ADVISER FIRST

ISSUE 2 SUMMER 2017

FROM COMPLIANCE FIRST

CALM AFTER THE STORM?

What lies ahead for financial advisers: swell conditions or choppy waters?

FAMR sutra

Don't get bent out of shape by changing regulation

Your summer of events

Our sizzling line-up revealed inside

DB or not DB, that is the question...

Help ensure your clients avoid the slings and arrows of outrageous fortune

Compliance First

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WELCOME

Janice Laing
Managing Director
Compliance First

Hello, and welcome to the summer edition of Adviser First.

As I write this introduction to our latest publication, I am looking out over an unusually beautiful blue, cloudless sky as a very gentle breeze rustles the leaves of the trees outside my office window. Just like the calm ocean captured on the front of this magazine, it is hard to imagine what could disrupt such a serene image.

However, if we have learned anything from the past few months, it is that we should always be alert to the changes and challenges which can throw us completely off course.

Before the Election, we were a nation divided over the EU Referendum result, following an in/out campaign that was at times chaotic, brought little credit to either side and delivered a surprise outcome which brought largescale changes in Downing Street and the Government. Now, after the closely fought General Election campaign with its indecisive result, we have the legacy of all of that went before, compounded by a majority party which is, at the time of writing, still in discussions to enable it to retain power. Indeed, instead of going into the Brexit negotiations with the strong hand the Government was hoping for, we now have a weakened and uncertain starting point. In financial services specifically, we still have a mass of EU regulation heading our way, along with a number of far-reaching FCA reviews and consultations.

The UK's economy however remains generally robust and, despite the Election outcome, markets have proved stable whilst the lower value of the pound provides the possibility of the UK's exports leading the economy forward.

So, after a turbulent start to the year, should we expect a period of stability as everyone adjusts to the changed landscape? Or are we merely in the eye of the storm, with more uncertainty and upheaval to come?

Whatever the answer to that question, we know that consumers have never had a greater need for good financial advice. Today's uncertainties are played out instantly on a global stage and clients and potential clients need and value a trusted and experienced professional to reassure them and take them forward with confidence into the calmer waters and bluer skies we all seek and which, with your support, they will be able to enjoy.

Similarly, we at Compliance First and the SimplyBiz Group are here to provide you with guidance and support that you can trust, whatever the future brings. Our single-minded purpose is, as it always has been, to help you and your business succeed.

I hope you enjoy this edition of Adviser First, and would welcome any feedback you may have on our latest publication.

Kind regards

Janice L Laing

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CONTENTS *SUMMER*

MILLION DOLLAR MAGIC

Ken Davy
Chairman
The SimplyBiz Group

Orlando, Florida is renowned as the gateway to Disney World and the Magic Kingdom, however, for four days in June it was also home to the Annual Meeting of the Million Dollar Round Table (MDRT). With over 60,000 members from more than 70 countries, MDRT is the world's premier association of financial advisers and over 13,000 travelled to Orlando, at their own expense, from as far afield as Australia, China, India and the UK, to exchange ideas and to learn from inspirational speakers from around the globe.

Obviously, the way in which financial advice is delivered to clients varies substantially across the world. This year however, it was very noticeable that whilst some nations, particularly in Asia, still operate in a relatively unregulated environment, in many parts of the world regulation is significantly increasing. Indeed, in America, commission disclosure has just been introduced.

As a result of the international concern about the impact of regulation, I was asked to participate in a panel discussion about the challenges of transitioning from commission to fees, with a speaker from Australia and another from the US. Both had made the transition ahead of it becoming compulsory and spoke of their positive experiences, particularly in terms of being more professional and building capital value. It became clear however that the minimum fees they now had to charge (over £1,000, and £2,000 respectively) were such that most ordinary consumers could no longer afford to deal with them and vice versa.

It was equally clear from the debate and the subsequent questions that, as has happened in the UK, regulation will ultimately lead to an 'advice gap' and, surprise, surprise, a savings and protection gap. I shocked the audience by explaining that since UK regulation started in 1988 the number of advisers in the UK has dropped from about 250,000 to under 25,000, and during the same period, around 80% of UK life companies have disappeared.

These are salutary figures, which ought to cause the FCA and regulators across the world, to reflect that trying to create a so-called perfect regulatory framework carries the real danger of, metaphorically, 'throwing the baby out with the bathwater'.

'To paraphrase the FCA Chairman: we mustn't let the drive for perfection become the enemy of the good'

I believe regulators should keep in mind the fact that, too much regulation is both costly and counterproductive. Without proper access to advice, consumers will save less and have less protection. I therefore, urge regulators across the world to balance consumer protection with common sense, so as to ensure the continuation of a strong and economically viable advice sector. If they do not, no amount of 'Disney Magic' will protect consumers from the twin dangers of dying too soon or living too long.

'Value' is in the eye of the beholder

As I read the regulator's 'Sector Views' paper, issued in April, a well-known saying came to mind – one featuring glass houses and stones!

There are many key points often raised by commentators about the lack of value for money advisers have experienced from the FCA and its predecessors over the years, and I am therefore going to look through the other end of the telescope at the great value advisers provide to their clients.

'The 'savings gap' is one of the biggest ongoing issues in financial services however, research from Unbiased in 2012 showed that there was almost a 90% differential between the pension pots held by consumers who had an adviser and those who had not'

Of course, pension pots are not the only issue, there is a serious lack of understanding from many consumers about the importance and benefits of financial planning in general. Indeed, Royal London's 'State of the Protection Nation' survey, reveals that just 2% of those without children and 8% of those with children hold income protection cover and for critical illness cover the numbers rise only slightly to 4% and 11% respectively. Every one of these families without protection are vulnerable to the loss of a bread-winner and some could have been helped by an adviser. Unfortunately, the fact is that ten years ago there were nearly 100,000 advisers compared to fewer than 25,000 today; and some 70% of their clients were CI or below.

'As everybody who has ever been, or worked with, an adviser knows, the value and benefits received by clients and their families surpass anything that can be quantified solely in pounds and pence'

I would suggest that the FCA takes into account the full picture before it questions the 'value' of the services advisers are providing. I would urge it to stick to its role of creating a strong framework for the financial services sector to do its job for consumers. If the FCA wants to look at costs, perhaps it should look first at its own budget. Secondly, it might also consider why it costs for Pension Wise about £500 per appointment just to deliver guidance.

The new normal

I am going to finish this piece on a very personal note, and I would like to start by thanking the many hundreds of SimplyBiz Group Members and others in our great profession who have sent messages of condolence and support to me on the sudden loss of my beloved wife, Jennifer in April this year. We had shared 53 wonderful years together and, though her passing was very sudden and unexpected, it was at least peaceful.

Of course we are not the first to suffer such a loss and we will certainly not be the last, however I am afraid that this does not make it any easier to bear. Fortunately I am blessed with a close and loving family so we are determined to get through it together and emerge into what we are terming 'the new normal'.

Jennifer and I had been blessed not with just a loving family but also opportunities to travel the world together. We had experienced everything from flying faster than a bullet on Concorde to strolling hand in hand on the beaches of Barbados and the Great Wall of China. Wonderful as our journeys were, as long as we were hand in together, whether we were walking on our favourite Yorkshire beach at Filey, around Huddersfield or just sitting in our own garden, being together was all that mattered.

I said at the outset that this would be a far more personal article than usual and I propose to close in similar vein. Not a day passed for Jennifer and I without our reaffirming our love for each other so that, whilst we had hoped for another twenty years together and sudden as her passing was, I can feel we were somehow settled and at peace. Therefore, without in any sense trying to be patronising, I urge you to always tell those you love how much you love them whenever you see them. The reality is that a day will come when for you or for them there will not be another opportunity and in either your or their 'new normal' the chance will have gone forever. Lastly, imagine the power for good this message could have if you were to extend it to your clients whenever an appropriate opportunity arose and I would like to hope you might give it a try.

SimplyBiz Group

STRIKING A FAIR BALANCE?

Following Ken Davy's article 'A Light At The End Of The Tunnel' in the spring edition of Adviser Today, discussing why he was feeling cautiously optimistic about the result of his decades-long campaign to create a fairer way of funding the FSCS levy, Scottish Widows Distribution Director, Ronnie Taylor, has delivered a response, setting out the provider's view on FSCS funding.

Ronnie Taylor
Distribution Director
Scottish Widows

Fairness in FSCS funding

For a market to function effectively and fairly there must be a correlation between the amount of risk a party takes and the amount it pays to mitigate the risk. This is hardly a controversial view, but it is a broken relationship between risk and cost that is causing unfairness in the way the Financial Services Compensation Scheme (FSCS) is funded.

While everyone in our industry benefits from the underlying protection and reassurance the FSCS offers our customers, we're concerned that under current arrangements, advisers across the board are being asked to cover costs caused by a small number of firms operating in higher-risk areas. This is unfair to most advisers and fails to align cost to risk in an effective way.

In its consultation on FSCS funding, the Financial Conduct Authority (FCA) discusses an increase in the value of claims made, driven in particular by claims against advisory firms in relation to SIPP products, especially involving non-standard investments. It also reflects on a Professional Indemnity Insurance (PII) market that isn't working well enough to prevent claims being made on the FSCS. The FCA reminds us that the FSCS should be the last resort, and states that where inadequate PII coverage leads to increasing FSCS levies spread across all firms, this does not follow the FCA's principle that the "polluter pays".
Following the consultation, we hope that the FCA will take steps to ensure:

Levies to fund the FSCS better reflect the likelihood that a firm's customers will need to make a claim (a risk-based approach)

The market for PII is improved, so calls on the FSCS are fewer, funding requirements reduce, and firms pay insurance premiums that reflect the amount of risk they choose to face.

Risk-based levies

To ensure risk and cost are aligned, a new FSCS funding category may be needed, to separate higher-risk activities from the rest of the advice market. Further consulting across the industry would be required on where to draw the line, but we could look to investments that fall outside the FCA's permitted links.

This would ensure that risk is appropriately priced into a firm's business model and, as well as increasing fairness, may yield a shift away from complex products and reduce the numbers of claims to be made on the FSCS.

'Bad outcomes give the whole industry a bad name, and we can all benefit if a fairer approach to FSCS funding improves the way financial markets work for customers'

Sharing costs across the value chain

The FCA considers whether product providers should contribute to claims involving intermediaries. We believe a risk-based approach should be taken – in the same way that we wouldn't expect intermediaries who haven't participated in these higher-risk areas of the market, to pay increased levies, we don't believe product providers that have avoided such parts of the market should pay more either.

However, where certain types of products or investments are linked to a higher likelihood of FSCS claims, all parties profiting from their sales should pay more to fund the FSCS, including product providers in those areas. This should drive better discipline across the value chain and lead to better customer outcomes.

Ultimately, a claim on the FSCS is not just a cost to businesses; it's the consequence of a bad customer outcome. Bad outcomes give the whole industry a bad name, and we can all benefit if a fairer approach to FSCS funding improves the way financial markets work for customers.

Ken Davy
Chairman
The SimplyBiz Group

Well done to Scottish Widows

It is a real pleasure for me to congratulate Ronnie Taylor of Scottish Widows on his thoughtful and constructive article on the future funding of the FSCS.

For such an important and respected product provider to acknowledge the unfairness of the current FSCS funding is of itself an important milestone. As you know, I have fought long and hard against the fundamental unfairness of the FSCS levy. It is therefore very encouraging to see this simple, yet obvious fact being acknowledged, first by the FCA in its Consultation Paper and now by such a major product provider.

Perhaps even more importantly, as regards the solution, Ronnie's article recognises that product providers have a significant part to play in contributing to a solution. They have the ability to identify, and avoid, market risks and therefore help to ensure that the FSCS funding falls to a greater extent on those providers and firms creating the liabilities.

All product providers, as well as clients, however benefit from the existence of a strong, vibrant and successful financial advice sector. I therefore believe it will be important that the core funding of the FSCS involves contributions from all providers to ensure that their market knowledge is used proactively to reduce the number of calls on the FSCS, combined, where possible, with a higher proportion of costs falling upon those involved in higher risk products.

Sharing costs across the product providers' value chain, whilst also using risk based levies and improvements in PI cover to change the funding of the FSCS has the potential to reduce its overall liabilities whilst dramatically, and rightly, reducing the costs to financial advisers.

Well done and congratulations to Scottish Widows and Ronnie Taylor on such a helpful and constructive contribution to this important debate.

Aileen Lynch
Head of Technical
Compliance First

Since its inception back in August 2015, the Financial Advice Market Review (FAMR) has been a hot topic of conversation amongst the financial services community. At its heart, the review held a range of objectives which we could universally get behind; to improve the way in which the industry worked for consumers.

Upon FAMR's initial launch, the regulator stated: *"The review aims to explore ways in which the Government, industry and regulators could take collective steps to stimulate the development of a market which delivers affordable and accessible financial advice and guidance to everyone, at all stages of their life."* The key words in that statement, and ones you'll see coming up again and again in the regulator's report of the review, are **affordability** and **accessibility**. In essence, the FCA wants to ensure that there is a wide range of ways through which high-quality advice is available to consumers. It is hoped that this will make it easier for them to engage with their own financial affairs and understand when professional advice is required.

As with any wide-scale regulatory review, the results of the impending FAMR caused some ripples of concern amongst advisers, particularly as the phrase "…RDR part II…" became regularly banded about. However, the FCA, particularly since its helm was taken up by Andrew Bailey in July last year, has begun to establish a reputation as a more consultative, less dictatorial regulator. Certainly, the original 28 recommendations arrived at by the review appeared to be balanced in benefits to advisers and consumers, without detriment to either.

So, two years down the road, how is FAMR shaping up in reality?

Well, a progress report issued by the regulator in April this year gives us a clear picture of where we are with each recommendation so far. Below is a summary of the points which I think will be of most interest to advisers;

Recommendation 2: The definition of advice

Firm definitions of 'advice' and 'guidance' have been very elusive in the past, and I've spoken to many advisers recently who are keen to have a more structured framework put in place. The progress report sets out this new definition, and clarifies that it means as from 3rd of January 2018 regulated firms will only be providing advice when they offer a personal recommendation to a client.

