Professional Paraplanner

The magazine for paraplanners and financial technicians

April 2021

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Professional
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PROFESSIONAL PARAPLANNER AWARDS 2021

Sponsored by Parmenion

I am delighted to announce that our 5th Annual Awards (2021) are launching on Monday 29 March 2021 and that for the third year running our sponsor is Parmenion. As in previous years the awards consist of a number of Provider Awards, which give you the opportunity to recognise the product and service providers who have served you best as a paraplanner over the past year. You can nominate the provider of your choice.

The awards are also a chance for you to stand out from the crowd by entering one of our dedicated Paraplanner and Administrator awards. The awards are:

- Paraplanner of the Year (in-house)
- Paraplanning Team of the Year
- Paraplanner of the Year (outsourced)
- New Paraplanner of the Year
- Administrator of the Year

You can also nominate an individual for the Personality of the Year award.

Every paraplanner registered to receive *Professional Paraplanner* will be sent an email with the link to the nomination and entry form. Checks will be in place to ensure only our paraplanner/administrator readers take part in the nomination process.

Winners will be presented with their awards at the Awards ceremony later in the year – which if all goes to plan, we hope will be a physical event once again.

Editor's award

PLUS: I am also delighted to announce that to celebrate the fifth year of our Awards, for 2021 there will be a special Editor's Award. We're keeping this one close to our chest. Details and the winner will be announced at the awards ceremony.

The closing date for nominations and entries for this year's awards is 30 April 2021. So, make sure you keep an eye on your inbox early next week for our 2021 Awards email.

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

The Professional Paraplanner Awards are designed to recognise the best paraplanning/administration individuals and teams. There are six awards:

• The Paraplanner of the Year Award

The award is open to paraplanners working in-house for financial planning/advice/discretionary firms. Entry is by self-nomination. You will need to write an essay (max 500 words) on a set topic, which will be sent to you. Shortlisted candidates will be contacted for a short interview.

• Paraplanning Team of the Year

The award is open to all paraplanner teams. Entry is by self-nomination. You will be asked to write an essay (max 500 words) on a set topic, which will be sent to you. A representative from each shortlisted team will be contacted for a short telephone interview.

• Outsourced Paraplanner of the Year

The award is open to outsourced and freelance paraplanners. Entry is by self-nomination. You will need to write an essay (max 500 words) on a set topic, which will be sent to you Shortlisted candidates will be contacted for a short interview.

• New Paraplanner of the Year

The award is open to those who have been in a paraplanning role for less than two years. Entry is by self-nomination. You will need to write an essay (max 500 words) on a set topic, which will be sent to you. Shortlisted candidates will be contacted for a short interview.

• Administrator of the Year

This year, we are accepting self-nominations from administrators. You will need to write a short statement supporting your entry. Shortlisted candidates will be called for a short interview.

• Personality of the Year

This award is your opportunity to nominate the industry figure you feel has had the most positive impact on the paraplanning profession and/or community over the past year.

TECHNICAL INSIGHT WEBINARS

UPCOMING WEBINARS

See our daily emails or go to the Events tab on our website to register for one of our upcoming Regional Technical Insight Webinars

DENTONS (April): SIPPs technical expert Stephen McPhillips explores a range of possible investment solutions to meet clients' needs using SIPP and SSAS, including case studies.

London Webinar: Wednesday April 21, 10.30am

TRANSACT (April - May): Brian Radbone and Natasha Walker of Transact return to the Technical Insight Webinars with a session entitled: The endearing complexity of investment bonds.

Midlands Webinar: Tuesday 13 April, 10.30am
North Webinar: Wednesday 28 April, 10.30am
South Webinar: Wednesday 5 May, 5pm

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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

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ROLLING UP YOUR SHIRT SLEEVES

Bradley Goodman says three elements helped him succeed in the pre-graduate placement he won during the pandemic at Cathedral Financial Management

One of the key components to gaining an undergraduate degree is gaining practical experience to complement and solidify your academic studies. The opportunity to gain work experience I felt, would not only be key for boosting my employability after university, but also give me an insight into the profession I am aspiring to be a part of. That's why, after completing my second year of my international business degree at the University of the West of England, I chose to undertake a pre-graduate placement year.

From its position in the profession and being located on Exeter's sustainable Science Park development, Cathedral Financial Management (CFM) looked like the perfect firm for me to approach. Having secured a placement with them, from August 2020, the ongoing pandemic created some uncertainty about whether that might continue. So, after a nervous wait over the summer, I was delighted to be told, that bar some minor adjustments, CFM were still able to offer me a place despite the unforeseen implications Covid-19 has had on businesses.

Nothing would have best prepared me for a placement which took place in and out of national lockdowns, through later stages of the Brexit negotiations and the consequential economic uncertainty that followed. What a time to get started!

However, since then I have successfully settled in, helping the advisers with research and report writing. For those that might also want to take a pre-placement in financial services, there were three tried and tested elements that I felt, allowed me to best 'roll up my sleeves' and 'hit the ground running.'

1. Attitude during uncertainty

The uncertainty, associated problems and negativity related to the impact of Covid-19, compounded by Brexit, could have been very distracting. But from my time at university, I recalled the importance of creating a positive attitude by setting targets that are challenging yet attainable. This helps you concentrate on the job in hand while also seeing progression towards a future outcome.

2. Being consistent from the start

Also, being consistent with my routine, workload and organisation from the outset really allowed me to focus on driving progress. Specifically, for example, being consistent with the workings and wording within client reports – which I set as a main personal goal. This target allowed me to note my initial mistakes, and where I could improve when assisting the adviser on the next task. Being pro-active in this way increased my efficiency for future tasks and also created an air of positivity during constructive feedback.

It reflected the challenging yet realistic approach while also showcasing my progress to date, which in turn helped during feedback. The question I asked of myself, and you might ask of yourself is: Are my personal goals attainable, challenging and best portraying my progression and achievements?

3. Maintaining professionalism

Working in a business also meant adjusting to a formal and professional way of working. I've found this to be a valuable, and rewarding process, in that I am now more confident talking in a professional business manner. I've found maintaining a professional attitude helps you to not get distracted by the wider picture – such as the pandemic – but rather to focus with confidence on the aspects you can positively impact.

It has also led to me being given more interesting work to undertake, assisting the advisers at Cathedral Financial Management. For example, I was tasked with researching alternative funds which might be used for a client. I found two very consistent but nearly identically performing funds, but noted that one of the funds had a rather large allocation of cash, whilst competitively performing against the latter, which I highlighted as having the potential in the uncertain markets, to mitigate against any sudden downturns that might occur.

This has all added to my practical experience and to what I hope will be a positive future.

> *I've found maintaining professional attitude helps you to not get distracted by the wider picture – such as the pandemic*

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FASHION SENSE

Sally Plant, head of Financial Planning, CISI, talks to Rob Kingsbury about her remit, her 'wish list' and why she thinks financial planning is about to see a period of organic growth

Working for haute couture designer Alexander McQueen may seem a long way from paraplanning and becoming head of Financial Planning at the CISI "but actually, it gave me a sound grounding in working in a very small team – I was a junior member, essentially a runner, so it gave me exposure to all the different parts of the company," Sally Plant says. "It enabled me to see the bigger picture while working on the detail, which is not dissimilar to the paraplanning role and my new role at the CISI."

Sally sees paraplanning as a specialist role and one which is highly influential within financial planning businesses. "It's not that paraplanning is becoming recognised as an influential role and increasingly one with greater responsibility, I would say it is now recognised for the critical part it plays in delivering service excellence to clients. I think that is not always recognised outside of firms but as we've seen development of professional outsourced paraplanning businesses that has helped emphasise the importance of paraplanning within the profession. Also that it is a standalone career, with defined progression pathways for those with ambition," she says.

"I see it this way, no client will stay with a financial planning firm if the service isn't good and it's the paraplanners that help create that service proposition. That's a fact. If a client doesn't feel the process is seamless and they're getting the right communication and the right level of service, they are not going to stay with you. "The paraplanning role is critical for taking a business from 'okay' to 'excellent'. Unless you are excellent you won't get referrals and everyone knows that referrals are the best way to grow a business."

From fashion to paraplanning

Tracing Sally's career from high fashion to her current role, after leaving Alexander McQueen – "it's the kind of industry which is so intense it takes over your life, particularly at a junior level" – she joined a trade finance company and then the NHS. There she met Simon Culhane, who, after becoming CEO of the CISI, brought Sally in, where she worked on many projects.

That was in 2005. She stayed with the professional body until 2016, playing an integral part in building the Institute's early relationships in the Middle East, as well as working with the CISI's major clients in the UK, both wholesale and retail. In her last role as head of Education Development, Sally was part of the CISI's executive team and responsible for expanding the Institute's schools, university and apprenticeship programmes.

