Professional Paraplanner

The magazine for paraplanners and financial technicians

April 2022

IHT Planning
Using discounted gift and loan trusts

Tax planning
Reducing the child benefit tax charge

Trust registration
Are you ready for September 2022?

Pensions
Developing a property in a SIPP

How to say 'No' to your adviser

...and still retain a good working relationship


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TAKING A STEP BACK

There is no doubt there are tougher economic times ahead, given the short-term outlook for UK GDP, rising inflation and interest rates, potential for stagflation and concerns around UK and global economic growth.

Hyperbole is rife in such times and investors' fears are stoked. Which, of course, is where the value of good financial advisers and their paraplanners come in, helping clients to step back and view the bigger picture.

Hand holding is what advisers are there to do in a crisis. But the best will have already educated their clients on the nature of markets, so any major volatility is not seen as a reason for panic.

Nevertheless, in the current climate, it is reasonable for clients to expect their advisers to be reviewing their investment strategies. I've read several articles recently around the 60/40 concept now being dead in the water. Likewise, a questioning of whether a purely passive investment strategy has had its day. You may or may not agree with them.

We all know that different investment styles and strategies do well at different times. Sometimes you need funds that offer an element of protection as part of that hand-holding and diversification of risk.

In his article for this issue of the magazine, Fund Calibre's Darius McDermott puts forward the argument that just as they have entered the last chance saloon, targeted absolute return (TAR) funds might be about to prove their worth. Or at least some of the best ones. It's finding the ones that do what they say on the tin, he says. Take a look at his article on pages 24-25. Likewise, structured products have an element of capital protection built in, so also can be useful for portfolio diversification. Again, careful selection is key. The table on page 27 highlights products that have matured over the past two months. They have delivered decent returns, some considerably above their underlying index. One argument I heard put forward recently by an adviser for not using these investments was the additional work involved when they matured. To which there is a two word reply: Client outcomes.

Team Leaders Seminars

***Professional Paraplanner* is delighted to announce the return of our highly popular in-person Team Leader Seminars. The first Seminar will take place in London on 12 May 2022, at the Fidelity International offices in Cannon Street, London. If you are managing a team of paraplanners this is the event that can help you learn practical management techniques and behaviours, as well as benefit from peer-to-peer discussions. It will be a great experience for both new and existing team leaders. Our May Seminar will be a mixture of practical sessions from external speakers tackling subjects such as dealing with the challenges of management, supporting your well-being as well as your team's, building confidence in the role, discussing issues and practical steps to resolving them, and more. This event was sold out almost straight away last time we were able to run it, in 2020, so if you do want to attend, please sign up as soon as possible.**

Further details and the Registration form can be accessed under the Events Tab on the Professional Paraplanner website and via our daily news email.

Technical Insight Seminars 2022

We are back on the road again from April with our Technical Insight Seminars – looking forward to meeting paraplanners from Exeter through to Edinburgh. There are 8 more events you can sign up for in 2022 at the following locations:

27 April: Exeter, Woodbury Park
18 May: Birmingham, Crowne Plaza
9 June: London, ETC Venues, Fenchurch Street (including Awards)
22 June: Southampton, Hilton at the Ageas Bowl
14 September: Edinburgh, Waldorf Astoria
5 October: Manchester, Midland Hotel
19 October: Leeds
9 November: Bristol, Aztec Hotel & Spa

See our daily email or go to our website's Events tab for further details.

Professional Paraplanner Awards 2022

The Professional Paraplanner Awards 2022 are now open. Every paraplanner reader will have received an Awards email for you to nominate the companies you use that you rate most highly in the market and to obtain an entry form for one of our six paraplanner and administrator awards. We have two new categories this year, Paraplanner Team Leader of the Year and Best ESG Solution Provider. Make sure you submit your nominations and entry forms before the closing date on 21 April 2022. The winners of the awards will be announced at a ceremony after the Technical Insight Seminar in London on 9 June 2022.

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R0 FOCUS

Second-careerists and those new to financial services exams can be left to pass R01 with little or no support. Luiza Todd, co-director at Bespoke Training Solutions, provides some insight into the exam for budding candidates

The R01 unit Financial Services, Regulation and Ethics is usually the first start on an individual's journey to obtaining the CII Level 4 Diploma in Regulated Financial Planning. Many of the larger financial services and wealth management firms require potential candidates to pass this unit on their own efforts, before accepting them onto their programmes. As a result, many candidates find themselves 'staring down the barrel' of the unit with no support or guidance.

The R01 exam syllabus

This is the document the exam is based on and is such a useful place to start. It sets out the exam learning outcomes and shows candidates how many questions will be asked in relation to each outcome. So, in effect the exam weightings in relation to each of the 11 learning outcomes. The syllabus helps candidates design and stick to a robust study plan. As an example, learning outcome 5 is the heaviest weighted one in the exam, so plenty of study time should be spent here. Whereas learning outcome 8 has only 4 questions on it in the exam, so this could be given more of a 'light touch' in a revision plan.

Why is this unit included?

We are a heavily regulated industry, so it makes sense to have a unit that covers this regulation, the journey it has been on, the regulatory bodies involved and the various processes that we follow.

Individuals wanting to achieve a level 4 qualification are likely to aspire to go on and carry out a regulated role such as paraplanning or financial advising where they will be putting into practice this regulation and following these processes in an ethical and compliant manner. As a result, the knowledge acquired in this R0 unit gives them a good basis upon which to build, in real life.

Second-careerists

Do second-careerists struggle with R01 more than those with prior experience? Those with prior experience will already have the knowledge basics so, when it comes to questions where they don't immediately know the answer, they will more easily be able to eliminate any dodgy answers from the multiple-choice options (that's the theory, anyway!). Sometimes however, real life processes can be different to the examining body's view – for the exam it's what the examining body think is the best option, not necessarily what the best option might be in your day-to-day experience!

A second careerist with little or no previous experience is a bit like a sponge – able to absorb the material without real life experience confusing them. However, they will likely not have the acquired common sense to recognise when an answer is a bit silly – as they don't have anything to base such a conclusion on.

Taking the exam

So, how to approach the R01 unit for a first-time exam pass? Ask other candidates in your network what their experiences have been. If you don't know anyone who has been through the R0 exams, have a look at groups like the Financial Adviser Mentorship (FAM), NextGen Planners, and the Paraplanner Club.

Don't assume purchasing examining body materials is mandatory – it's not. The CII has an 'assessment only' option which means candidates are purely buying an exam voucher not a complete CII package. There are many alternative options to the CII study materials and many providers (BTS included). Download free samples of materials so that you can 'try before you buy'. Different materials suit different learners, so if you're currently reading the examining body's text and finding it heavy going, don't be disheartened. Shop around for more learner-friendly materials to help you break the subject down into manageable chunks.

Do include exam-style practice questions in your R01 plan. The CII examiners have a certain way with question wording that can add an extra layer of difficulty to the exam. A lot of the questions on the market are either too easy or not exam style enough. Again, ask around – whose questions get the 'thumbs up' from candidates that have successfully traversed this unit.

R01 is not an easy first unit to sit, but it is very passable with the right study plan to suit you and a good support network.

We are excited to launch the third edition of the hugely popular

An Adviser's Guide to Business Relief

To assist you with your research and understanding of Business Relief (BR), we sponsor a technical guide by Intelligent Partnership, a leading independent tax-efficient research house. The guide is designed for both those seeking an introduction to BR and those already familiar and experienced with using this valuable tax relief. It offers practical advice covering Inheritance Tax (IHT), estate planning options and BR.

