Professional Paraplanner

The magazine for paraplanners and financial technicians

December 2022

Dan Atkinson
Avoiding text speak - IYKWIM

Exams
Level 4 Diploma in nine months?

Legal
Financial planning and pre-nups

Go your own way
Starting my own business

Excellent foundation

Caroline Stuart is the first paraplanner President of the PFS. There is nothing paraplanners can't do, she says

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OPPORTUNITIES OUT OF CHAOS

I think it's fair to say 2022 has not panned out as any of us would have wanted. Coming out of two years of pandemic, we have moved from one crisis to another. While a rise in inflation was on the cards, fuelled by the supply chain issues related to the pandemic and the exit of the UK from the European Union, alongside the end of the energy price cap in the UK, this has been exacerbated by Russia's invasion of Ukraine and the energy crisis which has ensued.

We are feeling the effect of inflation and the subsequent Bank of England interest rate hikes and in his Autumn Statement the Chancellor of the Exchequer officially declared the UK to be in recession. So, we now know officially the economic situation we are facing.

The content of the Autumn Statement, while being well signposted prior to the Chancellor's speech, has added to the pressures on UK finances. The Statement gave us plenty to write about – you can find our coverage of the individual points on the *Professional Paraplanner* website. We are all likely to be paying more tax at some stage over coming years, but financial planning clients are among the prime targets for the Chancellor as he seeks to fill his fiscal black hole.

Let us hope that the Chancellor's plans have his desired intention, a shallow recession alongside reduced inflation and interest rates. The Bank of England says it expects inflation will come down from double to single figures by Q3 2023. And some economists are predicting interest rates will return to close to zero by the end of 2023, as the Bank tames inflation and then looks to help the economy grow again.

The result of these changes and challenges is that there will be plenty of financial planning requirements and considerations to be had with clients from now and over the next few months.

They should also result in a greater demand for financial planning and advice, as more people will be forced to restructure their wealth and maximise their tax efficiency if they are to meet their financial objectives and goals – which for financial planning firms presents opportunities out of chaos.

For paraplanners, dealing with changes to tax and legislation is grist to the mill when it comes to achieving best outcomes for clients.

So, key advice to financial planning firms in 2023 is, keep calm and if you haven't already done so, get yourself a paraplanner (or two).

Events 2023

Having last been able to run our live events in 2019, it has been a pleasure to travel around the country again this year meeting paraplanners in person. A big thank you to everyone who attended one of our Technical Insight and our Investment Committee Seminars and to everyone who filled in our feedback forms (these really do help us when planning future events).

We are excited to be expanding the venues for our Technical Insight Seminars in 2023. We are looking at 12 locations (preliminary details below), with our usual mixture of financial planning content covering tax, pensions, investment, exams and other practical topics to help you in your day-to-day role.

We hope to see lots of you at the Seminars next year. We'll be announcing further details of the events and taking registrations shortly, so please keep an eye on our daily emails and the Events tab on our website for further information.

We will also be continuing our series of topical and development webinars, which we will announce also through our emails and website.

Event schedule 2023

April: **Exeter**
May: **Birmingham**
June: **London & Chester**
July: **Southampton**
September: **Edinburgh & Glasgow**
October: **Manchester & Leeds**
November: **Bristol & Newcastle**
December: **Colchester**

Finally, as this our last magazine of 2022, I have a year-end thank you. First, to you all for continuing to read the magazine and our website stories and for attending our events. Also, thank you to our sponsors and advertisers for their support, our contributors for their insights and comment, and all the paraplanners who have helped us deliver the content you want to read. I'd also like to thank our events team for their sterling work over the past year.

2023 looks set to be an 'interesting' year and we will look to provide topical, practical and technical content to help you continue to deliver the best outcomes for your clients.

Wishing you all the best for 2023.

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In this issue...

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Ro FOCUS

How long does it take to achieve the Diploma in Financial Planning? Caroline Evans, business development adviser, BTS, has the answer

Next year might be the year you decide to go after that Level 4 Diploma and we are going to show you how to make it happen – all in the space of nine months! (It may take you less or more than this, but nine months is a common goal).

Spend Wisely – Money

Money might be your first consideration – how much on average will this nine-month journey cost me?

Each exam sitting costs between £103 – 113 (for CII/PFS members) and £123 – 154 (for non-members) – this cost is in addition to your study resources. Becoming a student member of the CII/PFS, whilst an additional expense, comes with benefits such as accessing CPD events at a subsidised cost, reduced CII exam fees and other perks. Membership is also required for those wishing to use the designation DipPFS after their name, following completion of the Diploma in Regulated Financial Planning.

Study materials vary and you must find what works best for you. On average most students spend between £200 to £550 when it comes to supplementing their study resources. You don't want to purchase something and then realise it didn't do what it said on the tin! Do your research, download samples, and talk to the providers.

Spend Wisely -Time

Step 1: Plan the order you intend to sit the exam. We do have a recommended order in which to tackle them, this being to start with R01, then R05, R03, R02, R04 and finally R06. R01 gives a foundation knowledge of the regulation of the sector. R05 is a level three unit focusing on financial protection products.

Step 2: Check out the CII website for the exam dates so you can plan ahead. R01 to R05 can be sat at most times during the year. R06 sittings are scheduled for January, April, July and October 2023.

Step 3: Allocate the time. If you study, you will pass! You need to take a moment to look at your lifestyle and see how quickly you can feasibly get through the required studying – there are no short cuts (we checked)! Ask yourself: What will my work schedule look like? Have I got holidays/family events?

Spend Wisely - Effort

Yes, it takes effort. No one can do it for you! Don't make radical New Year's resolutions you know you won't keep. Instead, let's start at the end of January:

W/c 30th January 2023: Start with R01. This one is a biggie with lots of info to learn and retain. Whilst not the most exciting title, this exam should not be underestimated. [6 weeks]

W/c 6th March 2023: R05 next. We were surprised at the number of tax questions in the R05 exam – one such question was technical in the extreme. Underestimate this unit at your peril. [6 weeks]

W/c 3rd April 2023: If the right study path isn't chosen, new learners can be overwhelmed by R03. You to need to have a strong base knowledge that you will then apply in different ways, to different 'mini-scenarios' that will make up your exam questions. [6 weeks]

W/c 15th May 2023: R02 has a wide syllabus, so candidates need to make sure that they don't spend too much of their study effort on one subject at the expense of others. [6 weeks]

W/ 3rd July 2023: Tricky R04. This one is anything but simple - full of different rules, dates and calculations! [6 weeks]

W/c 28th August: Book you R06 exam in October! This exam is a different beast altogether! More about answering the question being asked and relating answers back to the case study scenarios. [6 weeks]

The above plan is based on full time study. Recommended study hours for each unit are listed on the CII website, but for some candidates it can take longer than this. A full-time student with a clear study plan could progress through all six units in six to nine months. A student working alongside their study might take 12 – 18 months. A student working with weekly study leave may achieve this in nine months.

Nine months to achieve the Diploma – what are you waiting for?

You need to take a moment to look at your lifestyle and see how quickly you can feasibly get through the required studying – there are no short cuts

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EXCELLENT FOUNDATION

Caroline Stuart, director of Sparrow Paraplanning, was recently appointed as President of the Personal Finance Society. There's nothing paraplanners can't do, she tells Rob Kingsbury

Caroline Stuart is the first ever paraplanner to have been elected President of the Personal Finance Society (PFS). Raising the profile of paraplanning both within financial planning and externally as a viable and long term career choice, is why she joined the PFS board in 2018 and has since served for two years as vice President. Becoming the Personal Finance Society President was a way of gaining further "well deserved recognition of paraplanning," she says.

"I think as a growing profession and an important and valued part of the PFS membership, it is really important that paraplanning has representation at all levels. This is how we will make not only the financial services profession but also the wider public more aware of the great work paraplanners do, the value we add to a client's financial planning journey and just what a fundamental part of the overall financial planning profession we are."