A working mum and looking for a role closer to home, Sally joined Robur Wealth Management, a partner practice to St James's Place Wealth Management, where, again as part of a small team, her role was a broad one, including paraplanning, business development and some office management. "My remit included paraplanning – so the technical elements and putting together all the illustrations and suitability letters and so on – streamlining the client process, organising client reviews, reconfiguring the client packs and what should be in them, hosting events, initiating projects to bring in new leads, and general office management. It was a typical small business team set up where everyone pitched in where needed."

CISI remit

Now back at the CISI as head of Financial Planning, Sally says her remit is twofold, "plus my own wish list".

"Overall, I'm looking to grow the number of professionals with Certified Financial Planner™ (CFP) status and to serve our financial planning membership, offering them something that is innovative and fresh – which can be along the lines of new programmes, CPD, and the way we promote them and our Accredited firms to the consumer. As a qualification, Certified Financial Planner™ has the capability to change the way people approach their job and financial planning – and that includes financial planners and paraplanners – as well as the outcomes for clients, and all for the better. It has created a fabulous community of people who are a joy to talk to and work with."

Sally explains that she believes we are seeing a change in the way financial advice and planning is viewed, in part accelerated by the unprecedented effects of the Covid -19 pandemic, which is focussing people's attention far less on performance of investments and far more on their life goals and what they want to achieve with their wealth. "The pandemic and the knock-on effect on the economy, their business or job role, has made things less certain and perhaps made clients less sure whether the goals they had are still the ones they want to pursue," she says. "There are so many macro events happening in the global economy, including the pandemic and the impact of Brexit, that clients are wanting to talk bigger picture and how it is going to affect them."

> ***"There are so many macro events happening in the global economy, including the pandemic and the impact of Brexit, that clients are wanting to talk bigger picture and how it is going to affect them"***

In that respect, she argues the CFP is perfectly positioned "as the only qualification out there that truly helps the planner and paraplanner approach clients from the perspective of goals-based, holistic financial planning. Undoubtedly, the CFP has cornered that area in the qualifications market. That is a big statement, but I see this as a very exciting time for the CFP."

In terms of bringing something fresh to the financial planning membership, Sally says the CISI has created a series of Master classes and a new programme called Elevate. "Elevate is aimed at financial planners and paraplanners who have been in the sector for a few years to help take them to the next level in their learning journey."

Also lined up for paraplanners in 2021, is the annual Paraplanner Conference, which this year takes place on 19-20 May and will be a virtual conference as per last year, including presentations from the FCA and including sessions on technical knowledge and soft skills.

Partnership is also on Sally's agenda. "The CISI is very much a partnership-based organisation, so we will also be looking at which groups we can partner with as we look to promote a high level of ethics and competency within the profession."

On the wish list Sally mentioned, is delivering "something dear to my heart," she says. "That is engaging with younger people so they realise that financial planning and paraplanning are careers with long term prospects, and engaging with consumers on a much bigger scale not just to fill the advice gap but to help to drive them towards financial planning at a much earlier age than people typically do today."

The CISI already operates the Wayfinder tool, which is a consumer-focussed website dedicated to explaining and promoting financial planning, as well as working with networks of universities and schools. Part of Sally's role, she says, will be to add a stronger financial planning stream into those networks, including the launch of a Graduate programme to help smaller financial planning firms "attract bright young talent into the profession" while also enabling the professional body to go out to universities with a more comprehensive pathway to offer.

Greatest challenge

Asked what she feels her greatest challenge will be in her new role, Sally says emphatically: "Time."

She adds: "Coming into this role, at what I see as an exciting time to be a financial planner or paraplanner, I want to do everything now, which clearly isn't possible. So it's prioritising the various initiatives we want to do and progressing them in a structured way, so we achieve what we want to achieve. "It's also ensuring I'm always learning – staying in touch with what is important to our membership and the profession in general – while I'm delivering everything we want to for our members.

"I think the time is right for the CISI, CFP and what we do. As I mentioned, as we come out of the pandemic I think people are looking at financial planning from a new perspective and that things are going to grow organically. My role is to help with that, through educating on the CISI and the CFP, through promotion of financial planning, and through opening people's eyes to what financial planners and paraplanners do as a career opportunity. It's going to be an inspiring time."

MY MONEY STORY

Dan Atkinson, head of Technical at Paradigm Norton Financial Planning, explores how our personal experience of money shapes our relationship with it – our money story – and how we can deal with a clash of money story between adviser and client

Have you ever picked up a client file and just been baffled? Why on earth would they do 'that'? You pick it up again and ask yourself what were they thinking when they decided to take that action? In your eyes there is no logic, reason, or rationale. What on earth were they thinking!

An important lesson to learn is that most people, most of the time, do make sense – to themselves. The challenge for us is to understand their money story.

What do I mean by a money story? Everyone has their own view on the world and understanding of how money works. This is formed in part by upbringing (either to conform to it or rally against it) and in part by how money has touched our lives. These teach us very different lessons and the lessons we experience are far more powerful than those we read in a book.

In *The Psychology of Money*, Morgan Housel highlights that our personal experiences of money represent just c0.00000001% of what has actually happened in the world. Yet we use our experiences to form c80% of our understanding of money. Some of the experiences which shape our understanding of money might include:

- How we were taught about money growing up.
- How affluent or indebted our parents were.
- The local economy where we grew up and where we now live.
- What work was like for our parents and our working life so far.
- Our experience of inflation and investment returns.
- And (to an extent) sheer luck!

With a great diversity of experiences, it is not surprising that our money stories can differ widely. If we can start to understand someone's money story their decisions won't seem as crazy as you think!

> ***Everyone has their own understanding of how money works. This is formed in part by upbringing (either to conform to it or rally against it) and in part by how money has touched our lives***

We, as paraplanners, are not exempt from the influence of money stories. As well as needing to consider our clients' money story we need to be aware of our own story (and sometimes the advisers' we work with!). Understanding the differences will help us communicate better with our clients and enable them to make good, well informed decisions.

To help us understand, let me share how inflation is written into my money story.

Inflation in my money story

Whilst it's not an 'official' national statistic anymore, the Retail Price Index is a helpful measure of inflation going back to just after World War II. You can access it on the Office

of National Statistics website[1]. As we know, inflation is important because (if it goes up) it increases the amount of money needed to fund the lifestyle we desire. Our personal rate of inflation will differ from this headline rate because the goods and services we buy are likely to differ from the 'basket'.

Since I joined the profession, I've seen headline inflation peak at just over 5% and fall below -1%. Over the last decade RPI inflation has averaged around 2.7% p.a. Inflation being around this level is a part of my money story. It's not been a huge concern at this stage in my career – other than the inevitable train travel season ticket price reviews (which have not solely been upward I might add! Check out the ORR data[2].

However, this isn't necessarily the experience of all the people we work with and the clients we serve. Take a look at the chart of changes in the Retail Price Index (above). If my money story accounted for inflation in the 1970s I would have a very different view. That decade saw average inflation around 13% p.a. peaking at c27%. If my money story had that chapter of rapidly rising prices in it I would likely be concerned about the impact of inflation on achieving my financial planning goals.

RETAIL PRICE INDEX TO 17 FEBRUARY 2021

The interesting thing is I know that inflation can be much higher than at present. I've even looked at the data going back to 1210 from the Bank of England[3] which shows inflation as high as c50% when Magna Carta was reaffirmed (for the third time in return for a property tax) and as c-30% when Queen Elizabeth I took the throne!

But my money story shouts louder than this empirical data. It affects the way I behave and make decisions. Kept unchecked a lack of respect for inflation could come back to bite me in the future.

Dealing with a clash of money story

So, what happens when our money story – as perceived by us, the adviser, our firm – clashes with the client's money story? What should we do? Last year I received an interesting piece of advice – don't throw a fact bomb on an emotional fire. It's tempting to find some data which agrees with your point, but if we don't communicate with empathy at best it will be ignored and at worst it will antagonise. I think there are three helpful things we can do:

1) Check your ego at the door. You might be factually right, but the important thing is to enable the client to make an informed decision. Focus on that outcome – not making 'you' look clever...

2) Look at your own money story in the mirror. Are there aspects of your perception of the world which are not aligned with the big picture? These might be clouding our reasoning and understanding. Pay particular attention to the differences in your money story and the client's.

3) Be humble and honest. If you are right (and you could be wrong!), don't forget that the objective is to enable the client to make an informed decision – not to make them feel inferior or in any way inadequate as a result of their money story. If you need to help them broaden their money story, be open about it, but build on their current one – don't dictate a complete rewrite. Enable them to make good, well informed decisions by being their partner, not their schoolteacher.

So, the next time you open a file and think 'what were they thinking!' (or perhaps have a conversation with a colleague), take some time to understand what they are thinking. Is this a clash of money story and how might you address it? .

