estate planning while keeping control of their wealth during their lifetime.

There's also the fact that BPR investments only have to be held for two years (rather than the seven years needed for lifetime gifts to be effective) before becoming zero rated for IHT. It should be noted, though, that the investment has to be held until death to qualify for relief.

The two-year qualification is important because it gives investors more certainty that their estate is likely to benefit from the relief at the point they invest, enabling them to get more comfortable with taking investment risk.

BPR can also be useful also for clients who want to gift some of their wealth, for example so they can see their grandchildren benefit from it in their lifetime, but who want to retain control over other parts of their wealth. Another thing we see, is clients who feel gifting money would cause family tensions and would prefer to allocate money to pass on after their death, taking advantage of the tax benefits of BPR.

BPR investments offer favourable tax relief because it is the government's way of incentivising private investors to back smaller businesses in the UK. So many people also like to know they're putting their money to work in the UK economy, helping to provide jobs and promote growth in important areas like renewable energy, healthcare and infrastructure. This can be an extra benefit for clients.

BPR IS HIGHER ON THE RISK SCALE FOR CLIENTS. HOW BEST CAN PARAPLANNERS ADDRESS THE RISKS WHEN TAX PLANNING FOR CLIENTS?

Often we see BPR used as a part of a wider estate planning strategy, where for example, a client may gift some money, settle some assets in trust and use BPR alongside.

To qualify for BPR a company has to be trading and either unlisted or AIM listed, so you are inevitably dealing with smaller companies and typically with less liquidity. This is one of the main risks. These are equity investments, so investor capital is at risk and they may not get back the full amount they invest.

There is potential tax risk also, as BPR is only granted when someone passes away and a claim is made. This means the BPR rules applied are those in force at the time a claim is made, which may not be the same as those applicable today. Similarly, the company or portfolio invested in has to qualify for BPR at that time. Tax treatment depends on individual circumstances and could change in the future.

It's also worth remembering that the shares of unquoted companies and AIM listed shares are by their nature high risk, their share price may be volatile and they may be hard to sell.

For most of our investors, those risks stack up against the very generous tax relief they are likely to receive. A saving of 40% inheritance tax is very valuable for their beneficiaries and the investment profile that they are able to target.

Remember that investing through an experienced manager, who can look at the investment from both a performance and a BPR-qualification perspective, can help mitigate elements such as sector risk.

It's important to look at the underlying investments of any IHT service. Are the investments AIM listed or unquoted? Are higher levels of growth being targeted, or is the service targeting a more modest and steady return? These different approaches will likely be more suited to certain types of client based on their objects and risk appetite.

ARE THERE OTHER OPPORTUNITIES TO USE BPR?

There is a pocket of clients for which BPR applies instantly. For clients who have sold their business in the past three years and created an IHT liability, they may benefit from instant relief from inheritance tax if they reinvest the proceeds in a BPR-qualifying portfolio. Their own business would need to have qualified in itself for BPR. By investing some or all of the proceeds from the sale in another business qualifying for BPR, or a BPR portfolio run by a manager like Octopus, they would qualify for BPR instantly. It's called 'replacement relief'.

Something else we see are investors who settle BPR-qualifying shares into trust. That's because they are IHT exempt once held for two years and can then pass into the trust free from the chargeable lifetime transfer.

We're actually seeing more activity around trusts at the moment. It has to be noted that the client can lose control of the assets that are moved into trust. But it can be a popular option when planning for multiple generations, and in divorce and insolvency protection planning.

WHAT LEARNING MATERIAL DOES OCTOPUS OFFER FOR ANYONE WANTING TO KNOW MORE ABOUT BPR?

We have a range of useful tools, including calculators than can help quickly and simply work out what a client's IHT liability might be.

You can also find technical white papers on certain tax topics on our website. And through lockdown we have been running monthly online shows to give advice firms helpful insight into situations and conversations that are happening in the market at the moment.

I'd also highlight that we have a range of planning scenarios, showing how estate planning using BPR might work for particular clients. We try to make things as easy as possible for advisers and paraplanners and case studies are a great way of talking about situations that happen to real people and how they can be helped. Our most popular guide by far is *Untangling Inheritance Tax*. It's a simple guide to understanding and planning for IHT and is a starting point.

Visit octopusinvestments.com/guidetoiht/

[1] Source: Unlocking estate planning, Octopus Investments, February 2020.

"There are various reasons people invest in BPR-qualifying portfolios. The primary reason is that it enables people to undertake estate planning while keeping control of their wealth during their lifetime"

Guide to Business Property Relief

Jessica Franks, Head of Tax, provides an overview of Business Property Relief. She looks at why BPR is available and explores the main reasons clients could benefit from holding shares in a BPR-qualifying company

It is essential to use a specialist investment manager with experience of investing in this area when it comes to choosing the right BPR-qualifying investment for your client

Business Property Relief (BPR) can be a valuable relief from inheritance tax. It allows certain investments to be left to beneficiaries free from inheritance tax.

A client who holds a BPR-qualifying investment for at least two years, and who is still holding it when they die, can pass it on without their beneficiaries having to pay inheritance tax.

That offers two clear advantages over gifting. The first is that it takes only two years to become zero-rated for inheritance tax. The second is that a BPR-qualifying investment stays in the client's name. If they need capital later on, they can request to sell the investment, subject to liquidity (see risks below).

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

Why is BPR available?

Clients often want to know why it's possible to save 40% inheritance tax by making a BPR-qualifying investment. The answer is very simple. This tax relief exists as an incentive for investors to take on the risk of backing BPR-qualifying companies. These are unquoted or AIM-listed trading businesses that are making a valuable contribution to the economy.

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

It can also be helpful to give clients a brief history of why BPR came into being, to better understand why this relief exists.

BPR was first introduced in the 1976 Finance Act. The idea was to make sure that, after the death of the owner, a family-owned business could survive as a trading entity, without having to be sold or broken up to pay an inheritance tax liability.