Having worked in the financial services industry for over 20 years, Caroline says she has seen paraplanning develop as both a role and a career? "In my time, I've seen the financial planning and advice sector evolve from a sales-led industry to a real service-driven profession, with clients definitely driving everything we do, and a striving for high standards.

"As part of that, I've seen paraplanning develop from a compliance or administration function to a highly respected role, and something that is fundamental to a client's financial planning journey. So much so, that now we have paraplanners sitting on Investment Committees and leading teams of people, and many are Chartered Financial Planners and PFS Fellows, as I had the honour of seeing at the recent PFS Graduation ceremony.

"Paraplanners are valued and respected and that has come from the hard work and dedication of people working as paraplanners, showing how important the role has become, and working collaboratively with their planners and advisers, rather than as subordinates."

> ***"I've seen paraplanning develop from a compliance or administration function to a highly respected role, and something that is fundamental to a client's financial planning journey"***

"We've really earned our stripes over the last twenty years and I can't wait to see where the future takes us!"

The paraplanning role, she says, is "an excellent foundation for any of the many and varied roles our great profession has to offer." It lends itself to individuals challenging themselves and taking on greater/different roles and responsibilities within the financial planning profession.

"A good paraplanner knows they don't know everything, but paraplanning isn't about knowing everything, it's about knowing where to look for the answers. Having that kind of curiosity and tenacity is crucial. Excellent communication skills are also vital. These are all transferrable skills that will help a paraplanner develop into any other role.

"But the most important thing to remember, whether your goal is to become a financial planner, working in compliance, managing a team, or any of the other roles, is to just learn and absorb as much as you can – be a sponge! No knowledge is wasted as they say, and the more you learn, and the more you know, the further you will go!"

Promoting the profession

Raising the profile of financial planning and how it helps people achieve their financial goals and attracting more people into the industry are two key pillars Caroline will be championing during her term as President. She wants the profession to "really shout about the good the profession does," she says. "We do amazing things, helping to give people strong financial futures through good quality financial planning and advice. This is so important, particularly at the moment when people are really struggling and feeling the pinch. So why wouldn't we want to get out there and tell people about that?"

A key way she believes this can be achieved is by engaging with people at a younger age. She highlights the Personal Finance Society's 'My Personal Finance Skills' workshops, where PFS member volunteers go into schools and colleges to work with students to help them build their own financial skills and confidence and by doing so, show them that financial planning is a great career.

"We've also partnered with the Duke of Edinburgh Award scheme, making 'My

Caroline Stuart lays out the themes for her term as President at the PFS Festival of Financial Planning 2022

Personal Finance Skills' a Bronze Award. This is having a huge impact; last year alone 1,000 volunteers held 700 workshops, reaching 21,000 students all over the country. It's a real opportunity to showcase what we do with potential recruits for the future," Caroline says.

"It's also showing that you don't need to go to university to work in financial planning and advice and that it can develop into a rewarding, fulfilling and well paid career. This is what we need to be demonstrating to younger people considering their professional future.

"What we do is life changing for our clients and we shouldn't be hiding our lights under a bushel. We need to get out there and just talk about it a whole lot more!"

Asked if she feels financial advice industry has a tarnished reputation to get over before it can be seen as an aspirational career choice, she says. "I think there have been some challenges to the reputation as an industry, but we're going in the right direction. Now we are a profession, and the future looks good. From the number of younger people graduating as Chartered Financial Planners and Fellows of the Personal Finance Society, it is clear that those joining financial planning do see it as an aspirational profession. We need to build on that.

"I know myself just how much hard work, commitment and sacrifice becoming Chartered and a Fellow takes, and you don't do that if you're not in it for the long haul. These people have worked hard and taken the Graduation Oath, showing their commitment to the principles of Standards, Professionalism and Trust, and so already see it as an aspirational career. As long as we stay on this trajectory, it will continue to be so, and hopefully attract a lot more people to the profession."

So what would she liked to see paraplanners do to help promote paraplanning and financial planning to the wider world? "I'd say keep talking about what you do, why you do it and why it matters – to anyone who'll listen.

"Every paraplanner I meet is so passionate about paraplanning and so committed to getting great outcomes for their clients that you just can't help feeling inspired when you talk to them. We need to really share that passion with the wider public.

"Volunteering with the Personal Finance Society's 'My Personal Finance Skills' would be a great way to get out there and speak to people about paraplanning and financial planning, but there are also lots of other initiatives that you can get involved with such as careers fairs, university open days and things like that – so just get stuck in and involved would be my advice."

IYKWIM

It can be easy to slip into shorthand and so create confusion over clarity in our communications, says Dan Atkinson, head of Technical, Paradigm Norton Financial Planning

Do you remember the joys of text messaging in the 90s/00s? Every message cost money. No animated gifs. Emojis were primitive using punctuation only like this :-O

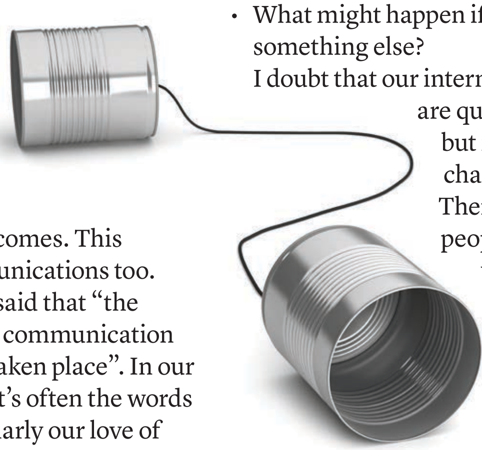
The message above would only just have fit in your 160 character allowance. I remember tweaking sentences, using abbreviations and acronyms, carefully removing punctuation, and trying to drop letters without losing meaning. Many people took this a bit further – especially if they wanted to send messages quickly!

SIMYC PAW:(MU GTG OTB CU L8R ILY <3 :* XOXO might be quick to type out, but does it communicate meaning to you? What it says is:

Sorry I missed your call. Parents are watching (frowny face). Miss you. Got to go off to bed. See you later. I love you (heart) (kiss). Hugs and kisses.

I wonder how many of you understood that! But why am I whittering on about text messaging? These days we have WhatsApp which has a 700 character limit and you could probably fit this entire article in a single iMessage (I know someone will try :D). We don't need to think about using acronyms when we communicate with each other. Indeed I have colleagues where we communicate largely through memes and animated gifs!

When we think about written communication the place to start is with audience. I would argue that the audience of our reports is our client. If we do this well (and highlight the appropriate risks etc) our secondary audience (compliance/FCA/FOS) will also be satisfied. Informed clients will get better outcomes. This applies to internal communications too.



George Bernard Shaw said that "the single biggest problem in communication is the illusion that it has taken place". In our written communication it's often the words that we use – and particularly our love of abbreviations, acronyms, and jargon – that get in the way.

Look at financial services in general and the individual firms you work for or with. Not content with bizarre jargon (hedge funds that don't need topiary for example!) we add in our own special acronyms. I suspect that sometimes we don't realise we are even doing it. I've seen acronyms such as: FFs, CEAs, SIPPs, PPs, ATR, C4L, IC, APM, and MPS.

These probably make sense to you (and no doubt save you time), but if you visit acronymfinder.com you might find a selection of other meanings. The person reading those very familiar acronyms might think you mean something very different, like in the table below.

Acronyms like in the text message I used earlier can save time. If both you and your audience understand them, it can be a great way of communicating IYKWIM. Just don't forget the golden rule of communication: Know Your Audience. Ask yourself these three questions:

- Will they understand what it means?
- Will they understand slower because you used it?
- What might happen if they think it means something else?

I doubt that our internal communications are quite so jargon filled, but it's important to challenge ourselves. There is a risk that people misunderstand what we are trying to communicate, and they take the wrong action. I think there is an even greater risk that we make people feel inferior because they don't understand, or it takes them longer to make sense of them.

I've focused on our communications inside our firms, but the same lessons apply to our interactions with clients. Sometimes we use our acronyms as shorthand without considering our reader. Have you accidentally confused instead of bringing clarity? Have you left the reader feeling inferior rather than informed? As a result, have you left them unable or unwilling to take action which might lead to them achieving their financial planning goals?

