Professional Paraplanner

The magazine for paraplanners and financial technicians

February 2021

Calling it

Debbie Condon, founder of Intuitive Support, has been vocal about the industry's cumbersome administration processes

PAGE 8

Dan Atkinson

My daily renewal process

Pensions

Tax planning in an unusual year

Investing for yield

Goal-based asset allocation

Loans from Trust

Case study: Providing help to family members

PLUS
THE PARAPLANNER CLUB
A NEW MENTORING INITIATIVE FOR PARAPLANNERS

Baillie Gifford & Co Limited is the Authorised Corporate Director of the Baillie Gifford ICVCs. Baillie Gifford & Co Limited is wholly owned by Baillie Gifford & Co. Both companies are authorised and regulated by the Financial Conduct Authority.

Follow us on Twitter
@profparaplanner

Professional
Paraplanner

POSITIVE THINKING

Welcome to our first issue of 2021. I think it's fair to say that 10 months ago few if any of us would have expected the UK still to be in a lockdown situation. I hope you are all bearing up under the renewed restrictions. As I write this, Joe Biden has been inaugurated as 46th President of the United States. With control of the Presidency, Congress and the Senate, albeit by a thin margin, he has already started reversing some of Donald Trump's more controversial and divisive policies.

He has challenges ahead – not least the ongoing pandemic and its rising death toll (expected to be 500,000 by mid-February) and the building headwind of mass unemployment. But Presidential inaugurations tend to receive a favourable reaction from the markets and this could be amplified over the next few weeks as the new administration brings a level of stability after the uncertainties of the contested election. This should encourage confidence and optimism, which in turn should be good for global markets.

The first 100 days are marked as the telling time for the success of a new President and the policies which were campaigned on. A heavy fiscal stimulus has been promised ($1.9 trillion) as well as an ambitious environmental/climate programme. With a growing interest and demand for ESG-type investments, this will be a key area to follow. Biden is targeting net-zero carbon emissions by no later than 2050 and has laid out a $2 trillion climate package to be spent over his four years in office, supporting renewable energy and targeting polluting industrials.

In contrast to the Trump administration, which labelled climate change a "hoax", Biden has said the US will host a climate summit of the world's major economies in 2021 and look to re-join the Paris Climate Agreement. This should see the US reverse its direction of travel under Trump and be a positive in encouraging other nations to take action on climate change. It is also good to see the US catching up with UK and EU on this vital issue!

Staying safe and well

Given the current situation with the UK and the world, it should be no surprise that two of our columnists chose this issue to write on keeping ourselves physically and mentally fit. Normally, I wouldn't run two articles on the same topic in one issue of the magazine but these are unusual times and we need reminding that looking after ourselves is about more than the pandemic protocols, wearing masks and social distancing. Dan Atkinson takes inspiration from Stephen Covey's *7 Habits of Highly Effective People* and tells how he is applying the principles during lockdown, while Michelle Hoskin used previous lockdowns to complete Mental Health First Aider training, techniques from which she shares. The ideas are ones we can apply to our everyday lives not just in lockdown but when the world returns to some sort of normal.

Presidential inaugurations tend to receive a favourable reaction from the markets and this could be amplified over the next few weeks

The Paraplanner Club

Professional Paraplanner is pleased to be the sponsor of The Paraplanner Club, an initiative providing mentoring by paraplanners for paraplanners. This issue I interview Siân Davies Cole and Chloe Phillips, the founders, about turning a frustration with what was available for paraplanners into action. The Club will match a mentor with mentee across a range of subjects, from help with technical resources through to career progression.

You can find out more, including how to become a mentor or mentee, at: https://www.theparaplannerclub.co.uk. See pages 12-13 for the interview.

THE PARAPLANNER
CLUB

Webinars 2021

With the end of the tax year approaching we will be covering more tax and trust-related material, so keep an eye on the website for relevant articles – and please sign up for our once-a-day emails if you haven't already. Our new webinar series kicks off in February, starting with a forward looking investment analysis from Fidelity on 3 February: *Seizing the new reality.* There's still time to register; details can be found under the Events tab on our website.

While this new year may not have started as we hoped it would, there are constructive events happening all around us. So stay positive, stay safe and look after yourselves.

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

Follow us on Twitter
@profparaplanner

In this issue...

Professional Paraplanner is published by

RESEARCH IN FINANCE

Address

80 Coleman Street, London EC2R 5BJ

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

W: professionalparaplanner.co.uk

Editorial

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

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

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

Research analytics

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

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

Events

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

Management

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

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

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

Subscriptions

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

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

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

© 2021 Research in Finance Ltd

All editorial content and graphics in Professional Paraplanner are protected by U.K. copyright and other applicable copyright laws and may not be copied without the express permission of Research in Finance, which reserves all rights. Re-use of any of Professional Paraplanner's editorial content and graphics for any purpose without Research in Finance's permission is strictly prohibited.

Permission to use Professional Paraplanner's content is granted on a case-by-case basis. Research in Finance welcomes requests. Please contact us on info@researchinfinance.co.uk

The content in this publication is provided for general information only. It is not intended to amount to advice on which you should rely. You must obtain professional or specialist advice before taking, or refraining from, any action on the basis of the material in this publication.

Research in Finance Limited is registered in England & Wales, company number 8441324. The registered office is 80 Coleman Street, London, EC2R 5BJ.


SAVINGS YOU CAN TRUST.
Help your clients thrive with competitive rates, from one of the UK's highest rated banks.
Close Brothers Savings
FSCS
Protected

COMMIT TO YOU

Dan Atkinson, head of Technical at Paradigm Norton, considers four interconnected elements of a daily renewal process that can help us destress, stay safe and thrive in 2021

I remember my head teacher at secondary school sharing this quote from St Jerome (patron saint of librarians). "Good, better, best; never let it rest till your good is better and your better is best". Recently at Paradigm Norton we've been thinking about the need to have regular times of renewal and investing in ourselves. In our book club we've just finished off *7 Habits of Highly Effective People* by Stephen Covey and he advocates taking an hour a day to invest in ourselves.

There are four interconnected dimensions to this daily renewal which Stephen Covey picks out. With lockdown upon us again I thought it might be helpful to highlight them and how I'm intending on incorporating them in my daily practices. Hopefully this will give you a few ideas for yourself.

Physical

It's important to eat properly despite the temptation to munch away at the chocolate/biscuits you got for Christmas (who am I kidding – you've eaten them all by now!). Without the walk around/to the office it's quite easy to roll out of bed and straight to your desk. Make sure you are getting some exercise – your mind will be sharper. It's harder in the cold and dark but be disciplined. Don't forget to switch off and rest properly.

- **My plan is to continue with my morning walk. I slacked off a bit when it got dark, but I'm going to be more consistent. I've avoided snacking reasonably well though! Switching off is a challenge and I'm going to be more disciplined with finishing work, getting to bed on time, and reducing phone usage before bed.**

Mental

It's easy to find your mind dulling. Keep yourself sharp by finding engaging ways to learn new things. This might be attending a CPD workshop, studying for an exam, listening to a podcast or reading a book. HINT: It doesn't have to just be work related.

As paraplanners we regularly explain things to clients. In order to explain something you have to understand it well and if you have to teach it to someone you will also become more confident in your knowledge. How about writing up a short note on a relevant subject to share with a colleague?

Keep yourself sharp by finding engaging ways to learn new things – it doesn't have to just be work related

- **I enjoy listening to podcasts on my morning walk and will keep this up. I've got a pile of books to work through too. I enjoy writing and that's definitely going to continue! Completing the CFP is on my list and I'm sure many of you have exams planned too.**

Spiritual

We work in a very rewarding profession, but it's unlikely that our core values/purpose is fully expressed here. We need to take time to ensure that we are clear on what is important to us (our core values) and realign ourselves. This is where we draw our direction and strength from. You might do this through meditation, prayer, music, art, serving others. Many people find that spending time in nature helps as we switch off from the hustle and bustle of digital life.

- It can be hard to get the space to do this. Lockdown with children around will increase the challenge! Often spending time in this dimension is done alone, but at this time perhaps our children need it too. I incorporate this into my daily walk, but we also spend time in other aspects as a family. Sometimes it might just be a moment in a break from the screen – I like to look out of my office window and watch the birds (or the Amazon man arriving!).

Social

Whilst the previous three dimensions are ones you can work on yourself, this one needs other people. It's also one of the biggest challenges in Lockdown. We have been instructed to stay at home so the only people we are likely to see in person outside of our household are people delivering post/parcels/shopping and people at the supermarket.

So, we need to make an effort to connect in other ways. That might be a regular call with your team or just a quick chat with someone you haven't spoken to recently. It's not just about work, but maintaining relationships, sharing burdens, and developing trust. We might normally do this when making the tea round, across desks, or over lunch. Doing this remotely requires some perseverance and a bit more effort. We need to be intentional and follow through.

- I don't know about you, but the thought of another video call can be quite off-putting. But building and maintaining relationships needs an investment of time. So, we need to either think creatively (why not use the old-fashioned phone instead!) or suck it up! In our London team we have a twice weekly coffee and chat session. This year I have committed to being there at least once a week. As I work with a number of teams I try to work my way around them every month or so.

Commit to daily renewal

My challenge to myself and to you for 2021 is to commit to having a daily time slot for renewing these dimensions. I often think of the quote from *Wayne's World 2* "If you book them they will come" – put it in your diary and you will make it happen! The more stressed or pressured you feel – the more you need this daily renewal. I hope this helps you not just 'survive' lockdown, but 'thrive'.

CALLING IT

Debbie Condon, founder of Intuitive Support, has been vocal about the industry's cumbersome administration processes. Rob Kingsbury spoke to her about the daily challenges with which administrators and paraplanners are confronted

Debbie Condon, founder and director of outsourced administration service, Intuitive Support, recently posted a LinkedIn article explaining what was wrong with the way the industry dealt with Letter of Authority (LoA)[1]. "It's ludicrous that in 2020 such a simple process is so disjointed and difficult. It wastes time and money for everyone, financial advisers, paraplanners, administrators, providers and platforms, and can create huge delays and inconvenience for the end client. Everyone does it in a different way, when surely a process that is required across the industry could be digitised to make it much simpler, easier to complete and cheaper for everyone involved."

On her website, Debbie has posted a LoA Submission Guide, giving a quick reference of the requirements for around 70 providers[2]. She also provided user feedback on the recently announced Unipass Letter of Authority service from Origo, which aims to deliver that industry-wide digital service. "I really hope providers quickly get onboard with the ULoA as it will save the industry huge amounts of time and resource and make the journey much better for clients as well."