The guide covers recent developments and legislative changes in the IHT landscape and looks at some of the key drivers for estate planning. The due diligence support will help you analyse the different BR investment structures and look under the bonnet at the underlying assets.

The guide also includes expert commentary from industry leaders, including SOLLA and STEP, and **qualifies for four hours of CPD**.

The cost of deferring a BR investment

The latest edition of our guide has a new section that looks at the potential costs to the client of deferring making a BR investment. It offers suggestions on how to overcome some of the barriers an adviser may face when discussing IHT and BR, including guidance on how to initiate conversations around estate planning and engage with the next generation.

HMRC's 2021 statistics show that, in 2018/19, the average IHT tax bill stood at £209,000*. With sufficient tax planning, in many cases it may have been possible to reduce this bill substantially - possibly even to zero in some cases.

A big issue, however, is that IHT planning needs to be done well in advance of the client's death (or loss of capacity) and may not be their top priority. The guide looks at some of the reasons why clients may put off their IHT planning, and a few tips around how you could broach the subject with them.

Learn more about the potential cost of deferring in our guide

*Source: 'Inheritance Tax statistics: Table 12.3 - estates notified to HMRC, numbers and tax due', HMRC, July 2021

This invaluable guide offers:

- Insight on the Inheritance Tax landscape
- Support on due diligence best practice
- Dozens of practical case studies showing BR in action
- Guidance on how to compare positive impact credentials

Getting in touch: TIME has one of the largest support teams in our sector and we offer full regional coverage with dedicated points of contact. Your local Business Development Manager is on hand to offer support and answer any questions you may have. To find out who your local TIME contact is, please visit our website: time-investments.com.

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HOW TO SAY 'NO'

How do you say 'No' to your adviser and still retain a good working relationship with them? Nathan Fryer, director PlanWorks, tells what has worked for him over the years and may work for you too

There are a number of scenarios where you might want or need to say 'No' to an adviser and this is where you need to use your discretion. They might be:

- Overloading you with work
- Not communicating effectively
- Continually changing priorities
- Proposing a recommendation that you disagree with.

The important thing to remember when approaching any of these issues is that the majority of the time you are both working to ensure the best outcome for the client and therefore it should not result in conflict but rather a more harmonious working relationship.

Overloading you with work

If an adviser is setting unrealistic expectations, then one of the best things to do is to start building up evidence to support that it is too much. Many people use Harvest to log the time that they spend on each task, but there are free pieces of software available to be able to log your time.

Once you have a meaningful data set, you can sit down with the adviser and present to them how long on average each task takes and why the tasks you have in front of you might not be achievable in the time frame set.

The response may well be that you are asked to work faster, which notoriously will result in errors. The age old saying "do you want it right or do you want it fast?" is quite powerful, if you genuinely are working to your best ability at a speed you are comfortable with.

Not communicating effectively

I suspect there is not a paraplanner reading this that hasn't had a key bit of information relayed to them at the last minute that is vital to the recommendation.

What I find with advisers is that they love spending time with their clients and gathering any bits of information that they can to help form a balanced view of what is best for them. However, because fact finds are very prescriptive, some of the "colour and detail' gets missed. We love to get 'colour and detail' into reports, especially things such as "you said you want to stop work, buy a Harley Davidson and travel the length and breadth of Britain".

What is more powerful than this in a report? It definitely beats: "You told me that you want to retire in six months' time, have a professional investment manager run your portfolio in a manner that protects your money against inflation." That might be the solution, but that is not why the client is seeking advice.

It is important to remember that you are all on the same team, working hard to achieve your company's values and great outcomes for your clients

Mapping of tasks can help, Nathan says

if they have any priorities and what makes them a priority over and above another piece of work.

Obviously, a tax-year-end deadline takes priority over an adviser simply wanting to have the business in by a certain date. The decision here is based upon the outcome of something not happening; missing the end of tax-year is a huge problem whereas missing a business cut off date does not really have severe implications other than the adviser perhaps missing their target – which I'd argue, advisers should not have in any case, the target should be acting in the clients' best interests at all times.

Disagreeing with an adviser

We will come across pieces of advice where we do not agree with the proposed advice and it can seem like a daunting prospect to address it with the adviser. But nine times out of ten it usually relates to not communicating effectively – there will be one nugget of information missing that normally will make everything make sense.

So how do you address that with the adviser? I generally approach it by asking: "Have you thought about doing it this way?" and generally that's when the key bit of information needed is revealed.

If that's not the case, then have an advantages and disadvantages list in your head and be able to communicate why the alternative might be a better option over and above what has been suggested. This is where you as a paraplanner can add value and genuinely demonstrate your worth, because more often than not, the adviser may not have thought of it.

The way to approach it is not that the adviser is wrong, its to engage as a team member and ask questions and understand what has gone into the proposed advice.

Whilst difficult to formulate a document to note the soft facts, you could add open-ended questions as prompts to a file note.

I've found the best way to challenge your adviser is to demonstrate how much more meaningful the report or work you are doing will be by having that extra detail.

Continually changing priorities

Changing priorities is a difficult one and it comes down to who the person is to ultimately decide what the priorities are. I have heard of scenarios where one adviser will override another adviser and some priorities will be dictated by important dates such as tax-year-end or end-of-business-year, etc.

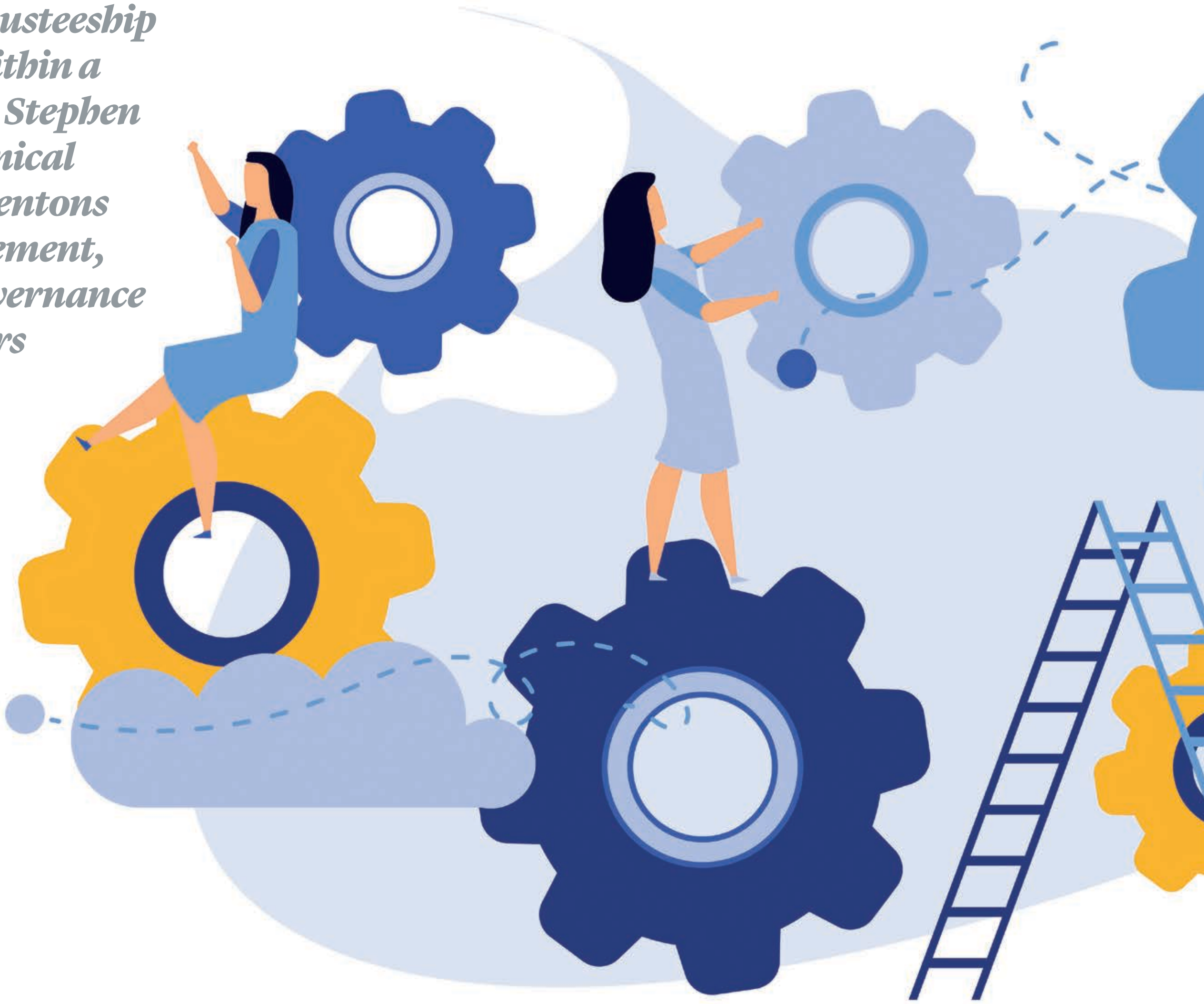
At PlanWorks, we use a project system to map our tasks and we meet at least once a week to discuss what projects we have and which may need to take priority. All stakeholders need to be present at that meeting to be able to communicate