Over time, successive governments have recognised the value of a tax relief that encourages people to invest in trading businesses regardless of whether they run the business themselves, not least because such businesses provide jobs and support economic growth. So the relief was made more valuable and extended to cover minority stakes in unquoted businesses that meet the qualifying criteria, as well as qualifying businesses whose shares trade on the Alternative Investment Market (AIM).

Not all companies can qualify for BPR. For example, BPR only applies to companies not listed on the main London Stock Exchange. Companies must also be trading rather than investment companies, and they must not deal in stocks and shares, land or buildings. If a client is holding shares in a company as part of their inheritance tax planning, then it is crucial the company meets the BPR qualification criteria when the investor dies in order for the planning to work. So it is essential to use a specialist investment manager with experience of investing in this area when it comes to choosing the right BPR-qualifying investment for your client.

Reasons why a client might make a BPR-qualifying investment

Every client's situation is unique, but here are three of the main reasons why a client might choose to make a BPR-qualifying investment.

Faster inheritance tax exemption: Whereas making a gift or putting assets in trust means they take seven years before they become exempt from inheritance tax, shares in a BPR-qualifying company or investment become exempt from inheritance tax after being held for just two years, provided the shares are still held at the time of death. Married couples and civil partners also have the benefit of a joint two-year qualifying period. This means that should the client die within two years of investing, the investment can be transferred to their surviving spouse or civil partner without resetting the two-year clock.

Greater access and control: Unlike with a gift, the investment stays in the client's name. That means they can request to sell the investment and get the proceeds back if they need to. However, shares sold or money taken out of the investment will no longer be exempt from inheritance tax.

Simplicity: Buying shares in BPR-qualifying companies is relatively simple compared to setting up a trust or using life insurance. There are no complex legal structures, and there is no requirement for client underwriting or medical questionnaires.

Estate planning within the ISA wrapper

Clients who have been making good use of their ISA allowances down the years can find themselves sitting on a substantial portfolio. And the fact that ISAs are subject to inheritance tax can be a problem for anyone who has accumulated large ISA sums over the years. Neglecting to include an ISA as part of the estate planning could prove a costly mistake.

Since 2013, it has been possible to invest in companies listed on AIM within an ISA. This change opened up the possibility of transferring some or all of an ISA pot into an ISA of BPR-qualifying companies as part of a client's inheritance tax planning. Such an ISA can then be passed on to beneficiaries when the client dies, and just as with other BPR-qualifying investments, if this is more than two years after the investment is made there will be no inheritance tax to pay.

It's important to note that an ISA featuring AIM-listed shares is likely to have a higher risk profile than ISAs with investments in more mainstream equities, bonds or cash. BPR is not available on every AIM-listed company.

What are the risks of making a BPR-qualifying investment?

Clients must be made aware of the risks involved in making this type of investment as part of their inheritance tax planning.

Capital is at risk: The value of a BPR-qualifying

BPR-qualifying investments are not suitable for everyone. Any recommendation should be based on a holistic review of your client's financial situation, objectives and needs and attitude to risk. We do not offer investment or tax advice. Issued by Octopus Investments Limited, which is authorised and regulated by the Financial Conduct Authority. Registered office: 33 Holborn, London, EC1N 2HT. Registered in England and Wales No. 03942880. Issued: October 2020. CAM010268.

investment, and any income from it can fall as well as rise, as it will depend on the performance of the underlying companies. With an investment like this, investors may not get back the full amount they invest.

Tax relief isn't guaranteed: Tax treatment depends on a client's personal circumstances and tax rules could change in the future. Also, whether the investment qualifies for BPR will depend on the portfolio companies maintaining their qualifying status. HMRC will consider a claim for BPR based on the facts when a claim is made, including the relevant legislation in place at the time.

Shares could be more volatile and less liquid: Shares of AIM-listed and unquoted companies are likely to fall or rise in value more than shares listed on the main market of the London Stock Exchange. They may also be harder to sell.

Business Property Relief case study: Clients who want to retain access to their capital

This tax-planning scenario is designed to help paraplanners and advisers develop appropriate planning strategies for their clients. Paraplanners and advisers should consider, among other things, the value of tax reliefs for their client. You will also need to consider the impact of charges (including initial fee and ongoing fees such as annual management charges) relevant to the products represented and/or any specific product you have chosen.

Carol is 86. Her estate is valued at £1.5 million. Carol understands this means that when her grandchildren inherit, they'll need to pay an inheritance tax bill.