You only need to take one look at Debbie's website to see that organisation and transparency are key attributes of her business. She set up Intuitive Support in 2014, having previously worked as deputy head of operations at 7IM and operations manager at Broadstone Group, and has been growing it organically ever since. The firm now consists of 18 people, including two directors, and serves around 50 financial advice firms around the country. The firm mainly works with smaller firms typically of three to four advisers but provides overflow support for larger companies also, for example where they need help with work on client reviews or valuations.

Asked about the challenges of establishing a business, she says: "Nobody knows how to run a business when they first set up, so you start with a huge learning curve. Also, at first you jump at every bit of business that comes your way but over time you learn that there are people who don't fit your business model or the way you work, and sometimes you have to say no or to part company with people.

"They say that if a business is going to fail it's usually in the first five years, so I'm glad we are beyond that point."

Intuitive's administrators are spread around the country, from Northumberland to Bristol. All the staff are employed and there is a mix of full and part-time staff. "As a business we operate virtually but it means we can select the best candidates for the role from anywhere in the UK.

A challenging year

Last year was one of the most challenging experienced by the business, Debbie says. "When Lockdown occurred we had a number of calls from clients who were seeing their businesses impacted and so wanted to temporarily halt or reduce their hours with us. In addition many of us in the business are parents, and at that time we also had our children at home, trying to home school them as well. The team were fantastic. They just got on with things."

Anticipating that Lockdown would be a bump in the road, Debbie says she knew that although workload had dropped off, furloughing staff could mean losing business. "We held our nerve for eight weeks. It was really tough but then things started to pick up again as advisers and their clients began adjusting to the new ways of working and after the initial Lockdown we became really busy again and we returned to where we were, even during Lockdown 2.0."

And there may almost be a silver lining for outsourced businesses that have come through Lockdown, in that it has opened people's eyes to the fact that remote working is viable, she adds. "I think it has shown advisers that outsourcing is an option that could work well for them."

Qualities of a good administrator

Clients coming to Intuitive Support can expect continuity, consistency and experience from their administrator, Debbie says. "Every administrator has a solid financial services background – out of our 15 administrators, 13 have over 10 years' financial services experience. We also train everyone in the software and systems they need to use on our own time, not the adviser's."

The overriding factor in any good administrator, Debbie says, is attitude. "You can't train attitude, people either have the right attitude or they don't. Then, she lists organisational skills, pro-activeness, and communication skills, tenacity and patience, not necessarily in that order. "And a skill I think is often overlooked is letter writing, the ability to put together a well worded letter. It's these skills I look for, over experience of systems and software, for example. Likewise, qualifications can make a CV stand out but there are a lot of fantastic administrators out there who have no exams."

The recruitment process for Intuitive Support is "lengthy", Debbie admits, standing at around 50 questions. "We want to know their industry experience, what systems and software they have used, what problems they may have encountered and how they dealt with them, how they work with advisers and how they communicate with their advisers."

New joiners to the firm undertake a one to two week induction. "Everyone works in the cloud and has access to support material, so everyone is on the same page," says Debbie, "and I talk to everyone most days."

They are a fabulous team and I couldn't be prouder of the work they do for our clients," Debbie says.

Most new clients come through word-of-mouth referrals and Debbie says she also markets through LinkedIn and social media. "We've aimed for gradual growth, taking on a few members of staff every year."

The model is that every financial adviser is allocated a dedicated administrator, rather than operating on a pooled system. Debbie explains: "All advisers work in different ways and need a variety of tasks done for them, and we believe to serve them well there has to be consistency and continuity and you're not going to get that from a pooled service. Our administrators learn the advisers' preferences and the way they want to do things. It makes for a better relationship between us and the adviser."

An administrator may be working with three or four advisers and will spread the workload through their working week. "It works much the same as an in-house administrator who might be working with a number of advisers, except that its virtual and the administrator is working with different advisers in different firms."

When advisers come to the firm, Debbie assesses the amount of work they need doing and allocates an administrator from her team with that level of capacity.

Intuitive Support operates on a Pay As You Go basis, charging by the hour, rather than a retainer. It's a business model which Debbie says has helped her to differentiate the firm. "When advice firms look to use an outsourced firm I think they can be put off if they are tied in from the outset. They need to establish whether the outsourcing works for them and so a PAYG model gives them the flexibility to try the system and it also means they only pay for the hours they use," Debbie explains.

It's a model that finds favour with financial advice firms.

Where the firm solves a problem for advisers, Debbie says, is "for those advisers who need experienced, professional, reliable support for eight-10 hours a week but don't want to have to employ someone for that period of time, with all that employment entails. We're a great option for them because they are only paying for the hours it takes to do the job."

Working with paraplanners is a fundamental part of the process. "We see it as our job to ensure the paraplanners have all they need to do their job," Debbie says. "They all work differently, so we work alongside them in just the same way as if we were employed by the same firm but working in a different office. We have some really good relationships with paraplanners, in-house and outsourced."

An exciting development for the business, Debbie says, is that she has just employed a PA to help free up some of her time. "I'm looking forward to seeing what kind of impact she will have. As a business owner, particularly when you are starting from scratch, you literally have to do everything the business needs, but there are only so many hours in the day. So, this is a big step forward for me. The idea is that it will give me more time to focus on developing and growing the business, which is what we want to do in a controlled way over the next year."

[1] **https://www.linkedin.com/pulse/sending-letters-authority-2020-debbie-condon/**
[2] **intuitivesupportservices.com - Under the Quick Links tab**

PENSIONS TAX PLANNING

Early planning is needed around pensions at the end of an unusual tax year, says Jessica List, pension technical manager, Curtis Banks

It seems very early to start talking about the end of the tax year: April seems a very long way off as I sit here writing on a particularly dismal January day. However, we all know January and February's trick of seeming to go by in a flash, and as the lead up to this tax year end will be shortened by the new tax year starting immediately after the Easter weekend, perhaps it isn't so early after all.

There's also a greater chance than normal that clients' plans have been disrupted in some way, so there may be more tax year end considerations than normal. Here are just a few pension elements to consider with your clients over the next few weeks.

Pensions contributions

It will come as no surprise that the main area is contributions. A huge number of people experienced furlough or redundancy this year, a consequence of which is that their pension contributions probably haven't gone to plan.

Many of those who are self-employed may also not have made planned contributions earlier in the year if their businesses were affected by the measures. As we near the end of the tax year it will be important for clients to check, if they haven't done so already, exactly what has happened with their contributions this year. If their circumstances now allow, they may also need to consider whether they wish to make up any shortfall before the end of the year.

There will also be those whose situations and finances are still being disrupted by the measures, who may need to consider the effect on their future planning.

There will also be clients who are fortunate enough to have kept their jobs through the pandemic and may also have found their outgoings were considerably lower than normal due to the restrictions. Some may already have thought to contribute more from their excess funds, but if not, it is certainly worth considering before the end of the tax year.

Such clients may also be in a position to consider using up any carry forward allowance they have available; at least from the 2017/18 tax year, which will no longer be available from 6 April 2021.

Annual allowance

One thing to watch out for, however, will be clients who have inadvertently triggered the money purchase annual allowance (MPAA) during the tax year. Some individuals will have triggered the MPAA by accessing part of their pension to see them through a difficult period, not appreciating at the time that their plans for rebuilding their savings could be affected.

It's worth remembering that for clients in this position, not all of their money purchase contributions for the year will necessarily be tested against the MPAA this year. When it is triggered, the MPAA applies from the following day. Therefore any contributions made during the tax year but before the MPAA trigger will only be tested against the normal annual allowance; only those made after the trigger event will also be tested against the MPAA.

The approaching end of the tax year also means that clients affected by the tapered annual allowance will be in a better position to estimate their allowances for the year, should they wish to try to maximise their tax relievable contributions before the end of the tax year (rather than looking to use up any remaining allowance at a later date using carry forward).

The silver lining to this painful process is that fewer clients will be affected this year due to the £90,000 increases to the threshold and adjusted incomes. However,

don't forget that the minimum allowance is now just £4,000, rather than £10,000.

