Professional Paraplanner

The magazine for paraplanners and financial technicians

July/August 2021

Paraplanning in a Pandemic

Professional Paraplanner's latest Report on the paraplanning market

PAGE 8

Care funding

The elephant on Govt front bench

Exam study

UK intestacy rules

Investment Committee

Property investment in a home-working age

Comment

Pandemic silver lining?

PLUS TECH TO IMPROVE CLIENT ONBOARDING

Professional
Paraplanner

MUCH TO REPORT

In April, Research in Finance conducted its latest in-depth survey of the paraplanning market, which this time was overshadowed (as it still is) by the Coronavirus crisis.

The research work was undertaken by Research in Finance, the publishers of *Professional Paraplanner*, and the Report is sponsored by Fidelity FundsNetwork. Our thanks to Fidelity for once again supporting this unique piece of research into the market. So what did the survey find? We are publishing extracts from the Report in this issue but paraplanners can access the full Report for free from the Fidelity FundsNetwork website.

Perhaps the most striking aspect of this research for me is that despite the impact of the Coronavirus on the financial planning market and the role of the paraplanner, there is greater recognition than ever of the value that paraplanners bring to their firms, while their influence on the decisions around the products, investments and recommendations made to clients continues to increase.

These are the figures that caught my eye. In the past two years:

- 44% of paraplanners say they have been given more responsibility
- 23% have become more involved in the general business
- 14% have been promoted within their firm
- 4% more paraplanners joined their firm's investment committee
- 89% of paraplanners have influence on the decisions being made on the investments, pensions products and platforms used by their firms.

Our last Report – *The Rise of the Paraplanner* – clearly charted how the role of the paraplanner had changed between 2013 and 2019. Our latest report shows that even greater reliance is being placed on paraplanners within the market and they are being given, and taking on, greater responsibility within businesses.

I see that as a massive positive for financial planning and the end clients the profession serves.

However, some paraplanners have experienced uncertainty over the past two years – a proportion of survey respondents had been furloughed during Covid, while others had their pay cut or lost their job. So, it is not all a rosy picture.

In this respect, one of the major effects/benefits of the pandemic has been to demonstrate that paraplanners can work productively from virtually anywhere. Paraplanners answering the survey have warmed to home working so much that while pre-Covid-19, 64% used to work full-time from the office, just 7% believe they will do so post pandemic. For most this may develop as a hybrid model, part in-the-office and part at home and it will depend, of course, on the needs and flexibility of individual firms and their management teams. But as a group, paraplanners could be major beneficiaries of the changes expected in where and how people work as we come out of the crisis.

Our new look website

Hopefully, you have all seen the new look to the *Professional Paraplanner* website. Our aim was to make it easier for you to find the news, information and insights you need. We've already had some great feedback. In the redesign, we've kept familiar sections and made some dedicated additions, notably four clear 'Zones'. These are:

ESG ZONE edentree | Investment Committee Fidelity International | Tech Zone Pru part of M&G plc | Tax & Trusts Zone octopus investments

- **The ESG Zone:** Here we will be providing news and features to help you better understand, research and recommend in the ESG/Sustainable Investing environment. We would like to thank EdenTree for sponsoring this new section.
- **Investment Committee:** This zone provides insights and data to help you in your investment research. Sponsored by Fidelity International.
- **Tech Zone:** This zone is focussed on delivering more in-depth technical articles to help paraplanners deliver financial planning. Sponsored by The Prudential.
- **Tax & Trusts Zone:** This zone delivers the latest news and insights on this key area of financial planning. Sponsored by Octopus Investments.

With the new, dedicated Tech Zone focussed on providing you with in-depth technical articles, we are focussing the Development tab on exam study, training, career and self-development themes.

We've also made it easier to find the Latest Job adverts and our next Events too.

We hope you like the changes.

Paraplanner Awards

This year we are publishing our Awards results as a standalone supplement. Keep an eye on our website and daily emails for further announcements.

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

EFFECTIVE PENSION PLANNING

Advice firms can be seen to make a difference by ensuring clients are planning properly for their retirement, says Tyla Phillips of AHR Private Wealth

According to the ONS, nearly half (45%) of the population don't feel confident about what their standard of living will look like in retirement. The problem is that many have no idea what's in their pension, what fees they're paying, or what they need for a comfortable retirement.

As a result, people can easily overestimate their pension income and find themselves disappointed by their funds, or worse, short of the cash needed to fund their aspirational later life. Planning for retirement needs to go beyond making enough National Insurance contributions. It is vital that savers put other provisions in place to generate retirement income, including paying considerably into a private pension, and/or owning appropriate assets that could provide an additional income alongside a pension.

Of course, the Covid-19 pandemic has potentially made it harder for many to make pension contributions by worsening their financial position. Others have likely been tempted to pause their pension contributions in the interest of boosting their income during a financially challenging period. Crisis disruption has, of course, shown the true importance of future proofing our finances, but that is not to say it has made it any easier for the average person to invest in their retirement.

Royal London found that 40% of millennials have chosen to pause or stop their pension contributions because of Covid-19. It's easy to overlook these younger people when it comes to retirement, but that's short-sighted. The benefits of compound interest on early career savings cannot be overstated, and those who don't save enough in their early working lives risk feeling compelled to take on more risk with their pension investments later, to make up for lost time. It's also worth noting that providers often do little to help savers in the later stages of retirement. Decumulation pathways are clunky and unspecific, and thanks to pension freedoms, advisers are left having to shoulder the responsibility of explaining the finer and more technical aspects of retirement.

Proper planning

So, how can we ensure clients are planning properly for retirement? The first thing to consider is what a client is paying in fees, and how to go about reducing those if they're at the more expensive end of the market. Most modern pensions have competitive rates that are generally under 1%, but older corporate DC schemes can have fees as high as 3%, or more. Good planning ensures a client is making the most of the money they have, so reducing fees is an excellent place to start.

Similarly, advisers should put effort into consolidating the pension savings of clients if they haven't already. The typical person has ten jobs in their lifetime and could have as many separate pots. Any one of those could be invested in a way that doesn't suit the client's needs or could be forgotten about. Condensing pots can make the retirement planning process easier, but knowing when to do so, or which to choose as the remaining pot certainly requires a professional eye.

Tools like cashflow modelling can also be useful, since they can help clients visualise their likely financial position in retirement. In some cases, a client may be pleasantly surprised by their retirement outlook, meaning they can finish work earlier than planned. In this scenario, not only have we helped with retirement planning, but we've also helped a client to achieve greater financial wellbeing.

Too many clients only begin planning for later life as they approach retirement, but better outcomes could be achieved if provisions are put in place at an earlier stage. A common mistake among those expecting to retire at 55, for example, is to avoid withdrawing pension funds until they turn 65. The opportunity-cost is likely to be significant here, as most pension schemes will automatically move towards low-risk assets or cash by their retirement date, meaning they are not making the most of growth opportunities.

Ultimately, we need to develop a long-term relationship with our clients and make it clear why later life planning is not just a once-and-done process. Planning early for retirement will not only give clients the chance to maximise growth opportunities, but it will also help them to create a plan that can be adapted to meet their changing needs. We must move from 'retirement planning' to 'life planning' to encourage engagement from an earlier age and when individuals are making other key financial decisions, such as purchasing a home.

Too many clients only begin planning later in life, but better outcomes could be achieved if provisions are put in place at an earlier stage

RO FOCUS

In a new series for Professional Paraplanner, Bespoke Training Solutions' Luiza Todd addresses common questions the firm has been asked over the years, whilst supporting RO candidates through their regulated exams

How do I book a CII exam?

This is such a common question from first time R0 candidates. Some even mistakenly think they can book an exam sitting with a training provider like BTS.

The standard way to book a CII exam (known as an assessment entry), is via the Chartered Insurance Institute (CII) itself. If you work for a company big enough and with the appetite to organise its own internal sittings, they may organise this for you, but in most cases, individuals need to book their own sitting directly with the CII. Exam sittings can currently be booked at certain test centres or via remote invigilation. Bookings can be made online or by phoning the CII. Unless there are special circumstances the easiest and quickest way to book an R0 exam sitting is online.

The CII website has several short videos to help candidates navigate the process of booking their exam. The two most relevant videos include:

- Booking an exam via a test centre. This covers how to set up your booking, searching for and selecting your test centre and how to reschedule or cancel an exam booking.
- Booking a remote invigilation exam. This covers how to set up your booking, searching and selecting the right time for you and how to reschedule or cancel an exam booking.

Both videos can be accessed via this link: https://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/exam-booking-guidance/. The videos are well explained and guide candidates through the processes in an easy-to-follow fashion.

If you have chosen a remote invigilation exam, BTS would also recommend

you view the CII website videos and information pages that explain how the remote system works, the IT checks that you must do prior to the exam and the process of the exam sitting itself. These can be accessed here: https://www.cii.co.uk/learning/qualifications/assessment-information/on-screen-written-exams-by-remote-invigilation/.

When booking the exam, candidates are presented with a variety of options in terms of the enrolment and assessment packages available, which can cause some confusion. To help candidates make an informed choice, we have outlined the options here:

Enrolment plus

This is the first option on offer in the list on the exam booking page. Be aware that this package contains not just an exam entry but also the CII R0 study text and revision aids such as the RevisionMate banks of questions and answers. You do not have to purchase this full package if you wish to use alternative study materials.