WDYT? (what do you think)
¯_(ツ)_/¯

Acronym	You mean...	Your reader might think it means...
FF	Fact Find	Fantasy Football
CEA	Client Engagement Agreement	Canadian Esperanto Association
SIPP	Self-Invested Personal Pension	State Injury Prevention Program
PP	Personal Pension	Power Point
ATR	Attitude to risk	At The Races
C4L	Capacity for Loss	Customer for Life
IC	Investment Committee	Inner Circle
APM	Annual Planning Meeting	Antenna Pointing Mechanism
MPS	Managed Portfolio Service	Multiple Personality Syndrome

PRE-NUPTIAL AWARENESS

Interest in pre-nuptial agreements is growing, making them a more common consideration within financial planning, says Catherine Morgan, legal director and family lawyer at Blake Morgan

We're living in uncertain times, both from a political and economic perspective. Combined with the impact of the 'pandemic years' – which have led many to become more risk-averse and plan ahead – this is influencing how people think about their finances.

Rising interest in pre-nuptial agreements, or 'pre-nups', is a clear example of this. Once considered unusual or the territory of the super-rich, more people are now exploring them as an option for the protection of financial assets.

In turn independent financial advisers (IFAs) are faced with questions from clients on the topic and are looking to improve their knowledge to be confident in the advice they are providing.

Our recent survey found four in five financial advisers are interested in learning more about pre-nups. Interestingly, this is almost a third more than when we last asked the question five years ago. We also found over a third have seen a rise in the number of cases where such an agreement would benefit their client.

What do IFAs and paraplanners need to know, and how can they provide clients with the best guidance on the topic?

Complex agreements

While pre-nuptial agreements are increasingly popular, there are complexities. As a firm we see interest in pre-nups from a diverse mix of clients, including individuals with high-value family assets, and entrepreneurs experiencing financial success.

For clients coming to IFAs looking for advice on how to protect their finances in the event of a marriage breakdown, a pre-nup should often be recommended.

However, there are certain complexities that must be recognised when providing advice. This includes the fact agreements should be signed at least 28 days before marriage, and in advance of this enough time is needed for an agreement to be negotiated and drawn up.

Balancing this with planning a wedding, people can sometimes underestimate the amount of time that is needed here. Advice should be sought at least three months before a wedding, rather than in the eleventh hour.

When pre-nups are drawn up, they must be adapted as needed, depending on changes in circumstances, such as the birth of children. If the document is not kept up to date, and there is a material change, there is greater risk of a party being able to successfully challenge its terms in Court proceedings.

There are also agreements available for those who are already married – post-nuptial agreements – or for couples who are not getting married but are buying property or having children together, called co-habitation agreements. Being aware of the options available can help advisers to recommend the best route forward.

Learning more

The advice of a family lawyer is needed to prepare an agreement that is likely to be approved by the Court. But advisers and paraplanners can improve their knowledge to signpost their clients and recommend them legal advice in the first place.

Pre-nups should be considered as part of, and potentially incorporated into, the long-term strategy for a client, rather than as an add-on when needed.

Working collaboratively with legal specialists when advising clients is one of the best ways to provide sound and valuable advice to clients. Valuable contacts can be made through networking, one-to-one engagement, or even formal training.

Clients will be best served when there is a strong relationship between their financial adviser and lawyer, where the adviser can seek guidance as needed.

This is especially important when there are a number of high-value assets involved, certain complexities to a relationship, or specific requirements from clients on how their finances are managed.

Pre-nuptial agreements are rising in popularity, and as more clients look for specialist guidance, now is the time for IFAs to improve their subject knowledge – and cross-industry collaboration is key.

> *Once considered unusual or the territory of the super-rich, more people are now exploring pre-nuptial agreements*

BUILDING FINANCIAL RESILIENCE

With finances under pressure, paraplanners need to understand how to support clients in building their financial resilience, says Richard Cooper, business development manager at the LIBF

Every day we read about the cost-of-living crisis, inflation and increased energy costs. Now there are concerns about impending increases to the mortgage interest rate, which will affect homeowners with fixed-rate deals due for renewal.

In their 2022 *Deadline to Breadline* report, L&G said, "Around nine in ten people are concerned about the impact of rising costs over the next year, with more than half of the most exposed groups stating that they are extremely worried."

It's a worrying time for a lot of clients, but some are more financially resilient than others. If you have clients with low financial resilience, you need to think about the support you can provide.

What is financial resilience?

Financial resilience is about being able to withstand negative hits to finances, and financial planning for the longer term. That means asking clients about how they might deal with life events that could impact on their income and/or assets.

Losing a job, sudden illness, a large bill or increase to mortgage repayments are all things that could significantly impact personal finances.

The big question is: how would clients cope financially if they experienced a big life-changing event that hit their income?

Analysing the scale of the problem

Several surveys from recent years indicate that most clients are not financially resilient. The latest Deadline to Breadline shows that people with the highest incomes and lowest debts are the most confident about their financial resilience, which isn't surprising. The report also cites those aged between 55 to 65, as most confident about being able to manage – with over 60% in this age group saying they could manage for at least six months.

> ***Financial resilience is about being able to withstand negative hits to finances, and financial planning for the longer term***

"Meanwhile, 42% of employed adults (over 13 million) believe they could only survive a month or less on their savings," says the report, "with 30% of households – nearly 9.5 million people – believing they could only survive a month even if they just focused on essentials."

How long households can really survive depends on their individual spending and savings patterns. To compound matters, L&G found that people are grossly overestimating their financial resilience.

After taking into consideration daily expenses and saving levels, the analysis showed that, on average, UK households have only 19 days' worth of savings to fall back on – far less than what most people think they have.

Why does it matter?

Of course, every client's different. But research suggests most will be worried about

the cost-of-living crisis and the impact it has on their circumstances, or that of loved ones. In July, MetLife reported that nearly two-thirds of UK adults are worried about their current financial situation to the extent that it's affecting their mental health. More than eight million UK adults have cut back to counter the rising cost of living, while a further 57% expect to have to do so soon.

What about the Consumer Duty?

The Financial Conduct Authority is hoping the new Consumer Duty will result in:

- greater financial resilience across society
- fewer complaints about poor value and products that don't meet the needs of the client.

At its heart is the new Consumer Principle, which requires "firms to act to deliver good outcomes for clients". That means you must act in good faith and avoid foreseeable harm, while enabling and supporting customers to pursue their financial objectives.

Financial advisers will need to have robust conversations with clients about the likelihood of meeting their financial objectives as well as their financial resilience in the face of possible life events. What's more, evidence is becoming increasingly important so make sure that these conversations are documented.

How will this affect paraplanners?

Financial resilience is not something you can ignore. Paraplanners – as well as financial advisers – have a responsibility to help clients understand what financial resilience is and how they can put measures in place to make sure they're adequately protected. In fact, if we don't draw their attention to the dangers of not being financially resilient, we are putting their financial future at risk. That means you need to be able to understand the possible scenarios clients may find themselves in should disaster strike.

Cashflow forecasting is a useful tool. It's a great way to stress-test income options in retirement. And you can use cashflow modelling to explore what might happen if your client can't work due to ill health or a period of unemployment. You should also build up your understanding of the government support your client might be eligible for in specific circumstances.

As a paraplanner, you may need to become adept at identifying and describing a range of options that will help clients build financial resilience – either by increasing savings or insuring against the risks.

How can you help build understanding of financial resilience?

Paraplanners are ideally placed to understand the impact of low financial resilience on a client's personal objectives, and to reiterate that to the advisers they work with. You may sometimes need to challenge advisers to hold more meaningful and detailed conversations with clients that will build understanding and financial resilience. If you're looking for a way to raise the issue, why not discuss and share surveys like *Deadline to Breadline* or the research from MetLife?