In a change to the current guidelines in place, advice can be classified as such whether it's for a client to make a change to the products or investments they have in place, or to make no changes. In other words, if you'll forgive a double negative, advising a client not to take any action will no longer mean that no advice has been given.

Recommendations 3 and 4: Non-advised and streamlined advice

From the time the FCA first began to talk about FAMR, it has been very clear that 'robo' and streamlined advice are due to play a big role in the regulator's vision of the future. Once we'd all shaken off the initial nightmarish vision of thousands of cyber-men wielding calculators closing in on innocent clients, it became evident that robo/digital/non-advised/streamlined advice might be a huge opportunity for, rather than threat against, traditional human advisers!

Since the RDR saw off commission back in 2012, we know that an issue quickly developed around the amount of clients who could afford advice. This lack of accessibility clearly goes against the entire objective of FAMR and it's therefore no surprise that cheaper, automated services are front and centre in the FCA's recommendations.

Whilst there are a number of solutions now entering the field, we're yet to see robo-advice making huge inroads into traditional markets. However, with consumers from all age and background groups becoming accustomed to transacting all sorts of business online, automated advice looks like it may well be the key to establishing the value of advice with the next generation of clients.

'Automated advice looks like it may well be the key to establishing the value of advice with the next generation of clients'

Recommendation 5: Training and competence

Only one big change regarding this recommendation, but hopefully a welcome one. New entrants now have 48 months to obtain appropriate qualifications, as opposed to the 30 months it was previously.

Recommendation 8: Suitability reports

An area which impacts hugely upon the day-to-day advice process of most advisers; FAMR recommended that suitability reports should be reduced in length and complexity and increased in clarity. The Association of Professional Financial Adviser's (APFA) produced some guidance in December 2016 in order to help advisers understand the regulator's expectations for clarity; a document that I'd highly recommend you all have a look at in full. As a side-note, the guide was written in-line with the FCA's Smarter Consumer Communications initiatives, so it may also provide you with some additional insight into the way the regulator wishes communications to clients to be created.

Recommendation 10: The fact find process

Another important issue in the day-to-day business of advisers, the regulator has released a limited amount of information on what they would like to see included in the fact find process. Its initial suggestion – that it would create a standardised fact find for all advisers to use – has not come to fruition, which is a positive thing in my opinion. However, I would have been pleased to see more specific information on what the regulator would like to see included – and maybe more will follow shortly.

As I mentioned when looking at 'Recommendations 3 and 4', the FCA is very keen to ensure that access to advice is considered as regularly as possible. To this end, it has also been investigating technological portability in fact find solutions, meaning that advisers may be able to shave some time and resource from the length of their advice process by having some clients complete fact finds remotely, before seeing an adviser.

Recommendation 20: Review PII and FSCS funding

Anyone familiar with the writings of our Group Chairman, Ken Davy, will know that he holds no affection for the way in which the FSCS is currently funded, having referred to it on various occasions as "…unfair in the extreme…", "…grotesquely unfair…" and "…economically unjust…". We were therefore delighted to see that the FCA intended to review both the PII market and FSCS funding as part of FAMR, and put together a very thorough, strongly worded response to the regulator's consultations – one which can be found on the SimplyBiz and Compliance First websites.

Although there is no new funding model in place yet, a Consultation Paper issued by the FCA, and comments from Andrew Bailey himself, in recent months, make it clear that the regulator is well aware that the current system is unfair to intermediaries.

'I know that this is an issue about which many of you have very strong feelings, and I can assure you that we are just as eager to see a light at the end of the tunnel when it comes to funding the FSCS'

Whilst much of the consultation on these areas has yet to become regulation, I think it's fair to say that the FCA seems to be working hard to take an even handed approach to the development of final FAMR regulation, taking on-board the way guidance will work in practice and ensuring it includes the viewpoints of all stakeholders.

Therefore, with a solid 'at-the-time-of-writing' caveat in place, I'm pleased to say it does appear to be going so FAMR, so good!

Compliance First

If you have any queries relating to this article, please email policy@simplybiz.co.uk

LIBERTÉ! EGALITÉ! REGULATORY!

Richard Nuttall
Head of Policy
The SimplyBiz Group

Over the past twelve months it would be fair to say the UK has been through a rocky patch in its relationship with Europe. We've both been through tumultuous times domestically, with elections held in Holland, France, Germany and the UK since the start of 2017 and our relationship was irrevocably altered when the United Kingdom voted to leave the EU in last June's referendum.

Theresa May's triggering of Article 50 on the 29th of March was the start of our formal 'divorce' from the EU, however, the result of the recent General Election has cast a shadow of doubt over whether the UK's approach will be for a 'hard' or 'soft' Brexit when we eventually reach the negotiating table.

The FCA currently has no more insight than the rest of us about what the long-term, post-Brexit, future will bring and the effect it may have upon UK financial services firms. Until more details are available, it has released a holding statement which simply says: "Firms will need to assess the impact that a changed relationship with Europe and any changes to the regulatory regime have on their business models." The Brexit negotiations will take years to complete and I am sure that, as more information about the potential ramifications for UK advisers transpire, the regulator will keep us updated. Until then, it's worth summarising what we do know will be happening to UK regulation over the next few years as a result of changes to EU legislation.

Firstly, the piece of legislation which will have the widest impact on UK advisers – MiFIID II. Coming into play from the 3rd of January 2018, the scope of MiFIID II is broad and covers not only the internal operations of a firm but also aspects of the advice process and interaction with third parties. Some of the hottest topics covered by this legislation are;

- **Assessing suitability** – *following a thematic review last year, disclosure is firmly in the regulator's sights currently, with a particular focus on the clarity of adviser charging structures and timescales. Methods of charging which look set to come under the most scrutiny include ongoing services agreements, open ended initial charges, hourly rates and tiered charging structures. A big change of which we're already aware is that suitability reports will need to be issued whether or not a transaction has been made; advising a client to take no action will be classed as giving advice and the relevant information issued to clients.*
- **Structured deposits** – *in order to maintain independent status, structured deposits will need to be considered during the*

advice process, which means advisers who don't currently hold the relevant permissions for this market will need to apply to the FCA for a variation. If your application is made before the 3rd of January next year there will be no cost for the change – if the application is made after that date, there will be a charge.

- **Definition of independence** – *it sometimes feels unlikely that even Thomas Jefferson and his 'Committee of Five' spent as long debating the meaning of independence back in 1776 than the financial services sector has over the past few years! However, MiFIID II will be delivering yet another definition, and one which may be preferable to many of you who don't feel comfortable operating on the very niche edges of the investment spectrum. Instead of the current requirement to deliver a 'comprehensive analysis' of the market as part of your advice process, you will instead need to deliver a review which is 'sufficiently diverse'. Although this sounds as though it might mean a relaxation of the need to consider the entirety of the market for each client, we still need to discover how it will relate to actual black and white guidance. In addition, there will be a number of investments classed as retail investments under MiFIID II which are not currently, such as shares, bonds, derivatives and, as mentioned above, structured deposits. Although we're yet to see any definition of independence have a measurable impact on consumer perception, at least this change may have a positive outcome for the streamlining of the advice process of independent advisers.*

Something encouraging that we have seen with regard to the translation of MiFIID II legislation into UK is that the FCA has not been afraid to exercise common-sense when some of regulation doesn't work for UK markets. For example, up until quite recently, it seemed likely that call recording was going to be introduced, as part of the MiFIID II legislation. A survey that we conducted amongst our Member and Client Firms, along with feedback we received at events, told us that this was something about which advisers were very strongly against, and we submitted a response to the FCA representing those views. We were therefore delighted when the regulator announced it was not going to introduce call recording as a requirement for UK advisers, and instead would accept written notes as a substitute from non-MiFIID firms.

Which brings me to my final point on MiFIID II – how do you know if you are a MiFIID firm, and therefore bound to all of the European regulation? MiFIID firms have those permissions if they've passported any business into Europe and, if you're not sure, then the quickest way to find out is through the FCA register. Another indicator is that you will have been asked to complete four, rather than the usual two, GABRIEL submissions per year. If you are currently a MiFIID firm, but no longer need to be, I would encourage you to change your permissions as soon as possible. There may be a charge from the FCA to process the change, but I believe it will be more than worth it in the long-run.

Although MiFIID II is the biggest hitter approaching from Europe at the moment, there are a number of other reviews headed our way through the year that will also have an effect, although maybe a lesser one. These include:

- *The fourth anti money-laundering directive – in place from the 26th of June this year, the new anti money-laundering directive brings new procedures into place surrounding customer due diligence, politically exposed persons and operating a risk based approach to money laundering queries.*
- *General Data Protection Regulation – the GDPR will be implemented across Europe from May 2018 and will affect all businesses, working in every sector.*
- *Packaged Retail and Insurance-based Investment Products (PRIIPs) – again focussing on disclosure, PRIIPs will be in place from the 1st of January 2018 and will involve firms who advise on these products putting a new Key Information Document process in place.*
- *IDD – which aims to strengthen the regulations previously implemented in the Insurance Mediation Directive (IMD) in 2005. It will take effect on the 23rd of February 2018, and concerns the distribution of insurance (and reinsurance) pre and post-sale.*

SimplyBiz Group

For more information, please don't hesitate to get in contact at policy@simplybiz.co.uk or on 01484 439120

REBALANCING: WHAT DELIVERS FOR YOUR CLIENTS?

Andrew Morris
Sales Manager
Canada Life Investments

Risk-targeted solutions

Simply put, the topic of rebalancing is divisive amongst advisers and there is no clear guidance in the industry as to best practice, particularly with regards to the best outcomes for clients. This has been highlighted by the growth of multi-asset risk-rated and risk-targeted solutions in recent years. These portfolios are designed to be managed within a specific risk band and are often monitored by a third party agency. These agencies quantify the different risk and return characteristics of different asset classes, blending them together to come up with asset allocation models. Typically, these result in five different model portfolios, ranging in risk from 3 (low), to 7 (high).

We are going to ignore risk-rated products today – as they typically have the ability to be more flexible in their asset allocation – and focus on risk-targeted solutions. These are vehicles which state that they will continually be managed within their stated risk band. Now, none of what we have said so far is indeed new or surprising information. However, the issue many multi-asset, risk-targeted funds have is the performance of their underlying assets. Over time, this will skew the overall asset allocation, leaving the fund unsuitable for its investors as it will be more (or indeed less) risky than originally intended. This leads us to the rebalancing conundrum.

How do you rebalance?

Multi-asset portfolios vary widely in their approach to rebalancing: some rebalance daily, some monthly and others quarterly. Other options include only re-balancing twice a year. Obviously the need to rebalance depends greatly on the type of product and the need to stick as closely as possible to an asset allocation model. We believe that rebalancing is therefore most important when dealing with risk-targeted funds. As an example, we undertook research using data from the third party agencies responsible for monitoring these kinds of products. Using the different indices for each asset, we collated daily price information for each, in order to analyse performance over the last 10 years. This was done in order to find out which rebalancing method would have delivered the client the greatest return: daily, monthly, quarterly or indeed, no rebalancing at all.

The big reveal

We undertook this research in order to understand how rebalancing was viewed in the adviser space. In addition, we used index returns to try and avoid any biases towards particular products. For this article, we have used example portfolios for risk levels 3 to 7, given that they are typically the most popular with advisers. In a result that may surprise some, a daily-rebalanced ‘Portfolio 3’ would have delivered a return close to 4% ahead of a monthly-rebalanced portfolio. In the higher risk portfolios, the gap between daily and monthly rebalancing – in performance terms – is close to 10%. Many industry commentators have long suggested that it is not worth rebalancing these kinds of portfolios every day, citing cost and convenience as reasons. However, we believe this research highlights a very strong reason behind rebalancing daily, namely achieving the best outcome for your clients.

The value of investments may fall as well as rise and investors may not get back the amount invested.

If you have any questions on the Canada Life Portfolio funds range go to www.canadalifeinvestments.com/investment-solutions/multi-asset-solutions.aspx. Alternatively contact andrew.morris@canadalife.co.uk

DB OR NOT DB, THAT IS THE QUESTION...

The subject of defined benefits is receiving a lot of media attention at the moment, with much talk of increased demands to transfer and warning of potential pitfalls. With this in mind, many advisers are naturally cautious. So, what should you be doing?

Turn over to find out more about the support we offer to help you guide your clients through the DB advice process...

SimplyBiz Group

DB OR NOT DB, THAT IS THE QUESTION...

Defined benefits are a complex area and one into which many advisers have previously been reticent to venture. However, with demand from clients on the rise, doing nothing is not an option. Find out below how the SimplyBiz Group can support you as you help your clients decide what the right answer is for them...DB or not DB?

There's no doubt that it's a complex area, indeed the regulator has always taken a very strict stance on anyone transferring out of a DB scheme, so much so that only advisers holding a specific qualification to advise in this area are able to transact these cases.

The current stance with any DB transfer should always be that it isn't suitable to be transferred out, unless it can be proven otherwise. Whilst we support the basis from which this opinion has been formed, firms also need to consider the risks of advising clients against transferring out of a defined benefit pension scheme, particularly in light of the recent record high transfer values.

Currently CETVs* are nearing record levels, but this is unlikely to remain the case long term. Potentially this could lead to clients questioning why they were advised against a transfer when they may have been due to receive a high transfer value. Last year, we surveyed the whole of the SimplyBiz Group membership to determine how many firms were active in this area and we found that, surprisingly, only 19% of firms hold the necessary permissions.

So, with such a spike in demand from clients , it became very clear that we needed to act quickly in terms of getting the supply chain right. The first action we took was to try and solve the problem for those without the relevant permissions which saw the creation of a referral service with a specialist transfer bureau, which has now seen in excess of 1,500 cases referred.

But this is not the only support available and a number of providers have recognised the demand out there and focussed their attention on giving firms the right level of support.

> 'There will be some cases in which a transfer is the right outcome for a client and we want to ensure you have support for those cases'

Scottish Widows is one such partner which is working with a number of firms to ensure they have the right support to advice clients in this complex area.