Finally

It is important to remember that you are all on the same team, working hard to achieve your company's values and great outcomes for your clients. Saying 'No' is not something to shy away from but positioning your 'No' is key to your success.

WHICH TRUSTEE TYPE?

Single or joint trusteeship – which to use within a SIPP and when? Stephen McPhillips, technical sales director, Dentons Pension Management, looks at how governance structure matters



As most readers will know, self invested personal pensions (SIPPs) come in many guises; life company SIPPs, platform SIPPs, single investment portfolio SIPPs and "full" bespoke SIPPs all compete in a fairly crowded marketplace. As a result, it is sometimes difficult to categorise this form of Registered Pension Scheme accurately and, in fact, there is often debate within the SIPP world regarding the description given to any particular personal pension wrapper that offers investment possibilities beyond a life company's own fund range.

Which SIPP?

If we accept that a key differentiator between the various flavours of SIPP is the range of possible investments that can be made within them, then we would start with a "vanilla" offering and add additional flavouring and colouring from there; to take us from a relatively narrow range of available investments (vanilla SIPP) through to a multi-flavoured (bespoke) variant that offers a very broad range of possible investments such as direct commercial property investment, unquoted equities, hedge funds and so on. Client needs will dictate which flavour suits them best.

Bespoke SIPPs aren't all the same!

If we drill down into full bespoke SIPPs in particular (because that's where some of the complexity can lie), it would seem perfectly reasonable to assume that most, if not all, of these are very similar in nature.

Aside from the fact that one bespoke SIPP might offer a restricted range of investment options compared to some of

As is the case with every aspect of pension planning, a client's individual circumstances will determine the most appropriate approach to be taken by the adviser firm

its peers (for example, some bespoke SIPPs might not permit borrowing for commercial property purchase), there can be other key differentiators of which to be aware.

One of these relates to the governance structure and whether the arrangement operates with one sole "corporate trustee" or, alternatively, operates with a co-trustee framework.

Trustee structure

The first thing to note here is that single (sole) trustee and co-trustee structures are simply ways in which providers choose to deliver their products to the marketplace; there might be no underlying difference in the range of investment and benefit payment options offered under each. Indeed, some providers might offer both single and co-trustee propositions within their product range, with both offering the same investment and benefit payment flexibility. The choice of one product over another from the same provider might then boil down to other factors such as product pricing, application process / paperwork, client preference and so on.

Co-trustee

Often, a bespoke SIPP will have a Master Trust and Sub Trust structure, whereby the member will be a co-trustee and the member's SIPP assets will be legally ring-fenced from all other members through the Sub Trust, as well as also being ring-fenced from the provider's assets.

If the member's SIPP has its own specific bank account, as co-trustee, the member will need to countersign cheques, co-authorise banking and investment instructions and so on.

For many clients, this element of ownership and control over scheme assets will be the driver for a co-trustee structure. Of course, the member must be capable of acting as a trustee under this type of arrangement and, for minors (under age 18), this would mean a legal guardian acting in that capacity until their 18th birthday is reached.

Those individuals who have been disqualified from being a trustee (for any reason) could not act as co-trustee.

Sole trustee

Under this type of SIPP structure, the member is not named as a trustee; it is likely that the provider's bare trustee company is named as the sole (corporate) trustee.

The member's SIPP assets will probably be held under trust in the name of the bare trustee. This means that they are legally ring-fenced from the provider's assets (as is the case with co-trustee arrangements above). Rather than a Sub Trust being used to separate members' assets, one member's SIPP assets might be held under a specific "designation" or plan reference number. It is the provider's responsibility to ensure that all members' assets are clearly identifiable and regularly reconciled within this type of vehicle.

Although the member is not a co-trustee in these situations, the provider, as sole trustee, is highly unlikely to undertake any investment / banking transactions without the member's authorisation (with the exception perhaps of deduction of administration fees).

Of course, the member's ability to act as a trustee is irrelevant here.

Conclusions

As is the case with every aspect of pension planning, a client's individual circumstances will determine the most appropriate approach to be taken by the adviser firm.

When it comes to use of a SIPP as the pension vehicle, care needs to be taken that the provider's product meets not only the client's investment needs but also his or her wider requirements, which might not be so obvious at first glance.

IHT PLANNING

The Brand Financial Training team consider the use of a loan trust scheme and a discounted gift trust in conjunction with life insurance bonds when IHT planning

Life insurance investment bonds have long been used with trusts as solutions for clients when planning for the mitigation of inheritance tax.

Loan Trust Scheme

The benefit of using a loan trust scheme is that the investor has access to their original investment whilst achieving a long term inheritance tax benefit.

Firstly the settlor sets up a discretionary trust and appoints trustees. They then make an interest-free loan to the trustees who invest this into an investment bond (although it could also be a collective investment such as a unit trust or OEIC). Because the initial transfer is a loan, and not a gift, there is no transfer of value for IHT purposes.

The trustees then use the 5% withdrawal facility to pay back the original loan to the settlor, thereby creating a tax efficient 'income' for them. More than 5% could be taken from the bond but this may lead to income tax complications for the settlor as taking more than 5% would be a chargeable event.

The initial loan is repayable on demand so the settlor has the peace of mind that should they need the capital back, they can ask the trustees to repay any outstanding loan and the trustees must comply.

The investment bond is held within the trust so any growth is outside the settlor's estate and is held for the ultimate beneficiaries. If at the point of the settlor's death there is an outstanding loan amount, this will be repaid and will then form part of the settlor's estate for IHT purposes.

