



**The true value of  
financial planning**



## The true value of financial planning

At Holden and Partners, we believe financial planning is about so much more than investment returns. It's about using your wealth to achieve your goals and aspirations while giving you peace of mind and confidence.

A financial plan is about you, not just your money. However, defining the true value of financial planning can be tricky as many of its benefits are intangible. Firstly, though, let's address those which are more tangible.

### The financial return

In 2017, The International Longevity Centre, the UK's specialist think tank on the impact of longevity in society, conducted long term and in-depth research into the value of financial advice. The study compared people who received advice between 2001 and 2007 with those that didn't. The same two groups were then reviewed again between 2012 and 2014.

The results make for powerful reading:

- By the end of the study, those who took advice accumulated on average £41,099 more in pensions and investments, net of charges.
- Those who took advice were more likely to save and invest
- Nine out of ten people were satisfied with the advice they received



Further research from asset managers Vanguard confirms the financial benefit from taking advice. They introduce the concept of an 'Adviser's Alpha' as the difference between the return investors may achieve with an adviser and those achieved without.

It then defines seven key areas where planners add value, before estimating financial values for each.

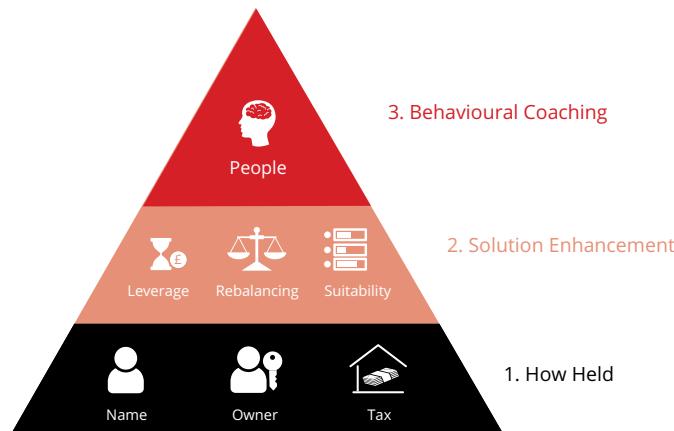
This arrives at a total 'Adviser Alpha' of approximately 3% per year, net of charges spread between tangible (for example, the effective use of tax allowances) and intangible benefits (for example, behavioural coaching).

In an age of low interest rates and relatively low inflation, 3% is a significant benefit and is far greater than the annual cost of financial planning.

More recently, research from Quilter Cheviot examined the behaviour of individuals who hold investment products but did not take financial advice in the selection of those products and do not take any ongoing advice as to their management.

As part of the research, they were able to contrast the behaviour with the experiences of advised investors. By using robust academic assumptions, a numerical value was applied to all elements of service an adviser provides in order to form an objective comparison. This numerical value is the difference that taking advice makes to a client, compared to going alone. Where Vanguard introduce 'Adviser Alpha', Quilter have called this 'Adviser Delta', however the premise is the same.

### **Adviser Delta is comprised of three elements:**



Quilter believe that most unadvised customers who currently build their own investment portfolios would experience better financial outcomes if they:

- took professional financial advice on how to hold their assets in the most appropriate way.
- invested in the way usually recommended by professional financial advisers.
- built a trusted relationship with a professional financial adviser and followed their advice on an ongoing basis.

By comparing all the activities typically undertaken for an advised client in each of the three elements in the chart below Quilter has compared the outcome with that of a typical unadvised investor. Quilter has then been able to calculate a Delta figure that shows the difference advice makes.

<b>How Held</b>	Whose name it is in, the ownership (and who will benefit from it) of the asset, and the tax treatment of any wrapper or tax shelter it is placed in. This is the underpin of advice and hence is shown at the base of the Delta.	0.85% p.a.
<b>Solution Enhancement</b>	The 'extras' that a customer gets because they implemented a solution with an adviser's help. For example, collective buying power to leverage price or obtain product enhancements, the impact of properly managed portfolios in terms of asset allocation, diversification, rebalancing and monitoring and ongoing suitability.	4.65% p.a.
<b>Behavioural Coaching</b>	The value advice adds by ensuring clients do the right things, at the right time, to realise their financial goals. For example, stopping them from over-trading, preventing them from panic selling, reassurance that no action is required, creating a financial plan rather than a series of unconnected actions, being a trusted source.	0.735% p.a.
<b>Total</b>		<b>6.235% p.a.</b>

The Delta figure is gross of charges and will vary from customer to customer depending on their unique personal circumstances.