Enrolment only

This option is next in the list order. Payment gets a candidate an exam entry plus the CII R0 study text. Again, you do not have to purchase this package if you wish to use study materials from another provider.

Assessment only

This is exactly as it sounds. Here a candidate is purely paying for an exam entry. This option can be used by candidates wishing to use other study materials rather than those on offer from the examining body, or candidates unfortunately having to resit an R0 exam.

Many R0 candidates have no idea that it is not mandatory to purchase the examining body study materials. Studying for and sitting the CII exams is a significant financial undertaking and it is important to choose your study materials carefully before investing in them. Examining body materials are not for all candidates. The study texts are more akin to technical manuals than learner guides and can be hard going if you don't have a base knowledge in key concepts.

CII RevisionMate question standards vary – they can be easier than the actual exam (R01 is a classic example of this) or they can concentrate on rarely examined areas (R04 pensions questions are depressingly tough and can make even the brightest, most well-prepared student find their confidence takes a knock, the learning outcome 2 pension simplification section for example).

Our advice is to shop around for your R0 study materials before committing your hard-earned cash. Ask providers for samples to 'try before you buy' and check out reviews on social media. Most providers offer a range of options, depending on whether you learn best from printed, digital, or interactive materials, or a combination of all of these.

About Bespoke Training Solutions

Bespoke Training Solutions (BTS) have been supporting regulated exams for 17 years, specialising in R0 support with outstanding candidate tracked results and feedback. Resources include digital and printed study guides, group and 1:1 training, e-Learning modules and a mobile app of practice exam questions. Visit www.bespoketrainingsolutions.com to learn more on how BTS can help you on your regulated journey.

BTS
Bespoke Training Solutions

PARAPLANNING IN A PANDEMIC

Rob Kingsbury presents some of the highlights from the 2021 survey by Research in Finance into the paraplanning market, a period massively impacted by the Coronavirus pandemic

In association with Fidelity International

Since *The Rise of the Paraplanner*, our 2019 Report based on our previous tranche of research into the paraplanning market, the world has been thrown into disarray by the Covid-19 pandemic. Our latest Report, *Paraplanning in a Pandemic*, reflects the impact of the crisis on paraplanning and points to some potential changes in the market going forward.

Impact on future work location

Perhaps the most striking change in the data between 2019 and the 2021 survey was that on working location. Our research results show that following enforced virtual working, nearly three quarters of paraplanners now expect to work from home to some extent post-pandemic, compared to 79% who worked permanently or mainly from their firm's office pre-pandemic. The most startling figure here is that while 64% of paraplanners always worked from the office pre pandemic, just 7% expect that they will do so from now on.

Paraplanners per firm

Data this year shows that nearly 60% of paraplanners work with up to five paraplanners in their firm – with another 29% having from six to 20 paraplanners alongside them. 16% of paraplanners work alone in their firm. The number of paraplanners per firm is higher in discretionary firms, as are the number of advisers they serve. Nearly half of outsourced paraplanners work alone.

Outsourced paraplanners

Of the respondents working within the outsourced market, 47% were self-employed, 42% were owners/directors of outsourced paraplanning businesses and 12% worked within an outsourced business. One change to note is that the percentage of business owner/directors has increased over the past two years, while the number of self-employed paraplanners has reduced.

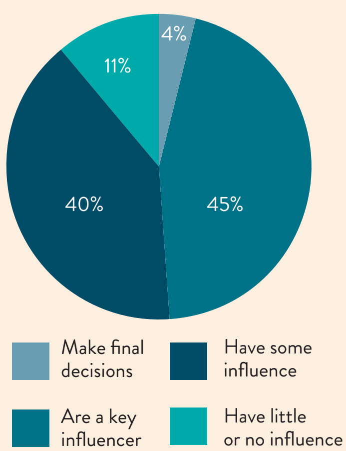
> ***"Paraplanners will continue to receive more recognition as capable, important elements of the financial advice service. Advisers will spend more time with clients, leaving the research, recommendations and implementation of the advice process to paraplanners."***

Salaries

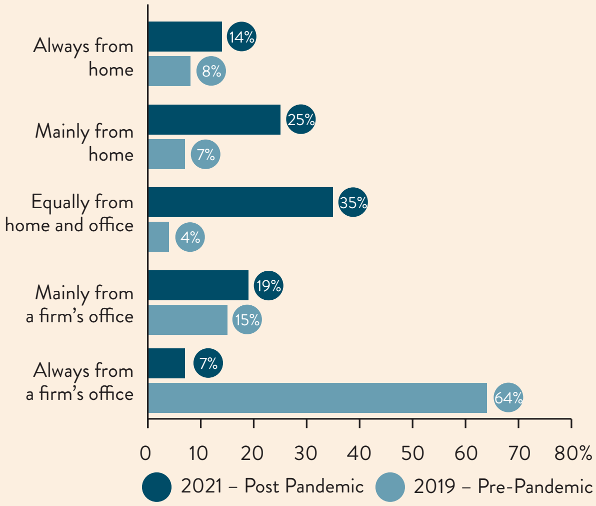
Always a subject of interest in our surveys, the

In numbers...

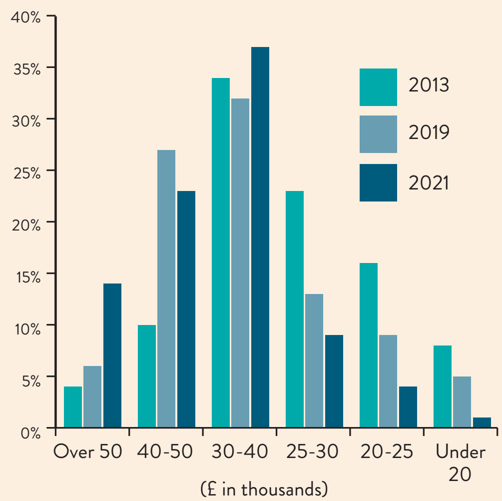
Paraplanner influence on decision-making



Pre and post pandemic work location expectations



Salary comparison 2013 - 2021



mean average salary of paraplanners recorded in the 2021 research was £35,350, slightly less than the £36,000 recorded in 2019. The large proportion of paraplanners (70%) earn between £30,000 and £60,000 with 33% of those earning between £40,000 and £60,000 a year. Overall, salaries have moved up the scale, with the percentage of people in the £50,000 plus range having more than doubled.

"More firms are potentially looking to outsource paraplanning due to opportunities to hire quality paraplanners uninhibited by geographical area."

Paraplanner responsibilities and decision-making

The 2019 *Rise of the Paraplanner* Report, as the name suggests, charted the increased influence and responsibility which paraplanners were being given within their firms, as owners and advisers realised the benefit of using paraplanners to undertake the technical work within the business while also recognising the capability of paraplanners to take on further responsibilities, many of whom were equally or better qualified than the advisers with which they were working.

This trend has continued, with 44% of paraplanners saying they have been given more responsibility in the past two years. 23% have become more involved in the general business, 14% have been promoted within their firm, with 4% more paraplanners joined their firm's investment committee.

"I believe paraplanning needs to become as valued as advising within the industry. Paraplanning is not secondary to advising, it IS equal to it and just as important. The pay and career paths will hopefully develop to reflect that."

Similarly in 2019 we noted the significant increase in the influence that paraplanners were wielding in their firms with regard to the selection of investments, pensions, products, platforms, services and software. This remains true with around 90% of paraplanners having influence on the decisions being made by financial advice/discretionary firms in these areas, and half of paraplanners being key influencers or final decision makers.

In addition, 28% of paraplanners feel their level of influence has increased over the past 12 months. The fact that this significant percentage of paraplanners feel their influence has increased despite the pandemic, is indicative of the continuing rise in importance of paraplanning within businesses as well as the greater value placed on paraplanners by their employers. It reflects also the ever deeper embedding of the paraplanning role within financial planning firms.

Typical paraplanner 2021

Gender: Female
Age: 38yrs
Length of time as a paraplanner: 5+ years
Average salary: £35,350

Full Paraplanner Report

The full version of *Paraplanning in a Pandemic* can be downloaded from the Fidelity FundsNetwork website. Go here to find out more: https://adviserservices.fidelity.co.uk/resource-centre/paraplanner-retirement-planning-and-pension-toolkit/ Our thanks to Fidelity for once again sponsoring this Report.

CARE FUNDING

The ongoing wait for Government-funded social care means clients need a solid financial planning strategy in the meantime, says John Humphreys, Inheritance Tax Specialist, WAY Investment Services

The intractable problem of what to do about social care has been plaguing successive Governments for years. Last month, the Queen announced that "Proposals on social care reform will be brought forward." But that was it; no detail, no dates.

There is no doubt that the financial crisis in social care is fiendishly difficult to solve. But this is no comfort nor use to those in need of care today, nor those who are concerned they might be in the future. For many families, simply waiting for reform may not be an option. So where does this leave advisers?

Who pays?