The FCA has been very clear on what it expects of advisers and, although we were expecting some greater clarity from the regulator, it is unlikely that it will move from its current position that, in most cases, transferring out of a DB scheme is a bad idea. However, there will be some cases in which a transfer is the right outcome for a client and we want to ensure you have support for those cases.

ADVISE OR REFER

Advise

If you are qualified to give advice on these matters, we have teamed up with Scottish Widows to provide you with the support you need. Scottish Widows is providing expert DB support, free TVAS reports and, if transferring is the right outcome for your client, its Retirement Account offers a flexible product solution. Scottish Widows has created an array of support content to help you at any stage in the process including:

- *Overviews, checklists and a DB to DC case study.*
- *DB guides for you and your clients.*
- *Free TVAS to help with a compliant report.*
- *A special edition DB Tech Talk.*

* CETV

A cash equivalent transfer value (CETV) is a right of anyone in a defined benefit pension scheme to take a cash amount instead of drawing the usual benefits from the DB scheme. A CETV represents the expected cost of providing the member's benefits within the scheme.

The CETV is a value determined on actuarial principles, which requires assumptions to be made about the future course of events affecting the scheme and the member's benefits. The normal way of calculating a transfer value is a method based on a best estimate of the expected cost of providing the member's benefits in the scheme.

This is a best estimate of the amount of money needed at the effective date of the calculation which, if invested by the scheme, would be just sufficient to provide the benefits. So, the value of the CETV is based on an actuary's best estimate of the cost of buying out your pension when he or she does the calculation, and it's based on the likely return you could expect from the scheme assets (net of charges).

At the moment Gilt yields are low and, as a direct result, members of DB Schemes are seeing hugely exaggerated CETVs.

Refer

Selectapension Bureau Services Ltd (SBS) provides financial advice and report writing services for pension transfer analyses. It supports advisers who have limited time or resources and those who are not qualified to provide advice on defined benefit or occupational money purchase transfers.

SBS will complete the financial analysis and report writing and, if required, can provide advice for your client and implement the transfer if recommended. At the end of the transaction, the client is referred back to you for ongoing management and future advice.

An adviser introducing business to SBS that results in a transfer taking place, will receive a 40% share of the fee payable (after deduction of minimum of £500 fee). The fee will depend upon the size of the transfer value.

The Advice Show

In March, Scottish Widows and Selectapension joined us live on The Advice Show to talk about the DB market – you can watch them via the Adviser Media Player.

If you have any specific queries in relation to these matters, please email us at: policy@simplybiz.co.uk

PRUDENTIAL

Our **transfer toolkit** has a range of useful tools and information, including support for navigating an increasingly complicated process

TIMETOTALK
- RETIREMENT PLANS -

When it's time to talk about pensions, we have a wealth of pensions related material and support on our website designed to help you get the most from your client conversations – all backed up by our dedicated account team.

www.pruadviser.co.uk/retirementplans

The value of investments can go down as well as up and investors may not get back the full amount of their original investment.

For adviser use only – not approved for use with clients. Not for forward distribution with clients.

PARADISE BY THE PENSIONS DASHBOARD LIGHT...?

Richard Nuttall
Head of Policy
The SimplyBiz Group

Since the concept of the pensions dashboard was first raised in 2015, it has attracted a great deal of interest from the adviser community. Is it going to be a dream come true for consumers and advisers? Or an unachievable nightmare for those tasked with pulling the data together?

With the system due to go live in 2019, we looked at a few key questions that people are asking about the dashboard.

'Although a lot of work has gone into the processes behind the dashboard, and running test data, data protection regulation has so far prevented any dry-runs with real, live data'

Q *Is the industry ready for the dashboard?*

A Yes, we believe that the industry is more than ready for the dashboard, theoretically. A dashboard will pull verified information into one central hub and should be much easier for both clients and advisers; however, the challenge will come from whether the providers who hold the data and the ABI, who have bravely taken on ownership of the technical logistics of the dashboard, are ready for the enormity of the job in hand. Although a lot of work has gone into the processes behind the dashboard, and running test data, data protection regulation has so far prevented any dry-runs with real, live data. The algorithms behind the dashboard will need to draw together a great deal of complex and far-reaching data and it's absolutely essential that consumer trust in the accuracy of the system is maintained.

So, the industry is more than ready for the dashboard; it's vital that the dashboard is 100% ready for the industry before the launch in 2019.

Q *Is there a danger this could take away from advice?*

A We believe that the opposite is true; the pensions dashboard will sign-post consumers towards advice. DWP research shows that individuals have an average of eleven different jobs in their working lifetime, which could potentially mean an average of eleven different pension pots. The dashboard doesn't offer advice, it merely pulls together data from a range of sources, so it undertakes an administrative task which is, frankly, a waste of an adviser's time. This freed up time can then be spent with clients, concentrating on services that we know they genuinely value, and helping them to plan their financial future holistically.

Although we don't believe the pensions dashboard will have as big an impact as pension freedom, we think that discovering a forgotten pension pot (or two!) would be a perfect motivator for consumers to seek out an expert for further guidance on their financial affairs.

'We have extremely high hopes for the dashboard, but consumer confidence in the financial services sector is still tenuous, and may not survive another unfulfilled promise'

Q *What are the pros and cons of the dashboard?*

A The pros of a pension dashboard are clear for both advisers and clients; an individual's pension pot details all available in one place and accessible at the touch of a button. The amount of time and confusion this will remove from the pension advice process is significant. However, we think that there are potential concerns around data protection and the ability of the dashboard to immediately deliver all it promises. We have extremely high hopes for the dashboard, but consumer confidence in the financial services sector is still tenuous, and may not survive another unfulfilled promise.

SimplyBiz Group

If you have any specific queries in relation to these matters, please email us at: policy@simplybiz.co.uk

FCA ASSESSING SUITABILITY REVIEW

It's been a busy few months for the FCA, with a number of high-impact consultation and guidance papers issued. Below, Aileen Lynch tackles two of the biggest releases from the regulator and brings you up to speed on what you may need to consider.

Aileen Lynch,
Head of Technical,
Compliance First

In our recent newsletters, we reported on some of the concerns that had been raised by the FCA in its feedback given to individual firms as part of their Assessing Suitability Review. The FCA has now confirmed 1,142 client files were reviewed from the 656 firms selected. These reviews were assessed against the suitability and disclosure rules in the Conduct of Business sourcebook.

A report covering the FCA's overall key findings and results from the review has been issued and can be accessed on its website. However, the report tends to focus on high level statistics and not the actual examples of good and poor practices carried out by these firms that we had hoped for.

It is clear from the overall results though that the key area of concern was around the lack of disclosure on the specific cost of advice.

> 'It is clear from the overall results though that the key area of concern was around the lack of disclosure on the specific cost of advice'

Although the report does not give a lot of detail on the review findings in relation to disclosure it does identify two key areas that led to an unacceptable grading -

- *Firms disclosing an hourly charging structure but not providing an approximation of how long each service is likely to take.*
- *Firms using charging structures with a wide range.*

For firms that use the hourly rate template client agreement from our website, the first disclosure key area identified by the FCA above should not be an issue as our template agreement contains prompts as per the wording below:

"For example, we anticipate that a pension switch would take X hours, giving a total fee of £X,XXX."

For firms that operate a charging structure with a wide range i.e. 'we charge between 2% and 5% of the amount you invest through us' this does not give a specific charge and is of concern to the regulator. A solution to this would be to use our supplementary adviser charge declaration that is available on the Vision part of our website.

With regard to the suitability aspect of the review, the FCA commented that it was encouraged by the positive results in this area.

What next?

The FCA will be beginning a communication programme over the course of 2017 and into 2018, where it will share more details on its findings, including communicating examples of good and poor practice.

The FCA intend to repeat this review in 2019, based upon advice delivered in 2018. The 2019 review will measure how the results have changed since 2015 and will also allow the FCA to assess how firms have implemented the requirements introduced by the Markets in Financial Instruments Directive II (MiFIID II), Packaged Retail and Insurance-based Investment Products (PRIIPs), and the Insurance Distribution Directive (IDD).

Implementing information prompts in the annuity market - Feedback on CP16/37 and final rules

Following the Retirement Income Market Study (RIMS) in 2015, where it was identified that the annuity market was not working well for consumers, a number of remedies were suggested. These included providing information prompts to help consumers in shopping around and the decision-making process. The FCA commissioned consumer behavioural research to test various formats and the results were published in July 2016. This was followed by a consultation (CP16/37) in November last year.

Policy statement (PS17/12) contains the final rules. These will require annuity providers to inform consumers how much they could gain from shopping around and by switching provider, in a standardised format, before they buy an annuity.

Although the number of consumers purchasing annuities has decreased since pensions freedoms began in 2015, around 80,000 consumers purchase an annuity each year. This means that improving competition in this market remains an important objective for the FCA.

In a measure designed to reduce client inertia this policy statement states that annuity providers will need to flag the best quote available on the open market to their clients before the client makes the decision to proceed with purchasing an annuity, based on a guaranteed quote.

The FCA has designed templates that must be used to deliver the information prompts. The following information must be included in the prompt:

- *The amount used to purchase the proposed annuity;*
- *Whether the annuity is single or joint life;*
- *Whether payment is in advance or in arrears of the start date;*
- *Whether the income paid by the annuity is guaranteed for any period;*
- *Whether the income will increase in line with inflation or another specified rate;*
- *The provider's own quote, and inform consumers how to shop around by providing the phone number and URL for the Money Advice Service (MAS) annuity comparison tool.*

In addition, the FCA has set out that the information prompt should inform consumers that they may be eligible to purchase an enhanced annuity.

Additional warnings

There are two scenarios where the FCA consider it appropriate to give additional warnings alongside the information prompt. These are where the consumer is entitled to a pension commencement lump sum (PCLS) of higher than 25% of their fund value, or are entitled to a guaranteed annuity rate (GAR), whether at the time of the quote or in the future.

We do not see these changes affecting advisers that are giving advice to clients on annuities as the information and areas covered in the information prompts will already have been covered within an adviser's normal sales process.

In our view, these information prompts are a positive step and will lead to better outcomes for consumers that are purchasing annuities. We also see another effect of these changes being clients who are dealing direct with a provider seeking advice after being informed of the best quote available on the open market before they have made a decision to proceed with purchasing an annuity. It should be noted though that these rule changes did not go as far as enforcing a requirement for consumers to take advice if the value of the fund used to purchase the annuity is over £30,000.

The original intention was to implement these rules on 1 September 2017, however because of the feedback received this has been deferred to 1st March 2018, giving annuity providers more time to implement the changes.

Compliance First

If you have any specific queries in relation to these matters please e-mail us at compliance@SimplyBiz.co.uk or telephone the compliance helpdesk on 01484 439120.

RETIREMENT SAVERS DEMAND AN END TO PENSION MEDDLING

Mark Baldwin
Business Development Director
MetLife

Retirement savers are demanding an end to retirement planning rule changes as they grapple with the complexities of the new pension freedoms, as shown in an independent study we commissioned of advisers, over-55s, and UK MPs.

The research among over-55s two years on from the launch of pension freedoms found more than three out of four (76%) want a pause to further reforms to enable savers to plan for their retirement with increased certainty.

Just one in three savers (35%) believe they have a good understanding of the new freedoms designed to deliver increased flexibility and more than half (54%) find the rules confusing. In addition, our exclusive research among MPs shows nearly two out of five (39%) still believe the current pension system is not fit for purpose.

It identifies the real worries for savers from the new pension freedom, including concerns about being targeted by fraudsters and running out of money while being squeezed by ongoing low interest rates and investment market volatility.

Around 36% of over-55s fear losing their funds to fraudsters while 43% are worried their pension funds will not last them through retirement. Around 57% say current low rates and stock market volatility mean their retirement savings are not sufficient to fund retirement.

Pension freedom has been a qualified success delivering real change but it needs to be improved in order to deliver on supporting savers and advisers in providing a pension system fit for the 21st century.

The pace of change over the past two years has been bewildering for savers and it is clear they want a pause for breath in order to better understand the opportunities from the new rules.

However, it is also clear that there are short-term and longer term improvements which need to be made in order to ensure that savers and advisers benefit from real pension freedom with advice and financial education at the top of the agenda, enabling better understanding of the choices available.

Our report series, **Real Pension Freedom: The Delivery Scorecard**, covers four areas of pension freedoms, including a review of the past two years, an assessment of the demand for advice plus analysis of the social and economic challenges and a series of recommendations for the future.

MetLife

The report is available to download at www.metlife.co.uk outlining the opportunities and challenges facing savers as well as advisers, providers, regulators and the Government.

Independent research for this report was commissioned by MetLife and conducted in September and October 2016 among nationally representative samples of 960 over-55s and among 109 specialist retirement advisers. Research among 84 UK MPs weighted for party representation was conducted by Dods' Research in September 2016

EXPERT INSIGHT FOR CONFIDENT DECISIONS

Pension freedom is now over two years old and on the surface it appears to be so far so good with the reforms proving popular. But the figures on sales of retirement income solutions and the money being released only tell part of the real story.

Our **Pension Freedom Delivery Scorecard** has been designed to monitor the delivery and performance of pension freedom.

The new report covers four areas of pension freedoms, including a review of the past two years, an assessment of the demand for advice plus analysis of the social and economic challenges and a series of recommendations for the future.

You can download MetLife's latest independent research findings at metlife.co.uk or contact your MetLife representative.

Want to find out more?

0800 022 3131 | **salesresource@metlife.com** | **www.metlife.co.uk**

ENTER A MORE CERTAIN WORLD

MetLife

TALES OF THE EXPECTED

Tim Coverdale
Business Development Manager
Seven Investment Management (7IM)

Tim is the Business Development Manager for 7IM and manages their relationship with SimplyBiz.

When clients are asked what is the most important factor when making an investment, the response is invariably one focusing on performance – making a return on the investments over the medium to long term that is over and above the amount of money originally invested. After all, it's ultimately what drives clients to start investing in the first place: taking money out of a bank account (given the paltry savings rates), and getting them to start to understand and (even, over time) accept investment risk.

