Professional Paraplanner

The magazine for paraplanners and financial technicians
February 2019

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WE WANT YOUR VIEWS

Do you have a view on paraplanning or the industry? Is there something you'd like to get off your chest? Do you have an article you'd like to have published? Do you have a top tip you'd think would benefit your peers? If so I would really like to hear from you.

I am very keen that *Professional Paraplanner* becomes a channel through which paraplanners can share their experiences, provide insights, guidance and opinions as a means to help their fellow paraplanners around the country and attract new recruits to the profession.

I know from speaking to you at our seminars and other events like the Powwows, that there is a wealth of knowledge and experience which could be useful to the paraplanning community as a whole, alongside a communal desire to assist other paraplanners in doing a better job for clients. I am pleased to say that in recent weeks more paraplanners have been getting in touch with me to ask if they can write for the magazine or website. In our January edition, Nishit Patel wrote on bespoke and model portfolios and in this issue's Viewpoint, Sharon Bray outlines her firm's approach to helping clients nurture and evolve their dreams (see page 7).

It would be great if we could build on that impetus. If you have an article you've always wanted to write, or a Viewpoint, maybe you use a nifty calculator or piece of software or have a great time management process, or you'd like to share tips for working effectively with advisers... whatever you feel your fellow paraplanners may benefit from, please let me know.

I find that time constraints often can stop people contributing but there are ways around that, so don't let that put you off. Likewise, if you're thinking, 'it's only a small tip, it won't make an article', a small contribution can be amalgamated with others to deliver some real value to your peers. The other aspect here, of course, is raising the profile of paraplanning as a profession, highlighting what a great opportunity and how satisfying a role it can be, with the aim of attracting new people to become paraplanners. The more insight that prospective paraplanners can obtain into the profession the more likely they are to make it their chosen career. So please do unleash your thoughts and get in touch.

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Technical knowledge

As we were going to press I caught up with Paul Kennedy, director and head of tax and trust planning and Paul Squirrell, national pensions sales manager at Fidelity FundsNetwork, while they were in the middle of filming their end of tax year round-up. I asked them about the challenges paraplanners may be facing this year in respect of the technical aspects of pensions and tax planning. A short film of our chat will be published on the *Professional Paraplanner* website in due course. Keep an eye out for it. It is always fascinating to listen to these gentlemen who spend a great deal of their time travelling the country providing help to adviser firms in the technical aspects of financial planning. Which is why I am delighted that Paul Squirrell once again will be running technical workshops on pensions at the *Professional Paraplanner* Technical Insight Seminars 2019, and Paul Kennedy also will be presenting at specific venues during the roadshow.

Our 15 Seminars will run from May to November. You can register to attend – the events are free for paraplanners – on the *Professional Paraplanner* website. We'll be announcing further speakers over the next few weeks. Over 550 paraplanners have signed up to attend the seminars since we announced them, so please do register as soon as possible to avoid disappointment.

LOCATION	VENUE	DATE
Exeter	Woodbury Park	1 May
Birmingham	Crowne Plaza Birmingham City	15 May
Norwich	Sprowston Manor	22 May
London	The Grange – Event & Awards	13 June
Cardiff	The Vale	26 June
Southampton	Hilton Ageas Bowl	10 July
Chester	(tbc)	24 July
Nottingham	(tbc)	11 September
Glasgow	(tbc)	18 September
Edinburgh	The Waldorf Astoria	19 September
Leeds	Oulton Hall	2 October
Manchester	The Midland Hotel	16 October
Reading	(tbc)	23 October
Bristol	The Aztec	13 November
Newcastle	(tbc)	27 November

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Professional Paraplanner is published by

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Subscription prices:
UK 1 year £60
Europe 1 year ££75
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VIEWPOINT

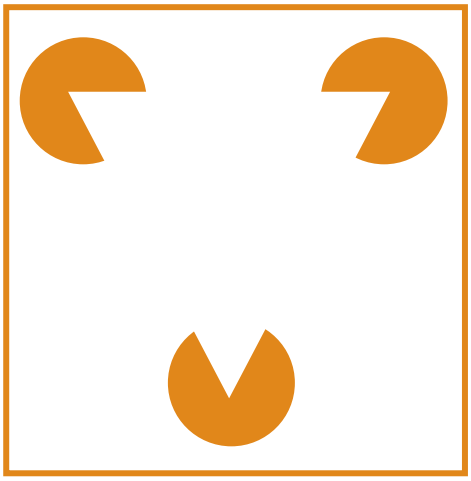
Sharon Bray, senior paraplanner/head of Compliance at Taylor Money, says paraplanning should be about helping clients nurture and evolve their dreams

We often forget the value of money until we exchange it for time. In fact, if we measured the growth of money and used it to buy time, we would perhaps find ourselves with the ability to fulfil our aspirations, creating a different kind of wealth...spending more time with family, travelling the world, pursuing our hobbies.

So how do we guide our clients and their objectives during a financial planning meeting? We ask clients to think about what is important to them. We strive to explore their current situation, how they arrived at this point and more importantly try to define where they want to be and within what timescales. We often see their objectives as pieces of a puzzle that when considered together, with the solutions we provide, paint the full picture.

'The whole is other than the sum of its parts' Kurt Koffka, Gestalt Psychology

Consider the diagram below. Take your hand and cover up two of the black dots. Hopefully you will see the famous Pacman character from the original arcade game, an individual component. Now remove your hand, what do you see? The three black dots work together to provide you with a perfectly formed triangle; seeing the whole influences your interpretation of the individual parts.



Putting a realistic plan in place in order for the client to reach their dream gives it definition. Reviewing that plan and allowing it to evolve with them throughout their lifetime allows them to take ownership

If we translate this to our financial world, we often see clients with a portfolio of investments, pensions and savings. Individually each plan may be valuable, may provide excellent growth but together they provide a solution, together they provide them with the freedom to meet their objectives better than each product could on its own.

Nurturing the client dream

Traditionally, as financial advisers and investment managers, we make recommendations and construct portfolios based on a range of assumptions. However, by creating our own individual portfolios our time can be spent focusing on attaching an objective to the client's money. For example, it may be that they want to help their children or grandchildren achieve their dreams: to go to university, to climb a mountain or to own their first car.

These specific objectives help us define a risk profile that meets the client's timeframe. They may have a different objective that centres around their own financial development. For example, they may be starting up their own business and wish to retire early. We would consider the timeframe they have to build not only potential pension savings but also short-term savings for the business. The most important part of the process is deciding how they want their money to give back to them.

Evolve those dreams

Putting a realistic plan in place in order for the client to reach their dream gives it definition. Reviewing that plan and allowing it to evolve with them throughout their lifetime allows them to take ownership. In the background we will be taking care of the strategy, the tax planning and ensuring that we support their objectives with complete financial planning.

Investing for the client's future with only the wish to make their money grow is our first port of call. Taking a dream and turning it into reality in any walk of life brings a sense of achievement; it leaves a mark in the sand.

SELF-EMPLOYED TO BUSINESS OWNER

Peter Mason, director of PJM Paraplanning and Consultancy Services, talked to Rob Kingsbury about his paraplanning journey, including transitioning into his own outsourced company and pension transfer specialist work

Peter Mason had been working in financial services for 26 years before he set up his own company, Birmingham-based PJM Paraplanning in April 2017. It followed a career that started with a well-known pension provider, then as an in-house paraplanner and finally as a self-employed paraplanner, primarily for outsourced paraplanning businesses.

It was the level of work he was receiving as a self-employed paraplanner from the outsourced firms as well as growing demand from adviser firms looking to use his services to supplement their in-house paraplanning teams, that convinced him he should start his own business.

PJM Paraplanning and Consultancy Services offers general outsourced paraplanning services, as well as a Pension Transfer Specialist service delivered by Peter. Initially starting on his own, he now has two highly qualified paraplanners working virtually for him, both of whom are Fellows of the PFS. "Our work generally consists of providing a report writing service although invariably, this will include some research as well – such as fund and product research, annuity or life cover research," he explains.

Peter looks to establish long-term business relationships with the adviser firms that he serves and as such, he says, he will tailor the service to the advisers' needs.

"We do not have any restrictions on the type of work we take on, our work generally ranges from final salary transfers, pension switches and retirement planning to investment restructures and IHT planning, but if an adviser is seeking a report for an EIS or a VCT or more simplistic work such as setting up a pension or lump sum investment, then that is also within our capabilities.

"If holistic reports are required, then our service will be tailored to this, the same as if an adviser requires a full paraplanning service to include research, pre-meeting preparation and recommendation reports – we are more than happy to tailor this to the advisers requirements."

This does not rule out undertaking ad hoc work, he adds: "We will help out where possible. What's important is to provide good quality work in reasonable timescales. This will lead to more regular work," he says.

From technical support to business owner

Peter started his career in 1991 for the pension provider, progressing through several roles leading to a technical support role that involved producing TVAS reports for financial advisers. During this time he sat G60 "as this was completely relevant to my role".

He was with the company for over 13 years before switching from the provider side to working with financial advisers, in 2004. This was his step into paraplanning. "I started working with a firm of independent financial advisers in a paraplanning role and that was a steep learning curve for me," he admits. "The move from a pension provider to an IFA was a huge difference and one that I needed to adapt to quickly. I had a lot of pensions experience from working for a pensions provider for so long, but on moving to an IFA, I soon found that most of that experience related to the pension providers' products, rather than market as a whole."

Self-employed opportunities

Peter's move to a self-employed position initially came about due to family circumstances requiring him to have very flexible working arrangements. "It had never been my intention to go it alone but circumstances made this route attractive to me even though I knew it may come with several risks. However, this turned out to be the start of bigger and better things."

He started off by working for a large outsourced paraplanning firm, concentrating on final salary reports. "They made the transition to self-employed a fairly smooth journey so it was not a large jump from employed to self-employed."

Nevertheless, he says, it took a good couple of months to bed into the new role. "My first couple of months I took my time adapting to new procedures and processes. I quickly found you have to be careful with how you spend your time as it is quite easy to get caught up on

the phone which then has a knock-on effect with timescales and, of course, earnings."

His self-employed work quickly developed through existing contacts and referrals from advisers he was working with, so much so that he started building his own bank of clients. "Within eight months of commencing trading, business levels were such that I decided to set up my own company," he says.

Around the same time, he became a regulated individual under another company – Haven Global Strategies Limited – and was appointed as a chartered financial adviser/ pension transfer specialist for the firm.

Peter has worked with various financial advisers and this has opened up further paraplanning opportunities, he says, "but the biggest opportunity this created was through being appointed as a pension transfer specialist. Now, whilst my paraplanning business is my priority and takes the majority of my time, the PTS role has opened up further opportunities for me.

"Whilst I deal with all areas of financial planning, my role as a pension transfer specialist works well alongside my paraplanning business, particularly as I am heavily involved on the paraplanning side with final salary transfers. It is now a regular part of my day both from a paraplanning and advice perspective."