While a discretionay trust is generally used, loan repayments do not incur an IHT exit charge and at the point of the 10 year periodic charge any outstanding loan is deducted from the value of the trust at that point.

In summary, the loan trust is a long-term IHT planning scheme providing an 'income' to the settlor as well as easy access to their capital. The maximum IHT benefit comes after the loan has been fully repaid which will be after 20 years if 5% has been repaid annually. However, once the loan has been repaid the settlor has no further access to the trust fund.

Discounted Gift Trust (DGT)

A DGT is also a very useful IHT planning tool for those who have an IHT problem but would like to receive a fixed 'income' from their gifted capital. A DGT also uses an investment bond which is held in a trust. The trust can either be a discretionary trust (where the trustees have flexibility over the choice of beneficiary) or a bare trust (where they don't). In this article we assume a discretionary trust is used.

The trustees hold onto the investment bond as a trust asset for the ultimate benefit of the beneficiaries but in the meantime the settlor has the right to receive a fixed 'income' for life; they do not however have any right to the capital.

Because the settlor is entitled to 'income' the value of the transfer into the trust is discounted for IHT purposes. If death occurs within 7 years of the DGT being set up, it is the discounted amount that is included in the estate.

The benefit of using a loan trust scheme is that the investor has access to their original investment whilst achieving a long term inheritance tax benefit

There is therefore an immediate IHT reduction with the discount based on the value of the regular payments and the health and age of the applicant.

The longer the settlor is expected to live, the larger the discount will be. Once 7 years have gone by the gift becomes an exempt transfer and is outside of the estate anyway.

If a discretionary trust is used then the initial transfer will be treated as a chargeable lifetime transfer for IHT purposes but as long as this is under the nil rate band then the 20% entry charge will not apply (assuming no previous gifts were made).

The 'income' is provided once again by the trustees using the 5% withdrawal facility and paying this to the settlor. Remember that the growth on the bond is for the ultimate benefit of the beneficiaries.

If a discretionary trust is used the value of the settlor's remaining income rights are deducted from the trust fund to calculate any 10 year periodic charge. Exit charges also do not apply to payments made to the settlor.

To summarise, a DGT is suitable for those people in good health (to secure a good discount) who want to make a gift of assets to reduce IHT (with some immediate effect) but who also wish to receive regular fixed payments from the gifted capital (albeit usually capped at 5%).

The drawbacks are that although the payments are intended to last a lifetime, in reality the funds could run out before the settlor dies or may become chargeable after 20 years of having received the regular 5% amount.

To be effective for IHT purposes remember the payments from both a loan trust scheme and a discounted gift trust must be spent by the settlor rather than accumulated in an account!

UNSUITABLE ACTIVITY

Care must be taken when developing a property within a SIPP, points out Jess List, pension technical manager, Curtis Banks

If you have ever watched property renovation shows, you may already be familiar with the idea of 'flipping' properties. It's simply the concept of buying properties, making some quick improvements, and then selling them on again relatively quickly for a profit. This can be done with all kinds of commercial and residential properties and might involve anything from full-scale renovations of buildings through to more minor improvements such as replacing flooring and windows.

While flipping properties – also known as property trading – might sound a potentially attractive proposition, this unfortunately isn't the case if the properties in question are to be held in a pension. While commercial property investments are very popular in products such as SIPPs and SSASs, property trading is not deemed a suitable activity for pensions, which are intended to be long-term savings vehicles that hold investments of longer-term benefit to the fund. Where property trading is undertaken with commercial properties in pensions, it could be deemed a form of 'taxable property', which incurs heavy penalties in the form of HMRC's unauthorised payments charges.

Unauthorised payments charges may arise in a variety of contexts, but the types of charges remain the same and fall into three categories:

1) The standard unauthorised payments charge of 40%

This is the standard charge which would apply to any type of unauthorised payment. In the context of commercial property trading, this would mean 40% of the value of the property (or properties) in question, as well as 40% of any deemed income from the property and of any capital gains.

2) The unauthorised payments surcharge of 15%

This additional charge only applies if the value of the unauthorised payment (i.e. the property value in this context) is worth more than 25% of the individual's pension rights. As commercial property investments often take up a significant portion of a person's pension, it's perhaps more likely for the surcharge to apply to an unauthorised payment resulting from property trading than it is for other types of unauthorised payment.

3) The scheme sanction charge of 15-40%

This is the most complex of the charges. It's a 40% charge which applies to the scheme administrator; however, it can be reduced if the normal unauthorised payments charge is paid. Assuming it is paid in full, the scheme sanction charge is reduced to 15%. While scheme sanction charges apply to the provider, in practice providers are likely to charge them back to the pension holder, unless the provider is responsible for the unauthorised payment arising.

This isn't to say that it isn't possible to develop commercial property within a pension: in fact, it's a very popular course of action among property investors. The minimum energy efficiency standards (MEES) regulations are already requiring property owners to increase or maintain their energy efficiency ratings in order to let their properties to tenants, and more stringent MEES regulations are due to come into effect in 2023. As such, it's likely that development work on properties held in pensions will only become more popular over the coming years. It's important to remember that property developments within pensions have to meet certain regulations, so property investors need to ensure they follow the processes and requirements the providers have in place.

Developing properties can have a range of benefits, from increasing the property's capital value, to attracting better tenants and commanding higher rental income. However, clients and their advisers will need to take care that their investment intentions fall within the regulations and would not be classed as trading, incurring the above charges as a result.

While flipping properties – also known as property trading – might sound a potentially attractive proposition, this unfortunately isn't the case if the properties in question are to be held in a pension

TRUST REGISTRATION

As the deadline to register Trusts with HMRC by September causes real headaches across the industry, Ben Mason, CEO of Kinherit, examines the impact of this legislation – and what to do about it

As Covid 19 began to sweep the country back in March 2020, the fifth instalment of the Anti-Money Laundering Directive was quietly setting new trust legislation in motion, triggering far-reaching implications for IFAs across the UK.

It stated that most unregistered trusts needed to register with HMRC's Trust Registration Service by 1 September 2022, a deadline which is now looming large. With an estimated 1.5-2 million trusts caught by the legislation (and steep penalties for breaching money laundering regulations in place), IFAs have been desperately trying to establish their legal obligations to their clients.

Finance professionals have often advised on hundreds of trusts in their careers. With FCA and MIFID rules stating that 'complete advice' should be applied where annual fees are charged, many IFAs are feeling the pressure of the administrational mountain they're expected to climb. Notifying clients is one challenge but supporting them through a complicated registration process is a different ball game altogether.

It's also difficult to identify just how many clients may be affected. "Even if an adviser is only dealing with a portion of a client's wealth, it's arguable they'd still need to consider their whole position. We've seen hundreds of firms engage with their existing clients, but also contacting past clients that might be described as more 'transactional' – just to make sure they cover themselves.

So, where do you start? We've had a look at what some larger firms are doing and have delved a little deeper into what trust registration actually involves in practice.

What does best practice look like?

The firms we know who are generally ahead of the curve, are going all out and developing comprehensive firm-wide strategies that deal with all clients, past and present. There are a few key things we can learn from their approach.

> ***The firms we know who are generally ahead of the curve, are going all out and developing comprehensive firm-wide strategies that deal with all clients, past and present***

- Communicate early
- Explain the regulations and obligations as clearly as possible
- Ask clients to contact you if they have any unregistered trusts not under management.
- Do a product sweep with providers, to identify assets under management in unregistered trusts
- Ask clients to confirm if they (i) are self-registering, (ii) are using their accountant, or (iii) wish to be introduced to a registration Agent (typical prices £350).