Anyone in England and Northern Ireland with capital over £23,250 is expected to cover the cost of their care, with some contribution required from those with between £14,250 and £23,250. In Scotland the thresholds are £18,000 and £28,750. In Wales care is covered in full for those with less than £50,000.

Property is included in the means test, unless a person receives care at home or only goes into a care home on a temporary basis. Some funding may be available from the NHS (termed Continuing Health Care or CHC) – but only if a person's needs are deemed to be primarily health-based or nursing care is required.

Determining this can be a complicated and lengthy process. The implication is that unless reform arrives soon, the vast majority of clients of financial advisers are likely to have to pay for at least some of their care in the future, should they ever need it.

Deprivation of assets rules

Should a person start needing care, it is not possible to simply give away assets and leave the local authority to pick up the bill. If a person is considered to have deliberately given away assets in order to avoid paying care fees, those assets can be included in the value of the estate for the means test. A key question is whether the person knew or could reasonably expect that they would need care. Planning ahead and clear documentation are therefore crucial.

It's reasonable to assume that those who have the means to do so may wish to have some control over their choice of care – including type, location and quality

How much?

It's reasonable to assume that those who have the means to do so may wish to have some control over their choice of care – including type, location and quality. Those that can, should consider setting some money aside. But how much will be needed? For a start, it might not be needed at all. Approximately 418,000 people live in care homes.

This is 4% of the total population aged 65 years and over, rising to 15% of those aged 85 or more[1] (which, by definition, means that 96% and 85% respectively do not live in care homes). Residential care has been estimated to cost an average of £2,816 per month[2], with nursing care higher at £3,552 – roughly equivalent to paying a mortgage of £750,000 at today's rates[3]. Although the average stay in a care home is 30 months[4], the actual length of time a person will need care for can be considerably longer.

In short – working out how much might be needed (if any) is extremely difficult.

Will income be enough?

As people age, day-to-day spending may actually decrease. Mortgages may be paid off, dependants are likely to have left home and activity levels might also lessen. For those with low care needs – perhaps just a few hours at home a week – income alone may be sufficient to cover the cost with pensions, ISAs and other savings the most likely first port of call. If more intensive or specialised care is required though, costs can very quickly escalate.

Specialist products for care

Over the years, a number of specialist products have been launched to help people pay for care – all with advantages and disadvantages. Although many long-term care fees insurance policies have been discontinued, some immediate needs care annuities remain available and can tackle the problem of not knowing how many years care will be needed for. As with pension annuities, longevity creates better value but savings are still needed to pay for the annuity in the first place and early demise often means the capital is lost to the annuity provider.

For those relying on the value of their property, equity release products may be an option. It is crucial that the client and their family are fully aware of the possible outcomes depending on how long a person remains in care. Whereas such schemes are sometimes taken out because a person still wishes to, eventually, pass on their home to the next generation, clients need to be aware of the circumstances which would prevent this happening.

What if I have saved but don't need care?

Balanced against the need to provide for future care costs is the question of what happens if it is not needed? Can it be passed on to family members or will it be lost to inheritance tax (IHT)? Clients can benefit from a careful assessment of the value of their estate – both today and its predicted value in the coming decades. Where the total estate exceeds the IHT threshold, clients may be concerned that if money is not needed for care, a significant proportion will be lost to IHT instead rather than passed on to family members. A strategy is therefore needed to reduce the value of the estate yet retain access to funds if needed for care.

In this situation a flexible trust with the option of reversion payments may be worth considering. Such Trust Funds can be built up by single gifts, which will be outside the estate for IHT purposes after seven years, or by regular payments which will fall outside the estate immediately. If, in the future, the settlor needs care this can be funded by reversion payments from the Trust. If not needed, in due course the assets can be passed to beneficiaries. The preferences for the Trust can be specified in a Letter of Wishes to the Trustees, giving peace of mind to both Settlor and Beneficiaries that the Trust assets will be used appropriately and as intended.

Who will make decisions?

Those planning for possible future care should consider putting in place a Lasting Power of Attorney so if they are unable to make sound financial decisions, a trusted individual or individuals can do so on their behalf. The process need not be particularly time-consuming nor complicated, and taken early can save a lot of heartache.

The problems of the social care system remain far from fixed. When a person starts to need care, it can be an incredibly difficult time for them and their family. Having open conversations with clients earlier rather than later, and before a crisis hits, cannot solve everything but can at least save families from some of the financial pressures at an otherwise very stressful time.

[1] www.mha.org.uk/get-involved/policy-influencing/facts-stats/
[2] www.carehome.co.uk/advice/care-home-fees-and-costs-how-much-do-you-pay
[3] www.moneyadviceservice.org.uk/en/tools/mortgage-calculator
[4] www.independentage.org/news-media/press-releases/cost-of-average-length-of-stay-a-residential-care-home-equivalent-to26 LaingBuisson, Care of older people: UK market report, May 2017

INTESTACY RULES

This issue the Brand Financial Training team turn their attention to the intestacy rules in the UK

When someone dies without leaving a valid will they are said to have died intestate and in these circumstances the law decides who will benefit from that person's estate.

Intestacy rules in England and Wales

In England and Wales the legislation is contained in the Inheritance and Trustees Powers Act 2014. There are similar Acts that cover the position in Scotland and Northern Ireland – these will be covered later. But first, a quick reminder of the necessary requirements for a will to be valid:

- The person making the will (testator) must be 18 or over (12 or over in Scotland)
- They must also be of sound mind
- They must not be acting under any form of duress
- The will must be in writing – handwritten or typed
- There must be a clear intention to dispose of assets
- The will must be signed by the testator in the presence of two witnesses
- The witnesses must be independent, for example, not executors or beneficiaries
- The witnesses must sign the will in the presence of the testator (for wills made between 31 January 2020 and 31 January 2022 the 'presence' of those making and witnessing wills includes a virtual presence via video-link).

Factors that could affect an existing will

Divorce or the dissolution of a civil partnership does not invalidate a will, but the ex-spouse or ex-civil partner would not be able to act as an executor or be a beneficiary. The rest of the will is still valid. Marriage and civil partnership however does invalidate an existing will – unless that will had been drawn up in 'anticipation of the marriage/civil partnership'. You should note that this rule does not apply in Scotland – covered later.

Restrictions of the laws of intestacy (England and Wales)

None of the laws of intestacy that apply in the UK make any provision for those couples that are co-habiting (common law spouses as they are often referred to). If someone had been financially dependent on the deceased person they would have to go to court in order to benefit from their estate. The legislation that covers this in England and Wales is the Inheritance (Provision for Family and Dependants) Act 1975.

Only children or legally adopted children can benefit under the laws of intestacy of any country in the UK. They do not provide for step-children or fostered children.

As in England and Wales, the laws of intestacy in Scotland do not recognise children other than natural or adopted, or co-habiting partners

A will and the laws of intestacy can only apply to assets that were owned solely by the deceased. Anything owned as 'joint tenants', for example, bank accounts, investments, property, will automatically pass to the co-owner. The exception to this is property owned as 'tenants in common' where the share (not always 50%) will pass according to the will of the deceased or the laws of intestacy.

What to do if someone dies without leaving a valid will

The 'most entitled inheritor of the deceased's estate' (their closest living relative) should apply to the Probate Registry for a 'Grant of Letters of Administration'. Once this is granted, they can then administer the estate according to the laws of intestacy. If this person does not wish to act they can either appoint an attorney to act on their behalf or complete an 'intestate' form which enables them to nominate up to two people to be the next most entitled inheritor(s).

Intestacy in Scotland

The law that applies in Scotland is the Succession (Scotland) Act 1964.

The surviving spouse or civil partner has 'prior rights' – this includes property, household effects and cash. This is followed by 'legal rights' which provide for the surviving spouse/civil partner and children. The 'free estate' is the remainder of the deceased's estate.

Unlike in England and Wales, getting married does not invalidate a will in Scotland. So if someone creates a will before they get married, this will still be valid after the marriage both regarding the executors that have been appointed and the way the will specifies the distribution of the estate. In these circumstances and under their 'legal rights', the spouse or civil partner could claim a share of moveable assets such as investments, cash and furniture, but not a property.

As in England and Wales, the laws of intestacy in Scotland do not recognise children other than natural or adopted, or co-habiting partners. If financially dependent, they would have to make a claim under the Family Law (Scotland) Act 2006.

To seek a 'grant of confirmation' (which is the equivalent of probate in England and Wales) it is necessary to apply to the courts to be appointed as an 'executor-dative'. The usual order of preference here would be, spouse or civil partner, a child, a sibling or parent of the deceased.

Intestacy in Northern Ireland

The law that applies in Northern Ireland is the Administration of Estates Act (Northern Ireland) 1955 (modified in 1981 and in 2007). The situation in Northern Ireland is very similar to that applying in England and Wales:

- Only natural children and adopted children can benefit
- There is no provision for co-habiting partners
- An application would have to be made to the Probate Registry for a Grant of Letters of Administration in order to administer the estate
- Property could be owned as joint tenants or tenants in common with the same implications
- Someone that was financially dependent on the deceased but unable to benefit under law would have to apply to the courts under the Inheritance (Provision for Family and Dependants) (Northern Ireland) Order 1979
- One difference is that if the surviving spouse/civil partner is to benefit then they must survive the deceased by 28 days.