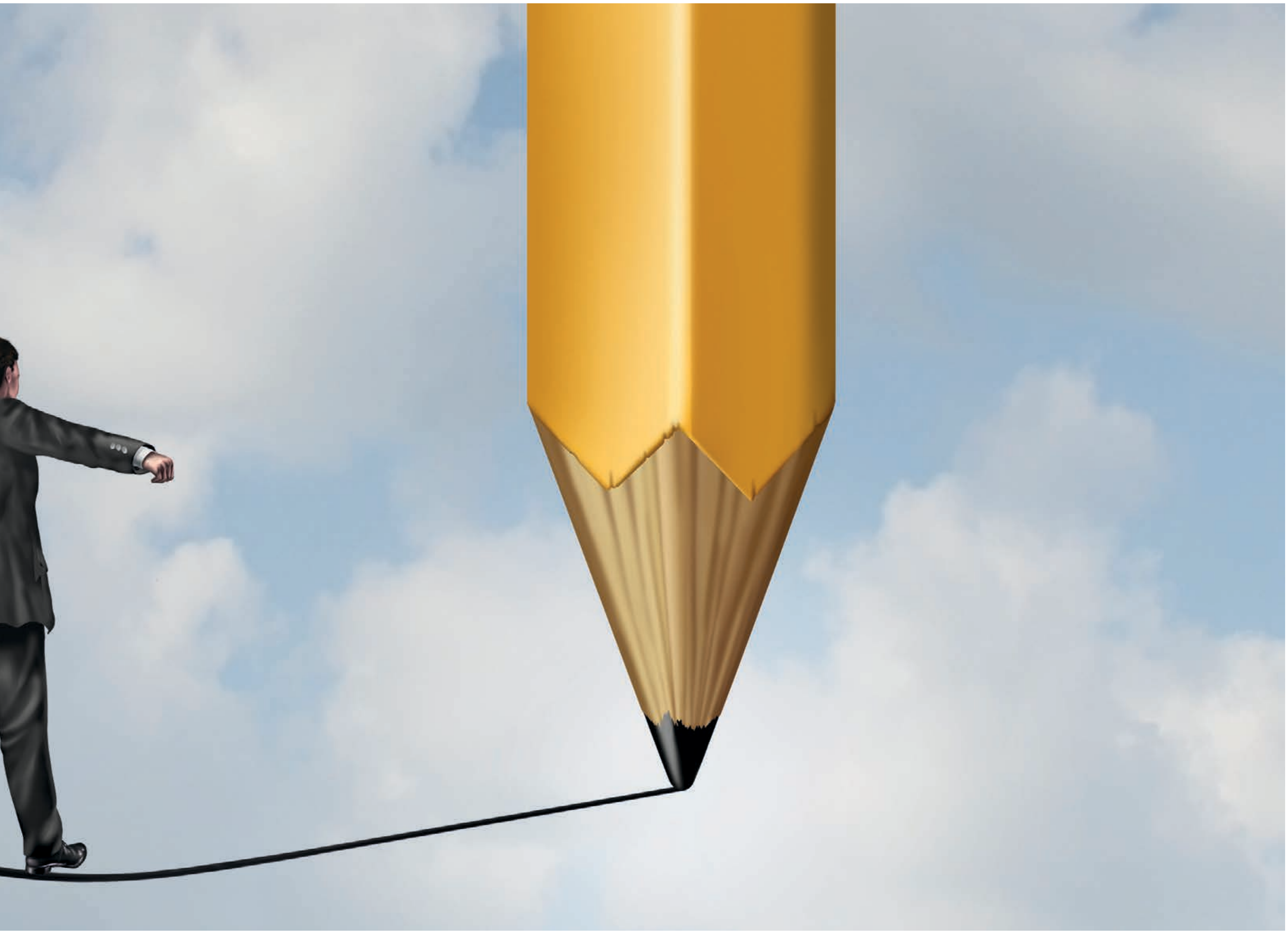
Budget threat

We know that the next Budget will take place on 3 March. While we don't know what it will hold, people often choose to finalise their arrangements ahead of a Budget, in case of any detrimental changes that take immediate effect. While this hasn't happened often with pension rules, there are still those who will see this as a more important deadline than the end of the tax year. It's certainly true that there are rumours about pension changes, with contribution tax relief still firmly planted at the top of the list. While a full overhaul of the tax relief system would most likely require a considerable lead-in time, other changes such as lowering the annual allowance could easily be implemented much more quickly.

> ***A huge number of people experienced furlough or redundancy, a consequence of which is that their pension contributions probably haven't gone to plan***

However, it's still more likely that such changes would take effect from the new tax year rather than immediately. The Budget could also confirm the standard lifetime allowance figure for 2021/22, with whatever degree of rounding is applied this year. The increase will mean that another round of people with individual protection 2016 will revert to the standard lifetime allowance, as it will be higher than their protected amount.

There's nothing clients or advisers need to do to make this happen; however, some people may wish to check their new remaining lifetime allowance and PCLS entitlement figures once the new lifetime allowance is confirmed. Here's hoping that an easier 2021/22 awaits us on the far side of this tax year end planning.



THE PARAPLANNER CLUB

The Paraplanner Club is a mentoring initiative devised by Siân Davies Cole and Chloe Phillips and sponsored by Professional Paraplanner. Rob Kingsbury spoke to Siân and Chloe about the inception of the Club and what it offers paraplanners

The Paraplanner Club is sponsored by

Professional Paraplanner

Launched on January 17, 2021, International Mentoring Day, the idea for The Paraplanner Club sprang out of the realisation by the founders, Siân Davies Cole and Chloe Phillips, that there wasn't a mentoring scheme in the industry that they felt worked for them as paraplanners.

Chloe explains: "I had been part of another mentoring scheme in the industry but it was saturated with advisers and business owners of IFA firms. There were hardly any paraplanners as mentors or mentees. So I put a message on a forum to see if anyone was interested in starting one and Siân got in touch."

Siân says she had reached a similar conclusion. She had experience of an in-house mentoring scheme while working for HSBC earlier in her career. "The bank knew I was ambitious and wanted to get on and in the scheme you could match what you wanted to discuss with a specific mentor. It worked well for me in a number of different ways. I've now been a paraplanner at different levels for a decade and I have had support and encouragement over the years. Now, using my experience of building my career and of running teams, I want to give something back to the paraplanning community and a mentoring scheme seems like a good way to do that."

She continues: "There are mentoring schemes out there but they are run by organisations for their members. As paraplanners we usually have a membership with at least one organisation in order to maintain our qualifications, however these are expensive and with many paraplanners or administrators having to self-fund their membership we want to remove that barrier for others to gain access to a mentoring scheme.

"Also, as Chloe says, these schemes are mainly financial adviser focussed but advisers' mentoring needs are likely to be very different to those required by paraplanners. We wanted to create a mentoring scheme which is open to anyone who wants to be an awesome paraplanner, at any level, for free, where they can come and talk privately and in strictest confidence to someone about any questions or issues they may have. It's an initiative which exists to help the paraplanning community in a direct and positive way and where people with experience who want to give back can get involved."

"We've titled it: 'A mentoring scheme designed by paraplanners, for paraplanners'," adds Chloe.

> ***"I see mentoring as enabling someone to take control of their own destiny, helping them take the power to make decisions and do what they want to do"***

Benefits of a mentor scheme

So what are the benefits of a mentoring scheme and how will it work? "Broadly speaking, I see mentoring as enabling someone to take control of their own destiny, helping them take the power to make decisions and do what they want to do," Siân says. "When people have to make decisions, especially tough ones, it can be quite emotional. Mentors can help people get over the emotion and look at things practically, to see what they need to do take charge of the situation and change it.

"Often it can be helping people realise what they do want. It can be about taking a step back and seeing, for example, that it's not about getting a promotion and/or more money, it's maybe more about finding a role that gives you job satisfaction or changing your role to achieve that, or achieving a better work/life balance.

"It can be saying to someone, 'you say you want to earn £50,000 a year, so imagine you're there, you've got that, how has your life changed, has it made you happier?' Mentoring often is seeing the situation from the outside, without the emotion, and asking the right questions, so the mentee can take that step back and look at things from a different angle. It may then be that achieving a £50,000 salary will give them what they want, or it may be something different they

hadn't thought of before. It's having a level head and helping people to think about things, and maybe in a different way."

"A mentor is a sounding board, someone to bounce ideas off," says Chloe. "Also, they can ask those probing questions to find out what someone's goals really are, to help them find their sense of direction."

Siân adds: "It's not about moaning or venting, although that might be a small part of the initial process. For the mentoring to work it has to be about the practicalities and for the mentee to find a way to think rationally about the issue, to own it, and to find a way to deal with it and come up with a solution."

How sessions will work

The Paraplanner Club has been recruiting mentors over the past few months and has a number of volunteers now lined up able to help and provide guidance to their peers.

Each mentoring session is expected to last for an hour, so it is about making best use of that hour, Siân says. "We'll agree what the mentee wants to get out of the session and the mentors will try to help them achieve that. They will be practical and the aim will be for the mentee to take ownership of the situation and to have action points to implement to help with that. "It may need one session it may need several sessions, but if someone is coming back but not taking ownership or taking action then they are not going to achieve what they want and we'd have to address that as an issue."

Chloe adds: "We want to help people to look positively at things and hopefully achieve what they want to achieve. Within that, self-understanding is really important."

The mentors will have tools available to help understand the person and what they want to achieve and to get the conversation to flow. "It may be that the person is confused and not sure what is the problem or why they feel a certain way and these tools can help them get a better understanding," Chloe says. "When people go through the process they may feel that's all they need, and they don't need to go any further with it, or they may feel it would benefit to talk further. It really will be down to the individual and their particular circumstances."

The type of questions mentors might be asked or the situations that arise are likely to depend on where people are in their career path, Chloe says. "It could be people want help in getting their foot in the door as a paraplanner, finding the best route into the profession, whether they should become an administrator first, and what are the best exams to pursue.

"It could be paraplanners who want to progress to team leader or manager and would like guidance in how to do that, or it could be contemplating a move to setting up as an outsourced paraplanner and how to take that leap."

Siân adds: "Most paraplanners I talk to are on a journey, they don't want to stand still, which is why they are taking exams, they want to advance as time goes on. They may want to know about how to get a promotion, what the opportunities are and how to pursue them.

"There will also be people happy with where they are but, for example, want to know how to get on better with their line manager, or a colleague, or help with the exam process. It's giving people a safe place to say what they think without any judgement and work through how to deal with it."

For regulatory reasons, where mentors won't be able to give advice is on individual client cases. "That kind of technical assistance we won't be able to provide but we can help by pointing them to sources of tools, calculators and websites that might help someone find or work out the information they need," Chloe says.

Paraplanners who would like to receive mentoring or who would like to be a mentor, can complete the appropriate from on The Paraplanner Club website: www.TheParaplannerClub.co.uk

Siân and Chloe are also contactable at: hello@TheParaplannerClub.co.uk as well as via Facebook, LinkedIn and Twitter.

Confidentiality

The mentor and the mentee will both sign up to an agreement, included within which is the importance of confidentiality. Everything will stay within the meeting, there will be no recording of the conversation, says Siân. "It has to be a place of trust; a safe place where both mentee and mentor can have an open conversation."

REMITTANCE BASIS OF TAXATION

The Brand Financial Training team looks at the remittance basis; the alternative tax rules in place for those people who are UK resident with overseas income and gains but are not UK domiciled

How residence and domicile impacts tax planning is a key part of the AF1 syllabus and can also be tested within the multi-choice R03 personal taxation exam. First let's make clear what the arising basis of taxation is; if someone is resident and domiciled (or deemed domiciled) in the UK they will pay tax on the arising basis, meaning their worldwide income and gains are taxed in the UK in the year it arises.

If that money is also taxed in the other country it still needs to be declared and taxed in the UK although in most cases there will be a double taxation agreement meaning that relief is given in the UK for the tax paid overseas. (HMRC may however require evidence of paid foreign tax).

If someone is a UK resident but is not UK domiciled then they have a choice as to how foreign income and gains are taxed and that is either on the arising basis or using the remittance basis of taxation.

The remittance basis means that UK tax is only paid on overseas income and gains that are remitted (or brought) into the UK. (Tax will be charged in the normal way on investment income from UK sources).

If the remittance basis is chosen and the individual is a long-term UK resident then the Remittance Basis Charge will apply if the person has more than £2,000 unremitted income/gains and they are over 18. The definition of long-term residence is more than seven out of the previous nine tax years and the levels of charge are:

- £30,000 for people UK resident in at least seven of the previous nine tax years
- £60,000 for people UK resident in at least 12 out of the previous 14 tax years.