But what does performance really mean? Unfortunately making that return on investments is just the start of an explanation.

Ultimately performance, and particularly 'good' performance, is bespoke to each client. While everyone would like to get something for nothing in this life, we intrinsically know there is a price to pay and that, if it's too good to be true, it probably is. Any investment performance typically comes at the 'expense' of investment risk given the risk-reward trade off.

Then you have to have a discussion about what the client realistically can expect to see in returns. If your client has owned his own business, for example, they may be used to seeing levels of returns that would demand high levels of risk in the world of investments. While they're used to taking business risks, the scary part was possibly some 20 years ago and investment risks are a very different ask.

So, in wanting to see 7.2% returns after fees, your clients will have to take on considerably more risk than if they were seeking a return of 5.1%. In Seven Investment Management's (7IM) world that would be the difference between a Moderately Adventurous investor and a Moderately Cautious one (before costs). And that difference involves a number of conversations as part of your attitude to risk suitability checks.

In addition, you have to include other factors in the performance discussion. These can be longstanding such as capacity for loss – what can the client actually afford to lose while investing, after all markets go down as well as up. Some elements though can vary quite considerably. Inflation is one such example of a variable factor. Inflation now stands at 2.7%. In June 2016, headline inflation was coming in at 0.5%. So, investments have to make 2.2% per annum more in today's world just to maintain the spending power of your clients. This all makes sense, but what returns has the fund manager set out to deliver in terms of performance? Many talk vaguely about 'growing' or 'preserving' capital. Good luck ensuring your clients understand what that really means in practical terms!

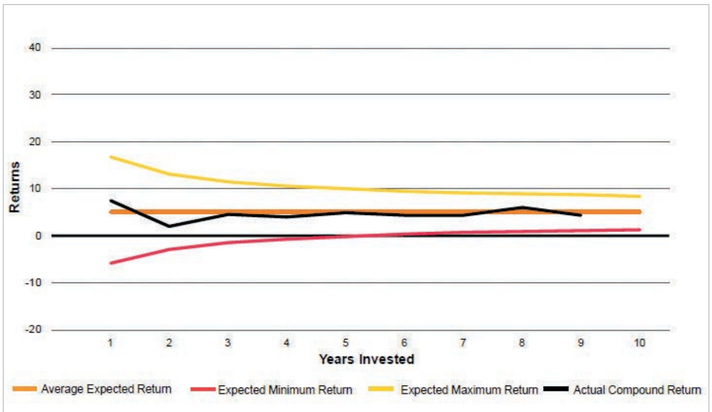
Fees and charges are another factor to include in the discussion. They should be subtracted from the performance. If your client is paying 2% in fees which includes what they have paid the fund manager, yourself and a platform fee, your client's investments have to make 4.7% in order to maintain their true value. If a portfolio is making less than the fees/ charges and inflation, it is losing money in real terms – and that is not a rate of return any client wants to see.

When the co-founders of Seven Investment Management set up the business in 2002, they had the benefit of many years in

the industry. They had some questions about the most useful way to measure fund performances, and concluded that it was not against a benchmark or a competitor but against the fund return we were expecting to deliver.

So 7IM introduced what it calls 'funnel charts' to explain that they're aiming to achieve as they manage money. Each of our funds is run as a multi asset portfolio designed to provide an expected return against a set level of risk. The graphs used by the firm aim to explain what it is and how it's done.

Historic returns for the 7IM Asset Allocated Passive (AAP)



Source: 7IM; Accumulating C Class performance as at 31 March 2017

Using the 7IM AAP Moderately Cautious Fund as an example, the above chart shows that we are aiming to deliver 5.1% per annum for our Moderately Cautious profile clients, and which is shown by the orange line. The black line shows the actual performance we have achieved (after the 7IM fund's ongoing charges figure).

The graph, however, also shows that there is a 90% chance that the actual return will lie between the yellow (maximum) and red (minimum) lines over the investment period. These lines converge as time goes by given the level of overall volatility reduces the longer your clients remain invested. This variation in expected returns narrowing over time is also known as mean reversion.

For 7IM, it means it's much easier explaining to your clients our funds' track record. While past performance is not a guide to the future, at least our delivery of expected return is straightforward to explain and gives clients a number around which you can plan their other finances.

Makes sense?

SEVEN VII IM
Investment Management

For more information, please log on to the SimplyBiz investments site. Or you can talk to the team. Tim can be reached on 07545 208112 or by email at Tim.Coverdale@7im.co.uk, please call 020 7760 8777 and ask for support from Chris Coombs, Alex Cole or Tom Hardy.

NOT ALL INCOME IS CREATED EQUAL

Verbatim Asset Management

In the diverse, bewildering world of equities, dividends are popularly seen as a reassuring mark of resilience and stability. Dividends indicate healthy free cash flow; the key input into a company's discounted cash flow valuation, and the ultimate financial purpose of any equity investment. Regular cash payments are easy to understand compared to the esoteric world of share prices themselves, which can meander in response to an enormous array of considerations, some of which are logical, some not.

The market equates dividends with financial strength, and dividend paying stocks provide an income stream capable of meeting the owners' liabilities. In a world of abnormally low interest rates, where yield is so hard to come by, this is an ever more useful financial trait.

It is also true that, over the long term, dividends are a key determinant of equity returns. In the UK market, for example, over four fifths of the equity market's real return since 1900 has come from reinvested dividends. In the US since 1927, higher yielding stocks have outperformed zero yielding stocks by 2.8% per annum; an enormous quantum when compounded over a long period.

By focusing on yield, one is therefore fishing in the right pond. Not only do dividends compound at a healthy rate over the long term, but by omitting stocks without them we also avoid the worst speculative excesses of the markets. Very few dotcom stocks, for example, paid any dividends.

Bigger is not always better

There is need for caution, however: while a high dividend yield can be the sign of a solid company throwing off more cash than it can use, a figure that is too high should give pause for thought. The maxim that 'if something appears too good to be true, it probably is' has enormous validity in the world of investment. Caveat emptor. Investors are justifiably suspicious of high-yield bonds (which are often labelled 'junk' for a reason) but are attracted to the supposed safety of high income equities. This is an inconsistent and illogical reaction. After all, dividends are only paid to shareholders after bondholders have received their interest.

A very high yield can be a sign that the company is under financial stress, and may be forced to cut its dividend – generally an atrocious outcome for the owner. Furthermore, when we dissect the equity market, some of the highest yielding sectors are those normally associated with the highest risk, or the lowest quality.

Telecoms, financials, oils and utilities are some of the most verdant areas of the market for yield, yet each of these sectors faces some profound issues. Telecoms are capital hungry, heavily regulated businesses, with a poor record of value creation. Banks are highly levered and have an unfortunate habit of periodically flirting with bankruptcy. Oil companies not only depend for their prosperity on a volatile and unpredictable commodity price, they also face huge operational risks (think about BP's Macondo disaster, the bill for which is $47billion and counting) and, longer term, the risk of decarbonisation. Ditto utilities, whose coal and gas powered assets may be of little relevance in a world pivoting to renewable energy.

At the front of our mind is the truism that equities are long term assets, and that the bulk of their value is typically derived from cash flows expected to be generated well into the future. We therefore look for businesses and management teams that share our principles, and determinedly seek to build resilience. Are they prudent and sufficiently long-term in their outlook? Are they appropriately incentivised to ensure the perennial success of the business? Are the issues they face manageable at all, or is the business a structural short?

Ask the right questions

It is therefore critical that we individually assess the resilience of each company in which we invest to ensure that the dividend can continue to be paid, and preferably grow, ideally into perpetuity. There is a lengthy quantitative and qualitative financial checklist to ensure that any higher income stock has a sustainable yield. Is the dividend well covered by free cash flow? Is the balance sheet strong, with any leverage appropriate to the risks of the business? Does the underlying leverage differ markedly from that which the company reports? Are there other claims on cash flows from bond holders, pension funds etc., that come before equity owners in the capital structure? Are capital expenditures sufficient to ensure the business is nourished for future prosperity? Is the competitive environment manageable?

A quality company

An example of a sound dividend payer is National Grid, playing a vital role in connecting millions of people to the energy they use, safely, reliably and efficiently. It aims to be a low risk business focused on generating shareholder value though both dividends and asset growth by investing in essential infrastructure under predominantly regulated market conditions with a balance of activities both in the UK and the USA. The Company presents the UK government with the ability to offer a flexible solution to increasing renewable sources of energy generation, whilst keeping its element of household bills as low as possible. Growth of about 5% per annum in its UK RAB [Regulated Asset Base] is secure through to 2021, whilst dependent upon the level of energy decarbonisation the country achieves. In the USA, where National Grid negotiates returns with individual state regulators, there is a fresh focus on increasing investment in infrastructure and this is positive.

The company has a regular dividend yield of 4.0%, and the dividend growth policy is linked to the UK Retail Price Index (RPI). In 2017 the dividend increased by 2.1% in line with UK RPI, and with inflation beginning to raise its head, this has the potential to grow further over the coming years.

National Grid is committed to returning £4 billion to shareholders from the proceeds resulting from the sale of a 61% stake in its UK Gas Distribution business. Of this £3.2 billion has been paid as a special dividend and the remainder will be delivered through share 'buybacks.'

This is the kind of company that we favour: one that doesn't simply pay a high dividend yield, but offers a sustainable yield that can grow and deliver reliable returns over the long-term.

Written by David Palmer, Fund Manager, Sarasin & Partners – manager of the FP Verbatim 5 Income Fund.

The Mandate

- *Multi-asset portfolio designed to provide a regular, quarterly income stream*
- *Potential for capital growth over the medium to long term*
- *60/40 equity/bond asset allocation*
- *Invest in funds, direct equity and bond holdings*
- *Aims to maintain the volatility of 11%, as defined by the Dynamic Planner risk profiling process*

Reasons to Invest

- *Consistent delivery of 4% target yield (4.3% historic)*
- *Strong capital growth over 7 years*
- *Run to a clear, volatility target*
- *Diverse range of direct equity and fixed income*
- *Overseen by an expert Independent Investment Committee*

TACKLING YOUR ISSUES - LET'S GIVE IT A TRY!

Rion Barker
Investment Services Consultant
SimplyBiz Investment Services

"Rather than improve one thing by 100%, we improved 100 things by 1%." Sir Clive Woodward's quote on marginal gains after winning the Rugby World Cup in 2003 has become repeated to the point of cliché nowadays, yet clichés exist for a reason: they work, and they're right.

Woodward should know too, having run a successful business before becoming England head coach. It's a maxim that, no matter how often 'marginal gains' is endlessly parroted now, still holds true to any business today, particularly for financial advisers. Your advice process does not need improving by 100% (I hope). But efficiencies can be put in place to save you time (good), which saves you money (better), and you have less work to do (jackpot!). Here's a few examples:

Still using paper copies of Attitude to Risk questionnaires in client meetings? Which you then have to manually re-enter onto your computer to generate a score and report? In the now-famous words of Steve Jobs, there's an app for that! Download the new, offline-enabled app on your iPhone or iPad and complete the entire risk profiler process there and then with your client.

Trying to determine the risk profile of a fund or portfolio on Dynamic Planner? In the less famous words of myself, there's a Hub for that! The new Portfolio Suitability Hub incorporates a list of risk rated funds for each risk profile onto Dynamic Planner (which you can also find on the app) and enables you to very quickly build and upload portfolios.

Hosting two meetings just to determine a client's risk profile? And you don't have an iPad (me neither) so the app isn't an option just yet? We're working on it! The new Risk Profile Invite service on Dynamic Planner lets you send the risk profile questionnaire for a client to complete before your meeting, and you can import their answers onto your system with one click, rather than having to fill that out manually as well.

These solutions aren't re-inventing the wheel, because the wheel doesn't need re-inventing. Instead, every time you ring our helpdesk and ask, "Why isn't this a thing?" or "I wish this bit was quicker to do," what we did was actually listen to you, and pushed for these little extras for you.

There's been a few upgrades behind the scenes at SimplyBiz HQ as well, which means we can reply to queries and quibbles quicker than ever. We've doubled the number of staff on our helpdesk, so if you can't resist the glorious Yorkshire accent (who can, really?), there's twice as many of us to speak to now, and you can get answers in half the time.

You'll also have noticed our fancy new live chat feature on the Investment section of the SimplyBiz website and Compliance First website – perfect for when you have a smaller question, but you can't find your phone and you need an instant answer. Every time you see a smiling face with "Hi! How may I help you?" next to it, that's us, typing as fast as we can, with a spellchecker working furiously in the background.

All of the above solutions (and many more) are just little efficiencies here and there, but as Clive Woodward (and Australia) will attest to, those marginal gains add up. And when they do, they pay off.

SimplyBiz Investment Services

For more information, please contact the SimplyBiz Investment Services team on 0808 124 0000 or investmentservices@simplybiz.co.uk

IN DEFENCE OF THE VALUE OF PLATFORMS

Alistair Wilson
Head of Retail Platform Strategy
Zurich UK Life

With the FCA's value for money review pending for the industry, it's easy to question whether platforms are broken and in need of fixing. But while platforms may not be perfect, let's not take them for granted.

You only need to glance back into the not-too-distant past to see how platforms have made it simpler for people to invest, enhanced price transparency and helped consumers access a far wider range of investment solutions.

> **'How the FCA will come to define value for money is still to be clarified, but it's evident that platforms are about a lot more than price alone'**

Platforms have undoubtedly improved client outcomes by helping advisers to deliver new services, such as adviser-led model portfolios. They have simplified pricing structures, making it easy - perhaps for the first time - for consumers to understand the true cost of investing. And they have swept away the old slow-moving paper-based world.

How the FCA will come to define value for money is still to be clarified, but it's evident that platforms are about a lot more than price alone.

It would be odd for any review to focus just on price, when the general trend has been reduced costs to investors for accessing platforms, especially over the last five years. Despite this fall in pricing, platforms have kept consumers at the fore by continuing to invest in new technology, increasing integration with adviser back office systems and perhaps most importantly, keeping pace with pension legislation. Platforms are also helping to keep the cost of investing down, with some managing to secure lower fund costs from a number of fund groups.