The key here is to communicate the messages to as many clients as possible and give them clear options on what to do next. It's also important to explain this is new legislation, and therefore supersedes advice they may have been given in the past.

Administrative nightmare

The biggest practical challenge is that the process itself is laborious. First the trustee needs to apply for a tax code (per trust), and then work through 100-150 individual pages on the HMRC website, covering some questions which may be quite technical. And with 28-days to complete the process, if a tricky question causes delay, there's a risk they may have to restart the whole thing. It's therefore not surprising that many clients aren't able to do this – or want to.

Tax considerations

There could be potential tax implications too. Registration itself doesn't lead to taxation, but it does make trusts 'known' to HMRC, so if a trust should have been paying taxes, it could trigger a much more complicated problem that would urgently require more qualified advice.

The options - DIY or use an agent

HMRC recognises the challenges facing ordinary trustees, which is why they've baked into the framework the ability to appoint and use an Agent to do it instead. Most agents are law firms or accountants.

About Kinherit

Kinherit is registered as an Agent and has launched TruReg (trureg.uk) to help IFAs and their clients with their trust registration. We have a free CPD session on trust registration at www.kinherit.co.uk/CPD (select 'Trust Registration').

CHILD BENEFIT PLANNING

Richard Cooper, business development manager at the LIBF looks at how paraplanners can help clients to reduce the 'high income child benefit tax charge'

Understanding the different ways to help clients reduce their tax is an important aspect of financial planning. Some clients may not wish (or be able) to reduce their tax contributions, but they should always be able to make an informed decision and understand their options.

Paraplanners are increasingly taking the lead in ensuring that clients have all the information they need to consider their options and make the right decisions for them and their family, including how to manage their tax charges.

If you have any clients with children eligible for child benefit and an individual income over £50,000, they may have to pay the 'high income child benefit tax charge'. This was introduced in 2013 to help reduce the UK's national debt and to target benefits at those in lower-income groups who needed them most.

Key facts on child benefit

Child benefit is currently:

- £21.15 a week for the eldest child
- £14 a week for each additional child.

Qualifying children are:

- aged under 16, or

- aged under 20 and in full-time, non-advanced education or on certain approved vocational training courses.

What is the tax charge?

An income tax charge applies to people who get child benefit and whose income, or partner's income, is more than £50,000 in a tax year. If income is between £50,000 and £60,000, the charge is a proportion of the child benefit received. If it's over £60,000, the amount of the charge is the same as the child benefit received.

The tax charge is 1% of the amount of child benefit received for every £100 of excess income over £50,000. For example, if your clients' adjusted net income was £55,000 the tax charge would be 50% of any child benefit received (£55,000 - £50,000 = £5,000/100 = 50).

It's important to note that child benefit itself isn't being taxed or reduced. It will continue to be paid in full to the claimant unless they opt not to receive it.

> ***Paraplanners are increasingly taking the lead in ensuring that clients have all the information they need to consider their options***

What counts as income?

To work out if a client's income is over the threshold, you'll need to work out the adjusted net income. Adjusted net income is their total taxable income before any personal allowances, less deductions for things like gift aid and pension contributions. HMRC has a useful child benefit tax calculator to get an estimate of your clients' adjusted net income.

If their income is over the threshold, they can choose to either:

- receive child benefit payments, and pay any tax charge at the end of each tax year
- not receive child benefit payments, and not pay the tax charge.

Planning for the tax charge

How can you reduce or avoid the high income child benefit tax charge?

As adjusted net income allows for deductions for gift aid and pension contributions, clients could consider making gifts to charities using gift aid and/or making pension contributions. Pension contributions can also be made using salary exchange which has the added benefit of leading to savings in National Insurance.

Example case study

Rajit has a taxable income of £57,000 and his wife Lucy has no income. They have three children which means Lucy receives child benefit of £2,555.80 a year. (That is, £21.15 + £14.00 + £14.00) x 52].

Since Rajit's income is £7,000 over the limit, he'll pay 70% of £2555.80, which comes to £1,789.06. This means that, after the 'tax charge' is taken into account, the overall value of the child benefit for the family has effectively been reduced to just £766.74 (£2,555.80 - £1,789.06).

To avoid this, Rajit could make a contribution to charity using gift aid for £7,000 or alternatively a pension contribution to an authorised pension scheme of £5,600 net (£7,000 gross). This means that his adjusted net income falls to £50,000 and no charge is payable. By contributing either £7,000 to charity or £5,600 net to a pension plan, he's saved £1,789.06 in tax.

But there are even more benefits to making gift aid contributions or pension contributions. These contributions also extend the basic rate band, which means Rajit will be able to claim additional tax relief through his tax return.

If he had made either a gift aid contribution or a pension contributions, he would be able to claim £7,000 @ 20% = £1,400 in additional tax relief.

Remember this is only one year's saving and if you repeated it every year it leads to significant savings for the client. If it was over ten years, it could be as much as £31,890 in tax savings. To put this another way, a £7,000 contribution to charity has only cost Rajit £3,810.94. (That is, £7,000 less the £1789.06 tax saved on the high income child benefit tax charge and the additional £1,400 tax relief.)

The charity has the benefit of receiving £8,750 as they can claim an additional 25% on the amount they receive in gift aid.

Making a pension contribution of £7,000 has only cost Rajit £2,410.94. (£5,600 net pension contribution less the £1789.06 tax saved on the high income child benefit tax charge and the additional £1,400 tax relief.)

PURELY PARAPLANNING

The PFS is taking its annual paraplanning event back on the road this year, with sessions curated by the PFS Paraplanning Panel, Caroline Stuart explains

Paraplanning is a fast growing sector of the financial planning profession and of the Personal Finance Society membership. In recognition of this, over the last few years the PFS have increased the support and content they provide for paraplanners to help both the profession and individual paraplanner members develop and grow.

The key driver behind this is of course the PFS Paraplanner Panel, now entering its eighth year, if you can believe that! Covid naturally made things a little more challenging and we had to rethink how we connected with and supported paraplanners but I think it's fair to say we rose to the occasion! We had online PFS Purely Paraplanning events, which were some of the most well attended in 2020 and 2021, proving you don't need to be a paraplanner to appreciate the quality of the topics we covered.

This year is particularly exciting though as we are finally able to return to our in-person PFS Purely Roadshows and we are going to be travelling the length and breadth of the country to reach as many paraplanners as we can.

As usual, they have been curated by the Paraplanner Panel with feedback and suggestions from the wider paraplanning community so you can be sure they are tailored to a paraplanner audience. This ensures the content will support paraplanners in their development and help increase their knowledge and skills.

The sessions will also offer a great opportunity for paraplanners to get to meet their peers and discuss and share best practice. Feedback we've had from these events tells us paraplanners bringing their different ideas and approaches, along with their new skills and knowledge back to the office adds significant benefit to any businesses they are part of. This and the sharing of good ideas and best practice and offering of support and suggestions to any issues or problems other paraplanners may be facing, is the thing that many get most value from.

It will come as no surprise that we have some excellent technical sessions this year covering a range of subjects, a communication skills workshop and we have our regular favourite, the Paraplanner Practitioner Panel. We'll be needing some volunteers to take part in these, so if you fancy getting involved, just get in touch with PFS Paraplanner HQ on our Facebook page or Twitter and we'll let you know what it involves.