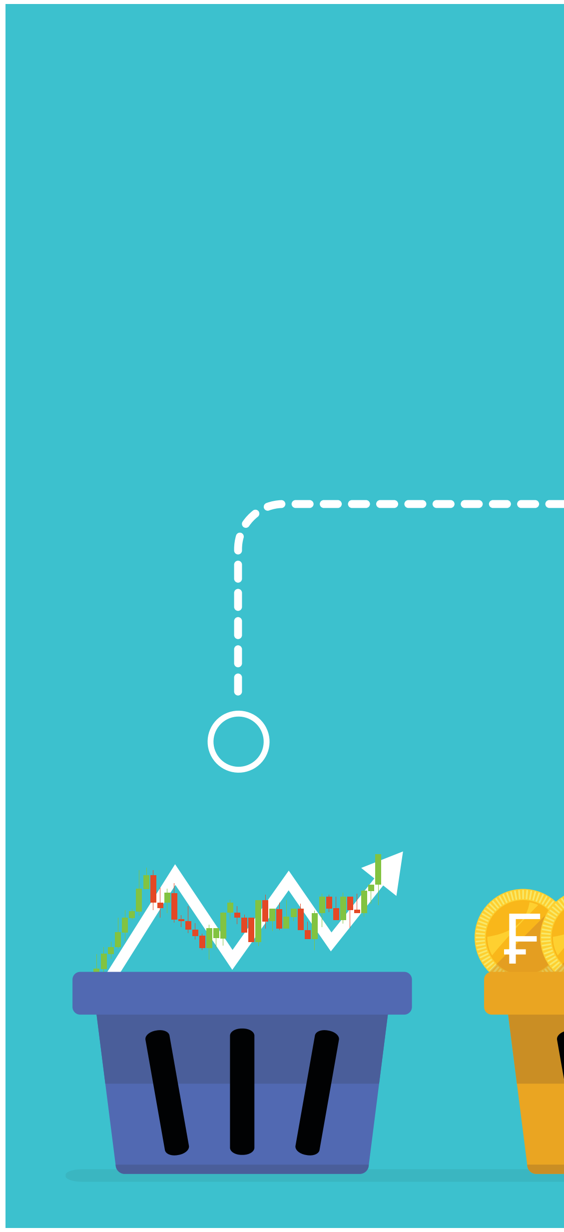
If a client is faced with an unfortunate and life-changing event, you can use tools to explore their options, such as:

- budget planners
- retirement income calculators and
- cashflow forecasting.

Clients should also be made aware of options to protect their wealth. Only 8% of working adults currently have any type of income protection policy. This is a good time to explore income protection plans or mortgage payment protection insurance. With the majority of people worried about the impact of rising costs, the worst thing is to do nothing. By playing your part in securing clients financial futures, you'll be helping to avoid foreseeable harm and achieve good outcomes. You'll also be steadying the course in choppy waters, helping clients achieve their financial goals despite the storm ahead.

DIVERSIFICATION

This issue the Brand Financial Training team consider what examination takers need to know about the benefits of diversification within an investment portfolio



We are often told that diversification is the key to reducing risk in a portfolio. We know we should not have 'all our eggs in one basket', so investment portfolios should ideally be spread, according to our needs and risk profile, amongst the asset classes of cash, fixed interest securities, shares and property and perhaps some of the more alternative investments as well.

When considering diversification, we need to evaluate how much loss someone is able to tolerate with their investments (without panicking and wanting to sell) and also how long someone has before they need access to their portfolio. This will help when deciding which assets should be held and in what proportion.

Diversification within asset classes is also important; for example holding different company shares in different sectors, diversifying across international markets and also holding shares in different sized companies. Similarly, with fixed interest investments, investment grade, corporate and government bonds should be considered.

Correlation is a measure of dependency between asset classes or investments and is a key part of diversification. Correlation varies between +1 and -1.

Where assets are positively correlated, their returns move in the same direction (either up or down). Where assets are negatively correlated, their returns move in opposite directions. No correlation means there is no dependency, so each investment very much does its own thing.

The most effective diversification comes from investments that are negatively correlated; the theory being that if one section of the portfolio isn't performing well during current economic conditions, then other investments may compensate for any losses and keep a neutral or smoother overall performance.

Perfectly negatively correlated assets move in the opposite direction to each other by the same amount. If investments can be found that work like this, they would provide 100% diversification. If there's no variance then there's no risk. The investor cannot lose but also remember they cannot win as a gain would be cancelled out by the loss and vice versa.

Over the long term, cash has a low correlation with shares and property; shares have a low correlation with fixed interest securities, whereas property has a higher correlation with shares.

With no correlation, the movement of two investments' prices are totally unrelated, i.e. they are independent of each other so having a few investments with near on zero correlation would also provide diversification. This table shows the correlation between three assets:

	Asset X	Asset Y	Asset Z
Asset X	1.0	+0.8	-0.2
Asset Y	+0.8	1.0	+0.3
Asset Z	-0.2	+0.3	1.0

This tells us that assets X and Y have a relatively high correlation (+0.8). If asset X were to rise by, say, 8%, then asset Y would rise by 80% of that figure, i.e. by 6.4%. Assets X and Z are negatively correlated (-0.2) and assets Y and Z have a low correlation (+0.3).

The main benefits of diversification are in the risk-adjusted returns, which can be

If one section of the portfolio isn't performing well during current economic conditions, then other investments may compensate for any losses

measured by the Sharpe ratio. This ratio identifies how many units of return is earned per unit of risk taken. The higher the ratio, the greater the return has been relative to the amount of risk that was taken. It's calculated by working out a portfolio's excess return (i.e. the return on the investment less the risk free return) divided by its volatility as measured by its standard deviation.

If portfolio X has an expected return of 10% over the next year and portfolio Y has an expected return of 12% over the same period, we would probably choose portfolio Y for the extra return. However, if we consider the risk that was taken to achieve those returns, this will give us a wider view. Let's say portfolio Y has a standard deviation of 7% and portfolio X has a standard deviation of 4%.

If the risk free return is 1%, then we can calculate the Sharpe ratio for each of them as follows:

- Portfolio X = 10 - 1/4 = Sharpe ratio of 2.25
- Portfolio Y = 12 - 1 /7 = Sharpe ratio of 1.57

Portfolio Y has taken more risk (we know this because its standard deviation is higher than that of portfolio X), so its Sharpe ratio is lower. With a Sharpe ratio of 2.25, portfolio X has provided a better return on a risk-adjusted basis. The portfolio earned a 2.25% return above the risk-free rate for each unit of risk that was taken. A properly diversified portfolio can therefore help an investor earn a good return whilst taking on proportionately less risk.

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

PARAMETERS

Working practices post pandemic

There has been much speculation around whether post the pandemic staff would return to the office full time. Financial services firms have found they can trust their staff to work from home and be as productive. They have also seen the advantage of downsizing their offices. We've also had terms such as the Great Resignation coined, referring to employees leaving firms which require a full time return to the office for roles which allow them home or hybrid working, part home part office based.

At the *Professional Paraplanner* Technical Insight Seminars this year, we conducted a straw poll amongst attendees to see how many had gone back to the office full time. In Exeter in April we found 100% were working in a different way to 2019, but largely we found 60-70% were now fully or partly working from home.

Our parameters results back that up with the majority of paraplanners now working in different way to pre-pandemic. Our results shows two days in the office and three days working from home seems to be the common approach. Outliers were paraplanners who prefer to work full time in the office, and those who have moved completely to home working on a permanent basis.

Productivity

63% of paraplanners say feel they are more productive when working from home. Digging deeper into the question, the overwhelming reason is lack of distractions. Paraplanners said: "It gives me quiet time for when I really need to concentrate"; "I'm able to get on with a larger level of work at home"; "If I have a report to write I would rather work from home so I have less distractions"; "At home I can dedicate time to queries and switch off to focus"; "I have a better lifestyle and work-life balance, which makes me do a better job."

Some have invested time and money into creating a favourable home office environment: "I have a very good office setup at home, rather than hot desking in the office."