The challenges

Once Peter had been trading for around twelve months and had built up a reasonable number of clients, he found that his challenge was managing his workload and timescales. "I had no problem doing the work as this is what I had done for the last 15 years in a paraplanning role but the difficulty was having sufficient hours in the day. There was no magical solution for dealing with the workload – it all came down to me and resulted in working a lot of hours to ensure I was meeting my timescales wherever possible."

Clearly, this was not a sustainable business model, certainly not over the long term, so he looked to bring in the services of two self-employed paraplanners to help. "I now have two other higher level paraplanners working for me (both of whom are Fellows of the PFS) and this has helped to ease the workload."

"It had never been my intention to go it alone but circumstances made this route attractive to me even though I knew it may come with several risks. However, this turned out to be the start of bigger and better things"

It has also given him some leeway to take on new long-term clients. "My aim is to continue to run an outsourced business that is manageable. I do not envisage taking on many more paraplanners but rather to work with a sufficient number of advisers that require regular support such that the paraplanners I do work with have as much as work as they desire."

Another of the challenges has been getting to grips with running the business side of the company itself. "I have not run a business or a company before and there are several tasks and duties imposed on me which I did not anticipate or consider – such as what was needed to comply with HMRC and Pensions Regulator obligations and investing in IT services to ensure we are fully compliant with GDPR. However, I have been very well supported by my accountant which certainly helped in the early days."

Working remotely, digital marketing has also proven to be an eye-opener, he says. "I had my website designed just over twelve months ago and I did not appreciate that this alone would not make my business any better known online. There is so much more to getting your website to work for you. I now make use of other resources to promote our services such as through 'Search Engine Optimisation' and social media.

Going it alone

Would he recommend that paraplanners set up as self-employed or run their own business? "I absolutely would recommend it. I may not have taken the step if my circumstances had not dictated it but my only regret is that I did not do it sooner."

There are arguments for and against the move, he says. "There is no doubt it is hard work. It can be very stressful as you are responsible for everything and it is easy for work to get out of hand and take over if it is not managed properly. But being your own boss, being rewarded directly for the effort and hard work that you put in and doing a job that you enjoy, most definitely makes it worthwhile in my opinion."

More information on Peter's company, PJM Paraplanning & Consultancy Services, can be found at: www.pjmparaplanning.co.uk

Changing role

Peter says he has seen the paraplanning role change over the years, which also fed into his decision to start his own business. "Previously, this role ranged from a higher level administration role up to a highly technical role potentially involving financial advice but now the paraplanner role is most commonly seen as a technical role, some of which involves being CF30 as well," he says. "The outsourced paraplanner role has certainly grown over recent years. Now it is not just smaller IFAs that are likely to use these services; larger companies that have their own paraplanners also plug into the services provided by outsourced paraplanners for several reasons, including helping with workload or to provide an additional technical resource."

THE YEAR AHEAD

What might 2019 hold for paraplanning? Fiona Bond spoke to in-house and outsourced paraplanners for their views

Both politically and economically, 2019 is set to be an interesting and important year for the UK. But with uncertainty as to how Brexit will play out and a question mark over how the stockmarkets will perform this year, *Professional Paraplanner* looks at what the next 12 months may hold for paraplanners and the industry.

Issues and challenges

Stockmarket volatility was a major news story in 2018 and with predictions it will continue in 2019, this will give paraplanners work to do, according to Aram Kupelian, paraplanning manager at Holden & Partners. He points out that the average age profile of paraplanners means many will only have experienced bull markets and with volatility likely to continue this year, a different approach to financial plans will need to be taken.

He says: "Reviewing financial plans and cashflow forecasts for clients will become even more important to provide clients with peace of mind as some see investment values fall. Stress testing a client's situation and reaffirming their capacity for loss will help to demonstrate to clients why it is appropriate to stick to the long-term plan they have put in place with their adviser and help to remove the temptation for clients to move assets into cash, or to time the market when investing."

Another major talking point of 2019 will be Brexit, with the UK set to leave the EU at the end of March. After months of negotiations and speculation, the economic ramifications continue to remain unknown. Not surprisingly, Rebecca Lucas, director of Lime Outsourced Paraplanning, says the uncertainty of Brexit will inevitably affect paraplanners as they seek to review clients' financial plans.

Alan Gow of Argonaut Paraplanning, agrees. He expects in-house investment committees to have a busy start to the year assessing the impact Brexit could have on markets. "Also, the potential for a change in government could lead to major changes in legislation. Although Brexit would initially be a distraction, there could be significant changes under a Labour government to taxation, pension freedoms and more. Combined with interest rate rises and volatile investment markets, the role of the paraplanner could become even more complicated in the year ahead."

Changes to regulation will have an important role to play over the next 12 months also. Gow expects MiFID II to be an immediate concern for firms, with problems in obtaining ex-post charges information from providers. He explains: "Many of these companies' systems are not yet updated to provide this data, meaning adviser firms will struggle to give accurate figures to their clients."

Joanna Hague, paraplanner at Investment for Life, is agreed that paraplanners face various challenges over the next 12 months as they work with advisers to implement changes for the regulator. The introduction of PROD, MiFID II and GDPR has repercussions for all roles within the firm, not just advisers, she says. However, Hague believes that politically and economically challenging times offer paraplanners both

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the opportunity to develop their skills and provide support not only to advisers, but to the consumer too.

How might paraplanning develop in 2019?

Kupelian says that while paraplanning remains largely unknown outside of the profession, it has greatly evolved over the past five years, as the number of paraplanners has grown. He explains: "More and more paraplanners are getting involved in developing the firm's financial planning proposition, processes, systems and compliance-linked demands generated by the likes of MiFID II. If this trend continues and a capacity to write letters is impacted, I can see more firms using a blend of in-house paraplanners and an outsourced firm for a segment of advice."

Lucas echoes the sentiment, noting that as in previous years, more people will become aware of the benefits of using a paraplanner and this could have a knock-on effect on outsourcing. "I think the number of new outsourced paraplanning firms will continue to grow and I don't foresee a decrease in the number of enquiries outsourced firms will receive," she says.

Gow also anticipates a rise in demand for paraplanners, noting that while some advisers are outsourcing because of a struggle to recruit, outsourcers themselves are also experiencing the same issues with shortage of supply. He comments: "The number of advisers that recognise the benefits of working with paraplanners is still growing and we need to keep this trend going by continually raising our game. The CISI is re-launching their Accredited Paraplanner scheme and more people are taking the CII's level 4 Certificate in paraplanning so I hope we will see an increase in the number of paraplanners attaining these standards."

While paraplanners are agreed that it is helpful to see the professional bodies making a more conscious effort to understand what paraplanners do and engage with those working in the industry, they would like to see them do more. Aleksandra Sasin, founder of Navigatus, would like to see more done for smaller firms: "While larger firms have the time and resources to set up their own in-house training schemes and academies, I would like to see the professional bodies doing more to help smaller firms, including outsourced paraplanning firms, recruit and train newcomers."

Where are the opportunities?

Given the broad scope of a paraplanner's role and the skills it entails, those working in the profession believe it can open doors to other parts of the advice business. Kupelian says: "Traditionally, paraplanning has been used as a route to become an adviser and whilst this still remains the case, it can also open up doors in other areas such as training and development, compliance based roles or adopting a specialism such as pensions or trusts. However, the number of career paraplanners is growing and appealing to more people."

It is a sentiment echoed by Sasin who says that the wide range of transferable skills paraplanners possess means they can easily transition into other roles. She comments: "We are already seeing firms promoting those with a potential to manage and develop others to team leader or manager positions and I would expect this to continue. Similarly, paraplanners are increasingly taking on more technical roles, specialising in certain areas of financial planning or leading their firms' in-house investment committees."

Sasin said with greater numbers of paraplanners entering the profession, there may also be the emergence of support or assistant paraplanners working and training alongside more experienced paraplanners and senior paraplanners.

According to Rebecca Lucas, the demand for good paraplanners means that some firms will seek to provide greater opportunities and give more responsibility to their paraplanners in order to retain them, while others will move on to a new role to further their career. Hague agrees that paraplanners now have the opportunity to set themselves apart from others "by offering support for their clients, not just research and report writing."

Hague adds that if qualifications are needed, paraplanners would benefit from established, globally recognised accreditations such as certified or chartered financial planner. And with greater responsibility and qualifications may well come greater salaries, with Gow expecting to see remuneration rise as demand for paraplanning increases. However, he says it is a "shame" that paraplanners often need to move to new employers to "get the pay rise they deserve" for taking on new responsibilities within the firm or reaching a new level of qualification.

BUSINESS EXIT PLANNING

SSAS is an ideal business exit planning tool, says Stephen McPhillips, technical sales director, Dentons Pension Management Limited

Small self administered schemes (SSAS) have experienced something of a renaissance over the past few years, despite the increasingly difficult process to have these accepted and registered by HM Revenue & Customs (HMRC). This relatively new process being adopted by HMRC is in place for good reason (for example, to reduce the risk of SSAS being used as the vehicle of choice for pension scammers) and it takes us back to more or less the position which existed for new SSAS registration pre 6 April 2006 (Pensions 'A-Day'). Hence, it can now take between three and six months to have a new SSAS granted a Pension Scheme Tax Reference number (PSTR) by HMRC.

Despite this, employers continue to establish new SSAS schemes for key directors and senior employees. There is also a very active market for SSAS 'takeovers' i.e. where a professional trustee is appointed to an existing SSAS to replace an underperforming one, or to assist member trustees who have decided that "flying solo" without a professional trustee post A-Day is fraught with too many risks and difficulties. Many advisers will refuse to engage with a SSAS client unless a professional trustee is attached to the SSAS and a number of banks will not provide a trustee bank account unless a professional trustee is in place as co-trustee, joint signatory and joint Scheme Administrator.

So, why are SSAS still popular with clients against a backdrop of increasingly closer HMRC (and other) scrutiny?

One of the answers lies in the flexibility that a SSAS can offer over its close cousin, a self invested personal pension (SIPP). This article aims to explore some of those flexibilities and to outline how a SSAS can be used to create liquidity for members who are looking for liquid assets in order to provide retirement benefits from the scheme, or to provide liquid cash / assets for a transfer out to another arrangement.

Common trust fund

One of the key differences between SSAS and SIPP lies in their differing legal structures. In the bespoke SIPP world, each member's SIPP is often a sub-trust within the SIPP provider's master trust structure. Whilst there may be several thousand SIPP members within the provider's master trust, each SIPP member's assets should be legally ring-fenced from all other members' assets. Think of it in terms of a safety deposit vault; all depositors have access to the vault room, but each has an individual key to their own deposit box within the vault and that key opens only their box and they have no knowledge of what sits in all the other deposit boxes in the vault room.