## The seven areas are:



**1. Suitable asset allocation using broadly diversified funds**



**2. Portfolio rebalancing**



**3. Cost-effective implementation of recommendations**



**4. Behavioural coaching by encouraging discipline at times of heightened uncertainty**



**5. Ensuring effective use of tax allowances and asset location**



**6. Developing spending strategies**



**7. Total-return versus income investing**

## The intangible benefits

Intangible benefits fall into three key areas:



### 1. Peace of mind

In our increasingly stressful and chaotic lives, knowing that your finances are being carefully managed by a team of dedicated professionals can really help reduce the burden; especially in this time of political and economic uncertainty.

This allows you to live in the present, appreciating and enjoying your life without the fear of running out of money.. By engaging us, we can build a fulfilling plan, offering guidance and reassurance along the way, exploiting opportunities as they arise.

We can help you understand how to protect your wealth and your family from risks, such as your premature death, or inability to work due to ill-health, as well as helping to mitigate largely preventable Inheritance Tax.



### 2. Expertise

To an extent, qualifications can be demonstrated by certificates and experience, but there's no substitute for the trust gained when you speak to an expert in their field.

We are a firm of Chartered Financial Planners; the gold standard of financial planning. In addition, several of our advisers are affiliates of the Society of Tax and Estate Practitioners (STEP), a globally recognised professional organisation specialising in family inheritance and succession planning. This provides our clients, as well as the solicitors we work with, with confidence that we can competently deal with complex inheritance tax and estate planning, alongside their lawyers.

As well as being highly qualified, we have an in-house investment management team who are also specialists in ethical, thematic and sustainable investments. The concept is simple: investing in a way that acknowledges future threats and opportunities, whilst considering a wider range of issues than past performance to assess potential returns. We use our expertise in this area to identify forthcoming trends and industries of the future. Examples of this approach include our long-term focus on renewable energy, efficiency technologies, sustainable forestry and the opportunities around water as a commodity.



### 3. Clarity

Financial planning goes beyond simply telling you which product to use, or which investment portfolio is most appropriate. We can help coach you to make better financial decisions, improve your confidence and challenge your thinking.

Emotional bias naturally occurs when we make decisions, including those relating to your money. We'll help you see when this is happening and explain why such behaviour is occurring, allowing you to make decisions based on rational logic, not your emotions.

As financial planners, it's our job to look at the bigger picture and help you consider your long-term aspirations. Some questions we can help you answer include:

- What do you want to achieve, both financially and personally?
- Can your current provisions provide your desired income?
- What action do you need to take, in order to achieve your desired lifestyle now and in retirement?
- What would be the impact to your family should you be unable to work, or worse die prematurely?

- How can you maximise the tax efficiency of your investments both now and in the future?
- Can you afford to make lifetime gifts to your children, without compromising your current and future lifestyle?

By asking the right questions we can help you build a clear strategy to achieve your aspirations, both financially and personally.

Once we have defined your goals, we can build a plan to achieve them. We can now use lifetime cashflow analysis to help you visualise your wealth and indicate how best to improve your overall position both now and in the future.

Cashflow analysis gives a graphical representation of your wealth over time, demonstrating the effect of income, expenditure, investment growth, inflation and taxation. We can also plan for big life events, which are expected or not, such as early retirement, gifting during your lifetime, or receiving an inheritance. It can, and often does, offer valuable insight into how we can help improve your financial security. We believe that having a clear, defined plan with measurable targets and outcomes is invaluable in the effort to achieve your aims and aspirations.



## When should you seek advice?

**Yes**      **No**

- Are your assets invested appropriately, taking into account your investment risk profile and financial objectives?
- Do you review your investments as your situation changes?
- Do you know how much you are paying in fees and charges for your investments?
- Do you have a trusted contact who you can approach for guidance during times of heightened uncertainty?
- Do you make full use of your tax allowances every year?
- Do you have a plan in place to draw your income as tax efficiently as possible?
- Do your investments satisfy your need for income, growth or a mixture of the two?
- Does your portfolio take account of any ethical or environmental concerns you may have?



## What's important to you?

We work with individuals and families to help them understand exactly what they want and how to achieve it. The value of financial planning is much more than the money. The many emotional benefits, the clarity a detailed action plan gives and the wealth of expertise on offer means we can help secure your future.

If you'd like to discuss how we can help you, please get in touch.



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