The charge is basically a tax charge on overseas income and gains that are left outside of the UK (i.e. not remitted to the UK) and has to be paid on top of any UK tax paid on UK income and gains as well as any overseas income and gains that are remitted to the UK.

If someone is a UK resident but is not UK domiciled then they have a choice as to how foreign income and gains are taxed and that is either on the arising basis or using the remittance basis of taxation

If someone chooses the remittance basis they would not normally get a personal allowance or the CGT annual exempt amount – the exception being where unremitted income and gains are less than £2,000 in which case the remittance basis automatically applies and they keep both the personal allowance and the CGT annual exempt amount and no remittance basis charge is payable. Remember if the person has no overseas income/gains then their domicile status has no impact at all

on their UK income tax/CGT position (but could be relevant for IHT purposes).

Interestingly (and not something we think will ever be tested!), a remittance doesn't just occur with actual income/gains; it will also occur if something is remitted that was derived from overseas income/gains. For example, if someone buys a work of art overseas using their foreign income and then brings that piece of art to the UK this is a remittance because it derived from foreign income.

Since 2017 HMRC have treated some residents who are not UK domiciled as 'deemed domiciled' for tax purposes. This is when they have been UK resident in at least 15 of the previous 20 tax years.

In these circumstances, the remittance basis is not available and the individual would be chargeable to UK income tax and capital gains tax on worldwide income and gains on the arising basis (in other words in exactly the same way as those who are UK residence and UK domiciled).

In addition they would be chargeable to UK IHT on worldwide assets.

Exam example

In a previous AF1 exam paper, one of the questions introduced candidates to a married couple, Reuben and John. John had lived in Australia since 2012 and had married Reuben, his long-term Australian partner, in 2018. They were both relocating to the UK and two of the questions were:

(i) Describe how Reuben's domicile will be determined (5)

(ii) Explain how Reuben's tax position will change once he becomes deemed domiciled in the UK. (5)

The Model answers from the CII exam guide are as follows (bulleted so you can see where the five marks were given in each question):

(i) Describe how Reuben's domicile will be determined

- Reuben will retain his non-UK domicile status initially;
- unless he has a clear intention to stay in the UK permanently; and
- breaks any significant ties with Australia.
- He will be deemed domiciled in the UK for Inheritance Tax (IHT) purposes when he has been resident in the UK for 15 out of the 20 tax years immediately before the relevant tax year.
- He can elect to be domiciled in the UK.

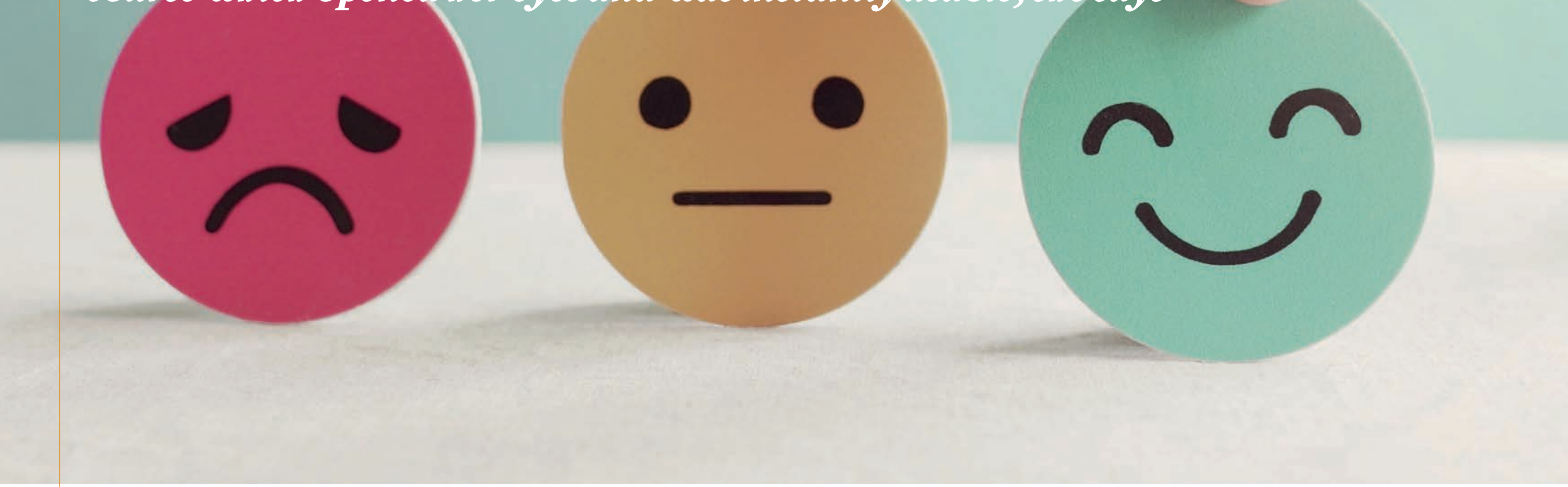
(ii) Explain how Reuben's tax position will change once he becomes deemed domiciled in the UK.

- Reuben will no longer be able to claim the remittance basis of taxation.
- He will be assessed for tax on his worldwide income and gains on the arising basis.
- If Reuben is deemed domiciled when he dies, his worldwide assets will form part of his estate for calculating IHT.
- There will be no limit on any inheritance from John/the £325,000 limit is removed.

With residence and domicile a key part of the AF1 syllabus, future candidates should ensure they study this learning outcome in full before sitting their exam.

MENTAL 'W'HEALTH!

Michelle Hoskin, managing director of Standards International, used Lockdown to take Mental Health First Aider training – a course which opened her eyes and was instantly usable, she says



Given all of the obvious distractions, I decided to make 2020 my year of learning: a year for broadening my knowledge in areas that were not 'obviously' linked to my work. But then I came across the Mental Health First Aider training delivered by Mental Health First Aid England. I can honestly say it was one of the most rewarding bits of learning I have ever done, and I think that's because I was able to instantly put it to great use.

The course was broken down over two weeks. There were four morning sessions and after each session I was left in emotional pieces. During each session I had felt every feeling possible – happiness, sadness, anger, frustration – I could go on. Buy why? Because I could see that either myself, my friends or my family members had sadly suffered from one or more of the mental illnesses that I was learning about.

One thing that really struck me was that, in the same way we all need to take care of our physical health, we also all have to make time for our mental health. One of the most important things we can do for ourselves is to schedule self-care, in other words ensuring that we schedule time to focus on our own wellness, wellbeing and mental health. Scheduling this time is not

an indulgence but sadly that is often how so many of us see it. I'd like you to make me one promise. It's really a promise to yourself but given all of the pressures and complexities of life I believe having positive mental health will be our superpower.

So as you sit down to map out your own personal goals for 2021 and maybe even plan your own learning and development – think about what you need to do for yourself, what learning and development will broaden your own skills and abilities outside of your work or your job. Think about what you need to be well, to thrive and become a happy human. See my presentation *How to be a Happy Human* at HUM 2019.

Some food for thought!

Here's some food for thought for you:

- We all have mental health challenges and the wellness of our minds depends on many, many factors – too many to list.
- Mental ill-health is a real thing – it can affect us all. It is part of everyday life at different levels for everyone.
- According to the Royal College of Psychiatrists' Mental Health and Work report in 2008, it was estimated that at any given time 'one-sixth of the working age population experience symptoms associated with mental ill-health' (e.g. sleep problems, fatigue, etc), symptoms which do not even meet the criteria for diagnosis. This was in 2008 – imagine what the figures would be for us now in 2020! Added to this, their No health without public mental health positioning statement PS4/2010 estimates that mental illness is the 'largest single source of burden of disease in the UK. No other health condition matches mental illness in the combined extent of prevalence, persistence and breadth of impact'.
- I bet that, like me, you can count on both hands (and probably your feet too) the people you know, or know of, who have at some point experienced some form of suffering due to mental ill-health.

Sadly, there is no magic wand, silver bullet and/or answer to all of this. However, there are some hacks, tricks, tips and insights which can definitely help.

In 2008, the UK Government commissioned a review into what actually contributes to a person's overall wellbeing. That review was conducted by the New Economics Foundation (NEF) on behalf of Foresight* and it drew on state-of-the-art research from across the world to consider how to improve everyone's mental capital and mental wellbeing through life.

The evidence suggests that a small improvement in wellbeing can help to decrease some mental health problems and enable people to flourish.

And remember this is not just for the grown-ups... according to the Mental Health of Children and Young People in England, 2017 [PAS] Publication Date: 22 Nov 2018, '1 in 10 children aged 5-15 had a mental health disorder (either emotional, behavioural, hyperactive, or other)'. In the newly released 2020 figures, this has risen to one in six. These figures are startling.

The NEF's five ways to wellbeing sets out five core actions to improve personal wellbeing. The guideline has been adopted worldwide (including Australia, New Zealand and Canada,) and if there was ever a time to direct our attention to this... it's now!

The five ways to mental wellbeing:

1. Connect

Connect with yourself and with those important people (and things) in your life. There are always going to be people who you know you should have in your life, as well as those you're not sure should be and you have no idea how they got here. Whether it's over phone, Zoom, FaceTime or a simple text: make an effort to connect. Talk, laugh, moan and groan – it doesn't matter but ONLY surround yourself with people who bring out the absolute best in you.

Hack: Protect your mind for the first 8 minutes after you wake and focus only on forming positive plans or intentions for your day! Keep the phone away!

2. Be active

Get out! Move, do a workout at home, run, even take a walk and if you can, get back into your physical groups and clubs. Exercising makes you feel good and of course, most importantly, try to find a physical activity you enjoy, that can keep you motivated and engaged, and that suits your level of mobility and fitness.

Hack: within the first hour of being awake do at least 10 minutes of exercise! Jog on the spot, do 20 star jumps or bench press the kids if you have to!

3. Take notice

Take notice of everything. Watch and listen. Be naturally curious about the people and the things around you. Make sure that you catch sight of all the beautiful moments that you perhaps haven't noticed before because life is nuts and we rush around way too much. Savour the moments that will be gone again in a flash. Be aware of the wider world and what you are feeling. Reflecting on your experiences will help you appreciate what matters the most.

Hack: Practice gratitude. It could be every morning or every night before you go to bed. Simply write down at least three things you are grateful for and let the endorphins do the rest.