A SSAS, by contrast, usually operates as (what HMRC terms) a common trust fund. This means there is usually one central SSAS bank account and pool of investments and each member within the SSAS could look to any asset within the SSAS to provide his or her retirement benefits or transfer value. Rather than viewing the SSAS as a series of individual safety deposit boxes, it could be viewed as one large deposit box containing a number of the items that a series of smaller individual boxes could hold. It is this pooled approach to investments which can give SSAS a significant advantage over SIPP when it comes to planning for a

It is this pooled approach to investments which can give SSAS a significant advantage over SIPP when it comes to planning for a member's exit

member's exit from, or retirement under, the SSAS – particularly where there are relatively illiquid assets such as commercial property and loans to employers within the scheme. Of course, loans to employers are a feature of SSAS that in themselves offer an advantage over SIPP, since SIPPs cannot lend monies to connected parties.

SSAS fund splits / member allocations

Given the "pooled" nature of the investments within a SSAS, one of the first questions that a member might ask is, "How do I know what my share of the pot is at any one time?" It's a very good question because the SSAS is funded by pension contributions (employer and, less commonly, member contributions) and pension transfers-in. These are rarely ever equal between the members and may come into the SSAS at different times. In addition, investment returns achieved on scheme investments may be building-up as cash in the SSAS trustee bank account to be reinvested in line with the adviser's investment advice and recommendations. These investment returns will not be shared equally between the members, unless the contributions and transfers in the past have been equal across all members and paid into the SSAS at exactly the same time. This is rarely ever the case.

Clients and their advisers will, naturally, want and need to know broadly how each member's share of the fund is tracked and reported, given how complicated it could be to calculate this in a scheme where there are several members, each with differing contribution and incoming transfer value patterns.

So, how does a SSAS work under the bonnet when it comes to determining the split of the fund between the members?

While the calculation can be complex, a sound knowledge of actuarial principles will enable a professional trustee to undertake it on behalf of the member trustees. It should always be centred around the amount and timing of contributions and transfers paid into the SSAS and their split between the members at the time of payment. In straightforward cases, the overall rate of return on scheme assets can be applied to each contribution and transfer value received into the SSAS. An efficient professional trustee will not only calculate this fund split at least annually, but it will also communicate it to individual members so that they know where they stand each year. Member trustees should not need to ask a professional trustee to carry out these calculations routinely.

The calculation can be slightly more complex if the professional trustee allows and can accommodate designation of specific assets to specific members. This is perfectly permissible within a SSAS, provided all member trustees agree that course of action. Some assets can be "designated" to specific members whilst others are pooled across all members.

It is this designation (which does not apply in SIPPs) which can assist with exit planning as outlined in the case study above.

Case Study: Exit planning in SSAS

- **Two member SSAS with commercial property.**
- **Members are John and Conor, both directors of an IT Consultancy company.**

Conor has decided to retire from the business but wishes to take a cash transfer out of the SSAS into his own personal pension so that there is a "clean break" from the business. John wishes to retain the commercial property within the SSAS because the IT business trades from it. John's spouse, Anne, is also a director of the business and will take a more active part in the running of it on Conor's departure. She has her own personal pension arrangement, which is valued at £150,000.

Assets of the SSAS:

- **Commercial property valued at £300,000 (no outstanding borrowing). Split equally between John and Conor i.e. £150,000 each.**
- **Cash in trustee bank account of £75,000. Split £25,000 John and £50,000 Conor.**

Split of the fund between John and Conor:

- **£175,000 John**
- **£200,000 Conor**

Problem! There is only £75,000 cash in the SSAS with which to pay Conor's transfer value, so there is a £125,000 cash shortfall.

Possible solution – the SSAS borrows money to help pay Conor's transfer value.

Problem! Maximum borrowing based solely on John's share of the SSAS would be 50% of £175,000, equalling £87,500. Cash available for transfer value would therefore be £162,500 (£75,000 + £87,500), which is still short of the £200,000 required.

Actual solution provided by the adviser:

- **Anne becomes a member and trustee of the scheme, and transfers her £150,000 in cash from her personal pension into the SSAS bank account.**
- **The property is professionally valued by a Royal Institution Chartered Surveyor (RICS) Registered Valuer to confirm its open market value of £300,000.**
- **The member trustees agree unanimously that the property will be designated to John and Anne - £150,000 to John and £150,000 to Anne.**
- **In return for giving up a £150,000 share of the property, Conor accepts a corresponding increase in liquid cash designated to him. His transfer value is still £200,000 and he now has £200,000 (£150,000 + £50,000) in the SSAS bank account.**
- **The re-designation of the share of the property from Conor to Anne is confirmed by way of a trustee resolution.**
- **Conor takes a transfer value in cash to a personal pension recommended by the adviser.**
- **Anne's share of the scheme fund is now represented by commercial property and will grow in future by receiving 50% of the rent paid into the SSAS and 50% of any increase in the property's capital value.**
- **Land Registry advised of the change in title in that Anne replaces Conor.**

DISCRETIONARY WILL TRUSTS

Kim Jarvis, technical manager at Canada Life, looks at the use and taxation of discretionary will trusts and how to navigate the first 10 years of exit charges

Discretionary will trusts can be an exceptional estate planning tool, but care needs to be taken when it comes to the charges. Planning is the key here – with the right strategy it's possible to ensure your clients' beneficiaries benefit in a tax efficient manner.

The initial choice is clear: through their will, clients can either leave assets to their loved ones outright or place those assets into a trust. The trust is part of the will but just like a lifetime trust clients appoint trustees to manage the assets for the chosen beneficiaries.

Normally trustees will be given total discretion over which of the chosen beneficiaries actually receives anything from the estate, as well as when and how – hence the 'discretionary' part of the trust. Discretionary will trusts are relevant property trusts and therefore can be subject to inheritance tax (IHT) charges – at outset, at every tenth anniversary and when the trustees distribute money to beneficiaries.

If a discretionary trust is set up during lifetime, the money settled into the trust is a chargeable lifetime transfer. Where the total chargeable lifetime transfers made in a rolling seven-year period exceeds the IHT nil rate band (NRB, currently £325,000), an entry IHT charge applies. This amounts to 20% of the excess over the available NRB and falls on the trustees to pay from the trust property.

During the life of the trust there will be calculations needed on every ten-year anniversary as well as when any assets are distributed by the trustees to the beneficiaries. However, when the discretionary trust is set up on death the excess over the available NRB will be subject to IHT at 40%. When you consider transferable NRBs, the available NRB on an estate can be more than the £325,000 lifetime gifting limit.

On death any part of the estate that passes to the surviving spouse is an exempt transfer and will not use the NRB, and since 9 October 2007 any unused NRB can be transferred to a surviving spouse. For example, if a husband dies and leaves his estate to his widow, she can take his unused NRB and add it to her own. This means that when she dies, her estate will only incur IHT if it's worth more than £650,000 currently.

The unused NRB available to transfer to a spouse is expressed as a percentage rather than a monetary amount and so increases with any future increases to the NRB. Therefore if an individual does not use any of their NRB, their spouse can claim 100%.

Discretionary will trusts are relevant property trusts and therefore can be subject to inheritance tax (IHT) charges – at outset, at every tenth anniversary and when the trustees distribute money to beneficiaries

If the NRB on the death of the spouse has risen to, say, £350,000 then the personal representatives of the spouse's estate can claim 100% NRB of £350,000.

Where the personal representatives can claim a transferable nil rate band of a deceased spouse, more assets can be placed into the trust before inheritance tax is payable. Normally, if there is no IHT payable when the trust commences then in the next ten years there is no exit charge when assets are distributed to the beneficiaries – but complications arise when there has been a transferable nil rate band meaning that more assets can be placed into the trust before IHT is payable.

Case study

- Leonard died in November 2018 leaving £400,000 in a discretionary will trust. He had made no gifts in the previous seven years.
- His wife, Penny, died in January 2016 leaving everything to Leonard.
- Leonard's personal representatives claim Penny's unused NRB, giving his estate a £650,000 NRB.
- The transfer into the discretionary trust is within the £650,000 NRB so no tax is payable on the transfer, leaving £250,000 NRB for the residual estate.
- In November 2020 the trustees decide to distribute £100,000 to a beneficiary.

The trustees believe that as there was no entry IHT charge payable when the discretionary will trust commenced, then as the distribution is within the first 10 years there is no exit charge.

Unfortunately, having spoken to their adviser they find this assumption is incorrect as a trust only has one NRB for periodic and exit charges. The adviser explains that to calculate the exit charge due on the distribution the trustees must first establish the hypothetical effective rate of tax which is calculated as 30% of the lifetime rate of IHT. As lifetime IHT is 20% then the hypothetical effective rate of tax is 20% x 30% = 6%.

- **£400,000 - £325,000 =£75,000**
- **£75,000 x 6%**
- **Hypothetical charge = £4,500**

Once the hypothetical charge has been calculated the trustees must establish the effective rate of tax applying to the trust.

- **£4,500/£400,000 = 1.125%**

This tax rate is then applied to the amount of the capital distribution. However, there is a proportionate reduction based on the number of complete calendar quarters, with 40 representing the number of quarters in a ten-year period. The trust commenced in November 2018 and the distribution was made in November 2020, so the trust has completed eight quarters.

- **£100,000 x 1.125% x 8/40 = £225**

So, even though there was no entry IHT charge on the £100,000 distribution, in November 2020 the trustees have an IHT liability of £225 which they must report within six months of the event.

In line with a commitment made by the Government at the autumn 2017 Budget, on 7 November 2018 HMRC published a consultation on 'The Taxation of Trusts: A Review'. This considers whether the current system for taxing trusts meets the principles of transparency, fairness, neutrality, and simplicity. The consultation period closes on the 30 January 2019 and they are seeking views before consulting later on a specific proposal for reform.

In the meantime, the above highlights the need to seek advice as the taxation of trusts is clearly a complex area.

PRIVATE CREDIT INVESTING

Barry Fricke, global head of Private Credit – Product Strategy & Solutions, Aberdeen Standard Investments argues for a new approach to investing in private credit

The private credit landscape has expanded dramatically in the last ten years. Investors who are able to sacrifice liquidity can gain access to higher yields, an improved risk profile and exposure to less-correlated economic drivers. However, as the landscape continues to develop, building a diversified private credit portfolio by incrementally adding sector-specific sleeves is not only inefficient from a portfolio construction perspective, but also limits the opportunity set for all but the most sophisticated institutions. We argue for a new approach to investing in private credit.

Changing markets

Banks have been gradually disintermediated from the credit markets, with various banking crises – most recently the global financial crisis in 2008 – financial weakness and increased regulation stripping market share away from banks in favour of institutional investors able to originate loans directly, on a private basis.