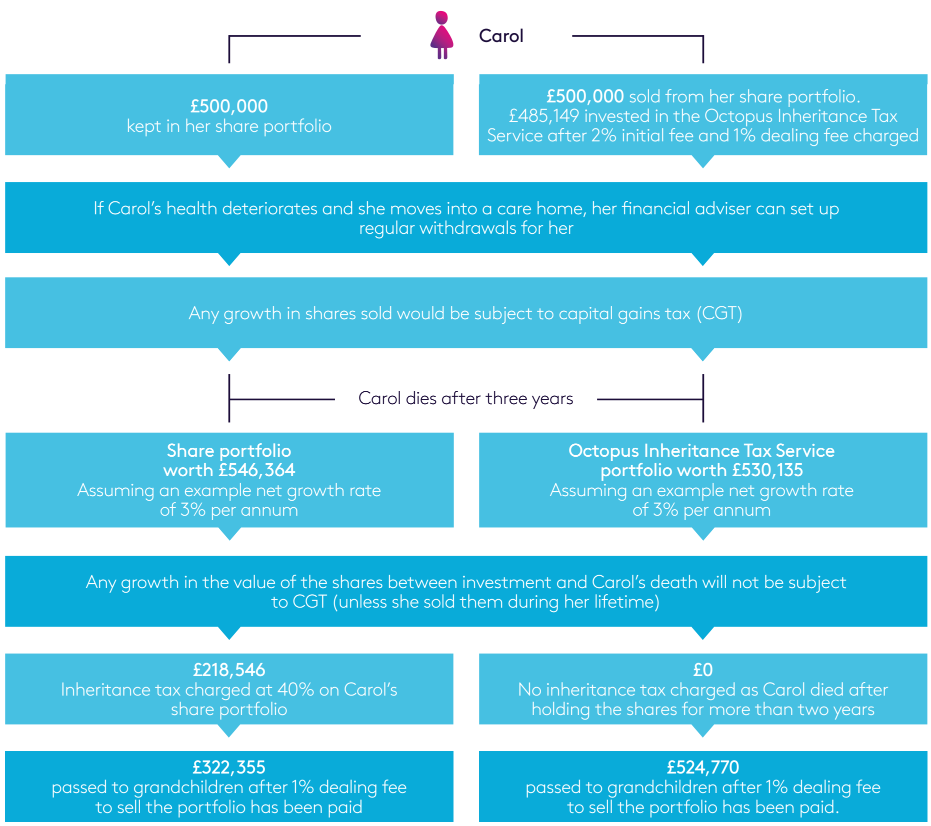
Carol meets with her adviser to talk about estate planning, and he explains that she can afford to give away some of her assets. But Carol has been in control of her wealth all her life and is reluctant to make gifts or use trusts. She worries that if her health deteriorated, she might want to use the money to pay for her care. And in seven years she'll be 93. She's worried that if she passes away before then, she will still leave her beneficiaries with an inheritance tax bill, even if she gives away assets immediately.

Carol's adviser assesses her needs and objectives, appetite for risk and capacity to bear losses and deems her suitable for an investment that qualifies for BPR. If BPR-qualifying investments are held for two years and at the time of death, they should be able to be left to beneficiaries free from inheritance tax.

BPR-qualifying portfolios invest in the shares of one or more unquoted or AIM-listed companies. They are higher risk investments than Carol's portfolio of main-market listed equities, and the tax relief is designed to provide some compensation to investors for taking additional risk.

Carol inherited a large investment portfolio from her late husband. So her adviser suggests selling £500,000 of this portfolio and reinvesting the proceeds in BPR-qualifying shares. While Carol is not expected to need to access this pot of money during her life, the investment will remain in her name, and so she can request a withdrawal should she need to. Her adviser makes it clear, however, that withdrawals cannot be guaranteed.

HOW THE OCTOPUS INHERITANCE TAX SERVICE CAN HELP CAROL RETAIN ACCESS TO HER CAPITAL WHILST PLANNING FOR INHERITANCE TAX



Please note: This example is for illustrative purposes only and each investor's own tax situation may be different. It assumes that the investments will be held until death, the nil-rate band is offset against other assets and that the investment in the Octopus Inheritance Tax Service qualifies for BPR at death. It is important to remember that the risk profile of each portfolio, and any growth or losses, is likely to differ. This example does not include any charges paid for financial advice. The Octopus Inheritance Tax Service has an initial charge of 2%, a deferred annual management charge of up to 1%+VAT per annum and a dealing fee, for investments and withdrawals, of 1%. We only take our annual management charge after the investor or their beneficiaries ask us to sell shares. Also, we will only take our full annual management charge if the investment has delivered the annual target return of 3% over its lifetime, after our charges have been taken into account.

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Professional Paraplanner
The Investment Committee

This dedicated section within the magazine and on the *Professional Paraplanner* website provides information and insight for paraplanners engaged in research into investments and for those contributing to their firm's Investment Committee decisions. We will be covering key areas from individual funds and alternatives, through market trends and commentaries

26 Structural changes
With change comes both risks and opportunities. It's positioning to avoid the former and benefit from the latter that is key, says Roger Webb, deputy head of Sterling Investment Grade & Aggregate, Aberdeen Standard Investments

28 Great in a crisis
Gold may be a popular asset in a crisis but, asks Darius McDermott, managing director, FundCalibre, can it really be a long-term investment from this point onwards?

30 End of the party
Central bank policies in recent years have not only been creating a culture of dependency, they have broken the markets, argues Mike Hollings, Partner and CIO at LeifBridge, part of Shard Capital.

Investment Committee events

Keep your eyes on our website and the daily email alert for announcements of future Investment Committee webinars. To date we have seen 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, the prospects for the bond market and tackling the income problem.

STRUCTURAL CHANGES

With change comes both risks and opportunities. It's positioning to avoid the former and benefit from the latter that is key, says Roger Webb, deputy head of Sterling Investment Grade & Aggregate, Aberdeen Standard Investments

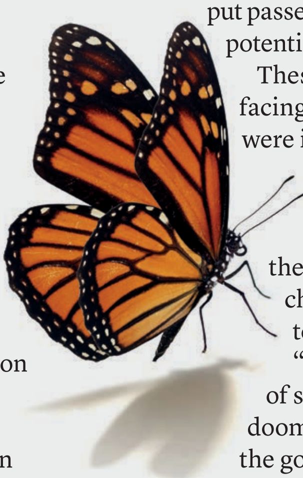
The global Covid-19 pandemic has undeniably caused chaos across economies and financial markets, and it will likely take years before the former order is restored. When chaos is at its worst, the expectations for fund managers to predict the impossible always seem to rise. That impossible question is usually "what will the future bring?"

Perhaps a better question would be to ask: "What change in the future is possible, and is not currently priced correctly as a risk?" For any business, change is constant and there's often an element of chaos it has to cope with. Today's environment has increased that chaos and placed emphasis on the second question regarding the price of change.

The returns from corporate bonds are asymmetric, as when things go wrong, losses are materially larger than the gains which usually occur. Problems faced by companies range from simple economic slowdown, becoming less competitive, or the inability to adapt to sudden changes of direction in their industry. The latter is likely to be most prevalent over the coming years with Covid-19 accelerating the pace of change for many.