Value for money is invariably linked to cost but helping clients to understand and interpret what value for money means to them is arguably a more sound starting point for a review. No doubt the FCA will find it helpful to speak to consumers to see what they personally regard as good value for money.

This, of course, runs into the problem that 'value for money' means different things to different people, so the challenge for providers is to ensure they are clearly communicating to clients the real benefits of being on a platform.

Value for money is as much about ensuring people understand what their platform can actually do for them as it is about how much it will cost them. Gaining such an understanding will really help clients decide what is and what isn't important to them on a platform, and ultimately what they see as value for money.

While the FCA is looking at value for money, there are other areas that could usefully be examined. It's certainly worth assessing what can be done to make it easier for advisers and consumers to switch platforms when the need arises. As we've seen in the banking and energy industries, price alone isn't a strong enough motivator to inspire people to move. Broadly speaking, consumers are looking for more than price to change supplier, as this on its own clearly doesn't equal value.

Perhaps the FCA will also look at how the industry can be encouraged to collaborate more so as to keep fraudsters at bay and investors' money secure. Consumers are bound to value this too.

So I am all for having a market study of platforms, with the clear aim of ultimately benefiting the client. Surely it's about ensuring the client obtains good value for whatever price they pay.

Davinia Rogers
Head of Sales and Marketing
Verbatim Asset Management

It only seems like yesterday that we announced the launch of Verbatim Asset Management yet this year sees our seventh birthday – a year which we look forward to with great anticipation, as seven brings with it the promise of opportunity.

Building on a solid foundation of continued and steady growth, the future looks highly appealing and as, we take time to assess our achievements over the last few years, we think there's something quite special about being seven!

Ask people to choose an odd number between 1 and 10, and more often not, they will say the number 7.

We are not always aware of its omnipresence in our daily lives: there are seven days of the week, seven colours of the rainbow, seven seas and seven continents. As a seventh son of a seventh son, you'll have special powers and Shakespeare waxed lyrical back in the sixteenth century about the seven ages of man. In folklore, children have marvelled at the seven dwarves, and of course, there are always seven available women to become seven brides for seven brothers, Sinbad made seven voyages and, of course, when Fleming was looking for a code for his unequivocal British spy, there was only one code to fit the bill... 007.

Therefore, as Verbatim celebrates its seventh birthday, we happily leave the world of fairy tales behind and look forward to continuing to serve our adviser community, passing on the benefit of our hard work and fund longevity, through our clearly managed risk and return parameters that ensure the suitability of initial and ongoing advice for your business.

Verbatim offers a hassle-free suite of solutions that cater for the needs of today's modern financial adviser, looking for portfolios that have been designed to meet the outcomes of an independent advice process. Whether you are looking for growth or income, active or index, unitised collectives or managed model portfolios, we have a solution that can help you deliver real-world client value with confidence.

In our seventh year, we remain committed to bringing you solutions that deliver against robust risk profiling and portfolio design, using strategic asset allocation that sits at the heart of each of our investment solutions. We cater for actively managed and multi-index investing through collective funds and managed model portfolios, which suit both your business approach and the needs of your clients.

verbatim ASSET MANAGEMENT

For further information, please visit the Verbatim website www.verbatim-am.co.uk to learn more about our funds and commitment towards achieving the outcomes advisers seek, or request a copy of our marketing pack from the team by calling 0808 12 40 007 or by emailing info@verbatim-am.co.uk.

Flash FP Verbatim Portfolio funds recently received RSMR approval and now carry the RSMR Fund Range mark.

COMPOUNDING ADVANTAGES

Simon Evan-Cook, Senior Investment Manager, multi-asset funds, considers the power of compounding, and why the multi-asset team favour active managers over tracker funds.

Simon Evan-Cook
Senior Investment Manager, Multi-Asset Funds
Premier Asset Management

In order to keep our investors happy and, as a consequence, ourselves in a job, we need to make sure our funds are good value. It really is as simple as that. It's the word 'value' that makes it so simple: it doesn't mean 'cheap' or 'high quality', although it could mean either, it is instead a combination of the two.

This matters because charges are perhaps the hot topic in fund investing today. Passive investment providers have pressed home a simple truth: if you can't be better than average, be average, but pay the lowest possible amount for being so. And voila! You have the case for low-cost index trackers.

It's a strong case because it plays to another simple truth: if you can find yourself a small but regular advantage, apply that over a long time and it will compound into a big difference. Compounding is a magical force: if you can find some way of increasing your annualised return on a £100k investment from 9% to 10%, you'll increase your overall return by £221,162.90 over 25 years. That's not to be sniffed at.

> 'It's a strong case because it plays to another simple truth: if you can find yourself a small but regular advantage, apply that over a long time and it will compound into a big difference'

For passive converts, that small advantage comes from aiming to be "average", then cutting the amount you pay. This is a simple, easy advantage that's close to guaranteed, which is why trackers have become so popular. As investors, we know this as well as anyone. So why, you may ask, do we insist on paying higher charges to use active managers within our funds of funds, when we could be using low-cost trackers?

Because while reducing charges is a good way of getting a small advantage to compound in your favour (which is why we're always trying to negotiate down the fees we pay on our investors' behalf), there are many other ways that are even more powerful. These are advantages that have worked consistently over long periods of time. But instead of reducing how far you are below average, which is the aim of a tracker, they have instead generated returns that are reliably above average, even after charges have been levied.

When we invest with an active manager, we make sure they are both genuinely active and investing in a process that plays to these time-tested, compounding advantages. So we have plenty of managers who invest in a similar way to Warren Buffett, which means they're looking for companies with an enduring advantage that will grow steadily over time (and then not overpaying for the shares in that company). We also like contrarian value managers, who buy reasonable companies at a cheap price when the market hates them, then sell them when they recover. We find plenty of active managers who achieve very good long term returns for their investors using this style.

There are other advantages we look for. But if they all have something in common, it is that the managers hold assets that they define as good value. Provided their charges are reasonable, this has the happy effect of making their funds good value which, in turn, means our own funds share the same characteristic. Well, we think so, anyway. Ultimately, our investors will be the judge of that, with the best test of a fund's value being the risk-adjusted returns generated after charges have been paid, and Premier's multi-asset income and growth funds are all in the top five in their sectors over the last five years.

We look forward to elaborating on this at the upcoming SimplyBiz conferences.

KEEPING ON TARGET

Paul Green
Investment Manager
BMO Global Asset Management

As a financial planning tool, risk-targeted funds can facilitate a robust approach to helping clients meet their long-term financial goals. The rigour on which they are based in terms of things like asset allocation shouldn't be mistaken for inflexibility however, and a good risk-targeted solution will be one that moves with the times and continues to evolve. Keeping abreast of these developments and reinforcing them to clients is important. Here we look at some of the ways the F&C MM Lifestyle Funds have changed over the last decade;

Seeking certain outcomes in uncertain times

The last decade has been an eventful one for economies and markets – the credit crunch, worldwide economic downturn and European debt crisis are just some of the factors making their impact felt. As a result, it's been a taxing and often worrying period for individuals saving to secure their financial future. In turn, those charged with guiding individuals towards defined outcomes in a fast moving, complex and uncertain world have been posed a real challenge, particularly when you consider the rapid changes to the regulatory environment that have also taken place.

10 years ago we launched the F&C MM Lifestyle Funds. Of course we didn't do so with any inkling of what lay ahead for the world economy but we did recognise the implications of things like the FSA's Treating Customers Fairly (TCF) initiative on advisers and the way they do business. Our focus was on creating a robust outcome orientated investment solution. Lifestyle was built on the foundations of proven investment principles, like diversification, and sought to harness the potential benefits of a wide ranging whole-of-market remit.

Being flexible with hardwired diversification

The range was the first in the UK to be directly targeted towards Distribution Technology's (DT) model – an approach that hardwired diversification and appropriate asset allocation into the portfolios. Over time the methodology has evolved and been enhanced. New asset types have been introduced and relative weightings adjusted. These shifts were made from a strategic perspective but soon after launch it became pretty evident that complementing the long-term view with a more tactical approach made sense. Since 2009, the team have overlaid strategic asset allocation with tactical adjustments to reflect their assessment of prevailing conditions.

The active/passive debate isn't clear cut

The decade has seen significant changes in the wider funds marketplace too – one of the most significant trends being the growth in the popularity of passive strategies. Funds offering cost-effective market exposure have been found in the Lifestyle funds since 2008 but over the years the way in which they have been deployed and the extent to which they have been used has varied. Just now for example, exposure to trackers and ETFs is relatively low – a conscious move as the team believe the best active managers in the industry are now in an environment in which alpha can be generated. For us, the debate between active and passive isn't one with a definitive answer – both approaches can play an important role in delivering the outcomes individuals seek.

Counting the cost of advice

TCF may have provided the impetus to get the Lifestyle ball rolling but continued enhancements and change have been driven by other regulatory developments. For example, clean share classes were introduced in 2009, ahead of the Retail Distribution Review's wide reaching impact on the pricing of advice. More latterly, Lifestyle has been utilised within a solution designed to align with the FCA's attempt to tackle the advice gap with its 2016 Financial Advice Market Review.

Today, the range now stands at £880m* in assets under management. This figure partly reflects the role the Lifestyle funds can play in the advice process but primarily results from the way in which the funds have successfully delivered performance and risk outcomes. In addition to attractive returns, each of the five funds have performed within their defined volatility parameters – a key requirement for any risk targeted offering.

*BMO Global Asset Management, 24 March 2017

VOLATILITY IS NOT TO BE FEARED

Didier Saint-Georges
Managing Director and Member of the Investment Committee
Carmignac

Financial markets often undergo rapid, erratic swings that are neither large in magnitude nor clear in direction. Such volatility is the tangible expression of investor uncertainty at a given point in time, and can be measured, by calculating the magnitude of asset price fluctuations. So asset managers often use volatility as a proxy for risk. But that has caused confusion in the minds of many investors.

While it is true that volatility is a measure of uncertainty, investors often – and mistakenly – take it as a red flag. But in financial markets, just as in daily life, the fact that something moves quickly and in opposing directions does not necessarily mean it's fragile. That could even be a sign of flexibility and enhanced resistance to shocks. Life is made up of movement – just ask Muhammed Ali, Blaise Pascal or any knee doctor. Nassim Taleb likes to point out that a taxi driver's income may be volatile, but at least it won't disappear overnight because he's been fired. By the same token, a financial asset, market or fund that exhibits some volatility could turn out to be extremely robust.

On the other hand, a highly stable financial asset could suddenly implode or lose its value little by little, without volatility but with a sure and steady decline in a couple's retirement savings, for example.

> **'Aiming to stamp out volatility, which is nothing more than a swing between tiny losses and tiny gains, is hardly a good basis for investment decisions'**

Take the example of a cautious investor who prudently invests his savings in German government bonds. Presuming a slow but inexorable rise in German interest rates, the value of his investment – which already offers a meagre return – would shrink with each passing day, since a bond that pays a low coupon is worth less when interest rates rise as investors can invest in new bonds offering higher coupons. Our cautious investor would see his savings slowly evaporate – without volatility. The value of his "safe", stable investment could even take a nosedive if interest rates were to shoot up. That's what happened in Germany in the spring of 2015; many European investors had bought the country's bonds because they were seeking a safe-haven asset. The yield on these bonds was nearly zero, but that was the "price" investors were willing to pay for the security of this top-tier paper. But in early April 2015, a brighter outlook for Europe's economy sent eurozone interest rates spiralling upwards. German bond prices fell accordingly, shedding 9% between 20 April and 10 June. So what had been considered one of the world's most stable investments suddenly proved to be much riskier than previously thought. Investors in German bonds fell victim to the "Turkey Syndrome": a turkey fed regularly throughout the year comes to view the world as a stable, calm, predictable place – until the day before Christmas, when it suddenly becomes aware that this stability was highly misleading.

Granted, volatility in itself is not something to wish for. And fund managers shouldn't use "volatility" as a euphemism for highly erratic returns due to poor investment decisions or excessive risk-taking. But neither is volatility something to be feared. On the contrary, achieving attractive medium-term returns necessitates putting up with short-term noise. You can't expect to make handsome gains in the long term if you aren't willing to ride out some turbulence in the near term. The first red flag that should have tipped off investors in Bernie Madoff's funds was their extremely low volatility. His clients thought they had stumbled across a crackerjack fund manager, but in fact they were just the latest victims of the Turkey Syndrome. Aiming to stamp out volatility, which is nothing more than a swing between tiny losses and tiny gains, is hardly a good basis for investment decisions.

Once upon a time, it was simply a case of having an online presence, somewhere would-be client or indeed would be client could go online to check out your credibility and credentials. Fast forward to today with the developments we have seen in technology and the emergence of social media and a simple 'brochureware' site is simply not enough.

Today's consumer is media savvy and information thirsty, with a desire to access everything now! We all do it – from booking your seats at the cinema, to ordering the weekly shop, we all use the internet to transact our day-to-day activities, more often than not whilst we are on the go.

You can now add to this, looking for the best mortgage deals, getting quotes and purchasing insurance, investing in an ISA and switching energy supplier, all now done online.

So – if consumers want this and indeed are already doing it and the technology exists to enable this – what's stopping you getting in on the act?

Introducing NextGen SimplySites

To enable you to tap into these changing consumer needs and demands, whilst further strengthening your relationships with your clients, we launched NextGen SimplySites at the turn of the year and since then we have already built over 300 sites for firms!

NextGen SimplySites offers:

- *A new web solution built on new technology*
- *Your own website designed around your business*
- *Fresh designs to choose from*
- *Pre-written and pre-checked content*
- *Tools and calculators*
- *Innovative digital tools*

One of the key features of NextGen SimplySites is our digital tools. Each tool has been selected to provide you with a means to meet client needs around accessing information, saving time and even transacting business.

All of our digital tools are available through our £20pcm (+VAT) package and above and in many instances, do not incur any additional licence costs.