For the full article with diagrams for England and Wales, Scotland and Northern Ireland please go to the *Professional Paraplanner* website.

About Brand Financial Training

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

prepare to pass
Brand
FINANCIAL TRAINING

MIRROR MIRROR

In order to thrive, sometimes we need to hold a mirror up to ourself so we can really understand who we are and what we want, says Michelle Hoskin, managing director Standards International

In recent months, I have been doing a great deal of personal and professional learning – not in areas directly related to my work but in areas that massively complement it. It started with achieving Certified Financial Abuse Specialist status. This certification was created mainly for our sector of financial services but also for the legal and advisory sectors.

Then I completed Mental Health First Aid certifications in both adult and youth mental health first aid – and then I attended UPW with Tony Robbins in March (see 'Well and truly unleashed!' in the June issue of *Professional Paraplanner*).

… So not to let the grass grow under my feet for too long and in an attempt to pay it forward I went for UPW again, only this time I invited three of my best girlfriends to join me. As with all of these things you still pick up new things that you missed the first time around. I'm writing this after completing day one of four, so I am well and truly in the thick of the UPW event… but this one I felt was too good not to share!

So here goes…

Now, I know we all know we have human needs – in fact Maslow's hierarchy of needs has been well and truly drilled into us – but how does that set of needs serve us for modern day living?

Modern day life and needs

While I agree that Maslow has served us beautifully for decades, we now need a new guide. So, before we dive in to the key four (there are six in total – but we will focus on four), I'd just like to state the obvious: it doesn't matter if you are relating these needs to yourself, a member of your 'team', a friend or family member, or one of your clients – it is helpful to keep an eye on which needs are playing out for the people around us. Why? Well, because it helps us to help them direct their emotions while also helping us adjust how we react to how they are reacting.

At the top of the tree, we have certainty. We all crave a level of certainty in ourselves, our surroundings, our relationships and our structures. With it we feel safe, calm, at ease, supported and – dare I say it – 'happy' because with certainty we are able to leverage and springboard to achieving a more extraordinary life. When people are having a tricky time – and let's be honest we have all been through the mill a bit over the last 18 months – it is almost always caused by a lack of certainty in their lives. When certainty is absent, it can result in us feeling unsure of ourselves, being withdrawn, lacking focus and struggling with indecision.

So just check in… are you living a life which has the right level of certainty for you? If you're not sure – take some time to jot down a list of all the things that you feel you NEED right now to give you certainty in your life. You may be surprised by what you write.

Next up we have uncertainty! Uncertainty? How can that be number two? Well, we know that variety is the spice of life, and we all crave a level of excitement and uncertainty in our lives. It keeps us on our toes, it keeps us alert, and it helps us feel like life is not just the same, day in, day out. Uncertainty and risk however are very closely linked… as our need for excitement and variety increases, it is likely that risk and the need for reward increase too.

So, let me ask: how much uncertainty do you need in your life right now and how is that showing up in the different aspects of your life? Actually, let's ask: how could that show up in your work and in the delivery of your role? At the micro level, how regularly do you stick to a process fully, or do you find yourself going off piste, just because 'I wonder if… '? In many situations, needing and living with a level of uncertainty is good for us but not when the balance tips too far. Again, why not grab a pen and write down a list of all the things that you feel you NEED right now to give you uncertainty in your life.

In the context of our teams and our relationships with others and ourselves – when both certainty and uncertainty are present, true engagement starts to form.

Now let's level this up. Significance, ego, recognition, praise, achievement – whatever you call it, it's well and truly high up the ranks of importance for many in our sector. Why? Well, think about the back story – the sector recognised planners and advisers

The right level of significance is good for us – it's a need but we have to recognise how that is playing out for us – is it serving us positively or negatively?

who hit the goals, smash through sales targets, achieved company KPIs, etc., etc., etc. The need for significance was and I would say is currently one of the biggest drivers for the sector and those within it and – while I know we all have this need at some level – maybe the level we have been craving has got slightly out of hand. And worse still, we are now passing down this need for significance to the next generation of planners and firms – and this scares me!

Why? Because no one wins when ego and self-gratification are running the show! The right level of significance is good for us – it's a need but we need to recognise how that is playing out for us – but is it serving us positively or negatively? What is the need for significance doing to you as a person? Do you like what you see?

You only have to look at the need for professional designations and awards, the race to get the top of the range Tesla or to publish the next best-selling book. Whereas in the past we just had conventions and internal meetings for shouting about our achievements, now we have the wonderful world of 'social media'... and, oh my goodness, we are well and truly riding that train.

And last but not least... connection. Yes, you got it... it's time to get all loved up! We all need a level of love and connection in our lives and – as with all of these areas of need – our level of need increases and decreases as our life changes.

Needing love and connection requires a level of vulnerability that many of us feel very uncomfortable with... and I get it but, with love and connection, comes a level of honesty and authenticity. So let me ask you – if connection and love are a core need, how does that need show up in your life, in your work, with your team, in your relationships...? What is your level of expectations of others? How do they stack up against those expectations?

To sum up: The key here is to make sure that you are aware of the human and innate needs of those in your team and around you. For those of you who are business owners, leaders and managers, you want your team to feel engaged, you want them to buy in, to be on the 'bus' to serve the needs and expectations of your clients – yet at the same time, consider, do you really know who they are, what they want and most importantly what they need?

SILVER LINING

Could a positive result of the pandemic be more women at Board level not just in financial services but in firms across the country? The idea got Sally Plant, head of Financial Planning, Chartered Institute for Securities & Investment, thinking…

"So I got to thinking…" will one effect of the pandemic be the potential for more women CEO's in the coming generation? For those of you who recall the infamous opening phrase from *Sex in City* 'I couldn't help but wonder', I literally had my moment this weekend when I pulled out my laptop to pen my thoughts, as it occurred to me one impact of the current pandemic could be greater gender diversity at senior level positions.

When I had my third child Connie and returned as CISI Head of Education and Secretariat to the CISI's Education Trust, it was not the working hours, nor the additional evening Board paper writing that made it challenging to continue. But the daily dash to the train to enable me to collect my children from nanny's and afterschool clubs and activities that pushed me to take the decision to resign (and the wine!).

I avidly recall moments stuck in meetings, looking at the clock, not wanting to leave and then that awful feeling of panic running for a train. The stress of it all. Then inevitably I'd be pulling my laptop out on the train to finish something, only to not quite finish it before the train arrives at my station and I am then running to my car. Whilst many households share this responsibility it is still often the women worker/ mother who still primarily takes this role.

On 6 May 2021, Simon Read reported for the BBC: "Almost all of 50 of the UK's biggest employers questioned by the BBC have said they do not plan to bring staff back to the office full-time. Some 43 of the firms said they would embrace a mix of home and office working, with staff encouraged to work from home two to three days a week."

Both my husband and I will equally have that new opportunity, the knock on effect will be more shared responsibility for childcare. Also, in May 2021 the Office of National Statistics Employment reported a quarterly increase in employment that, it said, was "mainly driven by an increase in the number of full-time employees. The increase was partly offset by a decrease in part-time workers, and self-employed people also decreased".

It would be interesting to see if there is a direct correlation with the increase of full-time working females? The same report in March 2020 reported: "The quarterly increase for women working full-time (up 179,000 to a record high of 9.35 million) was also the largest on record."

Of course, there will be many reasons for this change in data, however "it got me thinking…" – I wonder if in ten years' time we will be able to compare firms that have adapted and adopted flexible working fully, so those women may not need to chase to get that train to dash to the car to pick up those children, and may have, at least partly, as a result, climbed into more Board level roles.

I have also given much thought to the FCA Consumer Duty consultation paper that has been released. Whilst some feel that it does not go far enough, or needs more clarity on the monitoring and expected implementation, I think the move is admirable and extends the Treating Customers Fairly in a positive way. The FCA is in fact only supporting a movement that has been occurring organically in the profession for some time, moving away from product-led strategies and putting the consumer at the centre. This Duty still allows firms an identity; it does not enforce marketing or communication styles but makes it clear consumer outcomes are the centre of strategies.

Needless to say, "it got me thinking… that's the CFP approach!"

"Almost all of 50 of the UK's biggest employers questioned by the BBC have said they do not plan to bring staff back to the office full-time. Some 43 of the firms said they would embrace a mix of home and office working"

ENABLED BY TECHNOLOGY

Enabling technology can deliver giant leaps for the advice market, not least when onboarding clients, says Ross Laurie, CEO Visible Capital

If you look up 'enabling technology' you'll find it defined as *"Equipment and/or methodology that, alone or in combination with associated technologies, provides the means to generate giant leaps in performance and capabilities of the user"*.

Who could not be excited by enabling technology when it can achieve "giant leaps" for businesses and users? Look around and you'll see we're surrounded by this exciting enabling technology in our daily lives: The Internet of Things (IoT), artificial intelligence (AI), blockchain, computer vision, voice recognition, robotics and virtual reality are all enabling technologies that extend our opportunities to engage with an increasingly expansive world – often from our sofa or office desk.

And the wealth management sector and wider financial markets have been quick to develop and adopt enabling technologies too, in order to provide clients with a better service, more efficiently and at a lower cost.