Challenges

With or without the pandemic, a number of industries were already facing structural challenges. The auto industry, for instance, has been experiencing the revolution of electric vehicles (EV) becoming more mainstream. A bigger and related challenge is being faced by the oil and gas industry with the environmental need to reduce fossil fuel usage. Airlines are already impacted by this imperative and, furthermore, the pandemic has shut down airspace all over the globe and put passengers off travelling by air – potentially permanently for some.



These three industries are all facing structural changes which were in train before Covid-19.

Others have seen longer-term potential threats accelerate as a result of the virus. Retail was already challenged as "bricks to clicks" took over, but in March the "click" became our only way of shopping. Not all retailers are doomed to failure as some have the good fortune to be in the right sector, such as food or DIY, and many already had an online presence. Others will have to adapt quickly to survive.

In the telecoms sector we might expect to find an all-round good news story but what about those companies which generate cash-flow through roaming? When we don't travel we don't pay those exorbitant roaming fees. However, like many other sectors there are groups that benefit from the change – working from home changes the broadband demand, for example.

Sifting through this bad news can lead to some excellent buying opportunities, again looking for the areas of change being mispriced. There are oil companies getting ahead of this change that are well worth investing in. There are airlines that have strong balance sheets that are able to withstand the pandemic and work to improve their environmental footprint, and there are car companies leading the charge into EV – particularly for the mass market.

Even the maligned real estate sector has not been all bad news. The owners of retail space and offices have hit the headlines recently, but there will still be a requirement for both sectors going forward. Urban spaces may not be in such high demand as they were pre-crisis but out of town and suburban spaces may replace them, so all is not lost.

The big winners in real estate are the data centres. Internet traffic has surged during lockdown as even more ways of working, communicating, shopping and entertainment has shifted online. This will lead to an acceleration of many of the tailwinds for this relatively new sector.

Change in motion

Every sector we look at has to face change at some stage. Many of the changes occurring now were already in motion before the unprecedented events of 2020, with ESG being a common driver. Covid-19 has accelerated some of these issues and introduced new challenges. The pandemic has had a dramatic effect on nearly every aspect of daily life, particularly the way we work, play and travel.

With many of these changes set to persist beyond a vaccine, numerous industries are having to adapt. Big changes create big risks, but also big opportunities for companies. Understanding which ones are best positioned to avoid these risks and benefit from these opportunities will be key to successfully navigating investment grade and high yield corporate bond markets.

GREAT IN A CRISIS

Gold may be a popular asset in a crisis but, asks Darius McDermott, managing director, FundCalibre, can it really be a long-term investment from this point onwards?

The words of comic playwright and writer Aristophanes are some 2,500 years old but are as true today as they have ever been: "There is no honest man — not one — that can resist the attraction of gold!"

Gold is typically the place to be going into a crisis, due to its defensive qualities and lack of correlation to equities and bonds. The shock seen by markets in February and March proved no exception, as a falling US dollar and a drop in real yields – meaning they could lose money on government bonds and even cash over time – put investors in an unenviable position.

The World Gold Council reported record flows into gold-backed ETFs of 734 tonnes in the first six months of 2020[1], fuelled by rate cuts and liquidity injections by central governments. The precious metal subsequently hit $2,000 an ounce for the first time in early August and, as of writing, is around $1,900[2].

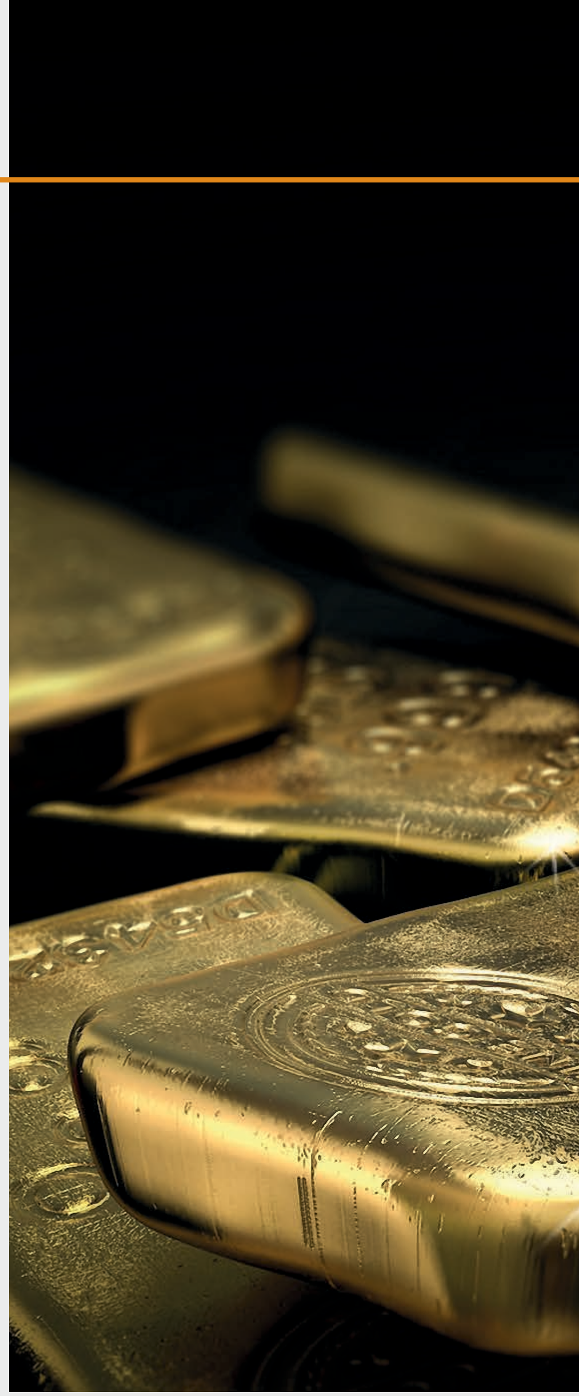
The detractors would point out the easy money has been made, raising questions for an asset class which does not yield anything. In normal times this would be the case – but these are not normal times – for example, that same economic stimulus from central banks across the globe has not triggered inflation, as it would usually do, supporting the argument for gold. One global investment bank has gone as far as predicting it could rise as high as $3,000 an ounce as early as 2022.