Some of the tools now available...

MortgageBrain B2C
Best Buy Table and Mortgage Search plug-in

These interactive plug-ins enable visitors to your site to search for a mortgage or view today's best mortgage deals.

Source

Add The Source to your site, allowing visitors to get a number of quotes for Buildings and Contents insurance from leading providers and even buy straight through your site!

directlife
life made simple

Our exclusive whole of market life quote and buy facility provides you with your own branded quote comparison and apply capability for simple Life and Critical Illness solutions. Clients can choose to buy direct form your site.

ZURICH

As well as our whole of market offering, we also provide access to Zurich's Life Assurance quote and buy facility.

octopus energy

With Octopus Energy, customers can get an energy quote in seconds, and they can switch their energy supplier within minutes. Not only could your clients save hundreds of pounds on their energy bills, but you'll earn for every client that switches!

Children's ISA
saving up for when they grow up

ISAs are an important part of the investment process, but giving face-to-face advice is not always practical, so by using The Children's ISA, your clients can still invest, you protect your client relationship and you will even receive a set-up fee for each one, which could pay for your NextGen site each month!

PENSION MONSTER
POWERED BY SELECTAPENSION

Pension Monster is an online retirement guidance tool that aims to help people better understand their retirement options and how much more they may need to save to provide for the retirement they want.

A user answers some simple questions, which gives them tailored information about their retirement options and shortfall analysis. They can then print the report ready for a discussion with you.

	EARN
INVESTMENTS SOLUTIONS	
Children's ISA	Y
Access Advice - Distribution Technology	Y
PROTECTION SOLUTIONS	
GI quote and buy - The Source	Y
Life & CI quote and buy - Direct life (WOM)	Y
Life & CI quote and buy - Zurich (single)	Y
MORTGAGE SOLUTIONS	
Mortgage Brain	X
CLIENT PORTALS AND PLANNING TOOL	
Personal Finance Portal - Intelliflo	X
My Planning - Dynamic Planner	X
RETIREMENT PLANNING	
Pension Monster	X
CASH MANAGEMENT	
Deposit Sense	Y
Octopus Choice (P2P)	Y
UTILITIES	
Octopus energy switch	Y

Interested?

If you are an existing SimplySite user, we can move you over in a matter of hours. If you have never had a site with us, we just need a little information from you before we commence build. If you have any further queries, please email simplysites@simplybiz.co.uk

Cost?

We will build your NextGen site for FREE and now offer monthly running packages starting from £10pcm (plus VAT), with all the tools mentioned above included in our £20pcm (plus VAT) package and above.

SimplyBiz Group

If you are interested in making the move to NextGen SimplySites, you can find out more about the new solution, look at example sites, check out the new packages available and register your interest at our new website: www.nextgensites.co.uk

YOU'VE BEEN ATTACKED WITH RANSOMWARE – WHAT NEXT?

Rob Walton
Chief Operating Officer
Intelliflo

The recent spate of global cyber attacks owing to the infamous WannaCry 2 malware has caused consternation in a multitude of industries and countries – it was an indiscriminate attack that has claimed victims from Telefonica to the NHS. It has also affected a number of financial advisers.

In a recent poll among 220 Intelligent Office users, Intelliflo found that some 44% of financial advisers have direct experience of a cyber attack. That survey was conducted just before the release of WannaCry 2, as well.

It's a sight that you hope you'll never see in your business – a pop up screen declaring that your files have been encrypted, only to be released upon the receipt of a ransom (hence the name ransomware). In the case of WannaCry 2, the payment was set at an initial US$300 in the cryptocurrency Bitcoin.

Short of actually paying the ransom once your data has been infected with ransomware, your options are extremely limited, especially if you have not backed up your data. Hackers prey on this desperation and many firms succumb to the ransom demands.

This is categorically not the best course of action. Ultimately, you are dealing with criminals. What incentive do they have to actually release your data? There have been previous instances of firms paying ransoms for their data, only for the encryption key to infect their systems with further malware. Morally, too, by paying the ransom you are only funding further cyber attacks.

Whilst dealing with a cyber attack is never easy, you can take steps to lessen the impact of an attack on your business.

Regularly backing up your data is crucial. This is your fall back option. If your data becomes encrypted by future iterations of

ransomware, what will you do? By having a readily available back up of your data to hand, you can reboot your systems, discarding the infected data to be replaced by the clean version. Back-ups need to be offsite and stored so that if your office is breached, an attacker cannot reach them and encrypt them too.

You can get the same benefit by using cloud based services as there is a gap between your office IT and the underlying system storing your important data. You need to have complete separation between where your staff access the internet and their email and where you store client data.

'By having a readily available back up of your data to hand, you can reboot your systems, discarding the infected data to be replaced by the clean version'

As well as backing up your data, consider how it can be accessed. WannaCry 2 spread like wildfire through outdated Windows systems; indeed, the NHS was operating on the unsupported Windows XP system. If your system is out of date and unsupported, there are no new security patches available for it, increasing the likelihood of an infection.

Remarkably, 10% of Intelligent Office users are operating on unsupported systems. Ensure that you keep yours up to date with the latest patches – they are released to protect you.

So, if you have been attacked with ransomware, the 'what next' very much depends on the 'what before' – ensure there is continuity planning in place and anticipate a cyber attack. Intelliflo have partnered with NCC group to produce a free to download white paper 'Mitigating cyber risk in the financial services sector', which is available at www.intelliflo.com/whitepapers .

Intelliflo

More information is available at www.intelliflo.com/whitepapers

MAKE THE MOST OF DYNAMIC PLANNER® WITH CORE CONNECT

Did you know that in addition to your complimentary access to Dynamic Planner®, you now have access to an exclusive package that offers further, time-saving tools at a substantially discounted rate?

Introducing Core Connect powered by Dynamic Planner®

If you are an existing user of the technology, you'll already be aware of the many benefits that the system offers to support and strengthen your investment advice process.

Building on from the initial Dynamic Planner® complimentary package, there are now additional tools and functionality at your fingertips, and, depending on your subscription level, even more support available to match your business model and client approach.

What's new?

Portfolio Suitability Hub

Sourcing funds and being able to evidence the reasons behind your recommendation is an absolute necessity in meeting FCA requirements.

The Portfolio Suitability Hub is a new fund research engine, which allows you to filter funds using Dynamic Planner® risk ratings.

The navigation is quick and intuitive, and can be used as part of a centralised investment proposition, giving you the ability to clearly demonstrate that the funds selected match the level of risk your client is willing and able to take.

Risk Profiler app

Having a busy appointment schedule and being on the road means that you may not always have reliable access to the internet. The Risk Profiler app gives you the ability to deliver the full risk profiling process including asset allocation, fund selection and report generation on an iPhone or iPad, all whilst offline.

Once you have completed the risk profiler process with your client using the app, the results can be easily synchronised back to Dynamic Planner® after logging in to the main system once you're back online, saving you valuable time and removing the need to re-enter the information post-meeting.

My Planning – Client Portal

This client-facing portal allows your clients to view their personal and financial details that are held securely within Dynamic Planner®.

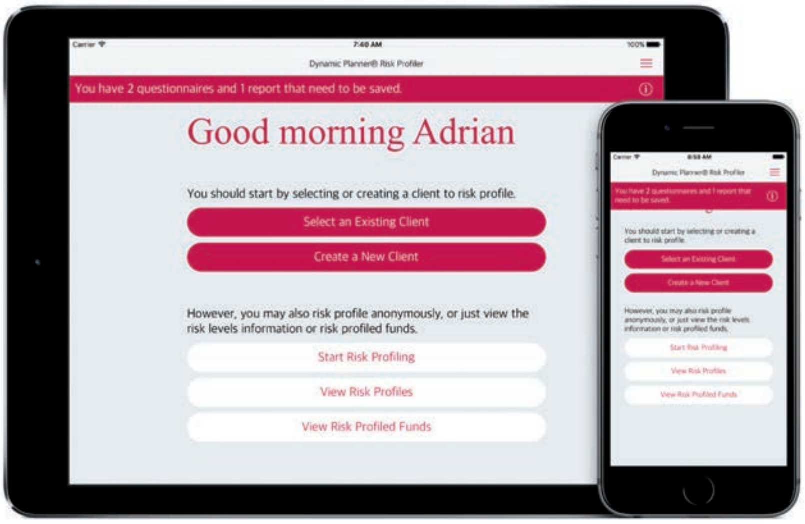
It provides a simple and effective means of summarising the work undertaken with your client that they can view online, 24 hours a day, 7 days a week.

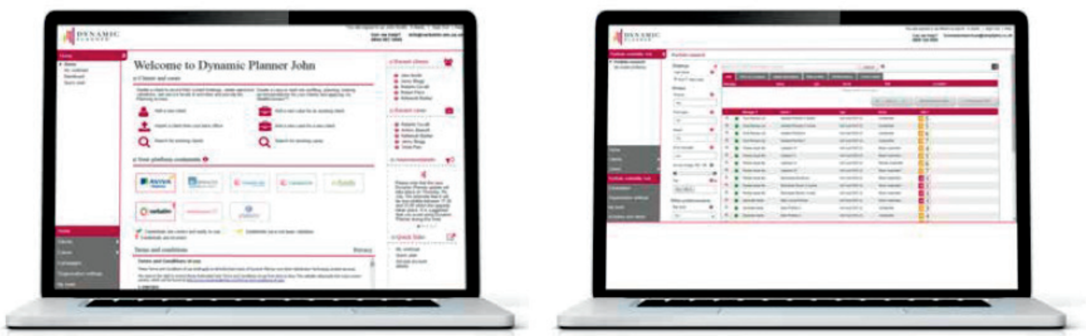
Start using these additional tools from as little as £25+VAT per month.

Also available – Risk Profile Invites

Why not invite your clients to complete the risk profiling process online at a time and location that is convenient to them? Once submitted you can import the data directly into Dynamic Planner® to complete the rest of the planning process, saving you more time, and reducing the need to re-key data. Please note, this service costs £15+VAT per month per licence for up to 250 invitations.

EVEN MORE SUPPORT TO MATCH YOUR BUSINESS MODEL AND CLIENT APPROACH





Don't forget, if you need any help using Core Connect, please get in touch using the details below, or the new 'Live Chat' feature on our website. We can take your questions and arrange face-to-face or online training to help you discover the ways in which Core Connect can add efficiencies to your advice process.

DYNAMIC PLANNER®

SimplyBiz *Investment Services*

For more information, please contact the SimplyBiz Investment Service team on 0808 124 0000 or investmentservices@simplybiz.co.uk

Communication Package

The Communication Package gives you access to a range of materials pre-approved by The SimplyBiz Group compliance team in PDF, HTML, Word or print format.

It's a highly cost-effective service you can use to keep in regular contact with your clients.

THE PACKAGE INCLUDES PERSONALISED VERSIONS OF THE FOLLOWING ITEMS:

1. **Quarterly newsletters**
   Three versions: Wealth, Money and Home Finance, produced at the beginning of January, April, July and October
2. **Quarterly Magazine**
   Your Finance Matters – published mid-January, April, July and October
3. **Property Reviews**
   – two versions, the Residential Property Review and the Property Market Review – available monthly
4. **Economic Review**
   – available monthly
5. **Budget updates**
   – published shortly after each budget
6. **Tax guides** – updated each April
7. **Specials** – such as the EU Referendum and Election material

EMAIL SOLUTION

Access to the Email Solution is also included in the package, enabling you to send the content of the materials as a HTML file. You can also access statistics showing the open and click through rates of the email campaigns you have sent.

COSTS

The cost of the package is £60* per month or, you can subscribe for the full year and receive two months free at just £600*.These prices include the PDF, HTML and Word versions of the materials. Printed copies are also available at an additional cost.

There is also a small fee for the Email Solution of £5 per campaign you send, plus 1p per email address you are sending to.

We're happy to help!

To find out more, see samples or place an order, please call us on **01279 882519** or email simplymarketing@tomd.co.uk or go to **www.simplymarketingsolutions.co.uk**


SimplyMarketing

This is a sample – please contact us on 01279 882519
or email simplymarketing@tomd.co.uk for more information

ECONOMIC REVIEW MAY 2017

Our monthly economic review is intended to provide background to recent developments in investment markets as well as to give an indication of how some key issues could impact in the future.

It is not intended that individual investment decisions should be taken based on this information; we are always ready to discuss your individual requirements. We hope you will find this review to be of interest.

BANK OF ENGLAND GOVERNOR OFFERS CAUTIOUS QUARTERLY INFLATION REPORT

RETAIL SALES BEAT FORECASTS

Economic Review

The monthly Economic Review documents are part of the SimplyMarketing Communication Package, they can also be purchased on a 'pay-as-you-go' basis.

Published at the beginning of each month, the Economic Review helps you to keep your clients in touch with relevant financial and economic issues, both at home and abroad.

Like the other documents in the Package, the Economic Review can be personalised with your logo and contact details, and is available in a range of formats.

COSTS (pay-as-you-go)

PDF £35*

HTML £60*

Also available in print and word formats.

*All prices are excluding VAT other than the Email Solution send fees.

Client Newsletters

A cost-effective way of keeping in touch with your existing and potential clients.

The newsletters are all A4, four page documents published at the beginning of each quarter (January / April / July / October). There are three versions, each focussed on different financial issues and tailored to suit the needs of different financial groups.

- **Wealth**
  – investment and wealth topics
- **Money**
  – general financial issues
- **Home Finance**
  – mortgage and insurance related content

Personalised with your logo and contact details, the newsletters are available in PDF, HTML and print format.

COSTS (pay-as-you-go)

PDF £35*

HTML £60*

Print prices start from £70 (no VAT) for 50 copies.
All print orders include a **free PDF version**.

*All prices are excluding VAT other than the Email Solution send fees.

Online demos

We're also happy to do online demonstrations for the package – these take about 20 minutes – just call us on **01279 882519** to book a time to suit you.

PEARLY GATEKEEPERS OR THE DEVIL'S FOOTMEN?