Wellbeing

Paraplanners also highlighted distinct wellbeing benefits from home/hybrid working. Paraplanners said: "Working from home gives me personally a much better work-life balance and reduces stress and anxiety" ; "I still have opportunities for face-to-face meetings etc with the team every week without undue pressure to travel in and out of the office every day"; "I think my productivity is far greater at home and my mental health and work life balance has improved with flexible working."

Disadvantages

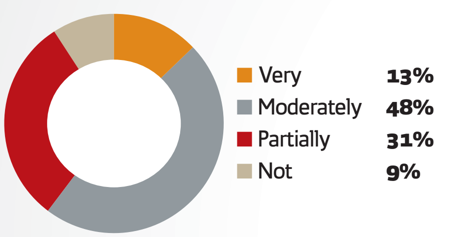
On the negative side, home/hybrid working does not work well where a professional environment cannot be established, such as where there are distractions from family.

Paraplanners also missed not being able to bounce ideas off colleagues or question them quickly and easily. Training and support for new starters from experienced members of staff were other key disadvantages highlighted, and as one paraplanner said: "Sometimes it's easier/quicker to be in the office if carrying out face to face discussions on a complex case."

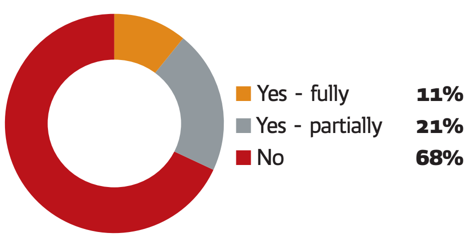
Survey prize Draw

Congratulations to this months' prize draw winner: Aaron Jackson of Evelyn Partners. £50 in Amazon vouchers will be sent to you.

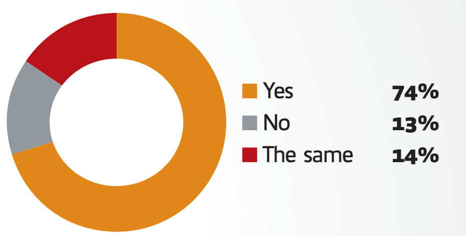
HOW CONFIDENT ARE YOU THAT YOU KNOW WHAT CONSUMER DUTY RULES REQUIRE?



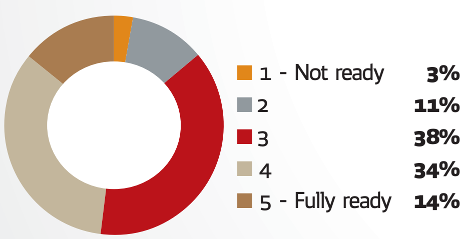
HAVE YOU BEEN INVOLVED IN THE PLANNING STAGE FOR YOUR FIRM?



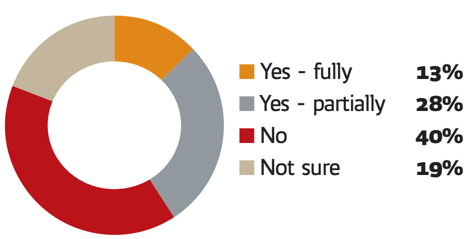
ARE YOU WORKING IN A DIFFERENT WAY NOW TO IN 2019, PRE-PANDEMIC?



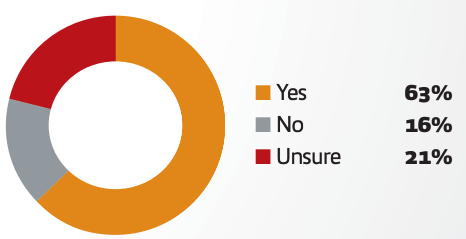
HOW READY DO YOU FEEL YOUR FIRM IS FOR CONSUMER DUTY?



WILL YOU BE INVOLVED IN ESTABLISHING CONSUMER DUTY WORKING PRACTICES?



DO YOU FEEL YOU CAN BE MORE PRODUCTIVE WHEN WORKING FROM HOME?



FOUNDING A BUSINESS

Ever thought about setting up your own outsourced paraplanning firm? Sasha Wakefield tells how it has been for her in establishing The Paraplan Project

Me – a founder of an actual real-life company? Getting to do something I love every day? NO WAY! Quite frankly if you had told me 16 years ago when I first stepped into the world of finance, that I would be doing this I would have thought you'd had too many wines.

I spend my day reviewing clients' attitude to risk and feel comfortable with taking risk with my own pension pot. Yet, if you were to ask me my attitude when it comes to employment and financial stability, I would certainly be in the 'I don't like risk... get me out of here!' camp. I can safely say that the idea of setting up on my own hadn't been on the cards for me, until now.

A few months ago, in the midst of this financial crisis, I began squirrelling away so I could create The Paraplan Project. I knew I had the paraplanning side covered but actually running a limited company was something very new to me. So I reached out to others in the profession for guidance, including those on the PFS Paraplanner Panel, of which I am a part. So many kind paraplanning professionals shared their wisdom with me, from help with my multiple cyber security questions to simply giving reassurance that I was going to be okay.

Before launching I was super nervous, of course, naturally riddled with self-doubt (I mean what paraplanner isn't at some point). But as soon as I launched those fears vanished. I received nothing but an outpour of love and support. The response simply reflected what I knew deep down all along – ours is truly an amazing profession to be a part of.

Our values

I knew what the values would be for The Paraplan Project long before I had even considered a name. For me, the company would always be built around a proposition with three values at the heart of what we do – time, collaboration and freedom. While my working day will remain largely within the traditional paraplanning role, from carrying out technical research to being a sounding board to help agree the client outcome, I am also using my experience to work with my financial planners to help shape any future growth aspirations they may have for their firms.

This might include a desire to build their own in-house paraplanning team in the long term. Whilst some may think I am doing myself out of work, I believe there are some great benefits to having both in-house and outsourced paraplanners working alongside each other in the same firm.

For the firms that are looking to grow, I am working with them on building a plan. In the short-term, using The Paraplan Project as their sole paraplanning resource and over the long-term, building and working collaboratively with their in-house team. The benefit is that we will already know their business inside out – their values, processes, compliance, reports and most importantly, their clients. This makes us the perfect fit to support and train their inhouse paraplanners, developing them into confident, self-sufficient, technical gurus of their own.

Long term plan

Over the last year I have seen so many positive changes within our profession, from more inclusion at conferences, such as the PFS Festival, to Caroline Stuart (who runs the PFS Paraplanning panel) recently becoming PFS President. I think we can truly say that the sky is the limit for us paraplanning professionals.

For The Paraplan Project, I don't envisage it will grow too much in size, but growing a small team of talented paraplanners would be a dream come true.

Whilst there have been so many highlights in my career, I now feel the happiest I have ever been since I moved into paraplanning. I mean what is better every day than getting to work alongside financial planners who truly value our profession, see me as a key part of their team and the most important thing of all, collaborating to get the best outcome for their client.

For me, the company would always be built around a proposition with three values at the heart of what we do – time, collaboration and freedom

WORKPLACE WELLBEING

You may have a great company culture but how are you benchmarking it properly? Not doing so can cause issues down the road, says Michelle Hoskin, managing director, Standards International

When people are job hunting, it's remarkable how many businesses say they have "a great culture", "fantastic employee assisted offerings" and "the support needed to realise their extraordinary potential".

But the reality is most people will assume that's just flannel. Nobody really knows until they are on the inside. And by then it might be too late!

All businesses claim they are shiny, bright and beautiful to work for. But the day a person starts working with them, they quickly realise the toxic levels of bullying, nepotism, discrimination and unhealthy work expectations that can massively encroach on family and social time. Never mind, finding themselves fast-tracked in front of the Employment Tribunal for shabby work practices. Likewise, the opposite is also true.