Perhaps one of the most transforming enabling technologies for the financial advisers is intelligent automation. Take the traditional onboarding process of clients for adviser firms, which is fraught with pain points, or what I prefer to call trip hazards, both for the customer looking to invest and the adviser/paraplanner/administrator who is trying to help them.

A typical potential advised client, using an established onboarding approach, could experience a journey littered with trip hazards en route to an onboarding result.

Let's take as an example, simply acquiring income and expenditure details from the client to better understand their outgoings and their ability to invest/save for their future:

- Client finds that paper copies of their bank statements are not neatly filed as hoped and puts off the search for another day.
- Client needs to go to more than one bank to download online statements – puts off the task for another day.
- Eventually client has the required statements to hand but then needs to put them in the post or collate them in a useable format in an email.

Clients are human, often time restricted, and we all know how easy it is to procrastinate where personal admin tasks are involved.

So then the advice firm receives the statements:

- But the bank statements are incomplete and the client has to be contacted again.
- The paperwork is complete but it then has to be gone through painstakingly with a highlighter pen to identify items of income and expenditure.
- Income and expenditure data is manually keyed into the system, sometimes incurring errors which then need to be identified and corrected.
- Data is then processed through cashflow modelling software in order to achieve a detailed picture of the client's financial position.

For both customer and adviser these are all rather "heart sink" tasks and it's easy to see how getting the required data from a customer and processed within an advice firm can take far more time than is optimal when looking to bring on a new client.

It is no wonder that we are now seeing a surge in demand for automated onboarding for wealth management advice, powered by end clients who, in part driven by the acceleration in the use of digital services during the pandemic, are increasingly accustomed to using apps and online services and now feel hampered by a paper-based process.

Taking the bank statement example, automated onboarding technology now allows customers to use an open banking platform to share their transactional data, allowing advice firms to quickly access the information they need, already segregated into meaningful categories, which will quickly show them where they can best help their clients with their financial plans.

And this enabling technology is not restricted to bank accounts, it can be used for other areas of financial planning such as pensions and ISA data too.

For advice firms this means laborious administrative tasks can be reduced to literally the click of a mouse or a track pad and clients benefit from a faster, more accurate, hassle-free service. Neither is it limited to client onboarding – swift, accurate data collection can massively improve advice firms' performance when it comes to ongoing suitability assessment and client annual reviews.

There are many wins here from implementing this type of enabling technology. Also, importantly for the future of the sector, automated data collation allows financial advice firms to compete with new entrants to the market such the robo and hybrid advice models, who will be vying for investors' business, while retaining the one-to-one advice services which clients truly value.

'Giant leaps' indeed.

ROOM FOR IMPROVEMENT

Current processing by many product providers and platforms of simple items of administration are costing advice firms more than money, says Anthony Rafferty, CEO Origo

A recent Report produced by NextWealth on our behalf – *Welcoming new clients to financial planning: The case for industry- wide process improvement* – provided an eye-opening insight into how outdated processes which are still being used by providers and platforms across the industry, are causing advisers, paraplanners and administrators huge frustrations and costing them more than money.

The in-depth research, which was conducted with advice firms around the country, as well as outsourced paraplanners and administrators, shows that the delays currently inherent in the completion and processing of simple forms, like the Letter of Authority, chasing them up and dealing with the legacy (often manual) processes of providers, is not only costing advice firms time and resource it is adversely affecting the client experience, reflecting negatively on the advice firm, which is the client's point of contact with our industry.

As one adviser quoted in the Report says: *"I really get frustrated with providers and how they treat clients, because it's someone's income that they're missing; it's someone's retirement that they're making stressful; it's someone's wedding that they could ruin by not having that process quickly. These are things that they mess up. And they do not understand the implications that they're having on that person."*

Resondents to the survey highlighted a list of outdated working practices that impact the service to clients, including:

- Manual form filling
- Different forms and processes for each provider
- Need to obtain a wet signature
- No dedicated contact for the forms
- The need to chase providers for updates/ further information.

Every one of the financial advice firms interviewed for the Report described resultant delays and frustrations, forcing them to find workarounds and take extra unnecessary steps when onboarding new clients. The costs to advice businesses of a poor onboarding experience mount up as a result. They include:

- Staff time – processing different forms for different providers:
  - finding the right email contact to which to send forms
  - chasing providers for a response/ information
  - keeping the client informed where a delay occurs.
- Loss of client momentum in what could be their first experience of using an adviser.
- Client stress when key personal deadlines are not met (e.g. retirement, divorce).
- Adviser client service impact – with the adviser on the sharp end of client frustrations.
- Industry reputational damage – firms seen as inefficient and internally-focussed rather than client focussed.

A client can order something from Amazon and have it arrive the next day yet it can take the financial services industry weeks at a time to process a simple piece of administration

Follow us on Twitter
@profparaplanner

The Report shows also a clear disconnect between time frames in which providers surveyed say they are turning around Letters of Authority, between one and 10 days, and advisers' experience, which is weeks (or in some cases months).

This disconnect arises because the advisers start counting from the time they begin the request for the client, while providers count from the day they input all the required information into their system, which could be some time after the request process has begun.

The Report makes clear the difficulties and frustrations that the advisers, paraplanners and administrators are experiencing on a daily basis and the reputational damage it is doing to not just the financial advice firm but the industry in general.

It seems ridiculous that a client can order something from Amazon Prime and have it arrive the next day yet it can take the financial services industry sometimes weeks at a time to process a simple piece of administration and months in a more complex situation.

Fortunately, these issues are easily solved with a digital process, which standardises the way the industry operates, enables paraplanners to complete a form once and send to many providers, and provides tracking so the paraplanner knows the form has reached the right person and is being dealt with. The benefits are that it will make providers, advice firms and their clients lives so much easier, and bring the onboarding process of new clients in line with the slick, secure ways of working that clients experience every day in other industries.

We know this is a particular bane for paraplanners and administrators and we are working to change that for you through the new Unipass Letter of Authority.

What advisers, paraplanners and adminstrators say about providers' and platforms' processing

"To any administrator it's probably the most painful part, the Letters of Authority. And I think we all feel actually it's a really simple process. It should be standardised, it doesn't need to be so painful. It doesn't need to be so time consuming."

"How much time do we spend phoning these providers trying to find out the right team to send the letter of authority to. The time that's wasted is just incredible."

"We shouldn't have to have people sat there chasing LoAs and chasing agencies and chasing novations. But we do. So there's a cost centre there that's unnecessary."

"What you find is, if you break down the cost of most advisory firms' processes, a hell of a lot of that cost, if it's costed properly, is admin, and chasing and waiting for stuff and chasing up something because you don't get the information."

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 is the purpose behind a firm's ethics code?

- A Sets out the firm's ethical commitment in high level terms, and often also includes more specific regulations for specific responsibilities
- B Details the investment processes for clients wishing to consider ethical investment
- C To specify the rules of conduct the firm expects from all advisers
- D To visually demonstrate, to all staff, the commitment via internal promotion e.g. intranet sites, staff room posters

2. Marcus is reviewing his portfolio with the help of his financial adviser. He has gross earnings of £55,000 and has held a UK life assurance bond for 10 years, which is showing a gain of £40,000. Which of the following might be reasons for Marcus to retain the investment rather than encashing now? Tick all that apply.

- A Marcus is a higher rate taxpayer, so he will not benefit from top slicing
- B His personal savings allowance cannot be offset against the gain
- C Marcus is retiring in 12 months, at which point, he will be a basic rate taxpayer
- D Marcus has used his CGT annual exempt amount, so he will pay CGT at 20% on the gain

3. William took out a Long-Term Care bond some years ago, but investment performance has been poor, and the insurer has recommended a further contribution, which William CANNOT afford to do. What is the likely effect on the plan?

- A The insurer will look to cancel the Long-Term Care cover and encash the bond
- B It will continue but may not provide for the full cost of care fees if William makes a claim
- C Long-Term Care cover will cease but the bond will continue as an investment only
- D It will continue but will only pay out in the case of a residential care requirement and not for domiciliary care

4. Lynne and her husband are considering letting a room in their house. Which of the following is true regarding letting rooms in their main residence? Tick all that apply.

- A Where gross rent in a year is not more than £7,500, they will not be charged to tax
- B Rent a room relief will not apply if the accommodation is unfurnished
- C Rent a room relief is automatic
- D Lynne and her husband can both claim rent a room relief of £7,500
- E They can let the room for business purposes and claim rent a room relief

5. Amanda has recently joined her employer's qualifying workplace pension. What is the current total minimum level of contribution under auto-enrolment?

- A 13% of total earnings
- B 10% of qualifying earnings
- C 9% of total earnings
- D 8% of qualifying earnings

6. Your client Clive is interested in investing directly in the stock market rather than indirectly via, a collective investment scheme. He asks what is the optimum number of securities he should hold in order to eliminate most of the investment-specific risk in his portfolio. You tell him between:

- A 5 and 10
- B 15 and 20
- C 25 and 30
- D 35 and 40

7. A non-investment grade corporate bond is trading at a spread of 300 basis points over a 10-year gilt. If the gilt has a gross redemption yield of 3%, what will the yield be on the corporate bond?