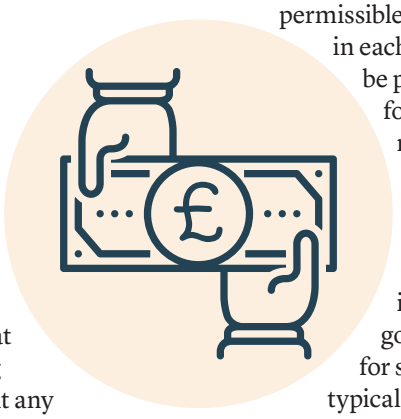
The evolution of the public bond market led investors to redefine what such a market actually constituted, taking into account the growing breadth of issuer types – and, specifically, their varied investment attributes and performance characteristics. As investors came to recognise that performance across issuers was often driven by common risk factors – chiefly changes in risk-free rates and credit spreads – they began to oversee their bond investments in a more coordinated way, mitigating the proliferation of separate 'sleeves'.

As with public bonds, the development of the private credit landscape proceeded unevenly, with different areas accessible by institutional investors at different times. But over time, private credit came to represent such diverse areas as commercial real estate debt, infrastructure debt and direct lending (mid-market corporate debt), and types of 'speciality finance'.

Today, as sophisticated institutional investors look to avail themselves of the increasing range of opportunities in private credit, the proliferation of separate investment 'sleeves' requiring oversight is becoming unmanageable. It also precludes the application of basic principles of good portfolio management.

Private Credit 2.0

Investors need to break down these 'silos' in order to ensure their overall portfolio is properly integrated and positioned to take advantage of the evolving market conditions in each sector. This will ensure that the portfolio is capitalising on the best opportunities at any given time, and efficiently delivering the primary benefits of private credit: illiquidity premia; exposure to hard-to-access economic drivers; better recovery rates; robust covenants; security; and predictable cashflow. The argument for a more integrated approach to investing across a range of related sectors is even stronger for private credit than it is for public credit. First, investing in private credit requires direct origination of new loans (rather than acquiring assets in the secondary market), and gaining exposure can be 'lumpy' as the investor needs to work with the opportunity set that is prevailing at the time. An integrated approach to investing across multiple sectors allows the investor to focus flexibly on those areas that are providing the most attractive relative value and loan flow at the time, and to pivot elsewhere as the environment changes.



The second reason pertains to tactical reallocations among sectors. In the public bond markets, a tactical reallocation among, for example, government bonds and corporate bonds could be easily executed thanks to relatively liquid secondary markets. However, as most areas of private credit have essentially no secondary market, shifts in tactical allocation entail thoughtful reinvestment of maturing assets as they are repaid in the sector that presents the best value, and this requires common oversight across the various sectors in a single portfolio.

There are good reasons some investors might choose to maintain a degree of separation between different areas of private credit. These include more closely controlling the asset allocation among sectors, more tightly defining the permissible investment attributes in each sector (which may be particularly important for certain insurance mandates), and the potential to select specialist investment managers in each sector.

However, the internal resourcing and governance requirements for such an approach are typically only available to the largest investors. Those benefits that arise from a more disaggregated approach need to be weighed up against the many advantages that accrue to investing on an integrated and holistic basis.

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 18/19, examinable by the CII until 31 August 2019.

1. Which of the following can be directly attributed to the impact of taxation?

- A The difference in growth rates between property and cash
- B The individual consumer's ability to make investment
- C The cost of providing state benefits to those in financial difficulty
- D The use of quantitative easing following the financial crisis

2. If a company's share price rose from 175p to 225p, what effect would this have on its Price Earnings Ratio?

- A It would increase
- B It would decrease
- C It would remain the same
- D It would have no affect

3. Rhiannon and Vera exchanged their houses with no cash payment as both houses were worth £250,000. What, if any, Stamp Duty Land Tax (SDLT) is payable?

- A Neither is liable for SDLT as no money has changed hands
- B Both are liable for SDLT of £2,500 each
- C Neither is liable for SDLT as it is not a commercial transaction
- D They would have a joint liability to SDLT of £2,500

4. At retirement, Bernice decides to buy a With Profit annuity. She selects an anticipated bonus rate of 5%. The same year, the provider declares a bonus rate less than this figure. The effect this has on the level of annuity payment she receives is that it will:

- A Increase after 12 months.
- B Decrease immediately.
- C Decrease the following year.
- D Have no effect.

5. Which of the following is not an argument in favour of taking out private medical insurance?

- A It is more suitable for a patient with a chronic medical condition
- B Avoids long waiting lists for NHS treatment
- C Patient is normally able to choose their own hospital and surgeon
- D Likely to have a private room rather than be on a general ward

6. John purchased 6% Treasury Stock 2021 at a clean price of £118.55. If there are 5 years to redemption, what is the interest yield and the gross redemption yield of the stock?

- A Interest yield 5.06%, Gross redemption yield 6.00%
- B Interest yield 5.06%, Gross redemption yield 1.93%
- C Interest yield 6%, Gross redemption yield 3.71%
- D Interest yield 6%, Gross redemption yield 3.13%

7. An increase in which of the following economic factors implies a greater ability for a country to repay debt?

- A Consumer Prices Index
- B Current account deficit
- C Per capita income
- D Retail Prices Index

8. Ben is talking to his lender about a second mortgage on his property. Ben should be aware that:

- A He may have to sign a deed of postponement on the first mortgage
- B Second charge mortgages are covered by the consumer credit regulation
- C The term must be longer than 10 years
- D Second charge mortgages are covered by the FCA's mortgage regime

9. If a local authority regards unpaid care costs as a debt and looks to recover them through the courts, what is the maximum debt recovery period?

- A Two years
- B Three years
- C Four years
- D Six years

10. Jerome has recently died aged 103. He took out a lifetime mortgage with rolled up interest many years ago and his executors have received a demand from the lender for a considerable payment from Jerome's estate – why is this likely to be?

- A The property is worth less than the loan outstanding and there is not a 'no negative equity' guarantee in place
- B The lender has imposed redemption penalties
- C There is a longevity clause in the contract which came into force on Jerome living to over 100
- D To recoup the cost of maintaining the property over the years

Your answers

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

Answers and cross-references can be found on the Professional Paraplanner website.

Brand Financial Training

Need help with your CII exams? For resources visit Brand Financial Training at https://brandft.co.uk where you can also download free taster versions.

INCOME TAX

Catriona Standingford, MD of Brand Financial Training provides six easy steps to working out an individual's income tax liability

Being able to work out an individual's income tax liability is crucial for success in the CII AF1 exam. For other CII exams such as R03 and CF1 it is essential to know the basics but the calculations won't be as detailed. There are six steps that can be used to help ensure that none of the detail is forgotten. We are going to look at them here using our self-employed friend Henrietta as an example to illustrate each step. Henrietta is single and has net profits in this tax year of £95,000. She also receives dividends of £6,400, interest from a savings account of £800 and an interest payment of £2,000 from an OEIC. She also makes a one off pension contribution of £8,000 to her SIPP and an investment of £10,000 to an Enterprise Investment Scheme.

Step 1

Add up earned and unearned income. This includes salary, any bonuses, self-employed profits, any taxable pension income, rental income as well as savings interest and dividends. If the client has any benefits in kind received through their employment you would also add them in here, usually next to the salary. It's important to remember that some interest payments, for example interest from a corporate bond holding, will still need to be grossed up (to do this divide by 0.8). At this stage it's a good idea to get into the habit of setting out the various types of income in the order that they are taxed in (see table 1). You should note that if any chargeable gains on life insurance bonds are made these are taxed as the highest part of the income, i.e. after dividend income.

Step 2

This is where deductions can be made for things like allowable business expenses, contributions to defined benefit schemes and retirement annuity contracts made gross and interest on certain business loans. We can ignore step 2 in our example.

Step 3

This is where we take off the personal allowance which is usually £11,850. However, Henrietta in our example has total income of £104,200 so we need to adjust this as it is in excess of £100,000. £104,200 - £100,000 = £4,200. Divide this by 2 to give £2,100. £11,850 - £2,100 means Henrietta has a reduced personal allowance of £9,750. This is offset against earned income first.

Step 4

If gift aid donations or net pension contributions have been made then at this point we gross them up and increase the basic rate band (and higher rate if applicable) by the grossed up figures to give additional income tax relief. Henrietta has made a net pension contribution of £8,000 so we gross this up by 20% and increase the basic rate band by the grossed up amount of £10,000.

Step 5

At this point we can calculate the tax remembering to deduct the personal savings allowance (PSA) and dividend allowance (DA) (see table 2). We have deducted the reduced personal allowance from Henrietta's profits. We have extended the basic rate band of £34,500 by £10,000 which is the grossed up pension contribution. This means that £44,500 is taxed at the basic rate of 20%. The excess is taxed at 40%. We then tax the savings income, firstly deducting the PSA of £500 as she is a higher rate taxpayer with the excess taxed at 40%. The amount of dividend income over the dividend allowance of £2,000 is taxed at the higher rate of 32.5%.

Step 6

The last step is deducting any tax reducers such as any tax deducted at source on savings income, the married couple's allowance (where one partner was born before 6 April 1935) and any income tax relief for investments into VCTs, EISs and SEISs. The transferable amount of personal allowance (the marriage allowance) can also be deducted here if it applies. Henrietta has made an investment into an EIS of £10,000 on which she can claim tax relief of 30%; this is deducted at this stage.

£27,550 - £3,000 = £24,550.

Practising income tax calculations using the six steps shown here should ensure that nothing is forgotten, and is particularly recommended when studying for the AF1 exam where a considerable amount of information can be given in the case study.

Table 1

Earned income	Savings income	Dividend income
£95,000	£800 £2,000	£6,400

Table 2

Earned income	Savings income	Dividend income
£95,000	£800 £2,000	£6,400
(£9,750 personal allowance)	£500 (PSA) x 0% £2,300 x 40% = **£920**	£2,000 (DA) x 0% £4,400 x 32.5% = **£1,430**
£85,250		
£34,500 + £10,000 = £44,500 x 20% = **£8,900** £40,750 x 40% = **£16,300**		
Total = £27,550		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PARA-METERS

Our monthly paraplanner survey tracking trends and topical issues

IN ASSOCIATION WITH LIONTRUST

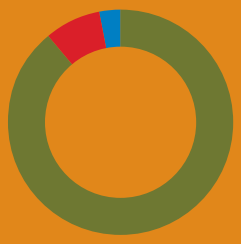
THE TOP 10 IA SECTORS MOST RESEARCHED BY PARAPLANNERS OVER THE PAST MONTH

1 MIXED INVESTMENT 40-85% SHARES	3 MIXED INVESTMENT 0-35% SHARES	5 UK ALL COMPANIES	7 VOLATILITY MANAGED	9 GLOBAL
2 MIXED INVESTMENT 20-60% SHARES	4 PERSONAL PENSIONS	6 UK EQUITY INCOME	7 FLEXIBLE INVESTMENT	10 TARGETED ABSOLUTE RETURN

THE OECD HAS SUGGESTED THE UK SHOULD MOVE TO A SINGLE RATE OF PENSION RELIEF OR AN ISA PENSION SYSTEM. DO YOU BELIEVE THE UK SHOULD:

ADOPT SINGLE RATE RELIEF	40%
ADOPT ISA PENSION SYSTEM	4%
KEEP CURRENT SYSTEM	36%
UNSURE	20%

DO YOU BELIEVE MORE PEOPLE WILL START TO TRANSITION GRADUALLY INTO RETIREMENT RATHER THAN TAKE A CLIFF-EDGE APPROACH?