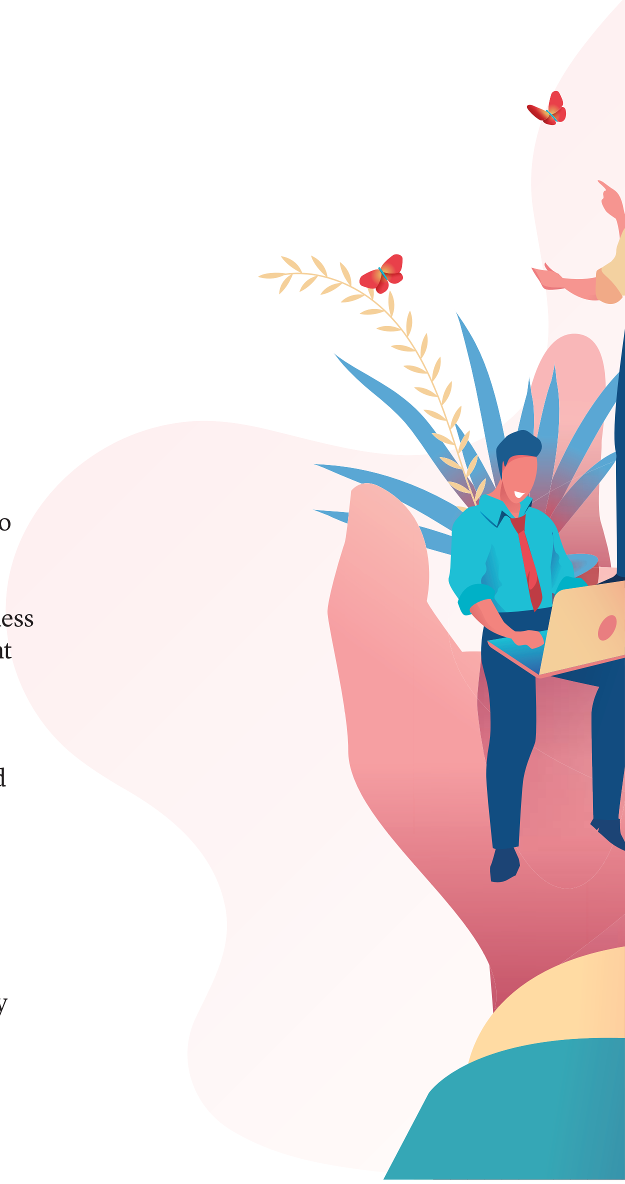
Businesses might do a tremendous amount of good work in this space but who truly knows it? People naturally assume that the business culture is just as toxic or 'meh' as any other, despite what the business crows about on its website, job recruitment posts and social media. But they can then be pleasantly surprised when they realise that the business is speaking the truth, and actually it has gone above and beyond to provide a truly excellent culture where everyone feels genuinely valued.

In reality, nobody is going to believe a business that says they are focused on wellbeing unless they can prove it. And that's the question... how can businesses prove their wellbeing credentials in a way that is genuinely believable?

Not just about bean bags

These days, it's just not good enough for businesses to provide beanbags, table tennis, free fruit, free sanitary products, dress down Thursdays, working from home options and pizza and beer after work on Fridays. There's so much more to having a healthy working environment focused on excellence in not just psychological health and safety but genuine wellbeing processes in the workplace.

Supporting wellbeing in the workplace has never been more important, especially after lockdown and during tough economic times



In fact, in these days post Covid-19 where it can be a struggle to get people to work at the office, it's even more important to display the business' wellbeing bona fides in a way that makes people pay attention.

So how can small businesses in our sector prove beyond a shadow of a doubt that they put the wellbeing of their team at the same, or even higher, levels of importance as they

do profits and promotions? After all, if the business wants to improve on the latter, it's best to prioritise the former in order to get the best out of their people.

New standard

The answer is ISO 45003 - The Wellbeing Standard of Excellence. It is the first global standard giving practical and certified guidance on managing psychological health and wellbeing in the workplace.

Created by an international committee of experts and building on global examples of best practice, it provides frameworks and guidelines for managing psychosocial risk at work, as part of an excellent approach towards occupational health and safety.

Here at Standards International, we are the standards body for the wellbeing of excellence certification. This is the cherry on top for businesses to show the world they follow the standard guidelines and are awarded ISO certification in recognition of their efforts.

This world class wellbeing certificate of excellence is designed to support organisations that are committed to building a best practice management system and to bolster businesses already familiar with ISO 45001 Occupational Health and Safety. It's truly all-embracing, as a benchmark for addressing wellbeing should be!

Essentially, the ISO 45003 wellbeing standard encompasses:

- The five key principles to support psychological wellbeing at work
- Leadership commitment and review
- Team consultation and participation
- Objectives to address psychosocial risk
- Eliminating hazards, reducing risk and promoting wellbeing at work
- The operational framework for maintaining psychological wellbeing at work
- Best practice tools, templates and guides.

If your business is interested in getting your organisation certified and validated as an outstanding business focused on objectively verified standards of wellbeing and excellence for your organisation, let's talk.

It's a very straightforward process where you apply to join the various learning cohorts that kick off every few months of the year then start building your business capacity, skills and processes step-by-step with our support and guidance.

Once your business has progressed through the various stages of learning, review and implementation, you will then be assessed before being finally awarded the ISO 45003 certification.

This kite mark of excellence signifies to the prospective employees, clients and businesses that the business really is a wellbeing ambassador and has the tools, support and validation to prove it.

Supporting positive mental health and wellbeing in the workplace has never been more important, especially after lockdown and during tough economic times. Understanding, implementing and adhering to this international standard of excellence will improve the resilience of your business, boost the engagement, performance, and productivity of your team, and make your business a magnet for new talent!

What's not to love?

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 2023.

1. Under which scenario would non-disclosure have taken place?

- A A client tells an IFA about a previous heart condition, but the IFA doesn't tell the insurer
- B An employed agent of the insurer does not inform the insurer of the client's previous heart condition
- C A self-employed agent of the insurer does not pass onto the insurer a material fact the client had disclosed
- D The client advised that a previous heart condition occurred 10 years ago, but had actually happened 11 years ago

2. You are conducting a fact-find with a new client. Which of the below would be regarded as a 'soft' fact?

- A Age
- B Attitude to risk
- C Income
- D Liabilities.

3. Sophie is self-employed and a higher rate taxpayer. Her income tax bill for tax year 2020/21 was £12,000 and for 2021/22 it was £19,000. In July 2021, she made a gross pension contribution of £6,000. For the 2021/22 tax year, Sophie will make:

- A Two payments on account of £9,500
- B A balancing payment of £5,800 on 31/1/23
- C A balancing payment on £7,000 on 31/1/23
- D One payment on account of £12,000 on 31/1/22

4. What is the running yield on a gilt with a coupon of 4% with a price of £107.50?

- A 4.3%.
- B 4.0%.
- C 3.72%.
- D 2.69%.

5. One of the main differences between a US Treasury bill and other types of US Government bonds is that they

- A Have longer terms.
- B Only pay interest once a year.
- C Are issued at a discount to their maturity value.
- D Are protected from inflation.

6. Scott, aged 64, lives in a house which used to be two self-contained flats, and which could easily be converted back. If he decides to do this and lets the upstairs flat unfurnished to provide him with additional income, what will be the tax implications?

- A Rent up to £7,500 free from income tax, Capital Gains Tax (CGT) on sale of flat
- B Rent less expenses liable to income tax, sale of flat potentially liable to CGT
- C Rent tax free, CGT on whole of property when sold
- D All rent liable to income tax, no CGT on sale of entire house

7. Jimmy is a self-employed plumber. His earnings are around £50,000 a year. In addition, Jimmy receives £9,000 per year as rent from a buy-to-let property he owns in Swindon. Jimmy should be aware that:

- A He can deduct maintenance costs and service charges from his rental income
- B HMRC will treat the rental income as earned income
- C The rent is treated as relevant earnings for pension contributions
- D The rent will be subject to class 2 and class 4 national insurance contributions

8. The following investments into shares have recently been made:

Name	Company	Dividend Received
Toby – a basic-rate taxpayer	X	£90
Rupert – a higher-rate taxpayer	Y	£90
Simon – an additional-rate taxpayer	Z	£90

Which of the following is true regarding the taxation of the dividends received?