[1] www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czbh/mm23

[2] dataportal.orr.gov.uk/media/1736/rail-fares-index-january-2020.pdf)

[3] www.bankofengland.co.uk/-/media/boe/files/statistics/research-datasets/a-millennium-of-macroeconomic-data-for-the-uk.xlsx?la=en&hash=73ABBFB603A709FEEB1FD349B1C61F11527F1DE4)

IN-SPECIE TRANSFERS

Stephen McPhillips, technical sales director, Dentons Pension Management, explains the process of in-specie transfer of assets between SIPPs, the challenges involved and what paraplanners can do to help the client

First things first; what is an in-specie transfer? Typically, an in-specie transfer will involve an asset or assets of a registered pension scheme being legally re-registered from one scheme across to another.

The terms "re-registration" and "in-specie transfer" are often used interchangeably. Hence, rather than an asset being sold to create cash, which in turn is then transferred to the receiving scheme as cash, in an in-specie transfer situation, the asset is not sold. Instead, the asset is retained "as is" and the legal ownership is changed through the re-registration process.

Once this process is complete, the asset has been moved legally from one scheme to another, representing some/all of the member's benefit entitlement moving from transferring to receiving schemes.

Why transfer in this way?

There could be a number of reasons why the member may not wish to dispose of the asset to enable a transfer to take place.

One such reason may be the fact that the asset is illiquid and/or has a limited or no secondary market and cannot easily be sold to create cash to enable a pension transfer/switch to take place.

Another reason may be that the asset's value is currently depressed (perhaps due to adverse market movements) and the member does not wish to crystallise an investment loss. One further reason could be that the member wishes to retain the asset whilst wishing to change pension scheme provider; perhaps because of service/administration issues with the current provider.

Whatever the reason, in-specie transfers are reasonably common in self invested pension schemes such as self invested personal pensions (SIPPs) or small self administered schemes (SSAS).

What are the challenges?

One of the challenges surrounding an in-specie transfer is the question over whether the receiving scheme will actually accept the asset to be transferred in this way; much will depend on the nature of the asset itself. If an asset is deemed by the receiving scheme to be in some way 'toxic' or difficult to administer, it might reject it using its absolute discretion to accept or reject proposed investments. Another challenge might be a potential cost for the provider's due diligence work on the asset to be transferred; a charge might apply regardless of whether the asset is accepted or rejected.

Another potential challenge is the situation where a member has fully crystallised their benefits within the transferring scheme and one or more of the assets has been rejected by the receiving scheme. It is not possible to make a partial transfer when fully crystallised, so it's all or nothing at all when it comes to transferring; some/certain assets cannot simply be left behind in the transferring scheme in these circumstances. That may prevent a member from transferring/switching from one arrangement to another.

A further challenge might come in the form of the overall cost to make the in-specie transfer. The nature of these generally mean that additional work is required on the parts of both transferring and receiving schemes because of the need to carefully ensure that the asset is properly and fully re-registered into the new arrangement. That additional work may result in higher provider fees being charged when compared to a straightforward cash transfer. In addition, certain assets (such as direct commercial property investment) will require input from a solicitor (with the attendant fees) to ensure that the proper legal processes are followed to record the change in legal ownership.

Something also to be borne in mind is the fact that in-specie transfers typically take longer to complete than a cash transfer. That might have an impact on, say, benefit payments to the member unless carefully managed.

Finally, in relation to potential challenges, the asset itself must be capable of being legally re-registered from one arrangement to another and many are not. For example, many life company legacy insured funds are unlikely to be capable of re-registration because of their ownership structure.

Disinvesting

Is it best simply to disinvest first and then transfer in cash form? That, of course, is a decision for the adviser firm and it will be made in light of its compliance procedures and client requirements. However, some points for consideration may be:

- Will disinvestment crystalise a substantial loss, or indeed lock-in a gain?
- Can the asset actually be valued currently?
- Can the asset actually be sold to create cash currently (e.g. is it a suspended fund)?
- Does the client wish to retain the asset, but change the provider (perhaps because of poor service, high charges, etc. as noted above)?
- Do the costs of in-specie transfer outweigh the convenience and speed of a cash transfer?

> *Paraplanners can add great value to the client relationship by searching the market for providers that can meet the clients' needs and that can be relied upon to complete the task efficiently*

How can paraplanners help?

So, how can paraplanners best help the client when it comes to in-specie transfers?

As outlined above, there are many factors that can influence the nature of a pension transfer/switch and the form it takes. Most clients will benefit from guidance on the pros and cons of the different options that might apply in their circumstances. Indeed, most clients will need guidance on whether any options, other than a cash transfer, actually exist for them.

In addition to professional guidance on possible options, paraplanners can add great value to the client relationship by searching the market for providers that can meet the clients' needs and also providers that can be relied upon to complete the task efficiently and in a cost-effective manner – perhaps as a result of delivering consistently award-winning service.

Being aware of the specific nature, various guises and potential costs of in-specie transfers is therefore vital for any paraplanners involved in the pension switching advice process; cash may not always be 'king'.

A process map

Requirements are likely to vary between providers/scheme administrators, but a potential process for an in-specie transfer from SIPP to SIPP might be as follows:

- New SIPP – assesses acceptability of asset(s) in principle for inclusion in its SIPP.
- New SIPP – outlines likely charges for the in-specie transfers of the asset(s).
- New SIPP – established, as a vehicle into which the asset(s) is / are transferred.
- New SIPP – liaises with existing SIPP regarding asset(s) to be transferred.
- Member – appoints Solicitor(s) to act for existing SIPP (transferring scheme) and new SIPP (receiving scheme) in the legal transfer of property from SIPP to SIPP (if applicable).
- New SIPP – appropriate platform / stockbroking accounts opened to receive assets (if applicable).
- New SIPP – confirms ownership of asset(s) once re-registration process is complete.

What are the timescales?

In respect of realistic timescales for transfer – and the impact of the pandemic on them – timescales will naturally vary depending on the asset(s) to be transferred and the providers involved. Whilst it might be possible for investment funds to be re-registered within a few weeks, it could take several months for a commercial property or other complex assets to be transferred, and this should also be borne in mind when considering whether to transfer assets between schemes rather than cash.

In some cases, the pandemic may have affected timescales due to staff absence through illness, furlough and so on, although those providers that implemented robust processes to deal with the problem may have continued to deliver high quality service that resulted in fewer delays than might have been expected under the circumstances.

STATE PENSION

This issue the Brand Financial Training team focus on the State Pension – old and new

Even though basic State Pension has been replaced with the new State Pension, it is still paid to those that retired before April 2016 so will often rear its head in the CII exams, particularly in R04 (pensions and retirement planning) but also in R06 and in AF5 where the answers are written rather than simply chosen from four options in a multiple-choice question.

In this article we look at the details for the pre-2016 State Pension (and also a quick comparative look at the State Pension paid post-2016).

As mentioned, basic State Pension is paid to those who reached State Pension age before 6 April 2016. Someone qualified for a full basic State Pension if they had at least 30 qualifying years; if someone had fewer than this they receive a proportion of the full amount.

An individual could also be receiving Additional State Pension for example State Earnings Related Pension Scheme (SERPS) or State Second Pension(S2P), if they had not contracted-out. The full single person's basic State Pension is £134.25 per week or £6,981 per year.

State Pension can be deferred and for those reaching SPA before April 2016 deferral could be in return for an increased income or a lump sum. Deferral had to be for at least five weeks and in return the pension amount increased by 1% for every five weeks deferred which worked out as an increase of 10.4% per year. If someone deferred for 12 months a lump sum could be chosen instead with interest added at 2% above the bank's base rate.

Even if someone is receiving basic State Pension now they can stop taking it and they will still be subject to the pre-2016 deferral rules. If someone died during deferral under the old rules then their spouse or civil partner could inherit subject to various conditions set by the DWP.

The new State Pension

The new State Pension applies to those reaching their State Pension age on or after 6 April 2016. To qualify for any new State Pension 10 qualifying years is needed (either of contributions or credits) and to get the maximum amount at least 35 qualifying years are necessary.

The full rate of new State Pension is £175.20 per week or £9,110.40 per year.

Anyone who hadn't reached SPA before 6 April 2016 had a starting amount calculated which was the higher of their pre-April 2016 entitlement and their new State Pension entitlement. If this figure was lower than the full amount of new State Pension in 2016/17 (£155.65) it can be increased through buying more qualifying years. Where it is higher the difference is the 'protected payment' and this is paid on top of the new State Pension.

Anyone reaching SPA since 2016 has only been able to defer for an increased income – the lump sum option was withdrawn. The deferral period was also increased to at least nine weeks with the rate of increase similarly reduced (1% for every nine weeks); this works out as an increase of just under 5.8% for each full year of deferral.

Under the post-2016 rules it is not possible for a survivor to inherit deferred State Pension although the estate may claim up to three months' arrears of their State Pension.

Here is a question on State Pension from an old R06 exam:

Kaitlyn is 68 and deferred her State Pension in 2014.

(a) Identify the benefits that Kaitlyn will accrue from her State Pension deferral. (4)

Seth is aged 64 and will retire when he reaches 65.