- A 3.3%
- B 3.9%
- C 4.%
- D 6%

8. A mortgage is distinguished from an absolute assignment by a right known as the:

- A law of reassignment
- B equity of redemption
- C repayment of security
- D power of retention

9.If someone considering equity release wants to ensure that they can move house in future, which type of contract should they generally avoid?

- A Drawdown mortgage
- B Home Income Plan
- C Full Home Reversion Plan
- D Shared Appreciation Mortgage

10.The interest rate that banks charge each other is known as the:

- A London Inter-Bank Offered Rate
- B Inter-bank Swap Rate
- C London Banks Swap Rate
- D The London Banks Offered Rate

Your answers

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

Last issue's answers

Q	Answers	Reference material
1	D	CII R01 Study Text Chapter 8
2	ABC	CII R02 Study Text Chapter 8
3	B	CII R03 Study Text Chapter 12
4	C	CII R04 Study Text Chapter 2
5	B	CII J10 Study Text Chapter 10
6	C	CII J12 Study Text Chapter 4
7	C	CII CF8 Study Text Chapter 5
8	C	CII ER1 Study Text Chapter 6
9	B	CII R05 Study Text Chapter 4
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

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

New presentations under our Investment Committee webinar series can be found on the *Professional Paraplanner* website under the events tab.

TRACKING ALPHA

With lower UK equity returns predicted in 2021, finding alpha will be more important for investors. But where should they look for it? David Hambidge, Investment Director, Multi Manager funds, Premier Miton Investors takes a view

When investors study their latest portfolio valuations, they should (I hope!) be satisfied with the results. Certainly any equity biased or more balanced portfolio should have achieved a decent gain over the first five months of the year with strong returns from global stock markets more than offsetting weakness in government and investment grade corporate bonds.

At the start of the year we highlighted that UK equities represented good value due to the fact that the FTSE All-Share Index was a clear laggard in 2020, Brexit had been dealt with (sort of) and that many domestic and international investors had shied away from the UK stock market since the 2016 referendum.

We are not surprised therefore that the FTSE All-Share Index has outperformed all other major stock markets in sterling terms this year, gaining 10.9% to the end of May compared with a rise of 6.7% for the FTSE All-World Index (£).

The UK economy suffered more than most in 2020 as a result of the pandemic and this clearly had a negative impact on share prices. However, this year, GDP is forecast to rebound strongly as a result of the successful vaccine roll out. This is attracting investors to all areas of the UK stock market and in particular smaller companies, with the FTSE Small-Cap Index up over 27% driven in part by a surge in M&A activity

The outperformance of mid and small-cap stocks, both in the UK and overseas, is helping many active fund managers produce better returns than the broader index. Again, this is particularly true in the UK where not only has the IA UK All companies sector produced superior returns than the FTSE All-Share Index so far this year but also over the medium and longer term.

There has been much debate over the years as to whether active or passive investing is best. In my view, both have merit but the fact remains that if you would like to have a decent exposure to UK smaller companies, you won't get that through a tracker fund. In addition, if you, like me, believe that investment returns (including from equities) are likely to be significantly lower going forward, then Alpha is going to become very valuable and this is more likely to be achieved in a small-cap fund than one investing in large and mega-cap stocks.

The UK economy suffered more than most in 2020 as a result of the pandemic and this clearly had a negative impact on share prices. However, this year, GDP is forecast to rebound strongly as a result of the successful vaccine roll out

Away from the UK, stock market returns have also been linked to the success (or otherwise) of the vaccine rollout. As a result, US share prices have been well supported, while European equities have recently started to catch up. However, in Asia and Emerging Markets, equity returns have lagged with many economies struggling to open up.

With the exception of high yield it has been a tough year for bond investors and particularly those in longer dated developed market government debt. Strong economic growth and rising inflation are bad for bonds at the best of times, but with yields still very low by historic standards, the likelihood of huge swathes of the bond market providing a return in excess of inflation is very slim indeed.

Unfortunately there is little room for complacency in the high yield space either. This is simply because as elsewhere, yields are no longer high and this lack of yield support leaves the sector vulnerable to even a modest pick up in defaults with the problem likely to be compounded by lower than normal recovery rates.

On a cheerier note, there are still assets that offer reasonable value assuming that we remain in a relatively low interest rate environment, but investors will have to be more selective going forward. One change we have recently made to our income producing funds is to reduce our exposure to corporate bonds and increase our weighting in specialist areas of the UK commercial property market, including primary healthcare facilities. These assets offer very robust dividends which should grow year on year and are likely to perform much better than longer dated bonds and especially if the recent rise in inflation turns out to be more than transitory.

OFFICES FIT FOR THE FUTURE

What does the property investment market look like if, as seems likely, home working reduces the need for office space? Craig Wright, head of European research, Real Estate Investments looks at the possible repercussions

Over a year since we were ordered to fire up the broadband and work from home where possible, a return to the commute, the overpriced latte, and the 9-to-5 in an open-plan office in an identikit building is a harder sell.

Those who worked from home during the pandemic generally enjoyed the experience and now want to blend office and home-based working. Focused Zoom meetings, dog walks, collecting children from school, working uninterrupted out of office hours – are among the factors that have allowed employees to find better work/life balance.

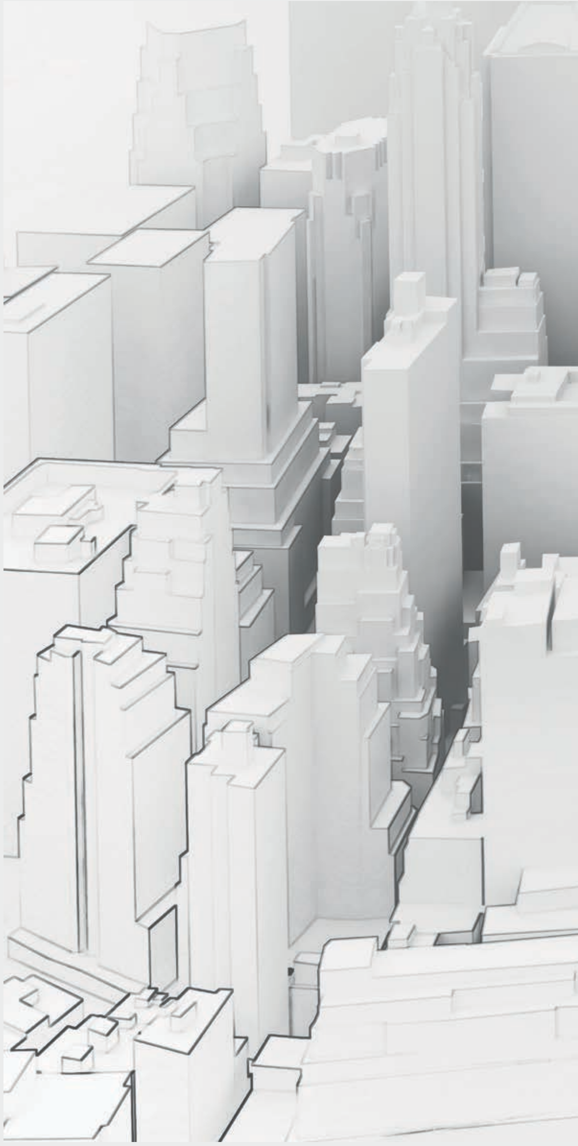
It's clear that a reassessment of office working arrangements is underway that will affect workers, employers, office property owners and investors. The UK, because of its services-based economy, has a workforce more able to work from home than most. Here, 26% of workers reported being able to work from home three-five days per week, a further 22% could manage one-two days. This leaves 52% not able to work remotely, whereas in the US, 61% of the workforce reported not being able to work from home and in China, it's 79%.

The pandemic proved that many traditionally office-based companies can thrive on remote working. But if the traditional pattern of office working is not going to continue, what does this mean for the traditional office?

Structural change is underway

Our research indicates that through a combination of the rise in remote working and more stringent occupier and regulatory requirements, as much as 15-20% of standing office space could become obsolete over the coming years. Major corporations are already adjusting for this with HSBC and Standard Chartered just two examples of large office users outlining plans to reduce their office footprint globally.

> ***It's clear that a reassessment of office working arrangements is underway that will affect workers, employers, office property owners and investors***



In central London, available office space has increased from 6% to 11% in the past 12 months, and certain types of property will be harder to let than others. Lower quality office buildings in less desirable locations will bear the brunt, especially offices that are not easy to commute to. Workers will question why they should sit in traffic or take a series of trains to reach an unglamorous space, far from cafes or gyms, when they could log in from their homes.

In most cases, a lick of paint will not save sub-standard offices from becoming obsolete. The positive outcome would be for dilapidated workspaces to be re-purposed into other residential or commercial uses, including affordable housing. If property owners think creatively, there may be many better solutions for second-rate office spaces.

Offices fit for the future

Post-pandemic, the offices that will command the highest price and greatest demand will be the 'destination offices', the type of grade-A, fit-for-the-future space that makes the commute on those two or three days of the week completely worthwhile. This will be a creatively designed space where workers and their clients will want to spend time; an office that is sustainable and energy-efficient and designed for collaboration, quiet time, training, idea generation, meetings and events.