- A Only Toby and Rupert will benefit from the dividend allowance
- B Assuming Toby's dividend allowance is already used, he will have a liability on his gross dividend of 10%.
- C Rupert could have a tax liability of up to £35.42
- D Simon could have a tax liability of up to £35.42

9. Tom is receiving benefits from his employer's group income protection scheme. How will these be treated in relation to his personal tax liability?

- A The benefits will be free of tax if Tom has been a member of the scheme for more than 2 years before receiving the benefits
- B Any benefits will be completely free of any liability for tax
- C They will be taxed in the same way as normal pay
- D The benefits will only be taxed if Tom is still receiving them after 12 months

10. Fiona, age 70, has been assessed as needing care in a care home, and is about to move into a home in Scotland on a self-funded basis. What financial assistance can she expect to receive?

- A Flat rate contributions towards both nursing care and personal care
- B A flat rate contribution towards nursing care only
- C The personal expenses allowance
- D A flat rate contribution towards personal care only

Last issue's answers

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

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. 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.

Read more

For regular news, opinions and articles on investments and markets, see the Investment Committee zone under the Latest tab on the *Professional Paraplanner* website

Webinars

Look out also for news of our next Investment Committee webinars, both on our daily email alerts and under the Events tab on our website

REGIME CHANGE

We are in a significant period of change affecting geo-politics, economics and monetary policy. Anthony Rayner of the Premier Miton macro-thematic multi-asset team, looks at what this means for multi-asset investors

We are living in increasingly uncertain times and this has important implications, not least for multi asset investors. Low inflation, steady growth, globalisation (of both goods and labour), quantitative easing, US hegemony and the transition towards green energy have dominated the last few decades. However, a number of these trends are unwinding. In short, the regime has changed.

Global trade is slowing, the global economy is fragmenting into regional trading blocks and new political allegiances are forming. Globalisation is reversing and deglobalisation is an increasingly established trend. The dynamics of fragmentation and division are evident within countries too, as polarisation takes hold, and elections are increasingly won and lost on tight margins. This isn't just an academic observation, it has important implications as it can limit the capacity for governments to formulate policy and pass legislation.

These developments are particularly ironic in their timing, as the cost of living crisis is crying out for political leadership. However, these increasingly divided electorates, combined with high government debt levels, are limiting the ability of democratic governments to act in meaningful ways.

Much of the cost of living crisis has been driven by the higher energy price. In turn much of this has been driven by the Russia/Ukraine conflict and at least some of that should be seen through the lens of deglobalisation. The higher energy price has benefited energy exporters and punished energy importers. This is one of the reasons that economies are performing in an increasingly divergent manner, to the degree that there are material implications for their governments.

Indeed, this is the first time we have had an energy crisis during the energy transition and this has led to changing priorities for some governments. For example, priotorising energy security has led to some governments redefining what is green energy. Here too, on open-minded approach to assumptions is helpful.

Deglobalisation is contributing to the inflationary environment, just as globalisation contributed to the disinflationary environment. Supply lines are becoming more regional, while tariffs and labour pricing power are increasing. The related high interest rates provide a higher hurdle rate, thereby exposing not just weaker entities, be they companies or economies, but ultimately their politicians.

Global trade is slowing, the global economy is fragmenting into regional trading blocks and new political allegiances are forming

Central banks aren't in a position to underpin financial markets anymore, with inflationary pressures elevated. Quite the reverse, in the near term they are exacerbating the cost of living crisis, especially where debt levels are high. Not only that but central banks are not behaving in the coordinated way they did in the 2007/8 crisis, it's very much more everyone for themselves this time round.

So, what does regime change mean for global multi asset investors? In short, it means elevated inflation (even if it peaks short term), more divergent monetary policy globally, less coordinated and more conflictive policy domestically, for example tighter monetary policy to contain inflation while looser fiscal policy boosts growth, more divergence in economic performance globally, higher geopolitical risk and increased chance of intervention, as fundamentals deteriorate.

In this new world, it seems sensible to expect assets to behave in new ways, relative to their history and to each other. Therefore, a reliance on a static approach to portfolio construction, as in the 60/40 model, will likely struggle, but there will be investment opportunities. If inflation remains higher in a deglobalising world, consider less conventional assets like commodities. Similarly, in many bond markets, the yields available are much more attractive than when low rates and quantitative easing were the dominating force.

Moreover, just as low rates buoyed financial markets previously, more punitive higher rates are increasing the likelihood of winners and losers, as well as challenging the performance leaders of recent decades, such as mega cap tech and the US. As a result, investors will not only need to remain open minded but also more discerning. Encouragingly, as economies, policy and financial assets diverge, it will provide more opportunities to diversify portfolios, although not necessarily in the traditional equity bond model that worked so well over the last 30 years.

The Investment Manager's focus on securities of companies which maintain strong environmental, social and governance ("ESG") credentials may result in a return that could, at times, compare less favourably to similar products without such focus. No representation nor warranty is made with respect to the fairness, accuracy or completeness of such credentials. The status of a security's ESG credentials can change over time. There is a risk that the issuers of bonds may not be able to repay the money they have borrowed or make interest payments. When interest rates rise, bonds may fall in value. Rising interest rates may cause the value of your investment to fall.

Investments should be made on the basis of the current prospectus, which is available along with the Key Investor Information Document (KIID), current annual and semi-annual reports free of charge on request by calling 0800 368 1732. Issued by FIL Pensions Management and Financial Administration Services Limited, both authorised and regulated by the Financial Conduct Authority. Fidelity International, the Fidelity International logo and F symbol are trademarks of FIL Limited. UKM0722/371011/1222

EMERGING MARKETS

Darkest before the dawn for challenged emerging markets? Darius McDermott, managing director, FundCalibre, looks at the prospects for the sector given current geopolitical and economic pressures

A global pandemic, inflation, war, trade tensions, continuous geopolitical concerns, and a strong US dollar – it's fair to say anyone who has been invested in emerging markets in the past decade has been disappointed by their returns.

In that time, the MSCI Emerging Markets Index has returned a quarter of what global equities have produced (56 vs 226 per cent)[1] – not exactly a glowing endorsement for a region where you are deemed to take extra

risk for greater returns. The short-term has also been challenging – the past year has seen Covid-19 hit the region particularly hard due to its heavy manufacturing output (working from home is not really an option for this sector, bringing production to a halt).

But there is an argument the region is now one of the more attractive from a valuation perspective – particularly when you consider the tailwinds provided by demographic and urbanisation trends. Add in the fact that many emerging markets have de-rated over the last 15 years, and there is significant potential for outperformance over developed markets from here.

> ***The other heavyweight in the region is India, a country which has recently overtaken the UK as the world's fifth largest economy***

Challenges: wide and varied

Having scaled back fiscal policy after the pandemic, many emerging markets are now being stretched to their limits as governments seek to reduce the impact of higher energy and food prices, due to war in Ukraine. Fiscal spending had to be increased further to meet those challenges, while other countries have adopted measures to compensate for high inflation,

Investing in Emerging markets – Pros and Cons

Pros

✓ Valuations now look attractive
✓ Emerging markets continue to trade with an economic growth premium over developed markets
✓ Strong demographic and urbanisation tailwinds
✓ Growing dispersion in returns across countries creates active opportunities

Cons

✗ Political and economic volatility is greater
✗ Slowdown in China still weighs over the wider economy
✗ The threat of inflation
✗ A strong US dollar places significant pressure on the region

Funds to consider

JPMorgan Emerging Markets Investment Trust Managed by Austin Forey since 1994, this trust is all about looking at the growth of companies, rather than specific countries. It targets high quality businesses that can outperform over a prolonged period and has an excellent track record.

GQG Partners Emerging Markets Equity This fund targets 200-300 basis points annualised outperformance over a full market cycle with less volatility. The manager's philosophy is to build a concentrated high-quality portfolio with durable earnings.