(b) Identify the factors Seth should consider before deciding whether to defer his State Pension. (4)

The model answers were:

(a)	(b)
Lump sum option available	1% increase for every nine weeks of deferral/5.8%
With 2% interest added	Tax planning
Income increases by CPI	Other sources of income available/need for income
Increases by 1% for every five weeks deferral/10.4%.	No lump sum option

With this exam there were clear signposts in the case study to prompt candidates to study aspects of State Pension deferral and for eight marks this would have been well worth doing.

ARE DIGITAL EXAMS HERE TO STAY?

Has the C-19 pandemic changed the way we approach regulated exams forever? Luiza Todd, director Bespoke Training Solutions, asks

One year ago this month the world found itself in the grip of a global pandemic. CV-19 is a virus that takes no account of wealth or status, geographic location, religious or political leanings. UK case numbers stand at 4.27million and the death toll at 126,000. Globally we are talking 120 million confirmed cases with 2.6 million deaths across nearly 200 countries*.

This is serious stuff which has and will continue to have far reaching consequences in many areas of our lives. The way we do things, especially in the business world, has changed fundamentally, possibly for good. In this article we consider the effects on regulated exams, specifically in relation to digital learning and remotely invigilated exams.

The rise of digital learning

Pre pandemic, many firms and exam candidates were predisposed to face-to-face workshop support. With the onset of remote working, L&D teams became 'best mates' with the likes of Microsoft Teams and Zoom. Has this changed for good? If someone had told me a year ago that I would be running remote workshops electronically using virtual whiteboards and breakout rooms I would have laughed out loud. I would also have questioned how a remote workshop can be anywhere near as effective as getting a group of candidates together in a room.

There are some obvious benefits of face-to-face workshops. For candidates, this includes the opportunity to meet their peers live and to start building a support network. From a facilitator's perspective, you can clearly see which learners are with you from their facial expressions and body language, and which ones have no idea what you are talking about. This is much harder to see online, especially if a candidate has their camera turned off. How does the facilitator know the candidate is still there? They could have their camera turned off and be watching 'Homes under the Hammer' for all we know.

One of the benefits of digital learning is the potential cost savings. It does not matter how far flung across the UK candidates are with the magic of digital presentations. Firms save on travel, accommodation and venue expenses.

Has digital learning impacted candidate success? Here at BTS, delegate feedback and (more importantly) exam pass-rates in the past 12 months have remained consistently high, making a strong business case for firms to persist with digital delivery methods.

What about remotely invigilated exams?

These have been on offer for most of the pandemic, and again have their benefits and drawbacks. One of the biggest benefits is the opportunity to sit your exams any day of the week. I still find it a bit strange to see success stories posted on LinkedIn on a Saturday and Sunday, but how great is that? Giving candidates greater choice as to when they sit their exams, is convenient and saves them both time and money.

The drawbacks of remote invigilation are mainly centred on the fact that you are at home without the security blanket of an exam centre invigilator should you have system issues. Initially, systems issues were commonplace. Most of these issues have now been ironed out and the systems are way more robust. Once a candidate has completed their first remote exam and are used to the system it should be (famous last words) plain sailing from there.

So, has the way we approach regulated exams changed for good? Going forward, the industry has greater choice (always a good thing) as the development of digital learning and remote invigilation offer both the business and the individual more options. There is a place for both face-to-face and remote learning and development in our industry. And with the innovation and vision of regulated exam providers and the training solutions companies like ourselves adapting to the new ways of working, candidates can receive the support they need going through the process.

* Source: John Hopkins University 15/3/2021

HAPPINESS FACTOR

Do you work for a 'happy' business! If not, is there something you could do about that? asks Michelle Hoskin, MD of Standards International

In his book *Happiness by Design*, Paul Dolan describes how happiness can only be truly achieved when there is the perfect balance of purpose and pleasure. In most cases, we of course know why we do what we do – and that includes our purpose and the reason we run our business and/or show up in our roles every day – but let's be honest: I think it's safe to say that at some point in the last 12 months one or more of us have felt at times like we have literally been hit by a bus.

Despite my positive disposition, I have many times been well and truly in that camp – much to my personal disappointment.

But – despite how I have and still feel personally – regardless of what is going on outside, I still have to show up every day as the leader of my business, on a wider scale to keep ensuring that we are acting as a 'beacon' in our profession, but most importantly I need to make sure that I have and continue to have a 'happy business'.

It does, however, take a great deal of effort and energy – and sadly as I look around the profession, this energy is missing from many firms.

We know that when businesses are set up, everything is all very exciting – we love the good stuff! As business owners, we get excited about the freedom to make our own decisions, to do things our way and once and for all set our own standards and meet them! But why am I telling you this?

Well, if you looked around your own businesses or looked inside the business that you work for and with, you will see signs of this all over the place.

Sadly, what we see in these same businesses are the carcasses of projects started and not finished, a collection of good ideas and intentions that quite frankly went nowhere, and outstanding loose ends in both business and client-related workflows. Why? Because we are human and in truth we only really like to do the things that we like to do. The rest we either give to someone else, closing our eyes and hoping that they disappear, or we grit our teeth and crack on with the job in hand. Also, and let's not forget that, regardless of

> *At some point in the not-too-distant future, the doors will open and the shackles will be off. Social distancing will be a thing of the past and we can all get back to some much-missed face-to-face contact*

any of the above, we certainly didn't expect to ever have to try and work through a pandemic. But this is the stark reality right now – and the repair and relaunch of the happiness within the business is something that we should all be thinking about… not just those who run the businesses.

So, if happiness is the key, then how do we create it and capture it so that it's well and truly in place for the long haul?

1. A love for it! You love it, you work within a team that loves it, your boss loves it and you work with clients who love it. But what is IT? IT is your business, IT is their jobs, IT is what they do, IT is how they do it, IT is who they do it for and IT is financial services as a whole. Working in this profession is like a calling: you can't do half measures – you have to be all in. In fact, you have to be so far in that you couldn't imagine doing anything else. The result is… when you all LOVE IT, the business will ooze passion and enthusiasm for everything around it and we know that an all-round passionate business is a happy business. And that is a great place to be.

2. A rule of no compromise… ever. If something is not right, try to fix it. If something is not fixable, remove it – and if something needs finishing, finish it! It may seem harsh – and it will for sure be a painful and often drawn-out process – but I promise you it will be worth it as it's amazing how things have a habit of all coming good in the end. If you make too many allowances and overcompensate for people and things that are not working or simply could take the job or leave it, it brings a detrimental level of unhappiness to the team and all those who come into contact with it.

3. Total and pure honesty. People often say that I have a rose-tinted view of our sector (like that's a bad thing). Well, that may be the case, but I have no intention of changing my view any time soon. Why? Because, while I may see our profession in a unique way, I am honest – I say what I see, I hold no punches and I tell it like it is. If I see something wrong, I will speak out; if I think something could be done better, I make the suggestion; if I think standards are slipping, I'll raise them; and if I don't like how people are being treated, I will stand my ground. This – I believe – is a level of honesty that we could do with much more of in our profession. As a business owner but also as a member of my own team, I am 100% open and honest with all those around me. There are no secrets, no elephants in the room and no unspoken truths. I share how I feel and what I believe, and no one can argue or disagree with my feelings and beliefs. If one of your company values is honesty, then how can you ever fully commit to that if so many things are not said? When you have no secrets, people feel a sense of belonging and inclusion. This is a feeling we all crave, and which ultimately leads to creating a great place to work.

4. The strategy of seeking to understand before you seek to be understood. Understand those around you. I don't mean how many sugars they take in their tea… I mean really understand them. Understand what makes them tick, why they work, what makes them jump out of bed in the morning, what they dream of, who they love and why, and not forgetting what makes them sad and what makes them happy. As professionals in your role, you will spend many hours collating the information to understand your clients at this level but feel that it is 'inappropriate' to understand your teams and colleagues in the same way. When people feel understood, they feel valued, they feel cared for and guess what… they feel a part of something that matters – because they know they matter.

At some point in the not-too-distant future, the doors will open and the shackles will be off. Social distancing will be a thing of the past and we can all get back to some much-missed face-to-face contact. When this chance arises, make happiness the vibe in your business and in your teams – and while I know we are still a little bit bruised and battered from the events of the last 12 months – we all need a little bit of something special for 2021!

A closing note: a happy team makes happy clients who make a happy business. It doesn't work the other way round.

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. What could be a consequence of adopting a tactical approach to asset allocation instead of adopting a strategic approach?

- A The volatility of the portfolio could become higher than originally intended
- B The client's risk tolerance could change
- C The portfolio may fail to meet the client's objectives
- D The economy might present different opportunities

2. When would a Capital Gains Tax (CGT) chargeable disposal be deemed to have taken place in the following scenarios?

- A Sian, a beneficiary under a trust becomes absolutely entitled to the trust assets
- B James makes a gain of £120,000 on selling his main residence
- C A married couple change ownership of their investment bond when one becomes basic rate taxpayer
- D Peter dies and his antique car is passed to his son in accordance with his wishes

3. Ben, Jeff and Tristan are considering whether they would find cash flow modelling useful in helping them decide how much they should withdraw each year from their flexi-access drawdown (FAD) fund. It is true to say that the ones who will mostly benefit are: Tick all that apply.