YES	89%
NO	8%
UNSURE	3%

ARE YOU SEEING ANY SIGNS OF THIS RETIREMENT TREND AMONGST YOUR CLIENTS?

YES	83%
NO	12%
UNSURE	6%

YOUR QUESTIONS ANSWERED

In this section we present the answers to questions asked by paraplanners. If you'd like to ask a question of your peers, just complete the section at the end of our monthly Parameters survey or email: robkingsbury@researchinfinance.co.uk

HOW INVOLVED ARE YOU IN THE ADVICE REGARDING DB PENSIONS TRANSFERS?

FULLY INVOLVED IN PLANNING, INCL. CLIENT MEETINGS	15%
FULLY INVOLVED BUT DO NOT ATTEND CLIENT MEETINGS	33%
I UNDERTAKE CERTAIN ELEMENTS	20%
NO INVOLVEMENT	15%
WE DON'T UNDERTAKE DB PENSIONS TRANSFERS	17%

HOW OFTEN IS THERE A DIFFERENCE OF OPINION BETWEEN YOU AND THE ADVISER ON THE BEST OUTCOME FOR A DB PENSIONS TRANSFER?

RARELY	31%
OCCASIONALLY	29%
ON A REGULAR BASIS	8%
NEVER	32%

TOTAL RESPONDENTS TO SURVEY THIS ISSUE: 103

SURVEY PRIZE DRAW

Congratulations to Gillian Goosen, Principal Financial Planning, who is the winner of last month's survey prize draw of £50 worth of Amazon vouchers. Don't miss out on your chance to win a similar prize by completing the monthly survey. Keep an eye out for our email. And if you have any questions that you'd like us to pose to your fellow paraplanners, just fill in the section at the end of the survey form.

SIDEWAYS INHERITANCE

The incidence of divorce and re-marriage amongst baby-boomers can make inheritance fraught with difficulties and requires talking to clients about their wishes, wills, trusts and tax, says John Humphreys, inheritance tax specialist at WAY Investment Services Ltd

Dealing with inheritance issues can be an extremely sensitive matter. How much to pass on and to whom is not always an easy question to ask, especially when families trees are complex.

Recent figures have shown that although divorce rates are, encouragingly, falling overall, it is more typically millennials that are staying together whilst the baby boomer generation are, sadly, actually splitting up in greater numbers. Research by The Resolution Foundation in 2017 revealed that the baby boomer generation hold over half of the UK's £11 trillion wealth, thanks to significant house price inflation, good long-term investment returns and the benefit of final salary pension schemes. This group are also more likely to marry again, which creates an urgent need for discussion and advice about inheritance.

Remarriage means that the majority of the estate will automatically pass to the new spouse, unless a Will states otherwise. This means that children from a previous marriage can suddenly be removed from the natural inheritance line and children from a later marriage, even if no blood relation, may stand to inherit the majority of an estate instead.

Such as a case of 'Sideways Inheritance' was famously illustrated through the family of Pink Panther actor Peter Sellers. On his death, almost of all of his multi-million-pound estate passed to his fourth wife, Lynne Frederick. She went on to marry again and had a child. When Lynne Frederick died she left all of her wealth to her daughter. Meanwhile Peter Seller's three children from previous marriages inherited just £800 each.

It is essential for advice teams to alert clients to the rules as many may rather wish for a more equitable division of their estate between their children. Clients either divorcing or remarrying should first be urged to review and update their Will, and not least make a Will if they haven't done so already. Financial plans need to work alongside the Will – starting with a review and update of any Pension Scheme and Death-in-Service nomination forms.

Families concerned about what the future might hold may wish to consider establishing trust arrangements to safeguard their family wealth

Trust arrangements

Families concerned about what the future might hold may wish to consider establishing trust arrangements to safeguard their family wealth. Such planning primarily ensures that assets are passed on to those they are intended to, and only as a secondary consideration may form part of an appropriate strategy to manage an Inheritance Tax liability (IHT).

Making gifts to a flexible reversionary interest trust is one method of ensuring that assets will pass to named beneficiaries, a key advantage being that payments (as

reversions) can be made to the settlor, if required, at the discretion of the Trustees. There is no immediate tax charge on gifts up to the value of the nil-rate-band (NRB). Such arrangements can be appropriate for many families to safeguard inheritance for those to whom it is intended. Clients with significant estates can repeat the process every seven years to recycle their NRB.

Another option appropriate for some families are bare trusts, where gifts can be made as Potentially Exempt Transfers (PETs) with no immediate tax charge. However an important point to note is that once beneficiaries reach the age of 18 they obtain full access to the trust, with the age being even lower in Scotland at just 16.

Normal expenditure from Income

Paraplanners should also be clear on the rules regarding normal expenditure from Income. These rules allow an individual to immediately remove 'surplus' income from their IHT assessable estate.

In order to qualify for immediate IHT exemption, gifts must follow three rules: firstly, they must be intended to be regular, secondly they must be from surplus taxable income, and thirdly they must not impact on the standard of living of the donor.

Again, if the gifts are made into a flexible reversionary interest trust, the settlor can retain a degree of access to the assets through reversions, at the discretion of the independent trustees.

There are two further points that paraplanners should raise with clients setting up trusts.

Firstly, there are notable benefits in choosing independent and professional trustees to manage a trust, not least where the complexities and delicate balances of family relationships come into play.

Secondly, although not legally binding, clients should consider writing a Letter of Wishes for the trustees. Such a document can provide valuable information to the trustees as to how the settlor wishes assets to be managed and distributed during their lifetime and after. As with the Will, it should be also be reviewed and updated regularly and crucially at the point of any divorce or remarriage.

Family life is rarely straightforward, and inheritance is just one issue that can be fraught with difficulties. Advice teams need to be on hand to tackle the challenge, providing solutions that are robust legally and fiscally and that match the wishes of family members. Getting the planning right early can save an awful lot of heartache later on.

PROFESSIONAL PERFECTION

A structured training and development programme, focussed on the key areas beyond qualifications, is key to helping achieve professional excellence, says Michelle Hoskin, managing director Standards International

So, we have set our sights on professional perfection, but let's be honest – none of us knows what that actually looks like. We talk about qualifications; we talk about experience; we talk about just being amazing at our job... but are all these things enough? I am sorry to say, I don't believe they are.

Now, before I dive in, I'd like to clarify one thing to make sure we are on the same page. Without wanting to sound like a broken record, qualifications alone are not going to help us to achieve the professional excellence we hope they will.

I see it all the time: announcements of proud examination passes and academic achievements. Do these make a paraplanner everything the market needs? Are they at the top of their technical game? Have they gone as far as they can go?

The simple answer is 'no'.

Technical knowledge and academic achievements provide the footing on which your professional journey as a whole will grow, but what comes next? This is such a big area for consideration it is no surprise that it was high on the agenda for the professional committee that drafted The Paraplanner Standard™. It was a topic that was discussed long and hard and I was relentless in my pursuit of getting the new approach on the table, and then formulated into a model that could be embraced across the sector, both nationally and internationally.

What transpired over the following weeks and months was a structure that, through its simplicity, creates clarity and provides a breakthrough in training and development.

The problems were speaking for themselves. Adviser firms were constantly saying that they had paraplanners who were super-smart but who just didn't have the application skills to transfer their knowledge into usable solutions and strategies. Or that paraplanners were great on their feet and their experience was extensive, but they just didn't 'get' how the market was changing. However, the most common comment made was that the paraplanners had breadth to their knowledge but very little depth – almost as though they had been shot out of a 'training rocket' and only picked up the high-level textbook knowledge as they flew through the process.

Before the drafting of The Paraplanner Standard™ started, all I could do was sympathise from a distance and share in their frustrations. However, I was determined to make the changes that the profession so desperately needed. The New Standard of Professional Excellence™ was born.

Technical knowledge and academic achievements provide the footing on which your professional journey as a whole will grow, but what comes next?

How the New Standard works

As you can see from the diagram, there are several levels to achieving the ultimate standard of professional excellence. As you would expect, technical knowledge and academic achievements provide the foundation on which an individual can grow.

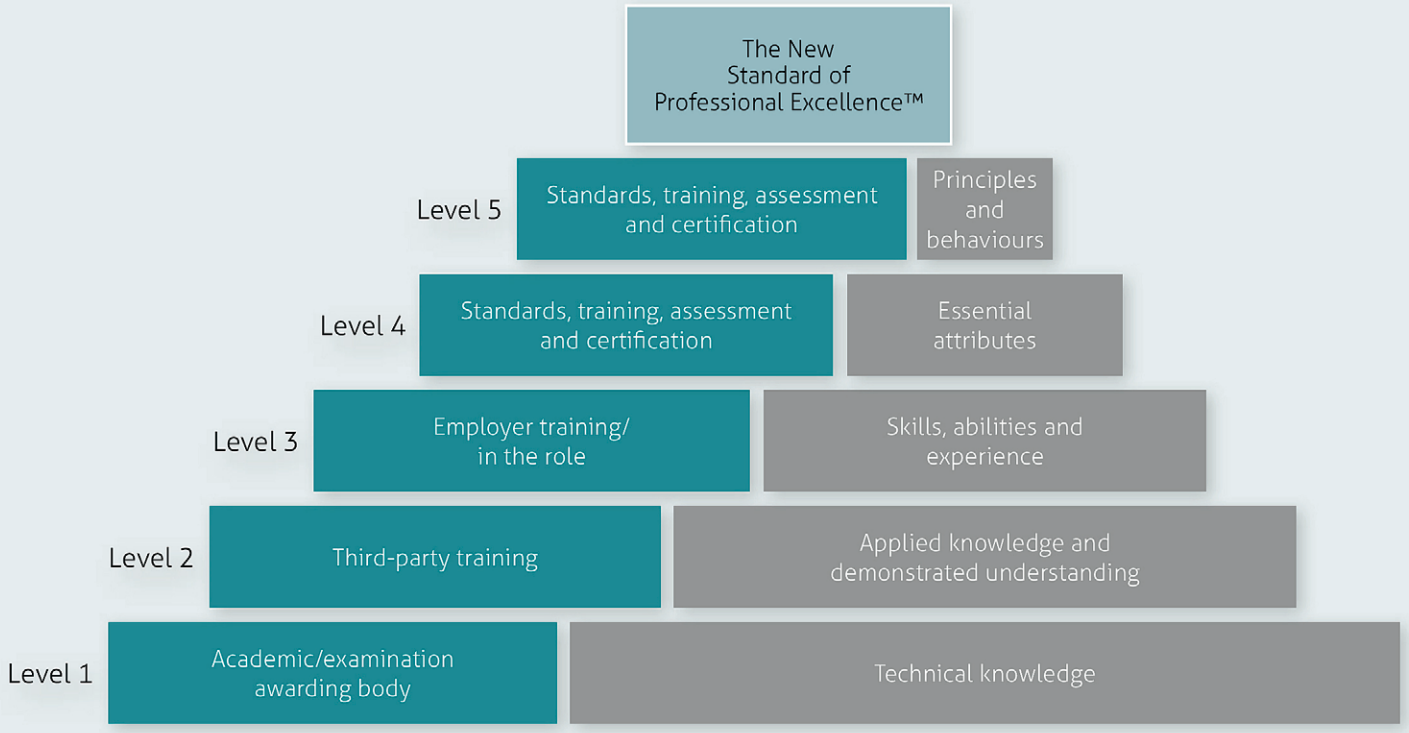
Without this understanding there would be no context to what would follow. The sources and methods of learning can differ so much, and with so much choice in the marketplace today it ultimately boils down to personal preference and learning style.