Since the Purely Paraplanning events started, Paraplanning has grown and developed so much as a profession. We are constantly evolving with new people joining, others moving on to different roles within the financial planning profession. This year's events will really have something for everyone in our profession, whether you love tech, tax or pensions, or planning.

We'll keep you updated with info on the PFS Purely events so just keep your eyes peeled for news on our social media channels and the events page of the Personal Finance Society website. We're really looking forward to seeing and welcoming as many paraplanners as possible to this year's events – hopefully we'll see you there!

> ***This year is particularly exciting though as we are finally able to return to our in-person PFS Purely Roadshows and we are going to be travelling the length and breadth of the country***

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 21/22, examinable by the CII until 31 August 2022.

1. There is no requirement for a cancellation notice to be sent out in relation to Peter's new policy. This is because he has taken out:

- A A critical illness policy with a five-year term
- B An income protection policy with a two-year term
- C A travel policy with a two-week term
- D A life policy with a one-year term

2. Your client has requested information regarding the concept of performance evaluation. You explain to him that performance evaluation is primarily about (tick all that apply):

- A Reviewing the asset allocation of his portfolio
- B calculating the return on an investment over time
- C measuring the value added to his portfolio by the investment manager
- D assessing how the investment value has added value to his portfolio

3. John is self-employed and his accounts run to 31 August each year, what will his taxable trading income for 2021/22 be based on?

- A Profits from 6 April 2020 to 5 April 2021
- B Profits for his accounts ending 31 August 2020
- C Profits for his accounts ending 31 August 2021
- D Profits from 31 August 2020 to the 5 April 2021

4. Craig is one of three partners in a partnership and has £80,000 in the capital account. On his death, this is treated as:

- A An asset of the partnership
- B An asset of his estate and repayable immediately
- C An asset of his estate and the partnership equally
- D An asset of the partnership up to the amount stated in the partnership agreement with the remainder being due to his estate

5. Simon has a self-invested personal pension (SIPP) as he likes to make his own investment decisions. Simon should be aware that this allows him to use the plan as (tick all that apply):

- A A route to invest in commercial property
- B A way of making loans to his limited company
- C A platform to operate income withdrawals through flexi-access drawdown
- D Funding for his buy-to-let properties

6. For investors in collectives there is usually a wealth of information provided by the manager, including monthly fact sheets, interim and final reports. What is a potential limitation of using such data?

- A It is only available to very large institutional investors
- B They are written in technical jargon so very difficult to interpret
- C Data is historic and may not be a good indication of future performance
- D It is only available from research providers at a cost

7. Which of the following describes a bottom-up active management style which aims to capitalise on the continuance of existing trends in the market?

- A Momentum
- B Growth At A Reasonable Price
- C Contrarianism
- D Value

8. Under which power of attorney must an independent third party confirm that the donor understands the purpose and scope of the attorney and that they are NOT acting under any undue pressure?

- A Enduring Power of Attorney
- B Lasting Power of Attorney – both types
- C Lasting Power of Attorney – financial decisions only
- D Ordinary Power of Attorney

9. Which type of equity release product normally involves a lease set with reference to a condition being fulfilled subsequent to its creation?

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

10. Jack, a married man aged 39 with two young children, is entering into a mortgage contract with his local building society acting as the lender. He has been told that he is permitted to do so on an execution-only basis. This is most likely because he is:

- A A high net worth borrower
- B A vulnerable customer
- C Consolidating debt
- D Purchasing equity release

Last issue's answers

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

Your answers

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

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 2022 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 Webinars:

New presentations under our Investment Committee Webinars series can be found on the *Professional Paraplanner* website under the Events tab or via the *Professional Paraplanner* daily email.

We are keen to recommence our in-person Investment Committee Seminars programme this year. Keep your eye on our daily email alerts for further details.

WEATHERING THE STORM

By paving the way for change, investors can help create a more sustainable world, suggests Daniel Bowie-MacDonald, Investment Specialist, Multi-Asset at abrdn

The year has got off to a stormy start – both in markets and meteorology. By the end of February, the UK had experienced five weather storms, each one bringing with it severe warnings of possible damage to property, disruption to travel and in some cases, a danger to life.

It's no wonder then that The World Economic Forum's Global Risks report highlighted how worried people are about environmental risks with extreme weather and failure to act on climate change the top concerns. Awareness of these issues has improved dramatically, thanks in part to naturist David Attenborough and activist Greta Thunberg. We have seen global governments rising to the challenge with 137 countries making a Net Zero commitment since the Paris Agreement was adopted in 2015 – equivalent to 88% of global emissions. But this impressive commitment must be followed up by action.

The Energy Transitions Commission estimated that it could cost $2 trillion per year for the world to achieve Net Zero , other estimates put the figure at $9 trillion per year . Certainly, the level of investment required is colossal and the task ahead can seem somewhat overwhelming.

In order to achieve Net Zero, all sectors of the global economy need to decarbonise. This means shifting to renewable sources of energy, electric vehicles, energy efficiency, pollution control and sustainable water, and so on. With strong support from the general public, investors, governments and regulators, a number of clean technology companies have seen extraordinary growth recently. We expect this to continue, but not in a straight line. After spectacular share-price performance in 2020, the climate solutions sector has seen recent volatility, due to supply-chain issues, higher interest rates, a reduction of solar subsidies and the broader market rotation out of high-growth technology companies.

Spreading investment risk

When seeking a smoother investment journey, we believe diversification is key and one way is through a multi-asset approach that seeks to ensure diversification at two levels: through equities and across asset classes. Within equities, investors can have broad exposure across the full range of companies exposed to the climate theme. Investors can also diversify across asset classes. For example, by holding pure climate exposures in 'green bonds', renewable energy infrastructure and 'green equities'.

Taking a multi-asset approach can offer investors a focused exposure to the climate theme, while seeking to carefully manage the risks that sometimes come with higher return potential. Indeed, investors who gained exposure to these climate solution companies through a highly concentrated single-asset class fund have experienced a roller-coaster ride, with some funds reaching volatility of 30% – more than twice that of standard equities. The transition to Net Zero is an inherently disruptive process; we are aiming to decarbonise our entire energy system, after all.

Investing in climate solutions is a long-term growth opportunity and there's strong demand from investors wanting to back the companies focused on mitigating climate change. And we believe there's some attractive opportunities. The Renewables Infrastructure Group (TRIG) for example, is an investment company that generates sustainable returns from a portfolio of renewable infrastructure – primarily wind and solar farms in the UK and Europe. It invests in 79 projects capable of powering 1.4 million homes with clean energy and avoiding an annual 1.5 million tonnes of carbon emissions. Car manufacturer Volvo has committed to total electrification and aims to reduce its emissions by 40% by 2025 and achieve Net Zero by 2040. In 2020, Volvo issued its first green bond of 500m euros with proceeds ring-fenced for the design, development and manufacture of fully electric cars.

As technologies develop, we have the chance to create a more sustainable world and the route to this change will come in part through the investments and choices we make. ESG factors and strategic asset allocation are closely linked – aging populations, social inequality, workplace diversity, governance risks and climate change all have implications for long-term returns. Global warming poses both long-term physical risks and nearer term risks during the transition to low-carbon energy. Investors can play their part to try to ensure that climate change is not inevitable.

SAFE HAVENS?