- A Ben, who wishes to withdraw enough each year to meet his needs while keeping the capital value of his FAD fund intact to pass on to his children
- B Jeff, who wishes to withdraw enough each year to provide an income for life
- C Tristan, who does not mind what happens to his fund as he has other non-pension investments he can use if necessary
- D None of them; they are not clients who would typically benefit from cash flow modelling

4. Critical illness underwriting is based on:

- A Marital status
- B Mortality risk
- C Smoking status
- D Morbidity risk

5. A property was bought at £117,000 and had tenants paying £525 per month, with general management costs of 25% and £1,100 worth of purchase costs. What is the rental yield?

- A 4.08%
- B 4.04%
- C 4.00%
- D 5.38%

6. The price of a warrant is 10p, the underlying share price is 110p and the exercise price is 132p. What is the conversion premium?

- A 13.20%
- B 17.86%
- C 29.09%
- D 75.75%

7. If a customer takes out a home reversion plan and subsequently is declared bankrupt what may the Trustee in Bankruptcy be able to do?

- A Sell the property, repay the loan then repay creditors
- B No action is possible because the property is no longer in the bankrupt's estate
- C Pursue legal action to recover the funds in the interests of the creditors
- D Sell the property, repay creditors and if any funds left repay the loan

8. A financial adviser is meeting with new clients Trisha and Edward. When must the intermediary supply Trisha and Edward with initial disclosures and/or Terms of Business?

- A Before offering any advice
- B With any recommendations made
- C With the cancellation notice
- D Within the suitability letter

9. Which of the following types of care provision can be provided by a residential care home?

- A Personal care
- B Nursing care
- C Domiciliary care
- D Informal care

10. Which is a characteristic of dry rot?

- A Affected wood will have a soft and spongy feel
- B It can spread quickly through bricks and concrete
- C It can be treated by renewing the damp course
- D It does not need moisture to thrive

Your answers

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

Last issue's answers

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

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The Investment Committee

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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.

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Investment Committee events

We will be continuing our popular series of Investment Committee online events throughout 2021. Keep an eye on our daily email alert for details of forthcoming webinars. You can sign up to webinars from the email and from the Events page on the *Professional Paraplanner* website.

VALUE WILL OUT

Andrew Millington, head of UK equities, Aberdeen Standard Investments, asks whether it is time to increase exposure to domestic equities

Last year was certainly a rollercoaster year for investors. And looking ahead to the rest of 2021 and beyond, investors could be forgiven for feeling inclined to sit on their hands and watch from the side lines. But it's at times of uncertainty and change that investors who are able to block out the noise and take an evidence-based, long-term view of fundamental value, can make the decisions that have the biggest impact on their long-term returns.

So let's take a look at the UK equity market through that lens. UK equities have lagged most global equity indices for several years now and buying today is still the counter-consensus call. I like that as a place to start; it's precisely when the received wisdom is to avoid an asset class that we believe the most exciting relative and absolute returns can be made.

We all know why UK equities have been out of favour. Since 2016, Brexit has been an ever present spectre whenever UK assets are discussed, and more recently, Covid-19 has sadly hit the UK worse than almost any other large economy.

But looking backwards isn't going to help us to understand what will drive the market from here. Brexit has happened, we know the detail of the trade deal the UK and EU have signed; any change from here is likely to be in the form of further sector by sector deals, particularly on the services side, which investors would welcome. As for Covid-19, we believe the UK can bounce back strongly from the crisis. After the huge economic hit in 2020, there's significant pent-up demand that the reopening of the economy will release – from everyday things like the post-lockdown haircut I'm looking forward to, to bigger ticket items like the holidays we're all so keen to go on.

Of course for many, loss of earnings over the last year will mean a continued period of difficulty even after restrictions lift, and it's crucial that government support schemes taper in a way that smooths the return to normality. But in aggregate, there has been a huge spike in household savings in the UK which will be unleashed through the second half of this year. Crucially, that bounce back in economic activity is likely to happen meaningfully sooner in the UK than in other countries, given the impressive pace of the UK's vaccine rollout so far.

All of a sudden, you've got a tailwind for UK domestic stocks rather than the headwind we've been facing for the last five years. That's a hugely significant shift which could drive a sustained turn in their relative performance.

Market valuation

But UK domestics only represent less than a third of the revenue of the UK equity market. In fact, many UK-listed companies provide access to growth across the world. The UK market's valuation, however, reflects very little of this.

Ever since that 2016 referendum UK stocks have traded at a discount to their peers listed elsewhere even when you adjust for the sectors they operate in, and even where those sectors are truly global. Depending on the sector, the discount on some UK stocks range from 10% to as much as 50% compared to peers listed in the US. The fact is, markets aren't as efficient as we're sometimes led to believe; international investors have likely looked at what's been happening in the UK and decided to allocate their capital to other markets.

But over time, value will out. And in the current world of low interest rates and low returns, the UK's 3.5% market dividend yield with growth will attract investor flows.

There's one more consideration investors need to think about before allocating to an asset class, beyond the fact it might be cheap and with improving fundamentals. And that's the governance framework you're investing within. The UK's corporate governance standards, and in particular the protections that are afforded to minority shareholders in the UK, are world leading. Principals like one share, one vote, a binding remuneration vote, and free float limits mean that, as fund managers, we can engage with the companies in which we invest on our clients' behalf and exert real influence to make sure clients' rights are respected and their interests prioritised.

There are many aspects aligning nicely at the moment for the UK equities market. It's cheap, it's under-owned and the news flow is improving. Furthermore, it offers access not just to UK domestic recovery but to global growth, and with some of the best shareholders protections around.

So, while the rest of the investment world may be looking in the rear-view mirror and allocating elsewhere, now could be an opportune time to increase exposure to UK equities.

> *After the huge economic hit in 2020, there's significant pent-up demand that the reopening of the economy will release*

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ESG MAZE

How can paraplanners help clients navigate an ESG ETF market proliferating with investment terms? Wayne Nutland, head of Managed Index Solutions, Premier Miton Investors, provides insight into this maze-like market

Funds and ETFs integrating Environmental, Social and Governance (ESG) factors into their investment process have seen tremendous growth in recent years, at times even showing growth whilst conventional funds and ETFs saw outflows. According to Bloomberg data, global equity ESG ETFs grew from around $80bn at the end of 2019 to $190bn at the end of 2020, and this growth has continued into 2021.

Clearly there is strong demand for investment solutions which integrate ESG considerations and it seems highly likely that this demand will continue given investor preference as well as regulatory changes encouraging the advancement of greener finance. Given their low costs and transparency, it seems that ETFs are well placed to capture flows into ESG investments.

However, ESG ETFs differ from conventional ETFs in several ways and it's important that investors are aware of these differences before selecting an ESG ETF.

Generally speaking ETFs do what they say on the tin, but for some ESG ETFs it's not immediately apparent what the words on the tin mean. Traditional ETF labels like 'FTSE 100' or 'Small Cap' or 'Technology' give a fairly good understanding of what's inside the portfolio, but for ESG ETFs a bewildering array of terms has come into existence which require some work to translate what it says on the tin to an understanding of what's inside the tin.

There are ETFs covering the US equity market with names including the following terms: 'ESG', 'ESG Screened', 'ESG Universal Screened', 'Responsible Exclusions', 'ESG Universal Select', 'ESG Enhanced', 'ESG Leaders', 'ESG Trend Leaders', 'SRI', 'Sustainable', 'Climate Change', 'Paris Aligned Climate'.

To some extent this proliferation of terms represents the ETF industry trying to take advantage of a new area which can be more differentiated than the more homogenised traditional ETF exposures. However mostly this array of terms represents the wide range of different approaches to ESG investment.

> ***ESG ETFs differ from conventional ETFs in several ways and it's important that investors are aware of these differences before selecting an ESG ETF***

To be clear, this is a welcome development as different investors have different approaches to ESG and want to integrate ESG into their portfolios in different ways, the wide array of offerings is catering to these different approaches. However this breadth brings complexity, and it's important for investors to understand how the different ESG ETFs work.

Selecting an ESG ETF

In addition to the usual considerations like fees and structure, ESG ETF investors need to consider what type of ESG they require and how far from the standard asset class index they are prepared to go in order to achieve that ESG objective.

When considering what type of ESG is required, there are a range of different options which we could call 'ESG intensity'. For example does the ESG approach

exclude some businesses e.g. tobacco and arms, or does it exclude the lowest scoring businesses across all sectors? Alternatively does it select the best scoring businesses, and if so how many, the top 50%, the top 25%? Are there additional screens like removing companies associated with controversies or screens to reduce exposure to carbon emissions? Furthermore different ESG data providers can have different views on the same company, meaning that an ETF using MSCI's ESG data can treat a company very differently to an ETF using FTSE ESG indices.