The longer-term picture?

Gold has been one of – if not the biggest – topic for discussion in our team meetings in 2020. The big question obviously being whether we are entering bubble territory or not? For us, gold still holds value given the huge amount of uncertainty in the marketplace – particularly as we see unemployment rise as furlough schemes across the world come to an end.

Only recently, the US announced it was creating 600,000 jobs, but it was expecting to create 800,000, so there's no guarantee of an economic recovery any time soon. I'd go as far as to say the global economy is very much on the back foot, with many measures designed as short term fixes to get money into the system. There also remains no visibility on a potential vaccine

For us, gold still holds value given the huge amount of uncertainty in the marketplace – particularly as we see unemployment rise as furlough schemes across the world come to an end



– the light at the end of the tunnel most people are hoping for.

We also expect a different world when we do get through this. For example, the travel and hospitality industries are likely to suffer for many years to come. That environment makes holding gold all the more attractive for the longer-term. That said, when you've made a profit of around 50% in three months, it does makes sense to take some money off the table – which we have done.

Rathbone Strategic Growth Portfolio manager David Coombs is of a similar view, having trimmed his allocation as the gold price went towards $2,000 an ounce. David maintains it still has an important place in his portfolio, particularly in this continued environment of low and/or negative bond

yields. He says negative interest rates on various bonds mean you're actually paying some governments to lend them money and that by selling these negative yielding bonds to buy gold, in a way you are increasing your income.

Merian Gold & Silver fund manager Ned Naylor-Leyland believes there is a higher chance of gold reaching $3,000 an ounce than people realise, pointing to the fact that it is not only about gold rising, but sterling falling - with fears about its future purchasing power. He believes that we are now in the midst of a big trend of people becoming fearful of owning cash and bonds.

Ninety One Global Gold manager George Cheveley also says gold prices are well supported and may well continue to move higher over time. He says the US Federal Reserve wants to keep real interest rates low to aid recovery adding that, with base rates already very low, inflation will need to rise. He also feels further pressure on the US dollar could see many emerging market economies increase their efforts to diversify their reserves away from US dollar holdings, particularly China, which may seek to stockpile commodities amid its trade war with the US[3].

George says gold stocks are pricing in gold at around $1,800 an ounce; and if the gold price remains in its current range, he expects further gains for the shares of gold companies – adding that they are in the best state they've been in for two decades[3].

I'd personally be surprised if the gold price doubled from here, but the fundamentals do look very strong for some further upside. It's main traits of diversification, a store of wealth, and an inflation hedge still hold true and this combination makes a holding in gold a prudent choice in an uncertain future.

[1] Source: World Gold Council
[2] Source: Gold.co.uk, 5 October 2020
[3] Source: Fund factsheet, 31 August 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.

END OF THE PARTY

Central Bank policies in recent years have not only been creating a culture of dependency, they have broken the markets, argues Mike Hollings, Partner and CIO at LeifBridge, part of Shard Capital

The very fabric of nature and the natural world we live in, at the macro level as well as the quantum level, is formed of and consists of opposites. Matter and antimatter, negative charge and positive charge, action and reaction, darkness and light, hot and cold, summer and winter. This is because the universe, like all of its content, is governed by balance. This is the Law of Polarity or perhaps more accurately the Law of Duality: nothing exists in nature without its opposite.

Why is this relevant? Because things work in balance for a reason. Over billions of years this is how the universe has evolved.

Try and tamper with, or worse, control this natural order and the ultimate result is assuredly failure.

Why is this relevant to markets / economies? Because in an economic sense, over the last 25 years, that is exactly what central bankers and economists have tried to do. They have tried to tamper with and control normal (healthy) economic and markets cycles.

The simple fact is that most economists suffer from "physics envy". They resent the fact that whilst scientists can, with great precision, calculate the trajectory and speed of planets and comets, economists are unable to precisely model the trajectory of economies. But given the hubris many possess this does not stop them from trying, with predictably dire consequences.

Over the last 30 years technological advances combined with globalisation have provided some very strong deflationary tailwinds for the global economy. Central bankers (actively encouraged by their political masters) sought to use these beneficial tailwinds to try to abolish business and economic cycles. They believed they had the intellect to effectively ensure that recessions were permanently avoided (the so called boom and bust cycle) and they used their own (conflicted) economic models to "prove" how that could be done.

The result was that every time market forces tried to clear excesses from the

> ***Monetary debasement is now the principal game in town. Everyone pretends they do not pursue these policies, but the truth is they have no option…It will get nasty…***

system (which would, yes, have involved a period of sub-par growth and maybe even a brief recession), they intervened actively (by cutting interest rates/ printing money) to ensure this did not happen. So, what would have been a healthy re-setting of economic growth was indefinitely postponed. They ignored the fact that opposites exist for clear and beneficial reasons. Recessions actually strengthen the long-term growth of an economy by getting rid of excesses and building a platform for stronger long-term sustainable productivity.

What central bankers effectively thought would be a good idea was the economic equivalent of abolishing autumn and winter and running instead with only spring and summer

What central bankers effectively thought would be a good idea was the economic equivalent of abolishing autumn and winter and running instead with only spring and summer. In what world did they think that would be a good idea? The answer obviously is in the purely theoretical and model driven world they seem to inhabit.

A critical component in any healthy economy is a stable balance between savers and consumers (another example of the beneficial effect of opposites). If you favour one group over the other, you destabilise a key element of any capitalist system with very detrimental long-term social and economic consequences. The catastrophic effect of historically low interest rates on global pension systems is only just beginning to be felt and the social upheaval which continued underfunding of these pension systems will wreak on societies, in the years ahead, should not be underestimated.