Karl Dines
Head of Business Consultancy
SimplyBiz Investment Services

I recall a film I once watched about a soldier who came back from the Vietnam War and was haunted by demons. One quote stuck in my mind which came from the soldier's doctor.

"If you're afraid of dying, and you're holding on you'll see devils tearing your life away. But if you've made your peace then the devils are really angels freeing you from the world"

A bit heavy on the drama I know, but I am reminded of it every time an adviser speaks to me about how the regulations are of no use, the FCA are not working in the real world and so on.

> 'I believe it depends on how you look at it; is the regulator there to make your business life difficult, or to give you positive guidance?'

Do you consider the following when you set out your charges?

- *How detailed do you want to be?*
- *Do you need more than one service level?*
- *What exactly will you charge for?*
- *How will you charge (hourly rate / % / flat?)*
- *Will you have initial charge / ongoing charge / retainers?*
- *Will you have minimum charges and if yes, what should they be*
- *Do you cap charges?*
- *How do you handle and record discounting?*
- *If you are updating your charges, how do you transition legacy clients?*
- *How will you communicate your structure to (a) industry professionals (b) clients (c) potential buyers*
- *How will you monitor and review your client proposition?*

Let's assume the FCA are angels, providing guidance. TR14/12 deals with how you communicate your charges to clients in a clear, fair and not misleading manner. It offers, in my opinion, good guidance on what the FCA expects so, assuming no-one wishes to mislead clients, let's look at being clear and fair.

Clear

How confident are you that your client facing documents are clear and easy to understand? Here's an example, its commonplace to have an initial charging structure as follows

£nil - £100,000 : 3%
£100,001 - £250,000 : 2%
Above £250,000 : 1%

There's two ways to interpret this and it will dramatically affect the amount a client pays and it's fair to say that it could be interpreted either way. Do your documents explain this clearly?

Tiered charging on £300,000 (where the first £100,000 is always charged at 3% and so on)	Discrete charging on £300,000 (where the percentage decreases on the whole amount)
£100,000 x 3% : £3,000 £150,000 x 2% : £3,000 £50,000 x 1% : £500	£300,000 x 1% : £3,000
TOTAL : £6,500	TOTAL : £3,000

Joseph O'Connor discusses written communication extensively (NLP Workbook / O'Connor / 2001)

"Written communication can affect thousands of people through books and articles"

"When they are unclear, ambiguous or plain difficult to read, the costs can be high"

He goes on to discuss the fog index which is a well established measurement of the clarity of a piece of writing (you create suitability reports, right?) It works on the principle that long words and sentences make writing more difficult to understand. If any of you have read Dickens you'll know what he means.

- *Take a typical section of about 100 words*
- *Count the number of words (excluding proper names)*
- *Count the number of sentences, and divide it into the number of words (X)*
- *Count the number of words with three syllables or more (Y)*
- *Fog index is the average number of words per sentence (X) plus the number of words of three syllables or more (Y) multiplied by two fifths*

$$(X+Y) \times 0.4$$

My first three paragraphs here come to 102 words and has a fog index of 20.4, clear writing has an index of between 10 and 12 so I have some work to do!

The FCA gives some great guidance in TR14/21

- *Ensure documents are written in a font-size that makes it easy for people to read.*
- *Ensure information on services and charges is displayed together so that people are able to assess it in context.*
- *Avoid using dense paragraphs of text to share complicated information – tables and/or diagrams are preferable.*
- *Use bold text, colour and/or highlighting to draw out key information such as costs.*
- *Use white space to make the contents easier to read.*
- *Try to keep the document to four pages or less.*

Fair

How do you know that your charging structure is fair? The FCA addressed this in TR14/21, page 15. To paraphrase:

- *Some firms conducted research to identify how much it costs to bring their service to the market place, so they could be profitable and able to deliver their service (have you?)*
- *It enabled firms to identify certain client profiles and which ongoing service would be most suitable.*
- *Many firms could articulate their service levels but it was not always documented (is yours?)*

So, if you have researched your charges and pegged them against your client bank, you may be able to make a statement that your charges are clear and fair. You might want to consider comparing yourself against your peer group. Data Bulletins 7 and 9 make it very easy to do just that as they focus on the analysis of the latest RMAR reports

'To conclude, you can't control the way the regulator is governing our profession, what you can control however is how you react to it, and taking on board regulator guidance is a positive step'

Business Consultancy is here to specifically help firms who wish to create and document clear and fair Client, Investment and Supplier Propositions, all of which follow regulator expectations.

We have designed a structured methodology to document each proposition which will be individually tailored to your business. Here is the one for creating a client proposition.

Stage	What	How
1	Take guidance from the regulator	Understand and action the guidance from FG12/16 and TR14/21 and follow high level principles
2	Take guidance from compliance support	Use their recommendations and templates as a starting point Make sure drafts and final documents are approved by compliance support
3	Explore philosophy and ensure it is followed	Make a list of beliefs, taking guidance from the regulator and compliance support
4	Create a charging structure and service strategy which is (a) profitable and (b)has a reasonable and fair charge to clients	Look at market standard charges for advice Analyse the costs associated with bringing the service to market Create charging structure
5	Create a method of delivering a service strategy	Document what and how a service will be provided
6	Create client facing documents to support philosophy and strategy	Use templates available from compliance support and guidance from the regulator
7	Create a review procedure	Have review and version numbers on documents Diarise the review date Maintain a change log Get approval from compliance support at each compliance visit

Oh, and that film? Jacob's Ladder.

SimplyBiz Investment Services
PART OF THE SIMPLYBIZ GROUP

For more information, please contact the SimplyBiz Investment Services team on 0808 124 0000 or investmentservices@simplybiz.co.uk

YOU HAVE ALL THE INGREDIENTS YOU NEED FOR THE PERFECT RECIPE

Tom Nall
Workplace Solutions
The SimplyBiz Group

I want to share with you three opportunities that are adding value to advisers managing the wealth of business owners or key decision-makers.

Let me be crystal clear first – these opportunities do not require you to become an employee benefits consultant, nor to take your eye off the core services your business provides. These are tweaks to your existing relationships; driving value for you and your clients, enabling you to identify new HNW prospects, and secure existing relationships.

Within The SimplyBiz Group's membership, there are specialists dealing exclusively with employee benefits, providing advice only to employers, and partnering with wealth management and financial planning experts to provide an end-to-end service for a business owner that is both a wealthy individual and an ambitious employer seeking greater engagement and productivity from their staff whilst managing business risks.

Putting you at the heart of your client's business

We've recently launched a new Workplace Solutions website, www.workplace-solutions.info, to enable you to build your own proposition, including exclusive enhanced terms from providers, or find the specialist partners you can work with on a reciprocal introducer arrangement.

On to the opportunities:

1: Run a quick business healthcheck on your clients and prospects:

On the Workplace Solutions website you'll find the business healthcheck, also known as the benefits audit, which steps through simple but powerful questions which will help your client identify if they have a risk they're not addressing or an opportunity they're missing. It's a helpful structure to guide you through the headlines, and then you will either advise on necessary solutions or introduce to a partner whilst retaining control of the client. Just asking your client when their group PMI was last reviewed, and if they want you to take over as agent so you have a fuller picture of their benefits will create a new income stream and a closer relationship. Many advisers run the healthcheck for free with prospects, as it leads to opportunities around business protection, pensions, healthcare and group risk.

2: Build more value into what you're doing already:
By rights you should be throwing rotten fruit at me right now, except there are a lot of you that aren't necessarily making the most of what's in front of you. There, I said it; but what do I mean? First off – get yourself signed up to SimplyProtect. It'll add around 10% to the income you'll receive on individual and business protection without adding to the premium, and it covers the major providers in the market without reducing your independence. It will literally take you less time than it'll take me to wipe all that mouldering tomato off my fruit-thumped face.

I'd also recommend you check out the new simplified group life protection offer, which enables you to get instant quotes from 3 to 20 lives and is designed for companies new to employee benefits. This takes what can be a lengthy process and reduces it to seconds, with no requirement for complex data – so quick you could drop it into conversation and leave with the client set-up.

3*: Offer an auto enrolment review to your professional connections*
I've long held the view that accountants and payroll are the most direct route to building a client base of business owners – in fact with the right engagement you'll have your professional connections endorsing your services to their clients for free. On the Workplace Solutions site you'll find the materials you need to do three things:

1. Help them see the risks they're taking and how you can help. Use our tools to paint the picture of when their clients stage and re-enrol, and model the costs to their business of not taking control.

2. Review their key clients. An adviser I helped recently said that the payroll manager in a large regional accountancy practice became increasingly worried as he set-out some of the limitation and challenges of NEST (their default provider), leading to a review and introduction to their largest clients.

3. Give them a light-touch auto enrolment audit to build into their own processes with clients. Not only will you be adding value to their business services, you'll also be building-in a conversation which will result in qualified leads for you to act on the findings of the audit or run a deeper review.

We launched a consulting service for advisers because we know that being confident to change existing successful ways of working is easier said than done. You also need some hard facts on the business case for change. We offer free business development consultancy over the phone to help you get the facts and materials you need to engage clients and start to make a real difference.

SimplyBiz Workplace Solutions

If you want more help with the opportunities I've outlined, or across the full breadth of the Workplace Solutions proposition from the SimplyBiz Group, drop us a line at enquiries@workplace-solutions.info, or give us a call on 01484 443450.

YOU AND YOUR CLIENT - WHEN THE RELATIONSHIP GOES BEYOND THEIR LIFETIME

Research conducted by the Centre for Economics and Business Research (CEBR) indicates that the amount passing from one generation to the next is growing and will increase from GB69 billion to GBP115 billion in the next ten years. The average inheritance will rise by 47% from £62,000 to £91,000.
One of the reasons stated in the research was due to the rise in property prices in the next ten years. Combined with the long housing boom which has resulted in unaffordable residential properties for those under the age of 35 and ownership rates for the over 65s rising slightly, this will result in the UK's housing wealth being concentrated in the hands of the older generation.

The report by CEBR (Passing on the Pounds) states that the rise in wealth in the UK in recent decades has been astounding. The cumulative value of inheritances over the next ten years will reach GBP1 trillion! Clearly, advisers need to make sure that this inheritance is passed over correctly.

So what does this mean?

70% of the UK's household wealth is now held by the over 50's. This is the generation who have saved through their lifetime, they have built relationship with their financial advisers over this period from capital accumulation, to requiring assistance with providing an income to capital de-accumulation, but what happens when the client passes away? In the next 30 years, £5.5 trillion will pass between generations. Where will this generation turn for assistance, the assistance that helped their parents accumulate this wealth in the first place?

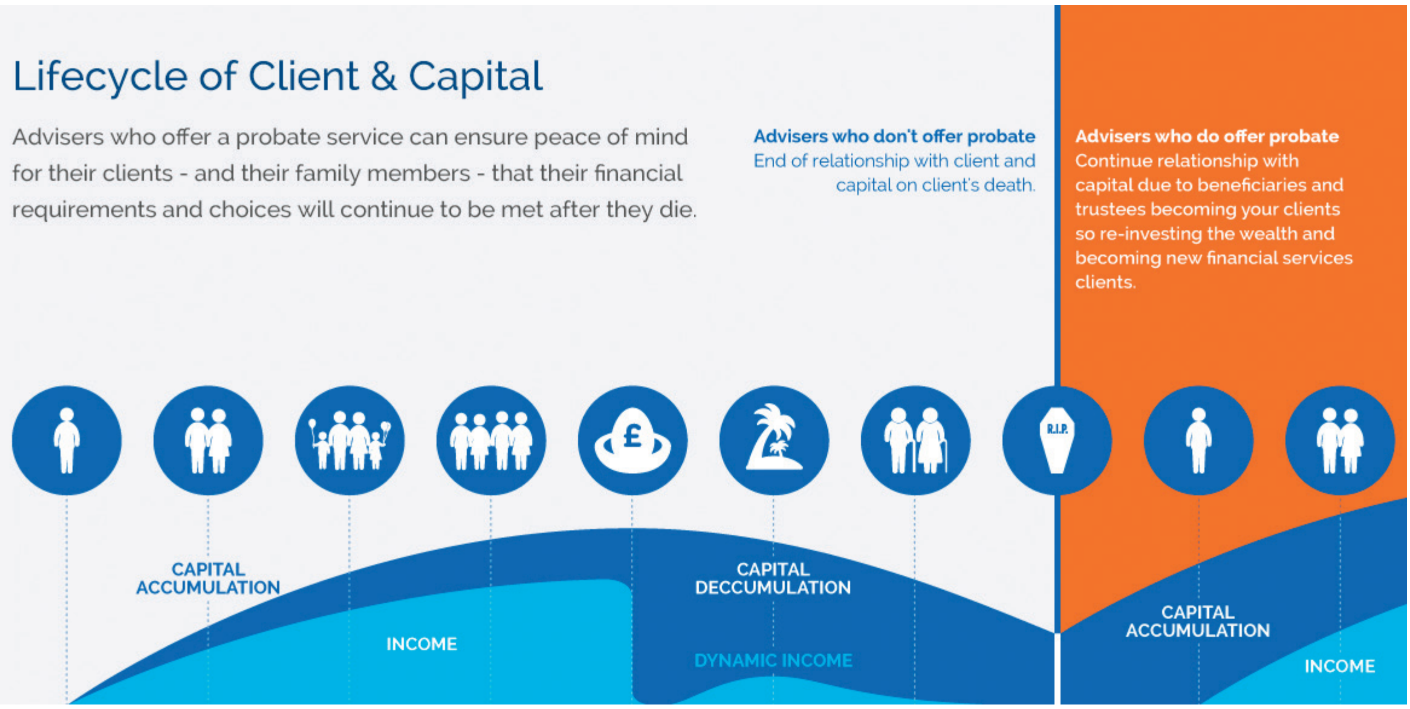
Over 1 million adults receive inheritance in any one year, inheritance that is set to be sold off on an enormous scale in the next 10 years. This will result in a shift from property wealth to financial wealth which, will require funds to be managed. It is therefore likely that demand for assistance will be vast.