4. Learn

Try something new. Rediscover an old interest. With the abundance of free content available, there really is no excuse. You can even become a Harvard or Yale graduate from the comfort of your own sofa! Push yourself, offer to help your team, take on a new role or new responsibilities. Read that book that's been collecting dust on your bookshelf. Learn to play an instrument or how to cook your favourite food. Set a challenge you will enjoy achieving while in lockdown. Get stimulated, upskill and increase your confidence and pride.

Hack: Allocate two 25 minute slots each day to learn something that you didn't know before. Go on – you can do it!

5. Give

Give to others, but not before you have given to yourself. At a time of crisis, people's true colours and character are shown so encourage the best of you to shine. Do something nice for a friend, or even for a stranger, because let's be honest, we may not all be in the same boat, but we are in the same storm. Also smile: it's amazing how that gesture alone will make others feel.

Hack: Pick two neighbours, knock on their door and when they open it, say 'Hi, I thought I would just check in to see if you were doing OK?'.

As we enter into another year of goodness knows what, please remember one thing:

> YOU ARE NOT REQUIRED TO SET YOURSELF ON FIRE TO KEEP OTHER PEOPLE WARM.
>
> UNKNOWN

Links to get you thinking

In case you need more fuel to get you inspired to take extra special care of yourself, here are a few of our favourite further resources for you to enjoy.

- **The stand up kid – https://www.youtube.com/watch?v=SE5Ip60_HJk**
- **Empathy (Brené Brown) – https://www.youtube.com/watch?v=1Evwgu369Jw**
- **The influence of social networks (Nicholas Christakis)– https://www.youtube.com/watch?v=2U-tOghblfE**
- **Sleep is your superpower (Matt Walker) – https://www.youtube.com/watch?v=5MuIMqhT8DM**
- **3 secrets of resilient people (Lucy Hone) – https://www.youtube.com/watch?v=9-5SMpg7Q0k**
- **Wellbeing – what's most important to you (Michelle Hoskin) – https://soundcloud.com/littlemisswoww/wellbeing-whats-most-important-to-you**
- **The WOWW! Hour with Michelle Hoskin and Sarah Ambrose – https://soundcloud.com/standardsinternational/the-woww-hour-with-sarah-ambrose**

LOANS FROM TRUST

Using case studies, John Humphreys, Inheritance Tax Specialist, WAY Investment Services, looks at where loans from Trust have been used to help family members achieve their financial goals

It is entirely natural for parents to wish to help and support their children. It is also entirely normal for parents to have some reservations about doing so, not least when it comes to financial matters. Concerns may be regarding a choice of partner, or the risks the next generation might be taking in a new business adventure. For themselves, a common theme that advisers report hearing is worry about being able to cover unknown care costs at some unspecified time in the future.

One strategy that can be employed to address both those concerns and the wish to help family is the use of Flexible Reversionary Interest Trusts with loan facilities. The Trust is set up so that the Trustees can, at their discretion, advance money to Beneficiaries by way of a Loan or an Appointment of capital. A particular advantage with a loan is that it remains a debt of the recipient and an asset of the Trust, and in this way can be used to protect 'family wealth'.

Before receiving the loan, the Beneficiaries sign a formal Loan Agreement. Should the recipients divorce, be declared bankrupt, or face their own inheritance tax (IHT) liabilities, the outstanding loan reduces the value of their assets. Though a popular method for gifting, it is worth bearing in mind that Discounted Gift Trusts cannot offer such loan facilities during the Settlor's lifetime. This is because the Trustees are under obligation to provide reversions to the Settlor based on the original discount (typically 5% per annum tax-deferred withdrawal from an investment bond), and if the value of the remaining investment falls, they may become unable to do so.

Over the last 16 years I have seen the Trustees of Flexible Reversionary Interest Trusts use loans from Trusts to help family members through a variety of circumstances and situations which they have faced. As part of a long-term financial strategy, many of those Trusts continue to be in place today – supporting and ready to support family members intergenerationally (up to the perpetuity period of 125 years). Let's consider some real-life examples where families have used loans from Trust to help everyone achieve their financial goals.

Loans from Trust have the potential to enable many families to provide support to loved ones in a controlled and measured manner

Family A

Back in 2003, a married couple each set up a Flexible Reversionary Interest Trust with their adult children as named beneficiaries. A year later, their son was promoted at work, but the promotion involved a relocation to a different part of the UK. He and his wife found a home they liked in the new area, but before they were able to sell their existing home. They could not afford to maintain two mortgages, and with a young child to look after, the prospect of a

bridging loan looked unduly stressful. The family's financial adviser discussed the situation with them and approached the Trustees about a potential loan.

The Trustees agreed to loan 50% of the purchase price of the new home from each of the parent's Flexible Reversionary Interest Trusts, so the young family were able to purchase the new house with no mortgage. The son and daughter-in-law both signed a formal Loan Agreement with the Trustees, and the money was advanced to them.

A point of reassurance to the parents was that in the unfortunate event of divorce, the Trustees would have the discretion to recall the loan and thereby protect the 'family wealth'. As it happened, it was just a few months later that the young family sold their previous home. The Loan was repaid to the Trust in full and the money reinvested, where it could hopefully grow for the future benefit of the Settlor (if reversions were ever required), or the Beneficiaries where the money could be loaned (again) or appointed, as appropriate.

Family B

In 2009, a mother set up a Flexible Reversionary Interest Trust with a gift of £178,000 with her adult children as named Beneficiaries. Four years later, her son was looking to buy a house. The Trust had seen some growth and the Trustees were able to agree to a loan of £180,000.

A further four years on, the son was able to repay the loan in full and the Trustees reinvested the funds. It is also worth bearing in mind that by this point, a full seven years had passed since the Trust was set up, so the gift was outside the mother's estate for IHT purposes. In 2018 the son approached the Trustees again as he wished to buy a property abroad, and they advanced a loan of £70,000.

Crucially, at each stage the family's financial adviser consulted with all of the main Beneficiaries before the loans were granted, in order to ensure that everyone was comfortable with what was being proposed. In September 2019, the Trust was valued at £244,000. This included the outstanding loan of £70,000, so £174,000 remained invested for the benefit of the Beneficiaries and reversions to the Settlor, should they ever be required.

Loans to spouse/partner

A third scenario worth considering is the use of loans from Trust to support spouses or civil partners. A spouse or civil partner cannot be a named Beneficiary of a Flexible Reversionary Interest Trust during the Settlor's lifetime, as HMRC deem spouses or civil partners to be an 'associated operation' for Gifts with Reservation of Benefit purposes, but they can be appointed as an Appointed Class Beneficiary on the Settlor's passing.

On the death of a spouse or civil partner, loans from Trust could be advanced to a surviving spouse or civil partner to offset any fall in income, offering considerable flexibility and access to funds. If the loans were spent to support ongoing living costs, the debt would be attached to the survivor's estate, reducing the net estate value for probate and IHT purposes. On the second death, after probate is resolved, the loan could be repaid to the Trust which could go on to make future loans to children or other Beneficiaries, as such Trusts have a 125-year perpetuity period.

Loans from Trust have the potential to enable many families to provide support to loved ones in a controlled and measured manner. An understanding of how they work and the options available should certainly be part of the knowledge base for planning teams.

Follow us on Twitter
@profparaplanner

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 IFA firms would NOT require its annual accounts to be audited?

- A An unincorporated firm that doesn't have permission to hold client assets
- B A sole-trader who has formal permission to hold client assets
- C A limited liability company who undertakes activity within the scope of the Insurance Distribution Directive
- D A partnership who operates a client bank account specifically to hold client monies with formal permission to do so

2. Josian has had a with-profit policy for a number of years and is now considering surrendering it. She should be aware that a market value reduction (MVR) can be applied:

- A As per guidelines set out in the FCA Handbook
- B As per guidelines set out by the ABI
- C At the discretion of the policyholders
- D At the discretion of the life office

3. Which of the following statements regarding Stamp Duty on documents transferring share ownership is true? Tick all that apply.

- A The rate is 0.5% of the purchase price
- B Stamp duty is paid by the seller
- C Stamp duty is paid by the purchaser
- D The purchaser is responsible for paying the stamp duty to HMRC
- E Stamp duty paid can be taken into account for CGT calculations

4. Defined benefit pension schemes represent an open-ended liability for employers, but which factor does not directly contribute to their potential liability?

- A Age and marital status of the members
- B Number of deaths prior to retirement
- C Returns of the underlying investments
- D Company profits

5. Marie has an onshore life assurance policy and Claire has an offshore life assurance policy. The difference in the tax treatment of their funds is:

- A Marie's fund will be taxed at roughly the basic rate of income tax, while Claire's fund will have gross roll-up
- B Marie's fund will be taxed, but the tax is reclaimable while Claire's fund will have a gross roll-up
- C Claire's fund will be taxed at roughly the basic rate of income tax, while Marie's fund will benefit from gross roll-up
- D Marie's fund will be taxed and the tax is non-reclaimable, while Claire's fund will be taxed but the tax is reclaimable

6.The greatest strength of Gordon's growth model is it simplicity, however it has some drawbacks. Which of the following is an example of one of the limitations of the model? It's assumption that:

- A NAV grows at a constant rate
- B Future dividends grow at a constant rate
- C NAV reflects current share price
- D Future dividends stay the same

7. Amanda, who lived in England, has died without leaving a will. She was married but had no children and has two surviving brothers and no other relatives. How will her estate of £650,000 be distributed under the laws of intestacy?

- A Entire estate absolutely to her spouse
- B £450,000 plus personal chattels to her spouse, £200,000 to her brothers
- C £550,000 plus personal chattels to her spouse, £100,000 to her brothers
- D £270,000 plus personal chattels to her spouse, who also receives a life interest in £190,000, and £190,000 absolutely to her brothers

8. If a borrower thinks they may wish to move house at some time in the future and are contemplating taking out a lifetime mortgage, what feature would it be useful for their mortgage to have?