What I would say is that – despite these mixed messages – there are still a number of government initiatives and apprenticeship programmes available, with accessible financial support. So, if you are still interested in kickstarting your technical knowledge, then it would be worth reaching out to us for more information.

After Level 1, we take the step into third-party training. It is crucial that this level of training comes from independent experts and specialists from across the sector. An objective and impartial view of the professional landscape is always a valuable thing. Again, there are many sources and options available so, once you

The New Standard of Professional Excellence™

The timescales to achieve each level of professional excellence will be dependent on the individual and their training and development programme. Only when an individual has ascended through each level will they be able to meet all of the requirements as defined in The Paraplanner Standard™.



have established the full scope of your role, you will be able to design (with some help if needed) a personalised training and development programme.

Level 3 in my view is where it starts to get really exciting! Every employing firm should allow the appropriate amount of time for the training of all team members. Short-cutting this process will create more problems later on! It's just not worth it – get it right first time!

Employer and in-the-role training are where the magic happens. It is where the skills and knowledge really get embedded because all of the dots start to join up. It is the quality of the training which is important here – not necessarily the amount of time spent on it. But sadly, in most cases trainees are short-changed on both accounts.

In-house training and mentoring should be structured, well planned and beautifully executed. Giving the trainee space to train at their own pace and to suit their style of learning is essential – no one learns well when they have their back against the wall with a shotgun to their head!

For all of the team leaders and managers reading this – if you ever 'pull' a trainee away from training, you must make sure that a full explanation is given and that the training is put straight back into the diary. It is a common problem and there is nothing more demotivating than being told 'you are too busy to go on training'!

As we reach the top of the summit, the essential attributes, principles and behaviours take centre stage. It is here where an individual elevates from ordinary to extraordinary.

Ask any financial planner or adviser what makes a paraplanner special and they will say that it is their whole outlook on the role, their desire to be the best and push harder, their level of self-motivation, their organisational skills, their general forward-thinking approach and their willingness to help. This is what makes the best the awesome!

DATA: STILL THE WORD ON EVERYONE'S LIPS

Mark Loosmore, executive general manager, wealth, IRESS looks at what we might expect on the tech front in 2019

When I look back at 2018, I think we can safely say it was another transitional year for financial services. Data was thrown into the spotlight, there was a hefty weight of regulation to contend with, not least GDPR, and with political and economic uncertainty added into the mix – there was never a dull moment.

The legacy of what was quite a year has meant there are some interesting areas to watch in financial services. Here is what I think are the areas to watch for in our industry over the coming months.

GDPR highlighted significant gaps in the way businesses retain and digitise information, so we've seen a noticeable rise in activity involving digitalisation and data analysis for the purposes of compliance and monitoring. As we look ahead, data is going to continue to be the word on everyone's lips.

The fastest growing area of focus

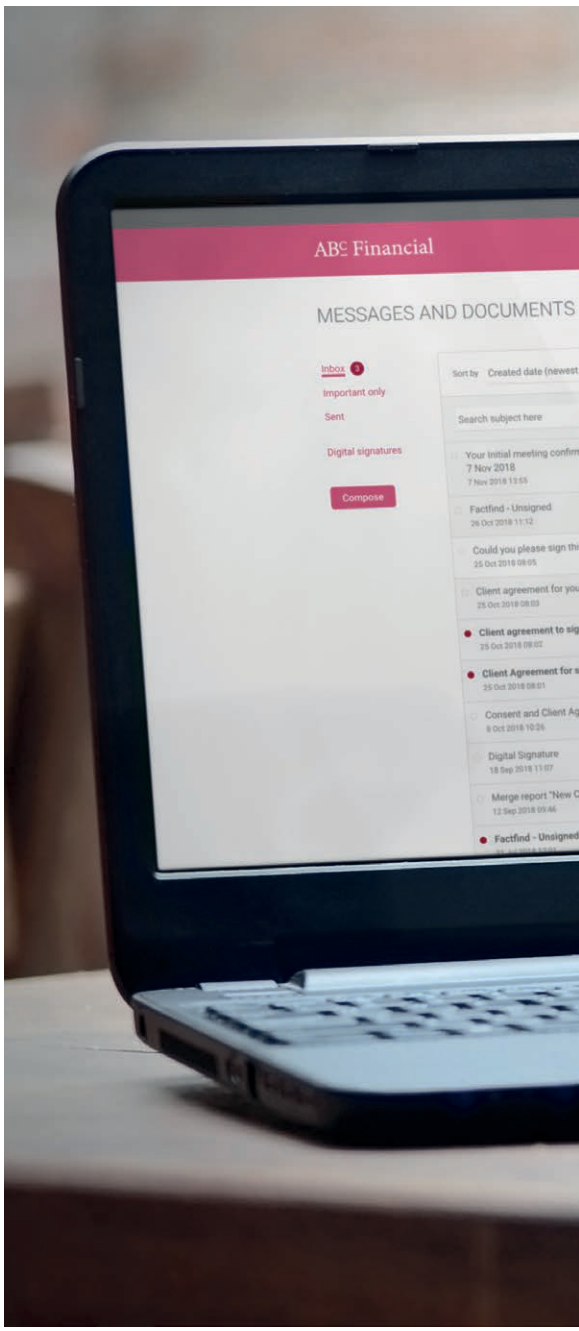
I think this coming year will bring a realisation that data underpins effective oversight. And with reliable data quality for supervision purposes, there will be some real opportunities for our industry to think about what benefits automation can achieve.

That said, the devil is in the detail. Data quality, in terms of relevance and accuracy, is quite difficult for a lot of financial firms – due to the sheer scale of data they hold in unconnected systems and files. Many small and medium-sized businesses will have their work cut out to achieve that.

If data is being managed via multiple sources and systems, these often have inconsistent and incomplete data and represent a major headache for most businesses. Unless you've got good data, you can't automate or predict, and emerging data opportunities through AI can't be pursued.

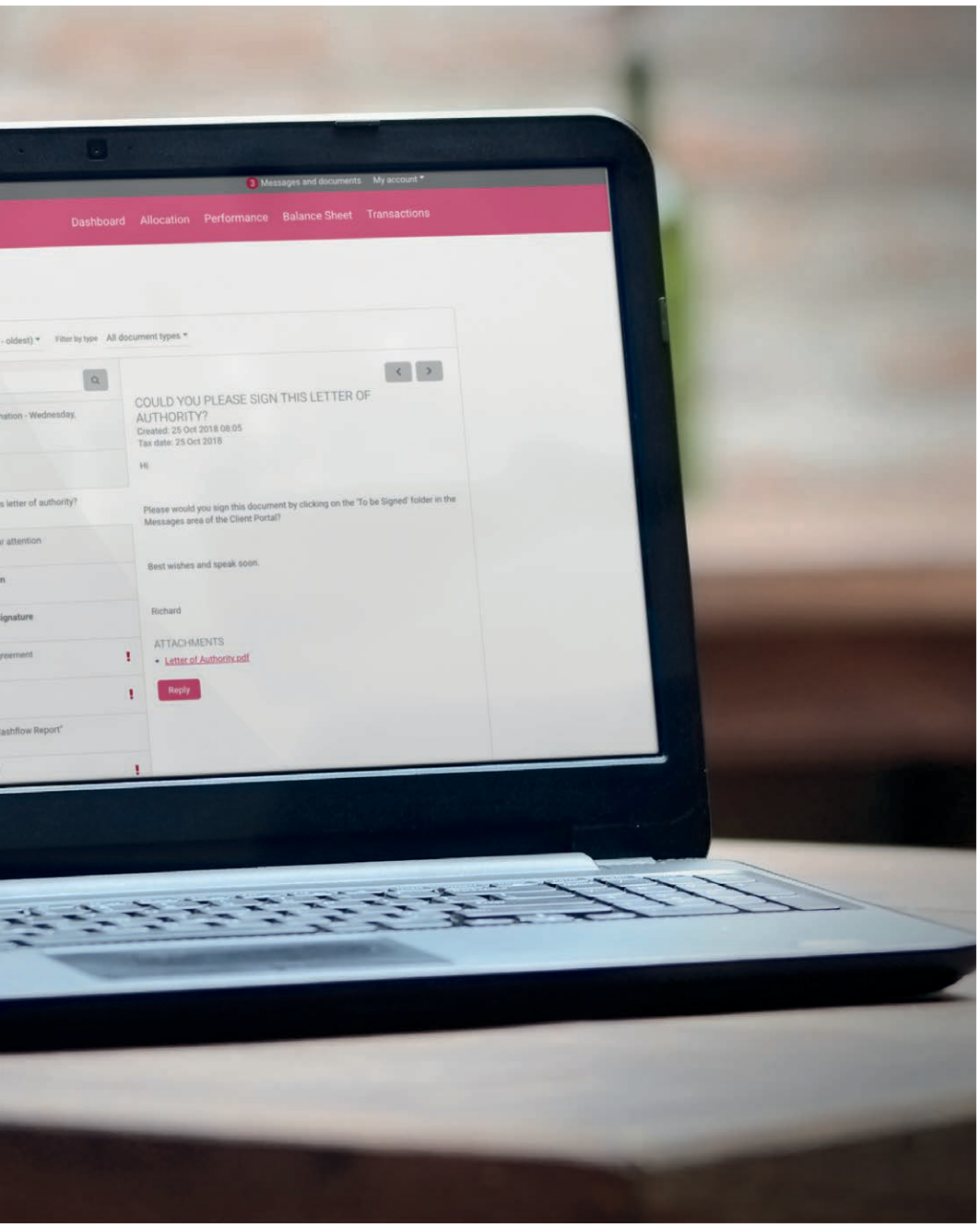
If you're on top of it data could mean AI will play a bigger role in providing the insights to help make decisions, particularly across advice.