The irony is that whilst trying to contain the disinflationary forces which have been building over the last 20 years, all that Central Banks have achieved by cutting interest rates and perpetually bailing out markets has been to ultimately add to the very deflationary forces they were/ are seeking to control. This is because debt is ultimately deflationary. Used as it has been for the last 20 years to finance consumption, (rather than investment), debt merely brings forward future consumption with no corresponding and balancing growth on the other side of the ledger with which to service and ultimately pay down the debt.

There is no realistic way the quantum of debt now burdening the global economy ever gets paid back in a conventional manner and all the while it just adds to deflationary pressures which Central Banks feel compelled to fight…which they will.

Low rates have also forced investors increasingly down the risk curve boosting a broad range of asset prices which, over time, increasingly detach from any objective real-world valuations.

By ignoring asset price inflation because of a myopic focus on consumer price inflation Central Banks have failed to notice a very key and ultimately fatal distinction between these two inflationary forces. Asset Price Inflation is easily the more pernicious and dangerous type of inflation because, in the final analysis, it breeds dependency and, as Central Banks are belatedly finding out, once you create that emotional and financial dependency it is extremely hard to roll-back because consumer and investor psychology, and therefore spending and investment patterns, become increasingly reliant on continually increasing asset prices. The upshot from this is that a collective will therefore develop within Central Banks to ensure they do whatever it takes to preserve this state of affairs.

Consumer Price Inflation on the other hand generates the polar opposite effect, because higher consumer prices rein in consumption and stifle investment and lead inevitably to a greater portion of the population becoming poorer in real terms, with the political, economic and social consequences this entails. In this event a collective will develop within central banks to ensure that they do whatever it takes to most expeditiously end of this state of affairs.

The latter type of inflation, we therefore collectively conclude, we prefer to live without, whereas the former type of inflation we come to believe we cannot live without. The predictable result is that by continually bailing out markets, Central Banks have now effectively backed themselves into a corner from which there really is no easy way out.

1) There is no way they can step back from supporting markets…if they do markets will crash
2) There is no way they can raise (or hint at raising) interest rates…if they do markets will crash.

We therefore find ourselves in a surreal world where the more Central Banks (and now governments through fiscal spending) do to preserve the "status quo" the worse they make things and the more painful the eventual bust is likely to be.

If we are "lucky" the bust will unwind as a period of high (or very high) inflation and this will help to re-set debt and asset price valuations in a less disorderly and potentially less socially disruptive way than a "traditional" asset price re-set, but of course this outcome is not guaranteed.

Monetary debasement is now the principal game in town. Everyone pretends they do not pursue these policies, but the truth is they have no option……It will get nasty…

Covid-19, and the desperate fiscal & monetary response to the pandemic, will most likely prove to be the last hurrah of a 25-year, Central Bank sponsored, bull market in bonds, equities, property, art and luxury items generally. Most likely politicians and Central Banks will keep the show going a bit longer but at what ultimate long-term cost?

To anyone under 30 reading this, I offer my apologies. My generation enjoyed the "party," but politicians and central bankers have contrived to ensure that your generation suffers the "hangover". I don't think it is ethical; I don't think it is moral… but I don't make policy.

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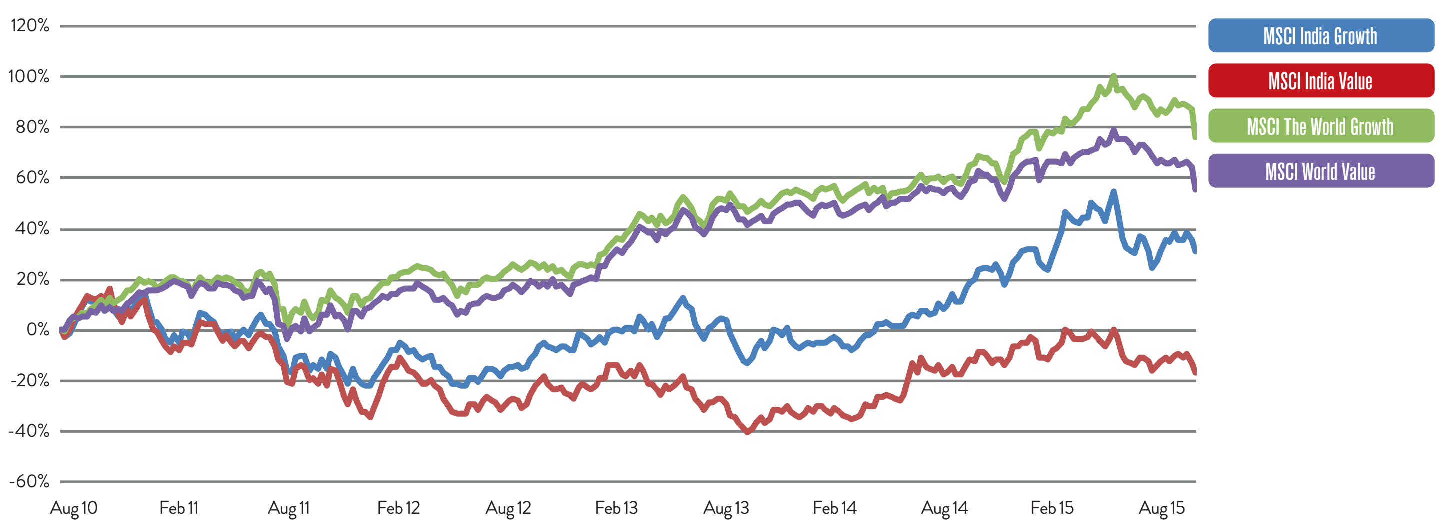
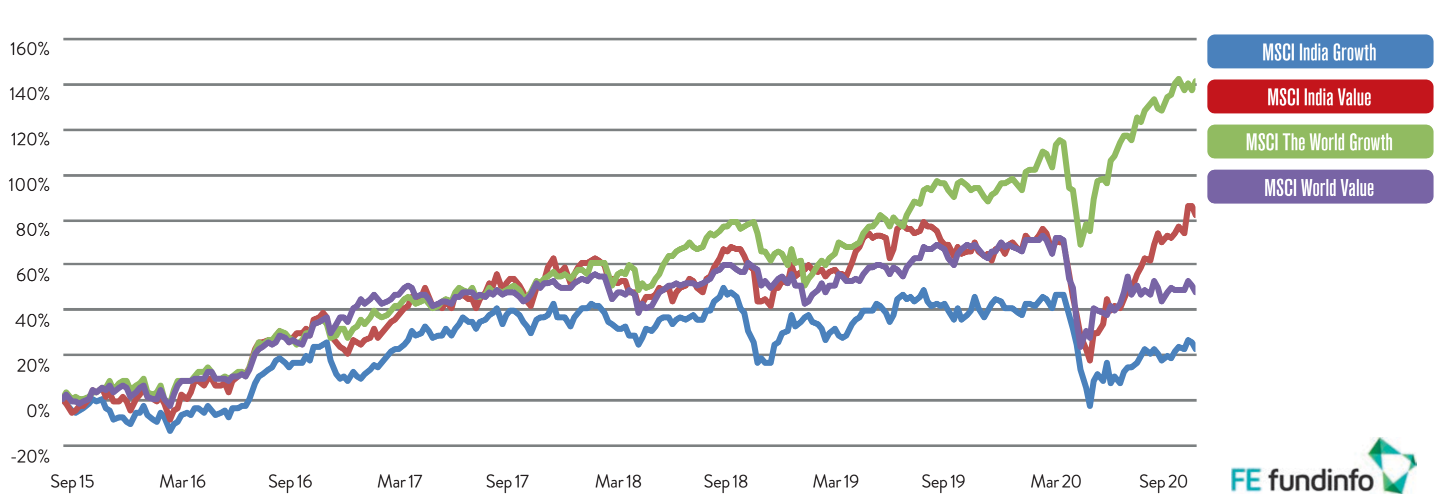
SECTOR CONSIDERATIONS: INDIA