- A Borrow back facility
- B Mortgage credit card
- C Portability
- D Drawdown facility

9. Once contracts have been exchanged, the buyer acquires what sort of interest in the property?

- A Legal
- B Equitable
- C Commonhold
- D Reversionary

Your answers

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

Last issue's answers

Q	Answers	Reference material
1.	A	CII R01 Study Text Chapter 2
2.	C	CII R02 Study Text Chapter 4
3.	D	CII R03 Study Text Chapter 3
4.	C	CII R04 Study Text Chapter 2
5.	A	CII R05 Study Text Chapter 9
6.	B	CII J10 Study Text Chapter 11
7.	C	CII ER1 Study Text Chapter 7
8.	C	CII J12 Study Text Chapter 3
9.	B	CII CF8 Study Text Chapter 2
10.	D	CII R07 Study Text Chapter 6

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

prepare to pass
Brand
FINANCIAL TRAINING

Professional Paraplanner
The Investment Committee

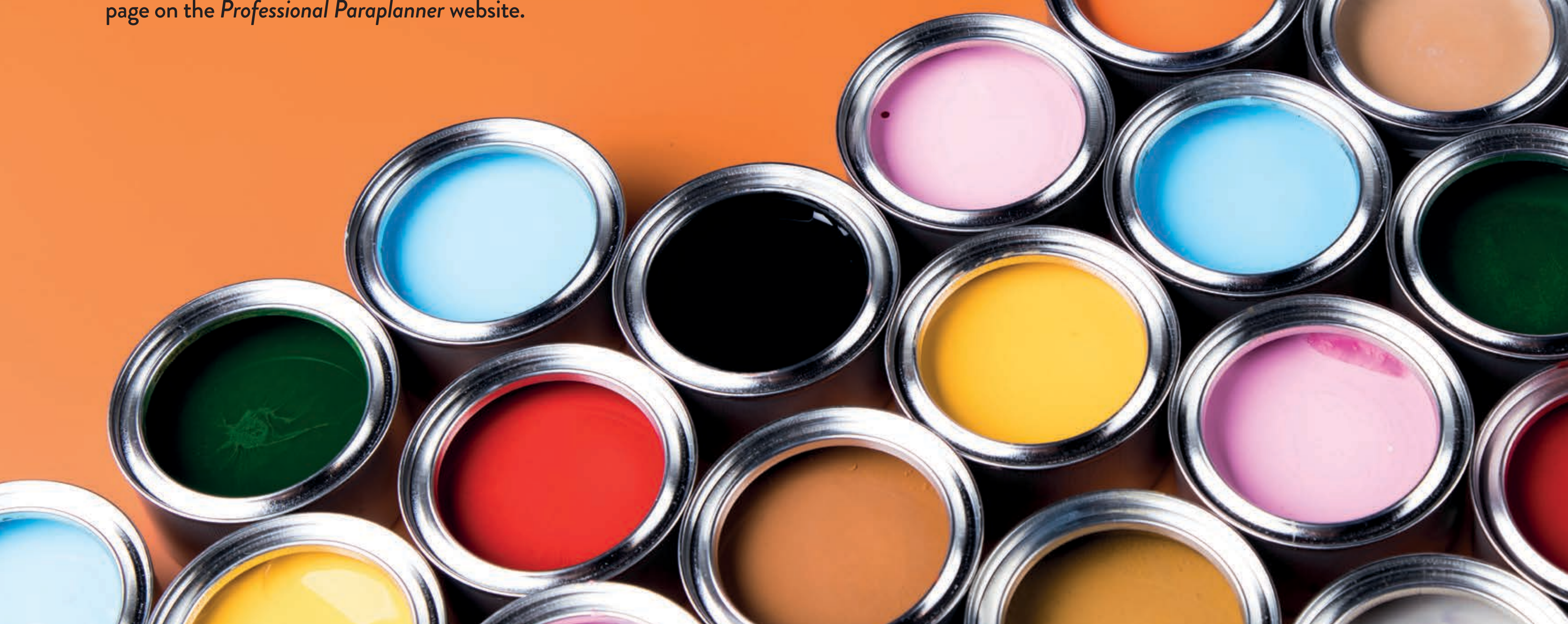
In association with

Fidelity International

In this dedicated section within the magazine – and also on the *Professional Paraplanner* website – we provide informed comment and insight for paraplanners engaged in research into investments, in particular for those contributing to their firm's Investment Committee decisions. Throughout 2021 we will be covering key areas from individual funds and alternatives, through market trends and commentaries, keeping you informed.

Investment Committee events

We will be continuing our popular series of Investment Committee online events, starting with a webinar from Fidelity, looking at the prospects for investments in 2021. This takes place on Wednesday 3 February at 10.30am. You can sign up from the Events page on the *Professional Paraplanner* website.



GOING MAINSTREAM

As China's stock market opens up, its A shares are being incorporated into mainstream indices, says Nicholas Yeo, director & Head of Equities China at Aberdeen Standard Investments

China has the world's second largest economy and second largest stock market, with a market cap above $10 trillion. Yet A-shares account for just 0.6% of the MSCI All Countries World Index. In the past China's onshore equity market was hard for global investors to access but it has opened up and liberalised considerably in recent years. Reflecting this progress, index providers are now adding A-shares incrementally to their global benchmarks.

Why invest in China?

The answer is growth. China's economy is increasingly self-reliant, its fortunes driven by domestic factors – namely Chinese consumers. Its capital markets have continued to function well despite Covid-19 and geopolitical tensions. Domestic tourism has rebounded, while domestic consumption at the premium end is recovering well. This earlier economic restart affords investors greater clarity on the outlook for Chinese company earnings.

Of course, one unknown remains: how US-China tensions will evolve from here. If we see continued US-led moves to restrict Chinese access to technology, that could slow China's economic catch-up. Yet, China's assertiveness in managing tensions with the US is underpinned by changes to its own economic model. It is becoming far more self-reliant, its fortunes driven more by domestic factors – namely the burgeoning Chinese consumer.

Stimulating domestic demand is a key plank in re-balancing its economy towards consumption and services, even as it remains open to international participation. Economists within our Research Institute forecast that China's figure for nominal gross domestic product (GDP) will overtake that of the US by 2035.

The A-share market, key drivers and improved access

The MSCI China A Onshore Index has been among the best performing in the world over the past year, driving its market cap through the $10 trillion barrier for the first time. The market is deep and liquid with more than 3,800 A-shares, including companies in fast-growing new-economy sectors not readily accessible offshore. It offers the most diverse way to access China's growth.

China's world-leading rally in 2020 has been driven by both domestic and foreign investors. Since Stock Connect launched in 2014, A-shares have attracted $170 billion in net inflows from overseas. It created a trading loop linking the exchanges of Hong Kong with Shanghai and Shenzhen, and broadly, this addressed foreign investor concerns about lack of direct market access. The admission of A-shares into mainstream benchmarks will only accelerate capital flows from foreign institutions.

The key to unlocking shareholder value is identifying companies in line to benefit. We believe higher disposable incomes will spur demand for health-care products, wealth management services, insurance and luxury goods and services. Structural growth drivers such as the adoption of renewable energy, cloud applications, 5G, e-commerce and artificial intelligence also remain intact. Renewable energy has never been cheaper, and China dominates the global renewable and battery supply chains. We think the industry has a bright future. Furthermore, A-share trading remains driven by retail investors influenced more by news headlines than company fundamentals. This creates a fertile ground for active stock-pickers as mis-pricings are common.

Chinese companies and ESG

Despite the growing case for China A-shares, sustainable investing in Chinese companies is a question often raised by potential foreign investors. However, today Chinese companies are engaging with asset managers more closely than ever. Increasingly they are aware of their carbon footprint and realising that by implementing sustainable practices, they can improve brand perception, customer loyalty and, ultimately, share price.

They are also engaging on social factors, such as how they interact with employees, vendors and society. Firms able to showcase how they safeguard customer data, prioritise environmental sustainability, foster a good staff culture and maintain standards among their supply chain will resonate with customers. That will drive profitability, and consequently investor interest.

As many companies in China are now willing to engage on all aspects of running and building a business, this has given us the confidence to increase our exposures in China. Selecting companies with strong ESG standards improves our chances of investing in long-term winners and avoiding loss-making corporate failures and scandals.

Undoubtedly, China's capital markets have continued to function extremely well despite a challenging year for most markets. Increasing foreign participation, underpinned by structural growth opportunities connected to a growing middle class, supports our positive outlook on this market and highlights that investors not exposed to China risk missing out on its strong growth potential.

Currency hedging is used to substantially reduce the risk of losses from unfavourable exchange rate movements on holdings in currencies that differ from the dealing currency. Hedging also has the effect of limiting the potential for currency gains to be made. The Investment Manager's focus on securities of companies which maintain strong environmental, social and governance ("ESG") credentials may result in a return that could, at times, compare less favourably to similar products without such focus. No representation nor warranty is made with respect to the fairness, accuracy or completeness of such credentials. The status of a security's ESG credentials can change over time.

Investments should be made on the basis of the current prospectus, which is available along with the Key Investor Information Document and annual and semi-annual reports, free of charge on request by calling 0800 368 1732. Issued by FIL Pensions Management, authorised and regulated by the Financial Conduct Authority and by Financial Administration Services Limited, authorised and regulated by the Financial Conduct Authority. Fidelity, Fidelity International, the Fidelity International logo and F symbol are trademarks of FIL Limited. UKM0121/26606/SSO/0621

WHICH BONDS FOR 2021?

Flexibility in the bond market will be essential this year, says Darius McDermott, managing director, FundCalibre, which is where strategic bonds may win out

Prior to the onset of the pandemic, I was pessimistic about fixed income. The asset class always seemed to defy my expectations, but I was particularly concerned by the fact that around 30% of the bonds issued by governments and companies worldwide were trading at negative yields.

The old saying goes that 'you never hear the shot that kills you' and the speed of the March sell-off due to the pandemic saw bond prices fall to significantly low levels. However, as prices fell, yields increased, and significant opportunities arose for investors.

Fast forward to the start of 2021 and the last nine months have seen strong returns for fixed income thanks to support from central banks and governments. Since March 2020, the average return from a fund in the IA Sterling Corporate Bond and IA Sterling High Yield sectors was 14.9% and 29.1% respectively[1].

Valuations are now back to levels seen at the start of 2020, so it would seem we've come full circle over the course of the year with bonds looking expensive again.

The combination of many developed world government bonds having negative interest rates and many companies cutting or postponing dividends means corporate and emerging market bonds, are likely to remain popular as they offer a higher and more predictable income. However, the global economy is still in recession and second and third waves of the virus are weighing further on company balance sheets. In this environment flexibility is a necessity – and that is where strategic bond funds should flourish.

Risks

As we know, beyond credit risk, there is also interest rate and inflation risk for bonds. While interest rate risk is unlikely in 2021, we recently saw the 10yr US governments bond yields go above 1% – a direct result of the Democrats gaining control of the US Senate with President Biden committed to spending money – always a harbinger for inflation.