Anthony Rayner of the Premier Miton Macro Thematic Multi Asset Team, takes a look at low risk assets and says keeping an open mind is essential

Most financial market textbooks will describe US Treasuries as the ultimate safe haven, and indeed there are many scenarios where they have performed that task admirably. Take the last thirty years. This period saw suspiciously strong returns for a so-called safe haven, though it also frequently saw a good response during equity market downturns, in part as central banks eased policy and US Treasuries benefited.

As a result, they provided a balance to equities in portfolios and, to many, confirmed their safe haven status. However, the last 30 years was a period clearly defined by low inflation and very low interest rates, which provided a tailwind to bonds generally.

However, the dominant economic risk is no longer low inflation, it is high inflation and hawkish central banks. In this new environment, far from being a safe haven, US Treasuries have been the primary expression of inflation risk. As a result, their returns, as well as the returns across many other bonds have struggled more recently.

However, bonds are the largest asset class in the world and, with that, comes numerous sub-asset classes. For example, some are more cash-like, such as short dated developed government bonds, while others are more equity-like, such as high yield corporate bonds. Even within government bonds, there is a quite a range, from US government debt to riskier emerging market government debt, and short duration to long duration, which reduces or increases interest rate risk respectively. Corporate bonds are not only driven by their degree of credit risk and interest rate risk, they also reflect some of their sector's characteristics, which can be important, for example the largest sector in the US high yield corporate bond universe is energy.

If nominal assets like bonds are going to face more headwinds in a high inflation environment, where should investors look for low risk assets? Well, in many ways, moving from low inflation to higher inflation has turned the risk hierarchy on its head. Equities, property and commodities are considered to be traditionally more risky than bonds. However, they tend to be more inflation-friendly and so in an inflationary environment they might well prove to be less risky, in an absolute sense and relative to other assets.

Equities

Just as with fixed income, not all equities are the same, with sectors being key drivers of performance. For example, there are economically sensitive sectors, like financials, inflation beneficiaries such as materials and more defensive sectors, such as utilities and consumer staples. That said, as illustrated above, risk is not a static concept and, just as safe havens change depending on the main source of risk, so-called defensive equity sectors might prove to have a higher risk relative to other equity sectors, if the main source of risk challenges that sector most.

Equity style is also an important determinant of performance and risk. The same dynamic that drove bond yields lower has also benefited growth stocks, as a lower discount rate benefits the present value of stocks that have an earnings stream more weighted towards the future. As inflation has risen, along with expectations of the discount rate, so growth stocks have suffered more than value stocks, with the latter tending to have an earnings stream more weighted towards the present.

Even within commodities, there are a range of sub-asset classes with very different characteristics, which means that one class will likely be lower risk than the others, again, depending on the main source of risk. Take the oil price, generally driven by supply rather than demand, as the latter tends to be more consistent. Supply risk is very sensitive to the often politically fragile source countries.

Industrial metals, meanwhile, such as copper are more driven by economic cycles, as that tends to be more volatile than supply. Gold, on the other hand, as a precious metal, is considered more of a safe haven, with supply somewhat limited and industrial applications less than many of the other traded metals.

Meanwhile, agricultural commodities are driven by supply, often through volatile weather patterns, the costs of inputs such as fertilizer (which in turn are materially driven by energy costs) and demand which tends to be on a steady increase, as populations grow and consumption patterns move towards Western profiles, i.e. more food, including more meat.

In short, pigeon-holing assets is at best driven by looking at shorter term histories and at worst driven by lazy assumptions. As night follows day, what constitutes a low risk asset will change, so multi asset fund managers need to remain open-minded, and keep their portfolios liquid.

IN DEFENCE OF TAR

As targeted absolute return funds look about to enter the last chance saloon, this could be when the best of these funds come into their own, says Darius McDermott, managing director, FundCalibre

Pensive is the word that comes to mind when I want to describe how I felt about financial markets as we entered 2022.

Having seen a strong recovery from the Covid sell-off, markets looked expensive again and had numerous threats on the horizon.

January was dominated by concerns over interest rates and inflation, while February and March took a sinister turn from a humanitarian perspective, as Russia invaded the Ukraine. The result

is a real unnerving of financial markets. At the time of writing, volatility, as measured by the VIX Index, has been extreme in recent weeks. But in reality, it has been more pronounced for the past couple of years[1].

I've said for a while that a steady return of 4-6 per cent may not be such a bad thing in 2022. The question is, where am I most likely to get that return? Which brings me to the most maligned investment sector.

The past decade has been a story of feast and famine for the Targeted Absolute Return sector. These funds were "the place to be" for investors on the back of the credit crunch, as we all looked for steadier return profiles from our investments. However, a decade on from promises of steadier returns, many of these funds simply failed to deliver when it mattered.

Targeted absolute return funds are always under the microscope in times of stress. Take the Covid sell-off for example. The average absolute return fund fell around 7 per cent, compared to more than 25 per cent for global equities – that's reasonable in the context of what was happening to global markets at that point[2].

> *I've said for a while that a steady return of 4-6 per cent may not be such a bad thing in 2022. The question is, where am I most likely to get that return?*

Absolute Returns – Pros and Cons

Pros

✓ Can offer investors significant diversification by investing across a range of asset classes
✓ Ballast – a number of funds practice what they preach by mitigating losses and offering some positive returns in volatile periods
✓ Can use shorting to help investors profit if the value of an asset falls

Cons

✗ Perception and terminology – the name absolute return has conjured images of a product which never loses money, in reality these products are designed to mitigate losses
✗ Complex – many products in the sector do different things which makes them impossible to compare – some are effectively complex hedge funds
✗ Can be relatively expensive and performance fees are rife in the sector

Funds to consider

SVS Church House Tenax Absolute Return Strategies – a defensive offering which has a blend of asset classes and is currently well protected from an inflationary environment with a considerable weight to floating rate notes. It has produced positive returns in nine of the past 10 calendar years.
LF Ruffer Diversified Return – although a relatively new fund, it is an extension of the wider Ruffer Investment Strategy, which has produced exceptional returns. The fund aims not to lose any money on any 12-month rolling basis, with a strong emphasis on providing genuine protection in times of market stress by investing across equities, bonds, derivatives and currencies.
TwentyFour Absolute Return Credit – invests predominantly in investment grade bonds that are due to mature shortly. It has been designed to be easy to understand and does not 'short' stocks or borrow any money to boost returns.
Janus Henderson Absolute Return – aims to deliver a positive absolute return over rolling 12-month periods. The managers look to identify stocks that will either exceed or fall short of analysts' expectations and construct a portfolio of both long and short positions.

But it is the dispersion of returns in the sector, which often causes the biggest concerns. Take the past 12 months, for example. The difference between the best and worst performer is almost 50 per cent, with one fund returning almost 40 per cent in that timeframe[3]. I'm not sure that is the type of performance investors would expect from a targeted absolute return fund, as it has to be taking risks to get that type of performance.

I've talked before about the different types of vehicles in the sector - long-only, long-short, UK centric, global and fixed interest funds just some of the beasts sitting there. It makes no sense at all. This, coupled with significant performance failings, has seen investors pull huge assets from the sector in the past few years.

There are a couple of things I would like to say to defend the challenges faced by the sector. The first is the Investment Association launched a tool specifically for the Targeted Absolute Return sector, which allows users to look at performance over various timeframes – for example monitoring funds across benchmarks, risk ratings and sectors.