> ***With reliable data quality for supervision purposes, there will be some real opportunities for our industry to think about what benefits automation can achieve***



Finding the right digital solutions

The benefits of adding new digital tools and systems will be increasingly felt as part of a wider, more



sophisticated strategy by more and more practices as we continue through the last year of this decade.

Digital engagement with end clients is going to be more about creating one system across your business in order to optimise data and offer a great experience for clients, however they choose to engage with advice and guidance.

Client portals are becoming increasingly vital to financial services businesses providing personalised and convenient self-service access, including the ability for advisers and clients to communicate securely and efficiently with each other.

Any digital strategy that is well executed and provides a high-quality experience is one that's optimised through every service channel. And it all points to a shift in focus from one-off transactions and interactions to an approach with continuous engagement and experiences that drive greater value, client interaction and loyalty.

Those businesses wanting to take the lead could look to conversational interfaces and bots as consumers' use of voice technology (including Amazon Echo, Google Home and Apple HomePod) has progressed quickly in the past year.

Yes, there are some security challenges to navigate, so the impact of these devices has been slow in financial planning, but nonetheless they present an exciting channel for advisers to engage and update their clients as we look ahead.

It all comes back to data

Automation is one of the most exciting opportunities for financial services businesses in 2019 – especially when combined with different thinking about business strategy and operations.

Automation can play an increasingly key role in supporting advice practices to service more clients and take advantage of a broader range of unadvised opportunities.

Of course, human expertise will still play a vital role in comprehensive advice needs, and always will, but automation opens up a wide range of opportunities for savvy advice practices to better service existing clients and tap into a wider range of new clients.

Future success depends on servicing both high-touch clients and those with low-touch needs profitably while delivering heightened service experiences. Unless businesses become more automated this will be difficult for many to achieve. Again, it boils down to data; with data quality and integration both holding the key to unlocking the opportunities.

Regtech comes to the fore

I think this year we can expect to hear more about predictive compliance and machine learning as compliance moves from post-decision checking to real-time. Regtech might have moved slower than we expected in 2018, but as global regulation and costs continue to mount, a regtech boom could be on the horizon.

As I'm looking to ahead to the possibilities of what lays in store, it looks like the coming year will be another transformative one.

UNDERSTANDING THE RNRB

When undertaking a conversation with clients about tax, the Residence Nil Rate Band (RNRB) can be a good starting point, says Paul Latham, managing director, Octopus Investments

You'll no doubt be familiar with the Residence Nil Rate Band (RNRB), an inheritance tax allowance introduced in 2017 that currently sits at up to £125,000. It's available when residential property is left to direct descendants. It's likely you'll also be aware that this allowance is not as straightforward as the nil-rate band. But it's important to be clear on the RNRB, since it could save a client's beneficiaries thousands.

What is the RNRB?

With sustained rises in house prices, more people began to face an inheritance tax liability. The government recognised this and introduced the RNRB. It's an additional inheritance tax allowance

that can apply to a client's family home in certain circumstances. The maximum available RNRB depends on when a client passes away.

If a client dies between now and the 5 April 2019, the maximum RNRB allowance is £125,000. It will rise to £150,000 for client's that die in the 2019-20 tax year and £175,000 in the 2020-21 tax year. After this point, the allowance is set to rise in line with inflation. In all cases if the client's house isn't worth as much as the RNRB the estate is entitled to claim, the RNRB will be capped at the value of the house. But how much of this allowance – if indeed any at all – is available to a client will depend on their circumstances.

Passing on the allowance

The estate of the second spouse or civil partner to pass away will be entitled to a maximum allowance of double the RNRB applicable at the time of the second death. This is regardless of how long ago that first death happened, to whom the estate was left at the time, or whether they owned a property. Some exceptions to this are situations where RNRB was claimed on the first estate, or where the first estate

It's important to get to grips with the Residence Nil Rate Band so that clients can make full use of their available allowances

exceeded £2 million, regardless of whether the estate included a residence.

Which clients will benefit?

The RNRB is only available to individuals or couples who have a Qualifying Residential Interest (QRI). The criteria for a QRI is satisfied where there is ownership of a residential property that has been the deceased's main home at some point. It does not have to be a client's main residence at the time they pass away.

So while a buy-to-let property would not qualify, a property that was once the deceased's home and was later let to tenants would. Rules are in place to provide a RNRB to clients who sell their home before they pass away, for example someone who moves into care. Where the deceased owns more than one property, the executors must elect the property they wish to be treated as the QRI. The maximum amount of RNRB relief the estate can claim is limited to the net value of the home.

Who can a QRI be left to?

For a client to benefit from the RNRB, they'll need to leave their qualifying residence to a direct descendant. Direct descendants include:

- The client's children, including adopted, fostered or stepchildren.
- The client's grandchildren.
- The spouses of those children or grandchildren.
- The widows, widowers or surviving civil partners of those children or grandchildren, if not remarried at the date of death of the property owner.

A client leaving a QRI to someone who is not a direct descendent will be unable to benefit from the RNRB.

Clients with very large estates

Clients that are especially wealthy may not feel the full benefit of the additional allowance. That's because the RNRB comes with a tapering restriction. The allowance is reduced by £1 for every £2 by which the deceased's net estate exceeds £2 million. You need to recognise that value of the client's net estate for this purpose is not necessarily the same as the value on which inheritance tax will have to be paid.

Say, for example, a client leaves a donation to charity on death. The sum donated would not usually be taxable for inheritance tax purposes, but as it will be part of the net estate at death, it would still count towards the £2 million taper threshold. This is the case for assets that qualify for Agricultural Property Relief (APR) or Business Property relief (BPR), even when held for more than two years. While these are zero-rated when calculating inheritance tax, they're still part of a client's estate.

By contrast, if your client gifts assets, they no longer form part of the estate and do not count towards the taper threshold. Even if a gift were made less than seven years ago, while the gift itself could be subject to inheritance tax, it would not count towards the value of the estate when assessing RNRB.

Maximising available allowances?

You should bear in mind that traditional estate planning strategies could inadvertently reduce the relief available to an estate. Take, for example, gifting. Since the RNRB applies on the death of a homeowner, if a home is transferred to a direct descendant as a lifetime gift, the RNRB will not be available to offset against that transfer. But the RNRB would be available should a QRI be left to a direct descendant on death.

Equally, if a client plans on using a trust to reduce an inheritance tax liability, there are potential traps that you need to be mindful of. If you have a client who plans to settle their home into trust by will when they die, the RNRB may not be available depending on the type of trust. If a client plans to settle their home into a discretionary trust either upon death or during their lifetime, the RNRB will not be available in most cases, regardless of who the home is left to.

Action points

It's important to get to grips with the RNRB so that clients can make full use of their available allowances. At the same time, it will also help you plan for clients. You can use an online 'RNRB calculator' to see how a client might benefit from the allowance. It's also a good place to start the discussion of estate planning with a client.

THE MOVE TO ESG

Is ESG box ticking or fundamental to a process? Darius McDermott, managing director, FundCalibre, looks at why ESG is increasing being mentioned in fund manager meetings

FundCalibre's research team meets about five fund managers every week. A year... maybe two years ago, only around 10% of these managers would mention environmental, social and governance (ESG) issues.

These managers were those that have had ESG at the core of their process for decades – indeed at the core of their own company culture: Stewart Investors, First State Investments, Aberdeen Standard Investments, Rathbones and EdenTree, to name a few.

However, last year, nearly every single manager we met made a passive reference to ESG – or a slide had miraculously appeared at the end of their presentation.

While, on the face of it, it is very encouraging, is it simply a fad? Is it a 'box to tick' in order for investors to even consider a fund? Is it a reaction to criticism of active managers and the lack of action when it comes to 'bad' company behaviour? Or is it a genuine

move towards greater engagement from institutional shareholders, a desire to invest more responsibly and the increasingly urgent need to address issues facing our environment?

Time will tell. But there are steps we take as fund selectors to really understand the stance of individual managers and asset management companies. Here are four ESG questions to get you started:

1. What is your ESG policy and how do you report on your engagement?

If there is no policy in place it is a dead give away that mention of ESG is a marketing ploy, not an investment principle. The policy doesn't have to be huge but it does need to be in place and how ESG is included in the investment process clearly stated.

A report, I feel, does need to be more detailed and to take place at least annually. The best I have seen provide data and examples, not just commentary or general insight on issues. I want to see a list of key issues the company is focusing on. I want to see evidence of engagement and voting and, importantly, outcomes and next steps.

First State and EdenTree have particularly good reports. I can see how they have voted and why, I can see tens, even hundreds of examples of company engagement and the results. I can also see ambition: they don't just focus on individual companies to promote positive change, they engage with whole industries - or even countries in the case of First State: its 2018 responsible

While, on the face of it, it is very encouraging, is it simply a fad? Is it a 'box to tick' in order for investors to even consider a fund? Or is it a genuine move towards greater engagement?

investment and Stewardship Report is actually fascinating reading.

2. Give an example of a company you have engaged with in the last 12 months: what you wanted to achieve, who you spoke to and what the outcome was.

Having a policy is one thing, giving concrete examples is another. How much is ESG reflected in that particular fund? Or is the engagement and reported voting down to other colleagues and other mandates? If the manager holds a company you know has faced issues recently, ask about it directly. We've recently asked questions of Unilever and GlaxoSmithKline holders, for example.

3. Have you decreased, divested completely, or increased a holding due to ESG considerations in the past 12 months?

Again, actions can speak louder than words. Engagement is wonderful but is any action taken afterwards? At what point does a fund manager decide that the company isn't going in the direction they think right? Or, on the other side of the coin, do they invest more as positive change starts to come through? I understand that many issues can take time to resolve or correct, but there should be evidence of some action.

4. If your process involves scoring holdings, which three have the lowest score, and why are you investing in them?

This is an interesting one and, for me, tests the depth of ESG in a process. Does a manager apply the process to all holdings in the fund or are some companies just too good (in terms of growth potential, not behaviour) to pass up?

These low-scorers may well be the companies with which the fund manager is currently engaging the most. That's great. But if they struggle to answer, there is more work to be done embedding the ESG principles into the fund investment process.

COMMIT TO IMPROVE

Make 2019 your year for significant self-development, because you never know what's around the corner, says Jacqueline Lockie, head of Financial Planning at the Chartered Institute for Securities & Investment

According to the exercise data software provider, Strava, 18 January was the day most of the world gave up their New Year's resolutions. They collect exercise data from millions of people globally and this year they've started looking at the trends. You might be interested to know that in 2018 we all gave up our New Year's resolutions on 12 January; so, it seems we have a little more willpower this year. Is this you? I'm still sticking to mine, so far anyway.