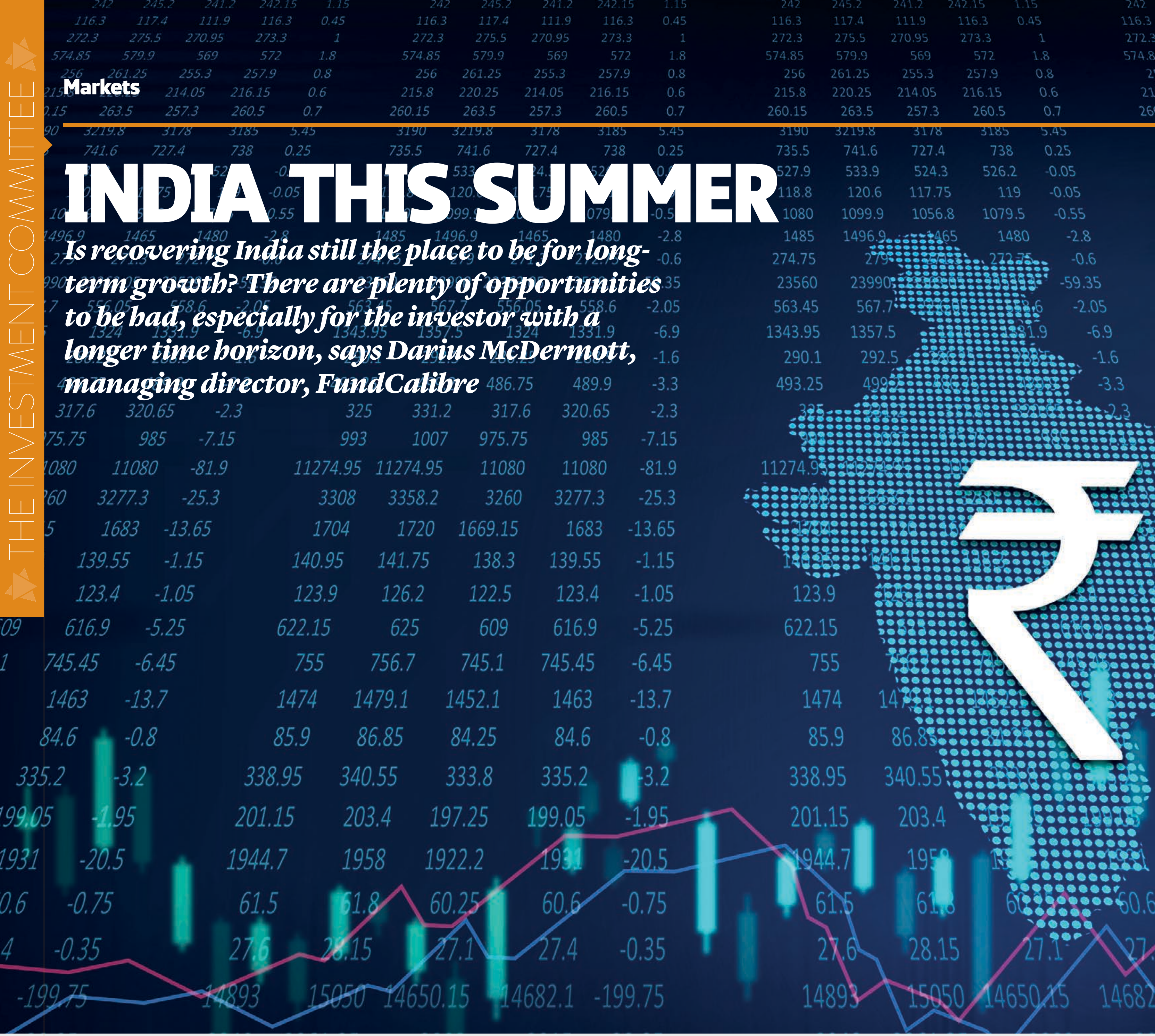
The second consideration is to assess the portfolio construction approach being taken by each ETF. An important question is how far the ETF differs from the main asset class index. Sticking with US equities, is the risk and return payoff likely to be broadly similar to US equities as represented by the S&P 500 for example, or could it be very different to the S&P 500? This is not to say that the conventional asset class index (in this case the S&P 500) represents the ideal portfolio, but the asset class index often represents an anchor for investor expectations and can act as an input into client risk profiling processes.

Again there is a range of approaches, some ETFs are designed to be broadly sector neutral, others employ quantitative techniques to limit the differences to the main asset class index. Others have fewer constraints, allowing the ESG criteria to determine the stock and sector make up. Again looking at US ESG ETFs, there are ETFs with more than 500 stocks and others with under 150. It's important to remember that like all ETFs, an ESG ETF will track its official index and be compared to that official index on its factsheet. For ESG ETFs the official index is usually the ESG index, so performance compared to the main asset class index may not always be apparent.

To sum up, investors need to consider what type of ESG they require and how far from the standard asset class exposure are they prepared to go in order to achieve that ESG objective. There are no right or wrong answers here with solutions to fit different approaches to ESG and a range of investor tolerances for performance compared to the asset class. It's also important to consider the investor's wider portfolio, e.g. more 'intense' ESG ETFs may be preferred if held in a portfolio of standard index exposures, similar to a 'core & satellite' approach. Alternatively if the entire portfolio is to comprise ESG ETFs, then the investor may want to play closer attention to the overall differences compared to the main asset class indices.

INDIA THIS SUMMER

Is recovering India still the place to be for long-term growth? There are plenty of opportunities to be had, especially for the investor with a longer time horizon, says Darius McDermott, managing director, FundCalibre



Economic reforms and an evolving economy have made India the apple of many an investors' eye as they've searched for growth in the past few years. However, like the English cricket teams' recent tour to the country, investors have had to take the rough with the smooth.

Make no mistake about it, the short and long-term trends are heavily in favour of the country. Earlier this year, the International Monetary Fund, projected growth of 11% for the country in 2021, double what is expected on a global scale[1]. But the past couple of years have been challenging. 2019 saw election uncertainty and a cyclical slowdown in the domestic economy, as a liquidity shortage – caused by a crisis in the shadow banking sector – hit economic growth. Last year was also difficult, with India not being lauded for its management of Covid to the same degree as its peers in Northern Asia.

Performance-wise, over the last three years, the MSCI India has risen 20.7% compared with 32.9% for the MSCI World – although the country has still marginally outperformed the wider emerging markets region during that period[2].

While most countries suffered as a result of Covid-disrupted supply chains, with many enforcing trade restrictions across regions, a research note from Fidelity says that India had the domestic demand to sustain growth – with private consumption driving 60% of the economy[3].

> ***While most countries suffered as a result of Covid-disrupted supply chains, a research note from Fidelity says that India had the domestic demand to sustain growth***

And under the stable governance of pro-business prime minister Narendra Modi and the ruling Bharatiya Janata Party, India has also been embarking on a range of structural and economic reforms – such as the Goods & Services tax.

A number of reforms have taken place post pandemic, like the Make In India 2.0 initiative – these are designed to create 100 million manufacturing jobs (increasing the sector's contribution to GDP to 25% by 2025), with infrastructure spending set to double in the next five years. Other reforms also worth noting include the deregulation and nationalisation of labour laws and changes to farming laws in certain areas.

The manufacturing reforms highlight a key point – India's economy is modernising. Goldman Sachs India Equity Portfolio manager Mithran Sudhir says last year was a watershed moment for India, where it went from a consumer electronics net importer to having a small net export, demonstrating the domestic manufacturing capability is coming through. He says India is offering these capabilities at a time when many tech firms are looking to diversify their products out of the likes of China, which could be a major boon for the country.

Matthews Asia portfolio manager Peeyush Mittal says India is also becoming increasingly dynamic in the likes of digital communications and online platforms – with rapid adoption of services and content allowing digitally native platform and businesses to be self-funded, rather than depending on external capital[4].

We have yet to even touch on the long-term structural trends boosting the region. More than 50% of the population is under 25 years of age[5], while forecasts suggest India will have added 200 million people to its workforce by 2050 and will surpass China's population in five years. I even learned recently that the 10 fastest growing cities in the world (in terms of GDP) between 2018 and 2035 will be in India, much of which will be courtesy of the spending power of the burgeoning middle-class.

Schroder Adveq head of investments Asia, Viswanathan Parameswar, points to the four "M's" which underpin a brighter future in Asia through its consumers: (millennial, middle-class, metropolitan and mobile-enabled) all of which have India at the epicentre of this growth. The fact the pandemic has spurred a digital transformation to make India digital-first, is a major change occurring at record speed, and is set to offer significant growth for the region.