It's also going to be beautiful. The touches once only seen on Instagram, wooden desks, designer lamps and houseplants, will all make their way into the destination office. Cubicles and uniform grey chairs will be replaced with luxury sofas, sleep pods and colourful corners for brainstorming. Outdoor meeting space will be built in where possible and designers will take inspiration from the vertical gardens and vertical forest creations of buildings such as Bosco Verticale in Milan.

Our research has boiled down the most desirable features of the future office to: flexibility, amenity, connectivity, technology and sustainability – spaces that can meet all the needs of a company, in desirable locations with plenty of facilities, close to convenient transport, packed with high tech and also meeting sustainability and energy efficiency targets. Of all these qualities, flexibility, technology and sustainability are the most desirable qualities of all. Another buzzword now is 'de-densification'. In the era of Covid-19, office workers want space between desks, wider corridors, and room to spread out. The competition to source talent will ensure this becomes a pre-requisite for the top firms.

For the office property providers who can give companies all of the above, rents and leases will come at a premium that should make the investment involved in creating these buildings worthwhile. There may also be grants and subsidies available for refurbishments that make buildings much more energy efficient – or even penalties for buildings that do not meet strict new efficiency measures. The fit-for-the-future destination office should attract the best tenants and the longest leases, so there should be exciting opportunities ahead for office investors who want to embrace the changes ahead and move quickly.

LONG-TERM CHINA

Are China valuations too attractive to ignore? asks Darius McDermott, managing director, Fund Calibre

Sometimes managers have to cut through all the noise and focus on valuations and the long-term case for a region. That's particularly true of China at the moment. The MSCI China index has fallen almost 16 per cent since mid- February, despite global markets rising over the same period[1]. There are reasons for that, not least geopolitical tensions and a tech pullback partially caused by a regulatory crackdown. The big question for us is how much of that uncertainty is now in the price?

In April, the International Monetary Fund projected growth of 8.4 per cent for China in 2021[2], well ahead of anything the developed world can offer. We all know

China was 'first in, first out' when it comes to the pandemic, but it has recovered admirably, with the economy growing more than 18 per cent in the first quarter of 2021[3]. As Fidelity China Special Situations manager Dale Nicholls points out, the swift return to "normality" in China should mean lower risks relative to many other countries with higher uncertainty as they still struggle to get the virus under control.

China's masterplan is clear – it is building new cities based around integrated travel systems, 5G networks and cross-country travel. The current high-speed rail network is 23,500 miles of lines crisscrossing the country, China had no high-speed railways at the beginning of the 21st century[4] – have a think about that. This shows the future of China is being planned many years in advance, whereas other leading economies are merely trying to patch up their existing systems. This will allow China's domestic market to take off in the next few years, with the rising 'middle class' looking to increase their quality of life with better

China's masterplan is clear – it is building new cities based around integrated travel systems, 5G networks and cross-country travel – the future of China is being planned many years in advance

healthcare, transport, housing and discretionary goods.

I want to reinforce how important a tailwind China has in moving to a consumption-led economy, when that happens, households will start to leverage. As Matthews Asia investment strategist Andy Rothman points out, last year was the ninth consecutive year where the services and consumption part of Chinese GDP was larger than manufacturing and construction. Consumption is now 56 per cent of China's GDP, still down on the Organisation for Economic Co-operation and Development (OECD) average of 73 per cent[5]. The kicker is that domestic consumption has also become more important, with export contributions declining. We also have to add the rise of entrepreneurship and private companies into the mix too.

There are challenges, however, most notably China's fall in popularity. More established economies are becoming increasingly concerned at China's dominance, especially around the South China Sea, which is becoming a microcosm of aggressive Chinese expansion claims. As such, the country is now at risk of global controls to limit their expansion. The market has been particularly disappointed that President Biden hasn't made more progress on lifting Trump's tariffs with China.

Chinese tech has also stuttered. Regulatory threats hang over these behemoths as the action against Alibaba has shown with its $2.8bn fine by the anti-monopoly regulator over abuse of its market position[6].

Debt and demographics are long-term concerns for China which have been well discussed – the latter is incredibly difficult to repair and the Chinese government is starting to show some signs of desperation, such as the recent switch to the three-child policy. Despite these risks you cannot ignore the clear opportunities. I recently read that in the 10 years through 2019, China averages around one-third of global economic growth, larger than the combined share from the US, Europe and Japan.

JPM Growth and Income Trust co-portfolio manager Rebecca Jiang says China is moving away from a capital investment intensive growth model to a more capital light, but human capital heavy growth model. This feeds into the four structural themes running through her investment trust – technology, healthcare, automation and consumption – all of which are aided by this move.

Nicholls says consumption is also an important element in his trust. He also sees opportunities in the insurance sector post Covid-19 as people focus more on protection in areas such as health insurance. He also believes there will be opportunities within cyclicals.

There's also the rapid growth in A-Shares – there are over 3,000 listed companies onshore in China, many of which are very liquid. This depth allows managers to pick and choose interesting bottom-up stock ideas – although there are risks attached.

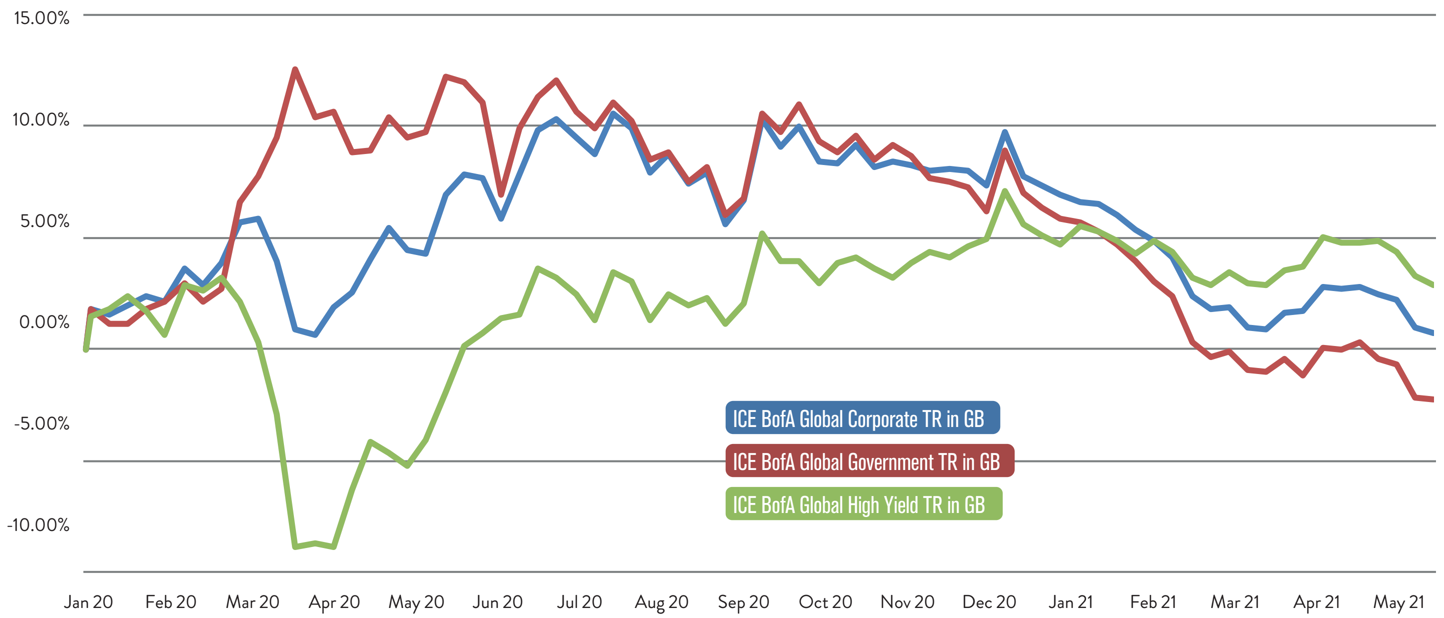
The bottom line is investing in China for the long term looks increasingly tempting at the current prices, you just have to accept the higher degree of political risk. Beyond a vehicle with a pure China focus, investors may want to consider the likes of Matthews Pacific Tiger or the Guinness Asian Equity Income fund, both of which have their largest country exposure to China[7].

[1] Source: FE Analytics – total returns in pounds sterling for Investment Association Global and China/Greater China sectors and the MSCI China, figures from 17 February 2021 to 2 June 2021
[2] Source: IMF World Economic Outlook, April 2021
[3] Source: Fidelity – Finding China's future disruptors – figures taken from Reuters
[4] Source: CNN Travel – May 2021
[5] Source: Matthews Asia – Why China? A Macro Perspective
[6] Source: BBC News
[7] Source: Provider factsheet at 30 April 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.