Looking globally, we've seen a big step-change in the qualifications required to be a financial planner in Australia. You might have seen some recent press coverage about that. Some UK commentators have voiced their view that the FCA should implement the same sort of thing here. Don't know about you, but I'd not be particularly happy to be forced to go to university to pass more exams to 'prove' that I have sufficient technical knowledge.

There is much discussion in Australia at the moment about the impact of the qualification changes on the planners' businesses and the knock-on effect that many who are coming up to age 60, are saying that they will retire now rather than take five years of hard work at university, only to retire at 65. I can see their point.

I was having an interesting debate with a friend of mine from Adviser Ratings, Australia this week about this very subject. My observations about what's happening there were that technical knowledge was all well and good for the profession, but, and it's a big but, technical knowledge is only part of the picture; we all need to be able to apply this technical knowledge in a reliable, structured fashion. The benefit of doing this is to aid understanding and give a better service to clients and a side effect would be to demonstrate compliance with regulatory requirements for product advice.

A structure like this would help planners build a sustainable financial planning business as well.

Threat to Paraplanning

With more businesses being wound up or sold, and with the increasing use of artificial intelligence (AI), as well as the development of more sophisticated software that does sophisticated analysis, commentary globally has begun to speculate about a reduction in the need for a paraplanning role.

Personally, I'm not sure I agree. My reasons for not agreeing are as follows:

- AI cannot research all the different products and investments that clients have and understand the nuances about why the clients made those decisions to buy/sell a particular product at the time. Quality of data that goes into any software system needs to be 100% accurate. AI certainly cannot do that right now. AI will certainly improve business efficiencies and drive down costs to clients.
- AI cannot 'listen to understand' (see my last article about this). I expect it is learning to do this but as we've seen where AI robots are built, they have limited capabilities at the moment.
- Yes, some businesses will be dissolved, and others will be sold with staff possibly being made redundant, but those clients still need a good level of service, so where does that come from? I don't think planners can do all that is required alone.
- Skills is where I see the biggest difference. A paraplanner's role is not just about inputting accurate data! We have skills, a thought process to apply to help understand clients and get the best outcomes. You might argue that AI could also get the 'best' outcomes. But as we know, the best outcome isn't necessarily the most financially efficient outcome.

So, if you have given up your New Year's resolution already and it included improving your skillset, commit to start afresh and make 2019 a year for significant self-development.

Technical knowledge is all well and good for the profession, but, and it's a big but, technical knowledge is only part of the picture; we all need to be able to apply this technical knowledge in a reliable, structured fashion

CONTINUING PROFESSIONAL DEVELOPMENT VERIFICATION TEST

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

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

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

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

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

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

Professional Paraplanner CPD questions for Structured CPD verification

The Year ahead (p10)
Name three challenges paraplanners say they envisage in 2019.

1.

2.

3.

Business exit planning (p12)
Name one advantage of a SSAS over a SIPP in respect of a business exit.

Business exit planning (p12)
Within a SSAS specific assets can be designated to specific members.

☐ True
☐ False

Discretionary will trusts (p14)
At what three points can discretionary will trusts be subject to IHT charges.

1.

2.

3.

Discretionary will trusts (p14)
If a discretionary will trust is set up in a lifetime, the money settled into it is a chargeable lifetime transfer.

☐ True
☐ False

TDQ: Income tax (p18)
Grossing up interest from a corporate bond holding would require dividing by:

☐ 0.7
☐ 0.8
☐ 0.9

Sideways inheritance (p22)
In a bare trust, gifts can be made as Potentially Exempt Transfers (PETs).

☐ True
☐ False

Sideways inheritance (p22)
Name one example of normal expenditure for IHT purposes.

Understanding the RNRB (p28)
The Residence Nil Rate Band allowance for the 2019/2020 tax year will be a maximum of:

☐ £125,000
☐ £150,000
☐ £175,000

The move to ESG (p30)
What does the acronym ESG stand for?

DATA DOWNLOAD

Monthly facts and figures on investment performance, risk v return, outflows and inflows, and the most analysed areas of the market. Data to 31 December 2018, provided by FE

BEST RATED FUNDS

3 year Cumulative Performance | FE Alpha Manager Rated | FE Crown Fund Rating

IA			
Lindsell Train Japanese Equity	73.36	✓	5
Janus Henderson Latin American	67.2	✓	5
Lindsell Train Global Equity	65.96	✓	5
Morgan Stanley Global Opportunity	61.82	✓	5
Fidelity Asia Pacific Opportunities	60.38	✓	5

AIC			
Schroder Asian Total Return	82.79	✓	5
Baillie Gifford Monks Investment Trust	72.02	✓	5
SVM UK Emerging	39.21	✓	5
Frostrow Capital, Finsbury Growth & Income Trust	35.52	✓	5
Premier Fund Managers Acorn Income	-4.87	✓	5

BEST PERFORMING FUNDS IN TERMS OF RISK VS RETURN

3 year Cumulative Performance | FE Risk Score

IA		
BNY Mellon Brazil Equity	138.68	228
HSBC GIF Brazil Equity	114.03	238
Pictet Russian Equities	99.04	178
JPM Brazil Equity	97.48	222
BlackRock GF World Mining	95.67	206

AIC		
Oxford Technology 2 VCT	239.31	281
Warana Capital Alternative Liquidity	221.18	348
Baker Steel Resources Trust	206.9	155
Triple Point Income Vct	176.63	847
Phoenix Spree Deutschland Limited Shares	142.31	177

RISKIEST SECTORS

3 year Cumulative Performance | FE Risk Score

IA		
China/Greater China	38.12	172
Japanese Smaller Companies	47.55	156
North American Smaller Companies	43.18	145
Technology & Telecommunications	59.47	140
North America	40.97	132

AIC		
Country Specialists: Latin America	75.65	202
Biotechnology & Healthcare	24.31	183
Country Specialists: Europe	95.3	175
VCT Specialist: Health & Biotech	-6.63	171
Latin America	70.95	164

OUTFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	Out (£m)
SLI Global Absolute Return Strategies	21,186.70	12,624.10	-926.75	-7,635.85
BlackRock NURS II Consensus 85	9,150.65	1,718.41	-192.97	-7,239.28
LF Woodford Equity Income	8,253.59	4,977.31	-808.33	-2,467.96
Newton Real Return	10,320.28	7,783.70	-143.72	-2,392.86
GAM Continental Euro Equity	1,892.72	12.25	-163.32	-1,717.14

INFLOWS

Fund name	Size 1y ago (£m)	Size now (£m)	Performance Effect on Size (£m)	In (£m)
Fundsmith Equity	12,896.35	16,911.77	1,570.69	2,444.74
Vanguard LifeStrategy 60% Equity	3,404.82	4,690.67	51.50	1,234.35
SSgA UK Equity Tracker	4,791.29	5,784.75	-110.31	1,103.77
Royal London Global Equity Diversified	51.05	1,113.99	2.89	1,060.05
L&G Gbl Dev Four Factor Scientific Beta Idx	196.72	1,349.60	141.30	1,011.58

Data provided by FE

BEST PERFOMING SECTORS

3 year Cumulative Performance

IA

Technology & Telecommunications
59.47

Japanese Smaller Companies
47.55

Global Emerging Markets
43.63

North America Smaller Companies
43.18

Asia Pacific Including Japan
42.05

AIC

Country Specialists: Europe
95.3

Tech, Media & Telecomm
94.33

Country Specialists: Latin America
75.65

Forestry & Timber
71.26

Latin America
70.95

FE Crown Fund Rating: FE 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 Crowns, the next 15% receiving four Crowns and each of the remaining three quartiles will be given three, two and one Crown respectively.

MARKET'S EYE VIEW

Which are the most researched sectors, which the most viewed factsheets and which the most charted funds? FE provides Professional Paraplanner with data for the past month showing where financial adviser and planner firms have been conducting their research.

MOST RESEARCHED SECTOR

	IA	AIC
1	UK All Companies	UK Equity Income
2	Global	Global
3	Mixed Investment 20-60% Shares	Private Equity
4	Unclassified	UK Smaller Companies
5	Targeted Absolute Return	Flexible Investment

MOST VIEWED FACTSHEETS

	IA	AIC
1	Fundsmith Equity	Scottish Mortgage Investment Trust
2	Vanguard LifeStrategy 60% Equity	F&C Investment Trust
3	LF Lindsell Train UK Equity	InfraRed Capital Partners HICL Infrastructure
4	Jupiter European	Finsbury Growth & Income Trust PLC
5	LF Woodford Equity Income	Gravis Capital Man Infrastructure Investments

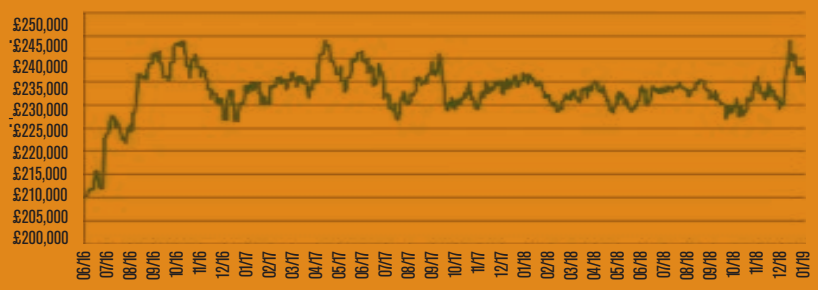
MOST CHARTED

	IA	AIC
1	Fundsmith Equity	BG Scottish Mortgage Investment Trust
2	Vanguard LifeStrategy 60% Equity	Personal Assets Trust
3	Vanguard LifeStrategy 40% Equity	InfraRed Capital Partners HICL Infrastructure
4	Vanguard LifeStrategy 80% Equity	F&C Investment Trust Plc
5	LF Woodford Equity Income	Woodford Patient Capital Trust

PENSION TRANSFER VALUE INDEX

XPS PENSIONS GROUP TRANSFER VALUE INDEX: 1 JUNE 2016 – 1 JANUARY 2019

Pension transfer values as measured by the XPS Pensions Group Transfer Value Index increased by 2.3% over December 2018, but during the month the index was the most volatile it has been since September 2017. The difference between maximum and minimum readings over December 2018 was £14,000 (or around 5.9%). Transfer values jumped sharply in early December before gradually falling again towards the end of the month. These movements were primarily driven by changes in gilt yields, which dropped by almost 0.5%, before recovering towards the end of the month. Inflation was also volatile, but less so, and ended slightly down over the month. Despite being relatively stable throughout 2018, transfer values suffered a volatile December. This volatility may continue through the first quarter of 2019 as economic uncertainty around Brexit persists.



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

Source: XPS Group