The only negative is valuations appear slightly expensive, although if you adjust for the lower cost of capital, they might be slightly cheaper when compared to the last 10-12 years. Ultimately, India is a maturing market with some 5,000 listed companies, an eager consumer ready to tap into the likes of the retail, automotive and financial sectors, all of which lag behind the US and China from a penetration perspective. Add the digital transformation into the mix and India looks an exceptionally attractive long-term investment.

Those looking to invest may like Goldman Sachs India Equity Portfolio as a pure play, while a wider Asia fund with real conviction in Indian stocks is Stewart Investors Asia Pacific Leaders Sustainability with its 37% weighting to the country. The likes of the Matthews Pacific Tiger (13%) and Schroder Asia Alpha Plus (11%)[6] offer reasonable exposures through a more diversified offering.

[1] Source: IMF: World Economic Outlook – January 2021

[2] Source: FE fundinfo, total returns in sterling, 26 February 2018 to 26 February 2021

[3] Source: Fidelity – The Case for Investing in India

[4] Source: Matthews Asia – India Tilts Towards Earnings Recovery

[5] Source: www.livemint.com – India's burgeoning youth are the world's future

[6] Source: fund factsheet, 31 January 2021

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.

POSITIVE IMPACT

Mike Myers, head of SRI, Psigma Investment Management says by expanding their knowledge of Socially Responsible Investing paraplanners and advisers are helping clients to put their money where their values are

Interest and confidence in Socially Responsible Investing (SRI) – which encompasses ESG (Environmental, Social and Governance) investing – has been steadily gaining momentum amongst investment communities in recent years. People have always been concerned about where to invest their money, so this mindset shift isn't revolutionary, but interest has been accelerating, particularly since the onset of the pandemic.

Growing consciousness of issues such climate change led by high profile figures such as Greta Thunberg and concerns about the societal impact of investments has meant more investors today want assurance their money is being used as a force for good. Increasingly, they are seeking investments with a dual purpose – to deliver good financial returns and that make a positive change to the world.

According to reports , ESG grew to more than $30 trillion in 2018, and the trend is set to stay with some estimates saying it could reach $50 trillion over the next two decades. Consequently, many adviser firms are considering SRI as a major growth opportunity for their businesses and some instances are rebuilding their business to focus wholly on what is known as 'impact investing'.

Schroders' UK Financial Adviser survey published in November 2020, highlighted that 65% of financial advisers will increase the attention they pay to the ESG risks associated with investments. Over a third of financial advisers (35%) said they believe that the current crisis will impact client attitudes towards sustainable investments.

Knowledge expansion

SRI is a complex area with its own terminologies, frameworks and high-level regulatory standards that advisers are increasingly required to be well-informed on. In order to help them do so, we are working with several advisory firms to help them to expand knowledge and expertise in this nascent industry. As part of our SRI offering, we are providing training and education on all aspects of SRI, to help advisers understand potential changes to the regulatory landscape, to demystify the terminology, and understand how best to position SRI with clients and embed it into the investment process.

Another major driver for adviser firms to improve their knowledge of all things SRI are new regulations on the horizon. The EU is moving ahead with the requirements for European advisers to consider sustainability as part of suitability this month. The new requirements are amendments to MIFID II and require fund groups to disclose ESG risks in their portfolios.

Currently, the rules do not apply to UK firms because of Brexit, but they may be introduced in the future and so many firms still want to be on the front foot and ready to comply with the changes. If the MiFID II changes are introduced, advisers will be obliged to include ESG preferences in their client fact-finding exercises in quite an in-depth and meaningful way.

It won't be enough for them to simply ask clients if they are interested in ethical investing. They will need to really understand their clients' ESG investment preferences in the same way they understand their risk preferences and make informed recommendations. This can be a difficult task for advisers, as people's values and views are subjective. The key for advisers is to really understand the SRI landscape and remain well-informed about the different products available and how they would best fit the needs of their clients.

Advising clients

One firm we have recently been working with to promote a greater understanding of SRI propositions and credentials is CBW Financial Planning (CBWFP), a firm of Chartered Financial Planners within a top

50, multi-disciplinary accountancy practice based in the City of London.

CBW has a 20-strong Financial Planning team which is led by Chris Clayton, chartered financial planner and managing director, and the firm has a strong belief that positive ESG standards should sit at the heart of any successful business.

Psigma has been working with CBW to provide training, guidance and support to the advisers in the firm. By expanding their knowledge, CBW advisers will be able to confidently advise clients about all SRI options and integrate SRI principles into their investment planning processes. The firm has benefitted from Psigma's help in several ways.

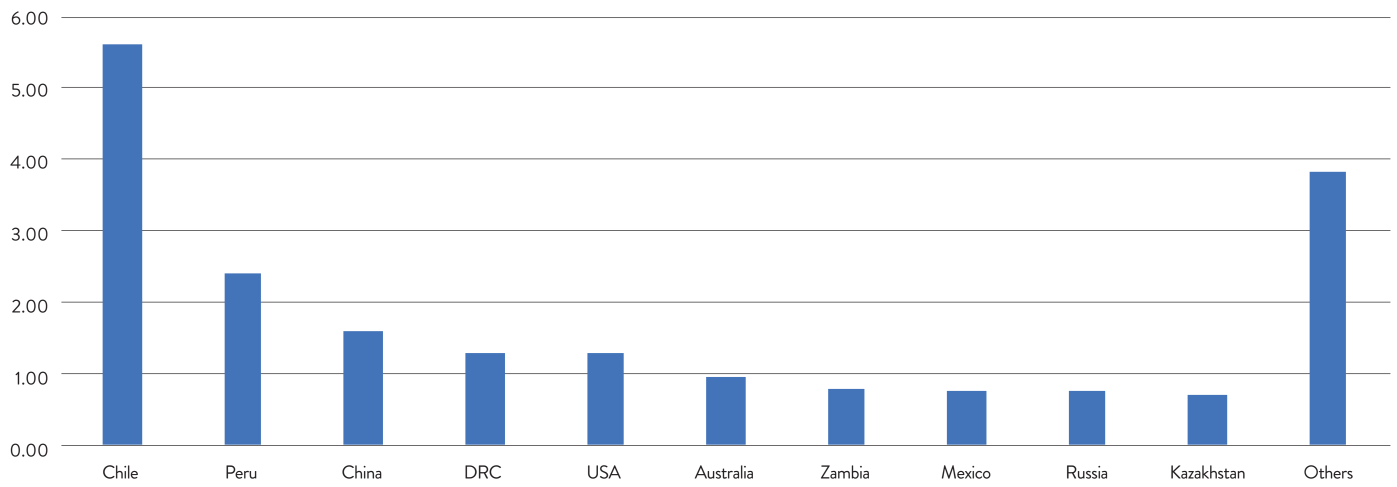
Charlotte Elgar, head of Paraplanning and chartered financial planner at CBW said, "The market for SRI investments is expanding and becoming more mainstream. We have benefitted from working with Psigma to expand our team's confidence and knowledge of SRI. This will enable us to meet new regulations with ease, and keep on top of market trends so we can provide our clients with the best advice, and help them make investments decisions that generate both healthy returns and have a positive impact on society."

> *"The market for SRI investments is expanding and becoming more mainstream. We have benefitted from working with Psigma to expand our team's confidence and knowledge of SRI"*
>
> **Charlotte Elgar, head of Paraplanning and chartered financial planner, CBW**

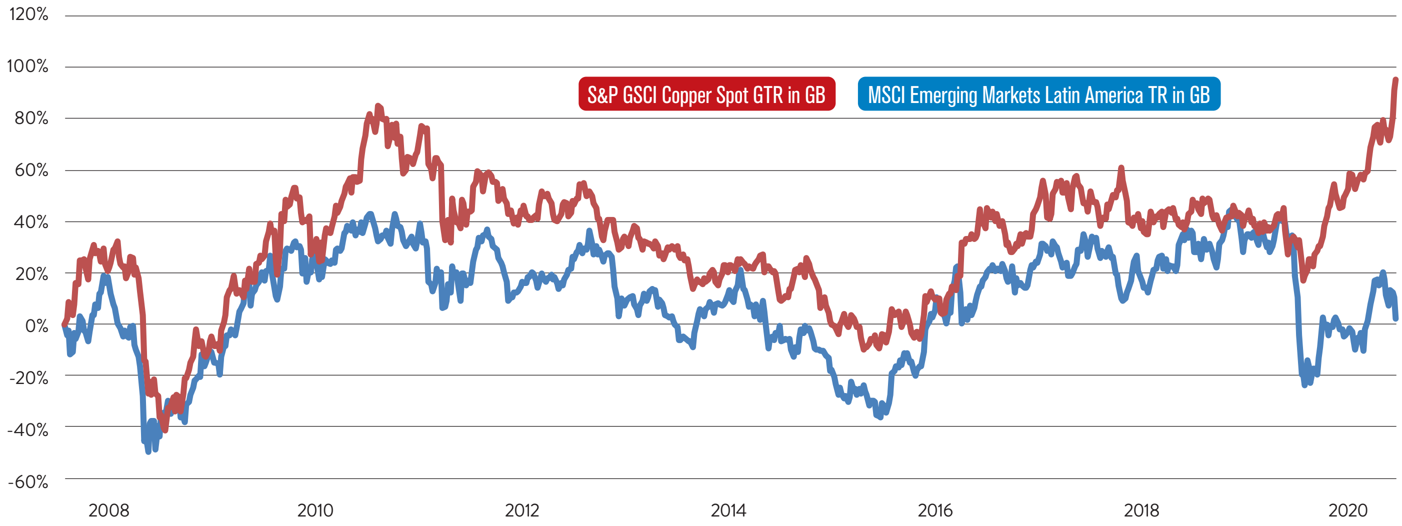
SECTOR CONSIDERATIONS:
LAT AM EQUITIES

Annual copper production (million tonnes)

FE fundinfo



Copper versus MSCI Emerging Markets Latin America



Fund Calibre comment: If history is to be believed, there may well be an opportunity for investors in Latin American equities in the not too distant future. It's something we're paying close attention to at the moment, particularly as the polarising question of inflation continues to hang over global markets.