Federated Hermes Global Emerging Markets SMID Equity This fund targets a high single-digit return per annum over the longer-term of 5-10 years. Manager Kunjal Gala looks for quality companies that are exhibiting compound growth and that earn more than their cost of capital over the long-term.

including the reduction of consumption taxes and introducing caps on fuel prices

Inflation on the whole reflects the growing divergence in emerging markets, with exporters like Indonesia and Malaysia faring better than smaller commodity importers like Myanmar, Sri Lanka, and Pakistan. China also stands out as almost being in a completely different cycle – it has been cutting rates and has far more room to manoeuvre. This dispersion in fortunes is reflected yet again by the unfortunate events in Ukraine. On one side, many emerging European nations have struggled due to their dependence on Russian energy, grain, and tourism. By contrast, many Latin American countries benefitted from increasing commodity prices.

China's challenges are well-documented with its zero-Covid policy and the overhanging threat of government intervention – as well as ongoing geopolitical wrangling with the US. The market has fallen sharply in the past 20 months as a result. But things can change quickly and there is hope that the 20th Party Congress Report in October has certain long-term goals. These include achieving the per capita GDP level of a moderately developed country and the underscoring of plans to further open the markets up to foreign investors – which will bode well for future growth.

The other heavyweight in the region is India, a country which has recently overtaken the UK as the world's fifth largest economy. The tailwinds for India include favourable demographics, growth, few geopolitical concerns, strong corporate governance, and the growing online economy. The only negative is valuations, although they look justified when compared to many of their peers.

More patience needed

Oxford Economics recently downgraded its forecast for emerging markets, warning that many of the headwinds are intensifying. However, lead economist Simon Knapp does believe that while the outlook will be sluggish for the next year or so, pockets of opportunity will appear, for example in Vietnam and Indonesia, where the firm forecasts growth of 6 and 4.7 per cent respectively in 2023[2]. The group also believes growth in emerging market Asia will be quite robust post 2023, with the likes of Indian GDP forecasted to come in at 7 per cent in 202.

Growth is also likely to be aided by the move to net zero. Moving to a world of secure energy puts significant pressure on production of certain commodities, many of which are concentrated in a handful of countries in emerging markets.

It's going to be far from smooth sailing from here, but many long-term trends – coupled with historically low valuations – offer hope for major returns in the region for proven active managers.

[1] Source: FE fundinfo, total returns in sterling, 2 November 2012 to 3 November 2022
[2] Source: ICAEW

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 31 October 2022, provided by FE Fundinfo

BEST RATED FUNDS

IA	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Fidelity Global Technology	67.62	✓	5
Stewart Investors Indian Subcontinent Sustainability	67.39	✓	5
GQG Global Equity	49.03	✓	5
IFSL Marlborough European Special Situations	48.91	✓	5
IFSL Marlborough Global Innovation	45.40	✓	5

AIC	3 year Cumulative Performance	FE Fundinfo Alpha Manager Rated	FE Fundinfo Crown Fund Rating
Baillie Gifford Pacific Horizon	70.28	✓	5
Personal Assets Trust	17.29	✓	5
Dunedin Income Growth Investment Trust	15.74	✓	5
Liontrust Edinburgh Investment Trust	13.80	✓	5

BEST PERFORMING FUNDS IN TERMS OF RISK VS RETURN

IA	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
Active Niche Luxembourg Selection Fund Active Solar	189.29	233
iShares Oil & Gas Exploration & Production UCITS ETF	119.27	275
L&G Battery Value-Chain UCITS ETF	113.09	157
Guinness Sustainable Energy	109.12	150
Heptagon Driehaus US Micro Cap Equity	108.41	191

AIC	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
CATCo Reinsurance Opportunities Limited	1544.73	4,964
Starvest	305.41	347
New City Investment Managers Geiger Counter	217.07	438
New City Investment Managers CQS Natural Resources Growth and Income	174.29	258
Edge Performance VCT	151.96	329

RISKIEST SECTORS

IA	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
Latin America	-1.17	191
UK Index Linked Gilts	-24.83	179
China/Greater China	-14.11	165
Technology and Technology Innovations	37.15	140
Commodity/Natural Resources	62.10	131

AIC	3 year Cumulative Performance	FE Fundinfo Crown Fund Rating
Asia Pacific	18.99	122
Asia Pacific Equity Income	-3.37	113
Asia Pacific Smaller Companies	16.16	104
Biotechnology & Healthcare	21.04	115
China/Greater China	-14.77	205

OUTFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	Out (£m)
BlackRock ACS US Equity Tracker	17,344.08	14,482.23	60.86	-2,922.70
BlackRock ACS UK Equity Tracker	12,482.24	9,781.06	-446.69	-2,254.48
State Street ACS Multi-Factor Gbl ESG Idx Eq	2,346.47	251.64	113.22	-2,208.05
PUTM ACS Lothian UK Listed Equity	10,410.27	8,272.12	-125.89	-2,012.26
Vanguard FTSE U.K. All Share Index Unit Trust	13,624.95	11,173.11	-504.34	-1,947.50

INFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	In (£m)
M&G Japan	27,800.20	45,604.01	-77.56	17,881.37
PUTM ACS Sustainable Index US Equity	0	4,849.65	-295.25	5,144.89
BlackRock ACS Climate Transition World Equity	4,805.72	8,489.17	-264.98	3,948.43
M&G Japan Smaller Companies	16,190.58	20,092.33	486.29	3,415.45
LGIM Future World Global Equity Index	4,130.12	6,889.22	-431.5	3,190.60

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

Commodity/Natural Resources
62.10

India/Indian Subcontinent
45.30

North America
42.91

Healthcare
37.52

Technology & Telecommunications
37.15

AIC

Commodities & Natural Resources
70.41

VCT Specialist: Health & Biotech
58.07

India
47.38

North America
45.65

Infrastructure Securities
45.15

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	VCT Generalist
2	UK All Companies	2	Global
3	Unclassified	3	Flexible Investment
4	Mixed Investment 40-85% Shares	4	Renewable Energy Infrastructure
5	Volatility Managed	5	Private Equity

MOST VIEWED FACTSHEETS

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Scottish Mortgage Investment Trust
2	Vanguard LifeStrategy 40% Equity	2	BMO F&C Investment Trust plc
3	Fundsmith Equity	3	Capital Gearing Trust plc
4	Vanguard LifeStrategy 80% Equity	4	Personal Assets Trust plc
5	HSBC Global Strategy Balanced Portfolio	5	Smithson Investment Trust

MOST CHARTED

	IA		AIC
1	Vanguard LifeStrategy 60% Equity	1	Scottish Mortgage Investment Trust
2	Vanguard LifeStrategy 40% Equity	2	Capital Gearing Trust
3	Vanguard LifeStrategy 80% Equity	3	Personal Assets Trust
4	Vanguard LifeStrategy 100% Equity	4	Ruffer Investment Company
5	Fundsmith Equity	5	Smithson Investment Trust

STRUCTURED PRODUCTS

STRUCTURED PRODUCT MATURITIES SEPTEMBER-OCTOBER 2022

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

Provider	Plan	Maturity Date	Term (years)	Change in underlying %	Plan Gain %
Societe Generale	UK Defensive Growth Plan (UK Four) Issue 13	02/09/2022	6	5.61%	56
Societe Generale	UK Defensive Growth Plan (UK Four) Issue 14	07/10/2022	6	-0.76%	51.35
Reyker Securities	FTSE 100 Defensive Supertracker Plan September 2016	26/09/2022	6	2.98%	43.25
Investec	FTSE 100 Enhanced Kick-Out Plan 79 (UK Four Option)	12/09/2022	4	0.63%	36
Investec	FTSE 100 Defensive Growth Plan 6 (Investec Option)	10/10/2022	6	3.27%	33
Societe Generale	UK Kick-out Plan (UK3) Issue 7	13/09/2022	3	0.25%	27
Investec	FTSE 100 Kick-Out Deposit Plan 79	12/09/2022	4	0.63%	24
Investec	FTSE 100 Defensive Kick-Out Deposit Plan 5	12/09/2022	4	0.63%	18
Investec	FTSE 100 Kick-Out Deposit Plan 87	16/09/2022	3	0.13%	16.5
Investec	FTSE 100 8 Year Kick-Out Plan 4	28/09/2022	2	18.72%	16.5

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

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