Valuations are now back to levels seen at the start of 2020, so it would seem we've come full circle over the course of the year with bonds looking expensive again

Effectively, this move means there is more inflation in the economy than the market has priced in, but I still believe it will be at a manageable level for the next 12 months. Jupiter Strategic Bond fund manager Ariel Bezalel says while some people are worried about the prospect of inflation, he believes many of the developed economies "will continue to face a cold world of sluggish economic growth". Ariel also cites the increasing debt taken on board to meet stimulus and the deflationary pressures facing markets – namely globalisation, the relentless downward pricing pressures of the internet, ageing populations and falling fertility rates.

Ariel adds that central banks in Japan and the EU have both tried – and failed – to get inflation up to 2%, so why should it be any different in the UK or US? "Central bankers

know precisely what to do about inflation, it is deflation that keeps them awake at night."

Opportunities remain

You have to balance the pros and the cons for the asset class and accept the easy money has been made. Corporate bond funds are now yielding circa 2-3%, so there is not a lot of compensation for the risk you are taking – although there is still some capital appreciation to be made by skilled managers – while the default concerns remain very real in the high yield space. Nevertheless, we are in the midst of major secular change for markets, which will bring about a number of opportunities.

A good example of this is Baillie Gifford Strategic Bond fund manager Torcail Stewart, who has talked about positively responding to mishaps, even in some of those sectors where a recovery can take longer, like hotels, energy and hospitality. He says the key is not to target the most distressed companies, rather those where liquidity is excellent, the long-term business model is sound and valuation compelling. Essentially, the survivors where long-term market share gains are likely.

The average fund in the IA Sterling Strategic Bond sector has now returned 16.6%* since the March low. I'd say anything between 5-8% would be a good return in 2021 as the market continues to recover. It's now a very congested market and you want someone who can demonstrate not only strong bond selection but proactive asset allocation to take advantage of those opportunities.

The Jupiter Strategic bond is a good option, Ariel Bezalel is quite cautious in his approach and emphasises limiting potential losses in tough markets. The aim is to achieve a moderate income, but with the prospect for growth. Another is the TwentyFour Dynamic Bond, which traditionally offers one of the highest incomes' in the sector.

Those looking for a punchier option may like Invesco Monthly Income Plus, which also has the ability to invest up to 20% in equities and currently yields more than 4%[2].

[1] Source: FE fundinfo, total returns in sterling, 23 March 2020 to 31 December 2020
[2] Source: Fund factsheet, 30 November 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.

INVESTING FOR YIELD

James Chu, head of Investment Solutions, Tricio, looks at the advantages of using goal-based asset allocation to construct an income portfolio

After a torrid 2020, we all hope 2021 will be different and better. But one thing we do not expect to change a lot are interest rates in the UK which are expected to remain at historical lows. In Tricio's previous article in *Professional Paraplanner**, our Chief Economist John Calverley reminded us that inflation may pick up in the next 12 to 24 months.

The combined low interest rate and high future inflation environment makes construction of income portfolios more difficult, even for a modest level of net yield (after fees) of 4-5% pa. It is particularly challenging because many investors in such portfolios need income for their retirement and cannot afford to take excessive investment risk.

At Tricio, we adopt a special approach for UK income investors who invest in tax wrappers like a stock and shares

individual savings account (ISA), or in self-invested personal pensions (SIPP). This is to put together the portfolio using goal-based asset allocation.

Income investors have different goals

The first step of any portfolio construction is to identify investor needs. On the surface, there is just one goal for any income-seeking investor: getting regular income that meets their financial needs. The simple approach is to pick investments and securities that can be combined to give the right yield and risk, ideally optimised to be "efficient" as per model portfolio theory.

But if one thinks carefully, there are other sub-objectives that need to be met. For example, for investors who are drawing down their pension, their portfolios need to be constructed to deal with the impact of market movements and the timing of the drawdown. This requirement is not needed for those income investors who still have other sources of income like salaries and are still saving.

Goal-based framework

This means that the income portfolio must also meet several sub-goals to get the right outcome. To do this, you need different sub-portfolios that each will meet different goals:

1. You need a liquidity pool with no market risk which investors can draw down with certainty in the short term – this is particularly important for investors who

The first step of any portfolio construction is to identify investor needs. On the surface, there is just one goal for any income-seeking investor: getting regular income that meets their financial needs

are drawing down their pension and need certainty of income that is not affected by market movements.

2. You need part of the portfolio that can produce enhanced yield to replenish the liquidity pool regularly after investors' drawdown.
3. You need another part of the portfolio to build up some capital growth, ideally beating inflation. The capital growth can be reinvested to the yield enhancement portfolio to sustain future income and cashflows.

For both 2 and 3, one can vary the level of risk in these parts of the portfolio to match the overall risk profile of the client. In addition, there could be a need to control path dependence of the portfolio for clients who are drawing down income. Both of these may rely on use of alternative asset classes that have lower correlation with traditional equities and bonds, and ideally with some market risk control mechanism built in (e.g. structured products or alternative investment trusts).

Applying goal-based allocation

To apply the above goal-based asset allocation framework, we construct component portfolios that meet each of the above sub-goals. The component portfolios are then combined to form the final portfolio. The table below provides an example.

Component portfolio	Possible assets
Liquidity pool	Cash, high quality money market fund or ultra-short-dated bond funds
Yield enhancement	Fixed income, equity income funds (passive and active), income based investment trusts, income structured products
Capital growth	Equity funds (passive and active), growth based investment trusts, growth structured products

The allocation of each component portfolio is optimised such that the expected return and volatility of the overall portfolio meets the client's investment objectives and risk profile. It is also stress tested quantitatively to find out how long the income can be sustained under different market distress scenarios, and the time it takes for the yield enhancement and capital growth component portfolios to recover. Further fine tuning and adjustment will then be carried out to make sure the overall portfolio is robust enough.

There are at least two advantages in using goal-based asset allocation to construct an income portfolio. First, as each component portfolio is designed to meet a sub-goal, it is easier to explain to the end investor how the portfolio is put together and the factors that have been affecting the portfolio performance. For example, investors can be reassured that despite some short-term market corrections, their income can still be sustained because we have set aside a liquidity pool. We can then refocus the clients on the longer-term return potential of the yield enhancement and capital growth portfolios when markets recover.

Secondly, it is easier to manage the investment to meet the changing needs of the end investors due to life events and other issues. One will simply change the allocation to each component portfolio, or to add another component. This flexibility is invaluable for advisers and wealth managers.

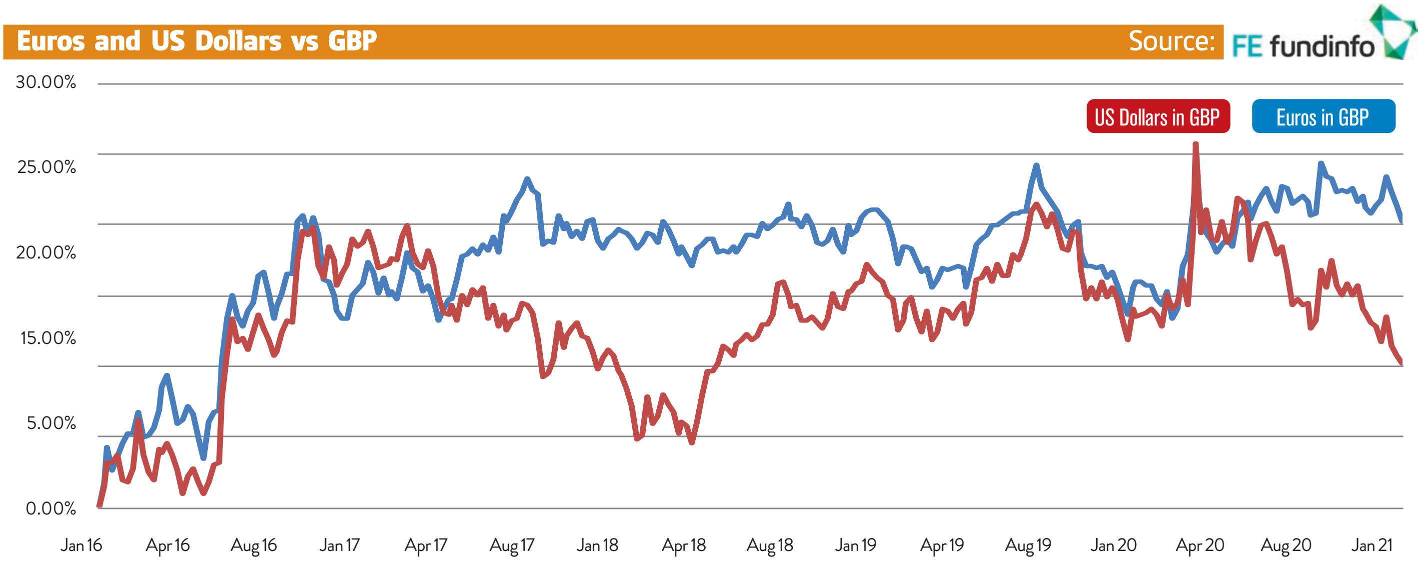
Goal-based asset allocation or portfolio construction has become more widely used by wealth managers around the world. The author used this framework previously in private banks and investment firms. These organisations benefited from this approach, as advisers and paraplanners can work more effectively in building better trust with clients. This in turn helps investors to focus on their long-term investment goals, rather than worrying too much about the impact of market performance on their income needs.

*** See Viewpoint, December 2020 issue**

Author's note: The discussion in this article works in these tax wrappers because any drawdown for the cashflow is not subject to different tax treatments (income vs capital gains). The general principles still apply if drawdowns must be based on income, though the component portfolios would be different.

Follow us on Twitter
@profparaplanner

SECTOR CONSIDERATIONS: VALUE OF THE POUND



Fund Calibre comment: It's been a major topic since 2016, but our discussions about Brexit continue even after the eleventh-hour deal.

When we had the surprise vote to leave the European Union, there was a big move in the pound (as Chart 1 shows). Now we have a deal, we would expect that move to reverse. A quick glance at the dollar exchange rate would suggest it almost has – sterling was only 4.9% below its pre-vote level at the end of 2020. However, the euro exchange rate is still some 13.4% off.

So why hasn't the euro rate recovered? While Brexit has dominated UK headlines (and policies) in the past four and a half years, it hasn't been such a major story overseas.

And now we finally have a resolution it's at a time when the US dollar is actually relatively weak (see Chart 2) due to spending concerns post-election and a poor response to the pandemic. So much of the pound's gain has actually been the dollar's loss.