The second is that QE has made it harder for companies to fail as borrowing costs have fallen through the floor and has helped lift many equity markets. This means those managers looking to short losers and buy winners, have been fighting against a rising tide.

But there are good products in this sector – many of which do exactly what they say they will do in a simple, straightforward manner and can deliver that 4-6 per cent return I mentioned earlier. You just can't compare apples with oranges (in this case ultra-defensive funds versus some which are basically hedge funds). So it's all about understanding the risk/reward of each offering.

In summary, don't dismiss this sector based on reputation – there are hidden gems which could offer the perfect solution to a lot of the problems facing markets in the next 12 months or so.

[1] Source: Google Finance, five years to 3 March 2022
[2] Source: FE fundinfo, total returns in sterling, 12 February 2020 to 16 March 2020
[3] Source: FE fundinfo, total returns in sterling, 3 March 2021 to 3 March 2022

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.

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 Positive Change	93.19	✓	5
Baillie Gifford Pacific	83.93	✓	5
GAM Star Disruptive Growth	82.00	✓	5
Slater Recovery	72.56	✓	5
T. Rowe Price Global Focused Growth Equity	68.6	✓	5

AIC	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Baillie Gifford Pacific Horizon	128.57	✓	5
Baillie Gifford Scottish Mortgage	107.04	✓	5
Baillie Gifford US Growth	83.32	✓	5
Baillie Gifford European Growth	42.06	✓	5
Schroder Asian Total Return	39.81	✓	5

BEST PERFORMING FUNDS IN TERMS OF RISK VS RETURN

IA	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
UBS Luxembourg Selection Active Solar	172.38	231
SSGA SPDR S&P U.S. Technology Select Sector	120.89	125
iShares S&P 500 Information Technology Sector UCITS ETF	118.78	125
Xtrackers MSCI USA Information Technology UCITS ETF	117.08	127
iShares Global Clean Energy	116.7	199

AIC	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
Edge Performance VCT	621.51	239
Independently Managed Adams	499.43	423
Starvest	344.44	351
Seneca Growth Capital VCT	221.94	274
New City Investment Managers Geiger Counter	176.54	361

RISKIEST SECTORS

IA	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
Latin America	-10.49	123
North American Smaller Companies	42.3	114
European Smaller Companies	35.68	112
China/Greater China	23.94	111
Technology and Technology Innovations	74.57	110

AIC	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
China/Greater China	37.01	170
Property Securities	27.32	150
European Smaller Companies	55.73	149
North American Smaller Companies	29.09	149
VCT Specialist: Media, Leisure&Events	80.01	142

OUTFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	Out (£m)
Invesco Global Targeted Returns (UK)	5,649.96	1,062.76	-64.78	-4,522.41
BlackRock NURS II Overseas Equity	2,255.59	246.3	76.43	-2,085.72
BlackRock ACS World ex UK Equity Tracker	11,238.95	10,348.96	1,205.72	-2,095.71
BlackRock ACS 50:50 Global Equity Tracker	6,167.17	5,084.17	633.25	-1,716.25
BlackRock ACS UK Equity Tracker	11,932.49	11,238.40	1,552.65	-2,246.75

INFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	In (£m)
Liontrust Japan Equity	30,752.26	36,450.07	-617.35	6,315.16
M&G Japan Smaller Companies	12,985.77	18,006.54	880.92	4,139.85
LGIM Future World Global Equity Index	1,622.50	6,200.91	591.46	3,986.95
MI Somerset Emerging Markets Discovery	10.24	5,203.27	1,604.59	3,588.44
SPW MM Global Investment Grade Bond	0	3,094.17	-166.73	3,260.89

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	74.57
North America	54.09
Commodity/Natural Resources	46.51
India/Indian Subcontinent	44.51
North America Smaller Companies	42.30

AIC

VCT Specialist: Health & Biotech	94.37
Insurance & Reinsurance Strategies	81.92
VCT Specialist: Media, Leisure&Events	80.01
Property UK Logistics	79.53
Infrastructure Securities	72.23

MOST RESEARCHED

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

MOST VIEWED FACTSHEETS

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Scottish Mortgage Investment Trust
2	Fundsmith Equity	2	Smithson Investment Trust
3	Vanguard LifeStrategy 80% Equity	3	RIT Capital Partners
4	Vanguard LifeStrategy 40% Equity	4	Monks Investment Trust
5	Royal London Sustainable Diversified Trust	5	Edinburgh Worldwide IT

MOST CHARTED

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Scottish Mortgage Investment Trust
2	Vanguard LifeStrategy 80% Equity	2	Edinburgh Worldwide IT
3	Fundsmith Equity	3	Smithson Investment Trust
4	Vanguard LifeStrategy 40% Equity	4	Monks Investment Trust PLC
5	Baillie Gifford Managed	5	Impax Environmental Markets

STRUCTURED PRODUCTS

STRUCTURED PRODUCT MATURITIES JAN - FEB 2022

The table shows maturities data for the 'Preferred Plans' selected for clients by Lowes Financial Management, publisher of StructuredProductReview.com. Data ordered by highest total returns.

Provider	Plan	Maturity Date	Term (years)	Change in underlying %	Plan Gain %
Meteor	FTSE Defensive Supertracker Plan January 2016	20/01/2022	6.01	33.69	60
Societe Generale	UK Defensive Growth Plan (UK Four) Issue 8	28/02/2022	6.01	22.35	60
Societe Generale	UK Defensive Growth Plan (UK Four) Issue 7	17/01/2022	6.01	31.14	56
Reyker Securities	FTSE 100 Defensive Digital Plan January 2016	26/01/2022	6.01	26.36	50
Societe Generale	UK Kick-out Plan (UK3) Issue 3	25/01/2022	3.00	8.26	36.9
Mariana	10:10 Plan February 2019 (Option 2)	22/02/2022	3.00	4.40	36.84
Meteor	FTSE Kick Out Plan January 2019	18/01/2022	3.00	8.54	31.5
Societe Generale	UK Step Down Kick-Out Plan (UK3) Issue 3	25/01/2022	3.00	8.26	28.5
Mariana	10:10 Plan February 2019 (Option 1)	22/02/2022	3.00	4.40	28.32
Dura Capital	Credit Suisse FTSE 100 Defensive Autocall Plan 23	28/02/2022	3.01	4.94	25.5
Walker Crips	Semi-Annual Step Down Kick-Out Plan Aug 2018 GSI	03/02/2022	3.51	-1.70	24.5
Walker Crips	Semi-Annual Step Down Kick-Out Plan Aug 2018 MS	03/02/2022	3.51	-1.70	24.5
Mariana	10:10 Plan February 2020 (Option 2)	21/02/2022	2.00	1.09	21.8
Investec	FTSE 100 Kick-Out Deposit Plan 82	28/01/2022	3.00	10.15	18
Investec	FTSE 100 Kick-Out Deposit Plan 74 - Option 2	14/02/2022	4.01	6.10	18
Walker Crips	UK 95% Quarterly Kick-out Plan January 2020	24/01/2022	2.00	-3.81	16
Investec	/ Lowes 8:8 Plan 15	10/02/2022	2.00	3.03	14.5
Walker Crips	UK 7Y Step Down Kick-Out Plan February 2020	28/02/2022	2.00	13.34	14
Investec	FTSE 100 Defensive Kick-Out Deposit Plan 8	28/01/2022	3.00	10.15	13.5

Source: StructuredProductReview.com. Underlying for all plans = FTSE 100 index


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