As the world starts to come out of full lockdown we're already seeing a number of reflationary trades as demand picks up again. We've also got a number of secular trends – like electrification and the wider adoption of healthier energy sources – all of which are going to require a huge amount of copper. This is something we feel is being slightly overlooked on a wider scale.

The first chart above shows just how dependant the world is on Latin America for its global copper supply – with Chile and Peru producing almost half in 2019. What we've found particularly interesting is that the price of copper is heavily correlated to the wider outperformance of Latin American equities on a historical basis, but the unique events of the past 12 months have hit the region hard, resulting in a detachment in this trend. This, we believe, is an opportunity.

We've looked extensively at a number of copper miners in the region and the majority of their respective share prices' have risen sharply. In short, the easy money has been made, but we feel the full benefits will be felt across the region and that is why LatAm equities – and their extensive exposure to commodities in general – appear attractive to us, especially if inflation does pick up.

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

My Money Story (p10)

Name three experiences that shape our understanding of money, included in The Psychology of Money by Morgan Housel:

1.

2.

3.

My Money Story (p10)

In 1972 inflation reached as high as:

☐ 13%
☐ 15%
☐ 17%
☐ 27%

Pensions: In-specie transfers (p12)

Name one reason a client might want to effect an in-specie transfer:

Pensions: In-specie transfers (p12)

Which of these are potential downsides to in-specie transfers? (Tick all that apply)

☐ Higher provider fees than cash transfer
☐ Additional legal fees
☐ Lengthier process than a cash transfer
☐ Receiving provider may not accept asset

Pensions: In-specie transfers (p12)

Name one reason it may be preferable to disinvest an asset than transfer it:

Exam study: State Pension (p14)

Basic State Pension is paid to those who reached State Pension age before:

☐ 6 April 2006
☐ 6 April 2013
☐ 6 April 2016
☐ 6 April 2018

Exam study: State Pension (p14)

What is the minimum number of qualifying years required to receive the full new State Pension?

☐ 10 years
☐ 15 years
☐ 30 years
☐ 35 years

Exam study: State P ension (p14)

Under post-2016 rules a survivor can inherit deferred State Pension.

☐ True
☐ False

Markets (p24)

The International Monetary Fund has projected what level of growth for India in 2021?

☐ 6.%
☐ 7%
☐ 9%
☐ 11%

Markets (p24)

The percentage of the population of India under 25 years of age is more than:

☐ 25%
☐ 35%
☐ 40%
☐ 50%

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 28 February 2021, 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	128.28	✓	5
T. Rowe Price Global Focused Growth Equity	89.07	✓	5
T. Rowe Price Global Focused Growth Equity	86.42	✓	5
Morgan Stanley Global Opportunity	85.14	✓	5
Brown Advisory US Equity Growth	75.03	✓	5

AIC

	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Baillie Gifford Edinburgh Worldwide	122.96	✓	5
Baillie Gifford European Growth Trust	61.2	✓	5
Lindsell Train IT	53.45	✓	5
Frostrow Capital Finsbury Growth & Income	19.26	✓	5
Personal Assets Trust	15.18	✓	5

BEST PERFORMING FUNDS IN TERMS OF RISK VS RETURN

IA

	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
Baillie Gifford American	198.26	133
Morgan Stanley US Growth	158.44	145
Baillie Gifford Long Term Global Growth Investment	147.62	113
Baillie Gifford Positive Change	140.38	94
AB International Technology Portfolio	133.6	107

AIC

	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
All Active Asset Capital Limited	760	788
Starvest	625.49	348
Agronomics Limited	295.4	349
Seneca Growth Capital VCT	176.66	309
Baillie Gifford Scottish Mortgage	151.5	150

RISKIEST SECTORS

IA

	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
North American Smaller Companies	61.04	104
UK All Companies	8.05	95
Japanese Smaller Companies	12.99	94
UK Equity Income	1.62	94
UK Smaller Companies	25.16	93

AIC

	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
VCT Specialist: Media, Leisure&Events	-7.86	162
North American Smaller Companies	46.98	140
Infrastructure Securities	106.84	136
Latin America	-12.57	133
Country Specialist: Europe ex UK	33.56	128

OUTFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	Out (£m)
Liontrust Japan Equity	40,109.94	30,259.47	2,778.47	-12,628.94
State Street UK Scrend Idx Eq	7,762.03	161.09	-1,491.30	-6,109.64
Invesco Global Targeted Returns (UK)	9,532.82	5,853.33	-308.68	-3,370.81
BNY Mellon Global Income	5,647.61	3,612.42	-219.25	-1,815.93
State Street Eur ex UK Screened Idx Eq	4,777.12	3,499.86	306.62	-1,583.87

INFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	In (£m)
BlackRock ACS US Equity Tracker	4,865.23	15,150.99	1,151.98	9,133.79
BlackRock ACS UK Equity Tracker	6,855.58	11,646.51	304.60	4,486.33
iShares Gbl Property Securities Eqty Idx	2,971.60	5,030.46	-307.25	2,366.12
BlackRock ACS Climate Transn Wld Eqty	251.07	2,665.56	50.45	2,364.05
BlackRock ACS World ESG Eqty Trckr	750.03	3,412.61	484.95	2,177.63

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
90.56

North America Smaller Companies
61.04

North America
43.53

China/Greater China
42.45

Asia Pacific Including Japan
35.14

AIC

Infrastructure Securities
106.84

Technology & Media
76.07

Environmental
61.98

Biotechnology & Healthcare
58.11

Asia Pacific
57.4

MOST RESEARCHED

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

MOST VIEWED FACTSHEETS

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

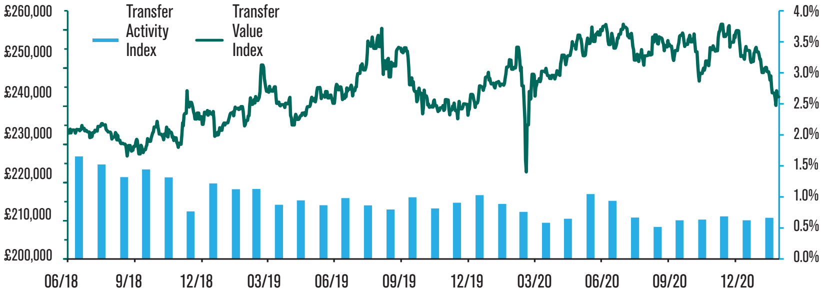
MOST CHARTED

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Baillie Gifford Scottish Mortgage
2	Vanguard LifeStrategy 40% Equity	2	Baillie Gifford Monks Investment Trust
3	Vanguard LifeStrategy 80% Equity	3	Baillie Gifford Edinburgh Worldwide
2	Fundsmith Equity	4	Baillie Gifford Pacific Horizon Investment Trust
5	Baillie Gifford Managed	5	Octopus Investments Octopus Titan VCT

PENSION TRANSFER VALUE INDEX

XPS TRANSFER VALUE WATCH: FEB 2021

XPS comments: XPS Transfer Watch in February revealed almost a 5% drop in transfer values from the previous month, the biggest monthly fall in since XPS started tracking values in 2014. This is due to a rise in government bond yields throughout the month, which has increased discount rates used to place a value on members' benefits. Transfer values are now returning to levels last seen in March 2020, before the first lockdown. This means members will need to bear in mind the impact on any alternate pension their transfer value can now provide. Transfer Activity and Red Flag indices remain steady with XPS's scam protection service detecting one or more red flag in 58% of transfers processed in February. XPS Pension Group's Transfer Watch monitors how market developments have affected transfer values for a typical pension scheme member. It also provides analysis on how many members are choosing to take a transfer from their DB pension scheme and, through its Red Flag Index, the incidence of scam red flags identified at the point of transfer.



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