This suggests that either the currency markets aren't too impressed by the Brexit deal, or that there are simply more important global factors that are driving the narrative. So now, despite having its biggest headwind removed, we think sterling could still be considered cheap.

*Source: UK.trading view at 13 June 2016: GBP/USD & GBP/EUR
£1:$1.43 & £1:€1.27
**Source: UK.trading view at 30 December 2020: GBP/USD & GBP/EUR
£1:$1.36 & £1:€1.10

Follow us on Twitter
@profparaplanner

CONTINUING PROFESSIONAL DEVELOPMENT VERIFICATION TEST

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

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

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

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

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

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

Professional Paraplanner CPD questions for Structured CPD verification

Viewpoint (p6)

Name one of the interconnected dimensions to daily renewal highlighted in the book 7 Habits of Highly Effective People:

Pensions (p10)

Which carry forward allowance will no longer be available from 6 April 2021?

- ☐ 2016/2017
- ☐ 2017/2018
- ☐ 2018/2019

Pensions (p10)

Money purchase annual allowance applies from:

- ☐ The start of the tax year
- ☐ The day following the trigger point
- ☐ The start of the next tax year

Tax (p14)

If someone is a UK resident but is not UK domiciled the remittance basis of taxation means UK tax is paid on:

- ☐ All overseas income
- ☐ Overseas income brought into the UK
- ☐ All overseas income and gains
- ☐ Overseas income and gains brought into the UK

Tax (p14)

The definition of long-term residence is:

- ☐ More than 7 out of the previous 9 tax years
- ☐ More than 5 out of the previous 10 tax years
- ☐ More than 3 out of the previous 7 tax years

Tax (p14)

The level of charge of £60,000 under remittance basis of taxation applies when:

- ☐ A person has been UK resident in at least five of the previous 10 tax years
- ☐ A person has been UK resident in at least 7 of the previous 9 tax years
- ☐ A person has been UK resident in at least 12 out of the previous 14 tax years

Trusts (p18)

A Flexible Reversionary Interest Trust can advance money to Beneficiaries by way of a Loan.

- ☐ True
- ☐ False

Trusts (p18)

A spouse or civil partner cannot be a named Beneficiary of a Flexible Reversionary Interest Trust during the Settlor's lifetime.

- ☐ True
- ☐ False

Investment (p24)

Name the three primary risks to bonds.

1.

2.

3.

Data (p31)

The most researched IA sector on FE Analytics in December was:

- ☐ Global
- ☐ Mixed Investment 20-60% Shares
- ☐ Mixed Investment 40-85% Shares
- ☐ UK All Companies
- ☐ Unclassified

DATA DOWNLOAD

Monthly facts and figures on investment performance, risk v return, outflows and inflows, and the most analysed areas of the market. Data to 31 December 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	129.46	✓	5
Morgan Stanley Global Opportunity	95.72	✓	5
Brown Advisory US Equity Growth	92.23	✓	5
T. Rowe Price Global Focused Growth Equity T	90.85	✓	5
T. Rowe Price Global Focused Growth Equity Q	89.87	✓	5

AIC	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Baillie Gifford Edinburgh Worldwide	142.15	✓	5
Martin Currie Global Portfolio Trust	57.72	✓	5
Schroder Asian Total Return	42.11	✓	5
Standard Life UK Smaller Companies	33.11	✓	5
Finsbury Growth & Income	19.9	✓	5

BEST PERFORMING FUNDS IN TERMS OF RISK VS RETURN

IA	3 year Cumulative Performance	FE Fundinfo Risk Score
Baillie Gifford American	219.03	126
Morgan Stanley US Growth	177.5	140
Baillie Gifford Long Term Global Growth	162.62	101
Baillie Gifford Positive Change	138.85	88
Lord Abbett Innovation Growth	129.47	108

AIC	3 year Cumulative Performance	FE Fundinfo Risk Score
Starvest	700	349
All Active Asset Capital Limited	312.5	810
Downing Four VCT	217.62	187
Baillie Gifford Scottish Mortgage	174.75	130
Allianz Technology Trust	154.06	133

RISKIEST SECTORS

IA	3 year Cumulative Performance	FE Fundinfo Risk Score
North American Smaller Companies	48.48	101
UK All Companies	2.04	99
UK Smaller Companies	17.84	98
UK Equity Income	-4.11	98
Japanese Smaller Companies TR in GB	17.56	95

AIC	3 year Cumulative Performance	FE Fundinfo Risk Score
VCT Specialist: Media, Leisure&Events	-10.74	165
North American Smaller Companies	36.98	141
UK All Companies	13.8	132
VCT Specialist: Health & Biotech	78.39	132
Country Specialist: Europe ex UK	45.61	131

OUTFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	Out (£m)
Liontrust Japan Equity	45,411.60	30,244.67	866.02	-16,032.95
State Street UK Scrend) Idx Eq	7,460.97	161.84	-1,501.01	-5,798.12
Invesco Global Targeted Returns (UK)	9,755.29	6,310.09	-163.14	-3,282.06
BNY Mellon Global Income	5,598.19	3,859.45	-149.61	-1,589.14
ASI Global Absolute Return Strategies	4,919.80	3,700.00	262.37	-1,482.17

INFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	In (£m)
BlackRock ACS US Equity Tracker	4,711.23	14,943.57	1,129.28	9,103.06
BlackRock ACS UK Equity Tracker	6,836.00	12,375.34	-29.40	5,568.74
iShares Gbl Property Securities Eqty Idx	2,810.95	4,957.15	-267.49	2,413.70
Vanguard FTSE U.K. All Share Index	10,141.61	11,473.18	-1,023.91	2,355.48
BlackRock ACS World ESG Eqty Trckr	647.51	3,262.71	490.58	2,124.62

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
93.74

North America Smaller Companies
48.48

North America
42.56

China/Greater China
40.02

Asia Pacific Including Japan
35.74

AIC

Infrastructure Securities
114.51

Technology & Media
80.96

VCT Specialist: Health & Biotech
78.39

Environmental
57.69

Asia Pacific
51.91

©2021 FE Fundinfo. All Rights Reserved. The information, data, analyses, and opinions contained herein (1) include the proprietary information of FE Fundinfo, (2) may not be copied or redistributed, (3) do not constitute investment advice offered by FE Fundinfo, (4) are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and (5) are not warranted to be correct, complete, or accurate. FE Fundinfo shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, this information, data, analyses, or opinions or their use. Performances are calculated bid to bid, with income reinvested at basic rate tax. Past performance is not a guide to future results. FE Fundinfo Crown Fund Rating: FE Fundinfo Crown Fund Ratings enable investors to distinguish between funds that are strongly outperforming their benchmark and those that are not. The top 10% of funds will be awarded five FE Fundinfo Crowns, the next 15% receiving four Crowns and each of the remaining three quartiles will be given three, two and one Crown respectively.

MOST RESEARCHED

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

MOSTVIEWED FACTSHEETS

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Baillie Gifford Scottish Mortgage
2	Fundsmith Equity	2	Baillie Gifford Monks Investment Trust
3	Baillie Gifford Managed	3	Fundsmith Smithson
4	Vanguard LifeStrategy 40% Equity	4	Impax Environmental Markets
5	Royal London Sustainable World Trust	5	Baillie Gifford Edinburgh Worldwide

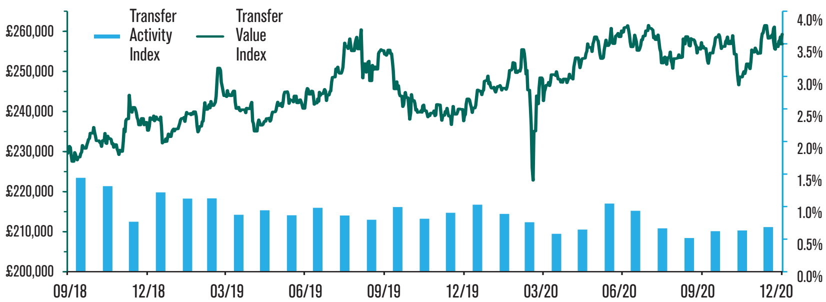
MOST CHARTED

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Baillie Gifford Scottish Mortgage
2	Vanguard LifeStrategy 40% Equity	2	Baillie Gifford Monks Investment Trust
3	Fundsmith Equity	3	Frostrow Capital LLP Worldwide Healthcare Trust
4	Vanguard LifeStrategy 80% Equity	4	BB Healthcare Trust
5	Baillie Gifford Managed	5	Fundsmith Smithson Investment Trust

PENSION TRANSFER VALUEINDEX

XPS TRANSFER VALUE WATCH 2020 REVIEW: JAN-DEC 2020

XPS Pension Group's Transfer Watch saw substantial volatility in transfer values during 2020, particularly at the start of the pandemic. The XPS Transfer Value Index finished the year at £259,000, 8% higher than it started. Despite this, the Transfer Activity Index saw a drop of 20% in members choosing to transfer during 2020 compared with 2019. This resulted in around 75 members transferring in every 1,000 eligible, down from 96 in the previous year. XPS Pension Group's Transfer Watch also monitors how many members are choosing to take a transfer from their DB pension scheme and, through its Red Flag index. December 2020 marked a record high on the Red Flag Index, with 76% of transfers showing at least one warning sign of a potential scam. This represents a six-month continuous rise in the number of red flags seen and means that 49% of cases processed during 2020 showed at least one red flag, up from 34% last year.



Note: The Xafinity Transfer Value index is based on a large pension scheme which invests a significant proportion of its assets in return-generating investments (rather than just investing its assets in Gilts). The index tracks the transfer value that would be provided by this scheme to a member aged 64 who is currently entitled to a pension of £10,000 each year starting at age 65 (increasing each year in line with inflation).

Source: XPS Group

Dentons
Pensions

It's time to consider your clients' SIPP & SSAS masterpiece.

Creating a masterpiece takes time and planning.

Planning for your clients' future is no different. Our bespoke and award winning self invested pensions and wealth strategies can allow your clients to be creative with their retirement planning.

Since 1979 we've been using our expertise to help deliver ambitious to straightforward, investment strategies, helping your clients' pension funds work as hard as possible.

Our dedicated approach puts your clients in full control of their retirement funds.

Capability.
On every level.

01483 521 521 | enquiries@dentonspensions.co.uk | www.dentonspensions.co.uk

Dentons Pension Management Limited is authorised and regulated by the Financial Conduct Authority. This communication is directed at professional financial advisers. It should not be distributed to or relied on by private customers.