India and World Value vs Growth Aug 2010 - Aug 2015



India and World Value vs Growth Sep 2015 - Sep 2020



Fund Calibre comment:

A long-term overweight in our funds, India is often a hot topic of conversation within our investment team.

The reasons for favouring India are simple: it has faster growth; favourable demographics; a stable, democratic ruling party; and masses of untapped potential. As such, we expect it to follow the growth trajectory the likes of China have seen previously. Naturally India is suffering from Covid, but we don't believe that hinders the long-term story.

One of the interesting observations in India for the past few years, is the stark outperformance of value vs. growth – the complete opposite to what is happening across the globe. At a time where quality/growth funds are dominating the headlines – we see it as a timely reminder that markets can change quickly, and that value can, and will, outperform again at some stage. The first chart shows how growth beat value in India between 2010 and 2015. However, it's been a different story since then with the MSCI India Value Index returning 82% vs 23% for growth – you only have to look at the returns since March 2020 to see how quickly value can rally.

So, what's behind it? One of the reasons is that India is such a fast growing economy, it can benefit value businesses. When GDP is sluggish across the board, those areas where there is growth instantly become more popular. It's important to remember there is a difference between growth at a GDP level and growth/value investing as a style. For example, a cement company in India would be classed as value but it's a big beneficiary of faster GDP growth.

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

Pension Death Benefits (p8)
Drawdown pensions and annuities can only be paid to beneficiaries nominated on an Expression of Wish form (assuming they survive the member).
- ☐ True
- ☐ False

Pension Death Benefits (p8)
In all cases, pension scheme trustees have sole discretion over who death benefits are paid to.
- ☐ True
- ☐ False

Pension Death Benefits (p8)
One implication of the latest Judgement on the Staveley case passed down in August 2020, is that DB to DC transfers in ill health where death occurs within two years might still give rise to an IHT charge.
- ☐ True
- ☐ False

TDQ: Tax and Trusts (p10)
Creating a discretionary trust is a chargeable lifetime transfer.
- ☐ True
- ☐ False

TDQ: Tax and Trusts (p10)
For Income Tax on discretionary trusts, the standard rate band is applied against the following in which order:
- Dividend Income ☐
- Non-savings income ☐
- Savings income ☐

Guide to Business property Relief (p22)
Use of BPR can save IHT to the value of:
- ☐ 20%
- ☐ 30%
- ☐ 40%

Guide to Business property Relief (p22)
BPR was introduced in 1976 in order to:
- ☐ Facilitate succession of family businesses without an IHT liability
- ☐ Coincide with the launch of the AIM market
- ☐ Boost investment into small UK companies

Guide to Business property Relief (p22)
BPR Investments are zero rated for IHT after:
- ☐ 2 years
- ☐ 3 years
- ☐ 5 years

Guide to Business property Relief (p22)
BPR investments remain within the control of the investor despite their IHT benefits.
- ☐ True
- ☐ False

Investment (p28)
Gold tends to be invested in due to its:
- ☐ Defensive qualities
- ☐ Lack of correlation to equities
- ☐ Lack of correlation to bonds

DATA DOWNLOAD

Monthly facts and figures on investment performance, risk v return, outflows and inflows, and the most analysed areas of the market. Data to 30 September 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	109.35	✓	5
Brown Advisory US Equity Growth	101.77	✓	5
Morgan Stanley Global Opportunity	97.63	✓	5
T. Rowe Price US Blue Chip Equity	85.80	✓	5
T. Rowe Price Global Focused Growth Equity	82.09	✓	5