SECTOR CONSIDERATIONS: TECHNOLOGY

High Yield vs Corporate vs Government Bonds: Performance



High Yield vs Corporate vs Government Bonds: Ratio Table

Name	Alpha	Beta	Downside Risk	Info Ratio Rel.	Jensens Alpha	Max Drawdown	Max Gain	Max Loss	Negative Periods
ICE BofA GlobalCorporate	0.00	1.00	7.36	0.00	0.00	-8.91	4.78	-7.23	42
ICE BofA Global Government	0.00	1.00	8.24	0.00	0.00	-13.21	10.22	-8.55	42
ICE BofA Global High Yield	0.00	1.00	9.75	0.00	0.00	-11.72	9.42	-11.72	39

Name	Positive Periods	r2	Relative Return	Return	Sharpe	Sortino	Tracking Error	Treynor	Volatility
ICE BofA GlobalCorporate	30	1.00	0.00	-0.76	-0.00	-0.24	0.00	-1.76	8.29
ICE BofA Global Government	30	1.00	0.00	-2.93	-0.00	-0.48	0.00	-3.93	9.50
ICE BofA Global High Yield	33	1.00	0.00	1.01	0.00	0.00	0.00	0.01	9.80

Fund Calibre comment: Government bonds are often considered the ultimate risk-free asset, but the last 17 months has told a very different story.

In the midst of the sell-off at the start of 2020, the global government bond index rose steeply as investors flocked to safe haven assets. But since then, the index has fallen so far that it is now in negative territory. In contrast, high yield – which fell significantly at the height of the sell-off – is now back in positive territory.

The table shows the risk statistics, where government bonds have had a bigger maximum drawdown – with a similar level of volatility to high yield bonds (corporate bonds have actually been the best option on a risk basis, having always remained in positive territory).

This switch has been exacerbated by increasing inflation expectations, which have hit government bonds more than high yield due to their longer duration characteristics. This is because the interest rate on government bonds is negligible and therefore investors have to wait a longer time for a return on the investment – meaning they are more exposed to the inflation threat. By contrast, high yield has higher interest payments and therefore the 'break even' point of an investment is much shorter.

This shows the difficulty in allocating to fixed income right now. We would suggest looking at strategic bond funds, which can quickly allocate between different asset classes, or funds who have the flexibility to make their own investment choices and are not hamstrung to a benchmark

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)
According to a Royal London survey, what percentage of millenials have stopped saving during the pandemic?
- [ ] 15%
- [ ] 26%
- [ ] 40%
- [ ] 47%

R0 Focus (p7)
CII R0 exam study aids can only be bought from the CII.
- [ ] True
- [ ] False

Care funding (p10)
The percentage of the UK population over 65 years currently in care is:
- [ ] 4%
- [ ] 7%
- [ ] 8%

Care funding (p10)
What is the lowest threshold of savings in England and Northern Ireland above which someone may have to contribute to their care costs?
- [ ] £14,250
- [ ] £23,250
- [ ] £30,500

Care funding (p10)
Assets given away prior to a person knowing they would need care are unlikely to be included in their estate for means testing.
- [ ] True
- [ ] False

Intestacy rules (p12)
Divorce or the dissolution of a civil partnership does not invalidate an existing will.
- [ ] True
- [ ] False

Intestacy rules (p12)
Only children or legally adopted children can benefit under the laws of intestacy of any country in the UK.
- [ ] True
- [ ] False

Intestacy rules (p12)
The law that applies to intestacy in Scotland is the:
- [ ] Succession (Scotland) Act 1924
- [ ] Succession (Scotland) Act 1964
- [ ] Succession (Scotland) Act 1965
- [ ] Succession (Scotland) Act 1984

Investment (p24)
What percentage of standing office space could become obsolete due to home working?
- [ ] 6-9%
- [ ] 7-11%
- [ ] 11-3%
- [ ] 15-20%

Investment (p26)
The number of listed companies onshore in China is:
- [ ] 1800
- [ ] 2500
- [ ] 3000
- [ ] 3800

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 May 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 American	146.66	✓	5
Morgan Stanley US Growth	125.17	✓	5
Baillie Gifford Long Term Global Growth Investment	120.45	✓	5
Morgan Stanley US Advantage	91.82	✓	5
T. Rowe Price Global Focused Growth Equity	83.37	✓	5

AIC	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Baillie Gifford Scottish Mortgage	138.1	✓	5
Baillie Gifford Pacific Horizon	109.08	✓	5
Baillie Gifford Edinburgh Worldwide	89.64	✓	5
BlackRock Greater Europe	89.45	✓	5
Baillie Gifford China Growth Trust	54.21	✓	5

BEST PERFORMING FUNDS IN TERMS OF RISK VS RETURN

IA	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
VT Garraway Absolute Equity	215.95	757
Baillie Gifford American	146.66	160
iShares Global Clean Energy	129.31	198
Morgan Stanley US Growth	125.17	168
Baillie Gifford Long Term Global Growth	120.45	130

AIC	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
Starvest	768.54	348
Belvoir Group	178.7	196
Seneca Growth Capital VCT	177.08	331
Baillie Gifford US Growth Trust	165.52	191
Pershing Square Holdings	156.92	99

RISKIEST SECTORS

IA	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
North American Smaller Companies	48.05	109
Japanese Smaller Companies	9	99
UK All Companies	11.16	95
Technology & Telecommunications	81.93	94
UK Equity Income	6.05	94

AIC	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
VCT Specialist: Media, Leisure&Events	7.53	160
North American Smaller Companies	42.95	145
China/Greater China	84.71	142
Infrastructure Securities	82.18	139
Latin America	6.97	134

OUTFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	Out (£m)
Liontrust Japan Equity	28,711.51	31,281.94	9,764.00	-7,193.57
State Street UK Scrend Idx Eq	7,563.11	176.50	-311.44	-7,075.17
Invesco Global Targeted Returns (UK)	8,374.67	3,991.30	-224.95	-4,158.41
BlackRock NURS II Overseas Equity	2,267.96	227.23	412.60	-2,453.32
State Street Europe ex UK Scrend Idx Eq	4,846.81	3,923.68	929.25	-1,852.38

INFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	In (£m)
BlackRock ACS US Equity Tracker	5,163.73	16,309.74	2,316.94	8,829.07
BlackRock ACS World ESG Equity Trkr	849.07	4,808.92	790.76	3,169.10
BlackRock ACS UK Equity Tracker	6,606.14	12,183.49	2,621.77	2,955.59
BlackRock ACS Climate Transition Wld Eq	251.07	3,567.17	387.52	2,928.58
SPW MM Global Investment Grade Bond	0.00	2,897.69	15.80	2,881.89

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
81.93

North America
48.18

North America Smaller Companies
48.05

Global
37.76

UK Smaller Companies
34.88

AIC

China/Greater China
84.71

Infrastructure Securities
82.18

Technology & Media
69.8

VCT Specialist: Health & Biotech
66.4

European Smaller Companies
58.42

 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	UK Smaller Companies
3	Unclassified	3	UK Equity Income
4	Mixed Investment 40-85% Shares	4	Renewable Energy Infrastructure
5	Mixed Investment 20-60% Shares	5	Private Equity

MOST VIEWED 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	Allianz Technology Trust
4	Vanguard LifeStrategy 40% Equity	4	Fundsmith Smithson Investment Trust
5	Vanguard LifeStrategy 80% Equity	5	BMO F&C Investment Trust

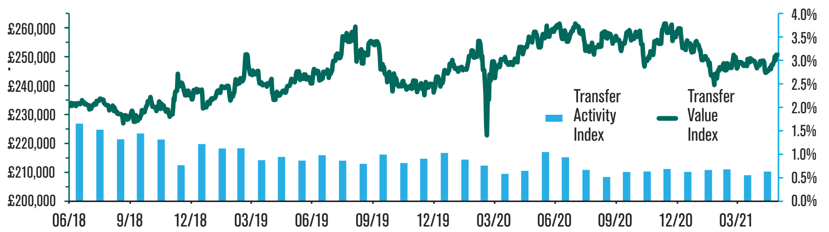
MOST CHARTED

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Baillie Gifford Scottish Mortgage
2	Vanguard LifeStrategy 80% Equity	2	Fundsmith Smithson Investment Trust
3	Vanguard LifeStrategy 40% Equity	3	Allianz Technology Trust
2	Fundsmith Equity	4	Frostrow Capital Worldwide Healthcare
5	Vanguard LifeStrategy 100% Equity	5	Baillie Gifford Monks

PENSION TRANSFER VALUE INDEX

XPS TRANSFER VALUE WATCH: JUNE 2021

XPS comments: XPS Transfer Watch's Red Flag Index rose again in May to 61%, its highest level in five months. The index reflects pension transfers with at least one warning sign of a potential scam or the potential for poor member outcomes. There was a small increase in the Transfer Value Index, as financial markets remained stable. The Transfer Activity Index rebounded slightly over the month, rising to an annual rate of 63 members transferring out of every 10,000. XPS Pension Group's Transfer Watch monitors how market developments have affected transfer values for a typical pension scheme member. It also monitors 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. On 9 June, the Department for Work and Pensions (DWP) closed its consultation on legislation to restrict the statutory right to a transfer value and add some safeguards when the expected legislation comes into effect later in the year. XPS data reveals that one in three high risk pension transfers since July 2018 would have satisfied the 'first condition' of the DWP's proposed legislation designed to reduce scams. The data comes from XPS' Scam Protection Service, which allows trustees to track, analyse and respond to developments in scam activity.



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