AIC	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Baillie Gifford Edinburgh Worldwide	123.93	✓	5
Martin Currie Global Portfolio Trust	49.77	✓	5
Schroder Asian Total Return	36.79	✓	5
Frostrow Capital Finsbury Growth & Income	21.07	✓	5
Standard Life UK Smaller Companies	20.91	✓	5

BEST PERFORMING FUNDS IN TERMS OF RISK VS RETURN

IA	3 year Cumulative Performance	FE Fundinfo Risk Score
Baillie Gifford American	186.39	130
Morgan Stanley US Growth	173.02	136
Baillie Gifford Long Term Global Growth	146.99	108
LF Ruffer Gold	126.84	154
Baillie Gifford Positive Change	126.1	92

AIC	3 year Cumulative Performance	FE Fundinfo Risk Score
Starvest	289.19	354
Downing Four VCT	181.76	212
Allianz Technology Trust	139.73	138
Baillie Gifford Scottish Mortgage	138.86	132
Pershing Square Holdings	138.73	91

RISKIEST SECTORS

IA	3 year Cumulative Performance	FE Fundinfo Risk Score
North American Smaller Companies	29.62	103
UK Smaller Companies	2.50	101
Japanese Smaller Companies	21.43	100
UK All Companies	-7.95	96
UK Equity Income	-14.54	94

AIC	3 year Cumulative Performance	FE Fundinfo Risk Score
VCT Specialist: Media, Leisure&Events	-14.98	179
Country Specialist: Latin America	-10.06	164
North American Smaller Companies	13.38	149
VCT Specialist: Health & Biotech	76.45	148
European Emerging Markets	-12.3	121

OUTFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	Out (£m)
Liontrust Japan Equity	40,138.87	28,238.41	3,234.82	-15,135.29
ASI Global Absolute Return Strategies	6,944.90	3,900.00	178.81	-3,223.71
Invesco Global Targeted Returns (UK)	10,622.45	7,383.63	-29.31	-3,209.51
Invesco UK Equity High Income (UK)	6,070.42	3,161.98	-1,098.70	-1,809.74
BlackRock ACS 50:50 Global Equity Tracker	7,902.34	6,058.05	-289.63	-1,554.66

INFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	In (£m)
Vanguard FTSE U.K. All Share Index Unit Trust	9,404.01	10,550.73	-1,349.57	2,496.29
Vanguard LifeStrategy 60% Equity	6,663.87	8,927.69	210.77	2,053.05
iShares UK Equity Index (UK)	10,030.22	10,283.32	-1,318.35	1,571.45
Vanguard LifeStrategy 40% Equity	4,453.00	6,050.46	142.41	1,455.05
Allianz Strategic Bond	602.70	2,314.88	302.36	1,409.82

FE fundinfo

Data provided by FE Fundinfo

MARKET'S EYE VIEW

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

BEST PERFORMING SECTORS

3 year Cumulative Performance

IA

Technology & Telecommunications	82.78
North America	39.9
China/Greater China	36.56
Asia Pacific Including Japan	31.37
North America Smaller Companies	29.62

AIC

Technology & Media	82.89
VCT Specialist: Health & Biotech	76.45
Infrastructure Securities	71.69
Biotechnology & Healthcare	39.25
Country Specialist: Europe ex UK	38.32

MOST RESEARCHED

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

MOST VIEWED FACTSHEETS

	IA		AIC
1	Fundsmith Equity	1	Baillie Gifford Scottish Mortgage
2	Vanguard LifeStrategy 60% Equity	2	Fundsmith Smithson
3	Baillie Gifford Managed	3	BMO F&C Investment Trust
4	Vanguard LifeStrategy 40% Equity	4	Baillie Gifford Monks Investment Trust
5	Royal London Sustainable Diversified Trust	5	Amber Infrastructure Grp International Public Prtnrship

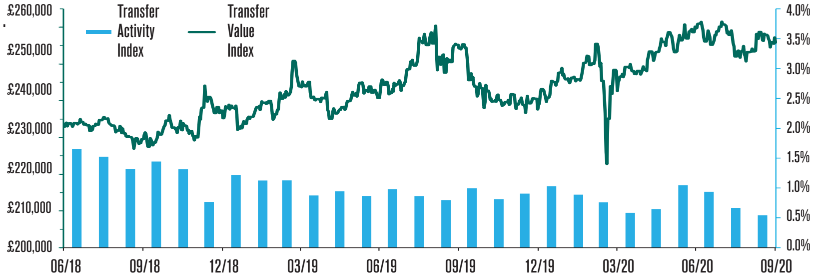
MOST CHARTED

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Baillie Gifford Scottish Mortgage
2	Vanguard LifeStrategy 40% Equity	2	Polar Capital Technology
3	Fundsmith Equity	3	BMO F&C Investment Trust
4	Vanguard LifeStrategy 80% Equity	4	Baillie Gifford Monks
5	Vanguard LifeStrategy 100% Equity	5	Fundsmith Smithson

PENSION TRANSFER VALUE INDEX

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

Activity in the Defined Benefit (DB) transfer market fell to a record low in September whilst transfers exhibiting red flags increased to a new high of 62%, according to XPS Transfer Watch. The XPS Transfer Watch monitors how market developments have affected transfer values for a typical member, how many members are choosing to take a transfer from their DB pension scheme, as well as how many scam red flags are being identified at the point of transfer. XPS Pensions Group's Transfer Activity Index fell to a record low in September, marginally lower than the level from April, in the immediate aftermath of the Coronavirus crisis. Transfer Activity in September was at an annual equivalent of 0.54% of eligible members, down from 0.67% in August. This represents 54 in every 10,000 eligible members transferring each year. The Group's Red Flag Index rose by 11%, with 62% of transfers during September showing at least one warning sign of a potential scam. This was up from 51% in August and now represents almost two in every three members covered by the service. XPS Pensions Group's Transfer Value Index increased over the month, from £253,200 at the end of August to £255,800 at the end of September. This small increase was a mainly result of a fall in gilt yields.



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