How do you access these clients?

Relationships are built on trust; clients trust their financial advisers to handle all aspects of their financial planning so why would they not trust them to handle their estate planning?

Clients trust that their adviser has given them all of the information they need, but without educating the client on what happens to their assets without a will, they will be completely unaware of how to protect their estate for the next generation.

Power of Attorney can provide this peace of mind and without one in place, the client can be left vulnerable and out of pocket as the alternative is time consuming and expensive.



By helping clients plan for the future in this way, it can naturally progress into helping the client's family when their loved one has passed away by offering assistance with probate.

A staggering 94% of financial advisers lose their client wealth on death. This is a statistic that is far too high considering that being involved in probate would complete the client life cycle and give financial advisers access to the next generation.

These benefits are threefold:

1. *Handling the probate case is something that assists the family at a difficult time;*
2. *It is lucrative for the adviser and, if offered through APS Legal & Associates, is competitive in the market.*
3. *You can build a client bank for your financial advisory practice too.*

Ultimately, if you are involved in not only your clients estate planning but also have the ability to offer advice and assistance after death to the family of your client, the relationship continues. Not only will you be extending your portfolio of services, you will be fulfilling your duty of care with your client and also creating new relationships with the executors and beneficiaries who have newfound wealth and who will undoubtedly need advice on where and how to invest it.

How to become involved

Many advisers are currently sending clients elsewhere for estate planning and probate services. Why?

It is our aim to encourage more advisers to become involved in these services so their clients are fully educated on what happens to their assets post-death.

By offering estate planning and probate services you, as their financial adviser, will also have the additional benefit of retaining clients, providing a holistic service in-house by people that clients trust rather than turning them away to attempt to plan for the future themselves.

We understand how busy advisers are therefore this is something that we have made easy for advisers to add on to their existing business.

94% **OF FINANCIAL ADVISERS LOSE THE NEXT GENERATION AFTER A CLIENT DIES**

aps Legal & Associates

To find out more, please request an information pack from us at enquiries@aps-legal.co.uk or call us on 01909 531751

*all figures and statistics quoted are from research carried out by Centre for Economics and Business Research (CEBR) and Kings Court Trust. To download the full report visit www.inheritanceeconomy.co.uk

ARE YOU PREPARED FOR THE SENIOR MANAGER'S REGIME

Bobby Pollock
Compliance Consultant Manager
Compliance First

"Supervisors will need to pass an appropriate qualification. If they supervise an employee who advises retail clients on retail investment products (for example; life policies) or P2P agreements where that employee has not yet been assessed as competent. We also expect supervisors should have the appropriate technical knowledge and coaching and assessment skills to be a supervisor.

There is no specific requirement for supervisors to pass an appropriate qualification where they are supervising people carrying on other activities in the TC. They should have the technical knowledge and coaching and assessing skills to be a competent supervisor and assessor. Firms should also consider whether they wish their supervisors to hold a qualification. Ultimately, firms should be able to explain to us their decision of they decide the qualification is unnecessary." As quoted in the FCA Training & Competence Source Book.

At Compliance First, we recognise the challenges involved in getting supervision right and are keen to ensure that our Client Firms have access to periodic supervision courses.

2 Day Full Course (£275+vat)

11th & 12th July	Durham County Cricket Club, Emirates Riverside, Chester-Le-Street, Durham, DH3 3QR
	Day 1: 9.45am - 4.00pm (lunch and refreshments will be supplied) Day 2: 10.00am - 4.00pm (lunch and refreshments will be supplied)

Additional courses will also be added in September – further details to be confirmed in due course.

As such, we are holding two courses:

- *a one-day refresher course for more experienced supervisors who might just need a little additional support;*
- *a two-day supervisor course for individuals who are new to the role or have not undertaken specific training.*

Both course types include sessions on:

- *the regulatory landscape;*
- *effective communications;*
- *a focus on development as well as how to be prepared for and conduct effective one-to-one meetings.*

The two-day course will also cover:

- *in depth coaching and feedback;*
- *exploring theory and practice as well as evaluation;*
- *all-important record keeping and the planning required in order to become a successful supervisor;*
- *Group practice sessions are an integral part of the course and this is supported by theoretical work.*

Compliance First

If you have any queries please call Kirstie MacDougall on 0141 616 5231 or to book your place please email k.macdougall@compliancefirst.co.uk

SIFA PRO: INCREASE YOUR POTENTIAL FOR SUCCESS WITH SOLICITOR CONNECTIONS

Dave Seager
Development Director
SIFA

Back in 2011, The SimplyBiz Group brought SIFA Ltd on-board to add an additional strand of expertise to an already considerable resource of services and tools available to Member and Client Firms. SIFA has been a provider of services to advisory firms since 1992, but it was the specialism in supporting firms looking to work effectively with professional connections and in particular, solicitors that is unique.

SIFA Professional is a style of SIFA membership, which all Group Members can join at a discount. This proposition has been designed to support firms in growing meaningful and profitable services with the legal profession and the monthly cost starts from a little as £145pm above your existing SimplyBiz Group membership.

If you're considering increasing your potential for success with your solicitor connections, we'd suggest you consider the following points to get you started:

1. Decide upon your financial planning USP – Why solicitors should want to deal with you?

Whilst you may within your business or as an individual be qualified and accomplished in all areas of financial planning, a solicitor who specialises in one area might not initially accept that claim. When approaching a firm therefore it is best to 'lead with your trump card'.

2. Bring yourself up-to-date with the legal market via www.legalfutures.co.uk

For too long the advisory community has endeavoured to talk to solicitors about what they do and what they are able to offer. There is so much change in the legal market that the adviser or advisory firm that demonstrates knowledge of their market will be able to empathise and spot the opportunities to assist.

3. Get chartered status – Chartered FP or Chartered WM.

Solicitors have had to study long and hard to gain their qualifications and professional status but do they realise or accept that financial planning as a profession has moved on as far as it has? Once you are at the top of your profession, ensure they understand that you and your firm are in an elite minority.

4. Get other qualifications, which are relevant to solicitors, notably STEP. Alternatively Resolution or SOLLA.

It is excellent if you can to demonstrate that you have gone further to gain accreditation or qualifications from bodies that solicitors recognise and respect. This demonstrating appropriate knowledge in the areas where legal and financial overlap.

5. Network with solicitors via your local STEP group.

Once you have attained the Step Financial Services qualification, you are an 'Affiliate' of STEP and can attend, network or potentially speak at their events and meetings. Join their club!

6. Identify solicitors to whom your business specialisation is relevant.

It is crucial that you do your research on the firm of solicitors you wish to approach and ensure that you are targeting the individuals or department to which your financial planning specialism is most relevant.

7. Give your solicitor targets a due diligence statement about your firm.

Firms of solicitors should be able to demonstrate to their regulator why they are referring work to a particular financial adviser or advisory firm. It is part of their clients' 'outcome' so assist them with due diligence on your firm.

8. Provide client marketing material, newsletters, handbooks etc. and suggest a marketing agreement

In the brave new competitive world in which solicitors find themselves, client communication about what they can offer their clients if valuable to them. Can you assist them with this when it comes to the related financial planning requited to the legal work they undertake?

9. When the relationship is established, suggest a JV

Do you understand the various forms of compliant business relationships that can exist between a solicitor practice and an advisory firm? Once a relationship is established, ensure you know how and why a joint venture might benefit them. Note however, that this is rarely appropriate at outset.

SIFA Professional

Consider joining SIFA Professional and enlisting the support of a team that understands the solicitor market and solicitor regulation. SIFA are proud to be part of the SimplyBiz group and the membership available as a bolt on to you current package can assist you with points 1 to 9. (www.sifa.co.uk)

For a more detailed conversation or a meeting contact me at dave@sifa.co.uk or on 07717 130929.

COMPLIANCE FIRST - TRAINING AND COMPETENCE SERVICE

Are you meeting your supervisory obligations?

George Crawford
Business Support Manager
Compliance First

It is the responsibility of each firm to assess their employees' competence. To help put this into context, the FCA defines competence as 'having the skills, knowledge and expertise needed to discharge the responsibilities of an employee's role'.

With this in mind, each firm must have adequate procedures in place, which are clearly defined for individuals to be assessed as competent, so that all parties involved understand when competence has been reached. The assessment of the employees' competence needs to be done on a regular basis. as well as the continuous assessment of ongoing training needs. This alone can be a full time job!

Competence is not limited to knowledge relating to the marketplace, products therein and regulation, but covers the skills, expertise, technical knowledge and behaviour of your employee, and their ability to apply these in practice.

Ensuring your employees are competent, and have the relevant training to remain competent, is one thing, but you are also required by the FCA to keep records of anything that relates to the firm's T&C plan, which includes: staff recruitment; training; assessments of competence; supervision of staff and details of appropriate qualifications for any activity within the scope of T&C.

As you can see, there is a significant amount of work you will need to undertake as a supervisor in order to ensure you comply with the regulator's requirements around T&C.

'Competence is not limited to knowledge relating to the marketplace, products therein and regulation, but covers the skills, expertise, technical knowledge and behaviour of your employee, and their ability to apply these in practice'

Competence is not limited to knowledge relating to the marketplace, products therein and regulation, but covers the skills, expertise, technical knowledge and behaviour of your employee, and their ability to apply these in practice.

Compliance First's Training & Competence Scheme is specifically designed not only to ensure you are meeting the FCA's requirements, but also to remove the burden of the monitoring and maintenance of your existing programme, leaving you with more time to spend with your clients.

As part of the Compliance First Training & Competence Service, we will work with you to prepare a scheme that fits with both your business and your regulatory requirements. We also carry out the following on your behalf: file reviews; skills observation; knowledge testing; review of CPD; one-to one meetings; training needs analysis; development plans; KPI collation; analysis and review; plus annual credit checks.

When all the elements of the T&C scheme have been carried out and the data collated , we will prepare a report for each adviser with detailed findings, this will save you time and money.

To add this scheme to your existing compliance service, there is a fee of £150+VAT per month, per adviser. By using the service, you are able to free up more of your time, while still ensuring your advisers are supervised effectively. Not only will you be confident that you are meeting and maintaining the high-level criteria set out by the FCA but also assured that your advisers are developing in their role and maintaining your firms standards.

Compliance First

PRESENT

YOUR SUMMER · EVENTS

AUGUST-SEPTEMBER

5 SUMMER EVENTS

EVENT DATES

August

WEDNESDAY 30TH
EDINBURGH
NORTON HOUSE HOTEL & SPA

THURSDAY 31ST
ABERDEEN
HOLIDAY INN ABERDEEN WEST

September

TUESDAY 5TH
FALKIRK
MACDONALD INCHYRA HOTEL & SPA

WEDNESDAY 6TH
DURHAM
DURHAM COUNTY CRICKET CLUB

THURSDAY 7TH
GLASGOW
HAMPDEN PARK

BOOK YOUR PLACE AT WWW.COMPLIANCEFIRST.CO.UK AND VISIT THE COMPLIANCE FIRST EVENTS PAGE

PUTTING INSURANCE TO WORK

Buying insurance is a normal part of our everyday lives: from cars and homes to mobile phones and Sky boxes, there is a plethora of insurance policies to help consumers protect themselves against risk. The same principles can be applied to asset management through buying put options to provide downside protection during times of increased volatility and uncertainty.

Toby Vaughan
Head of Fund Management
Global Multi-Asset Solutions, Santander Asset Management

Recent market and geopolitical events have reinforced the importance of managing portfolio risk. The unforeseen outcomes of the UK referendum on EU membership and the US presidential election caused volatility to spike, with sudden sell-offs followed by sharp recoveries. Given the recent elections in the UK and other important elections in Europe, as well as rising tensions related to North Korea, 2017 is also likely to feature some significant events for investors to consider. Against such a backdrop, it is worth revisiting the varied choices of how to protect portfolios against uncertainty and market volatility.

Traditionally, risk management for multi asset solutions' providers has focused on diversification, investing in a wide range of assets to reduce drawdown risks. Alongside the core assets of equities and bonds, sources of diversification can include property, commodities and infrastructure, as well as absolute return vehicles, which aim to deliver 'cash plus' returns. As the performance of each of these assets is driven by different factors, investing in a wide range of diversifiers should help to smooth portfolio returns and reduce downside risk.

While diversification into different asset classes remains important, it is not the only way of protecting portfolios from the risk of capital loss. Another approach is to buy downside protection as a form of insurance, just as consumers do in everyday life. For a relatively small outlay, akin to an insurance premium, asset managers can purchase put options to help protect portfolios against uncertainty and volatility. This gives them the right, but not the obligation, to exercise the option to sell at a pre-agreed price (the strike price), reducing both the portfolio's exposure to an asset class and potential volatility. Surprisingly, very few asset managers insure portfolios in this way.

This is a technique that Santander Asset Management's Global Multi Asset Solutions (GMAS) team have employed for the Atlas Growth Funds to help navigate the uncertainty that abounded in 2016. When doing so, we only buy exchange-traded index options since they are readily available and are completely liquid, meaning we can adjust our exposure if required. We also pay close attention to the cost of the premium; options' pricing changes all the time, reflecting not just the current market level and volatility but also the degree of investor uncertainty. We constantly monitor options' pricing and will only pay the option premium if it makes economic sense.

For example, in May 2016 we hedged some of the Atlas Growth Funds' UK equity exposure by buying a put option with a strike price of 5,950 on the FTSE 100 Index with a maturity date in July 2016. At the time, the FTSE 100 Index was trading well above 6,000, and the market conditions were benign, keeping the cost down to a few basis points. This afforded the portfolios downside protection, reducing the equity exposure and drawdown potential significantly in the event the markets reacted negatively to the outcome of the EU referendum.

This approach helps diversify the portfolios. However, it does reduce some of the potential upside and growth when markets react positively. Given the objectives of the portfolios are to deliver a return in line with a client's given attitude to risk, we believe that this is a price worth paying given the current market conditions and outlook. Adding portfolio protection in this way helps us navigate short-term geopolitical and economic events to ensure that clients receive the investment outcome they expected over the longer term. We continue to monitor the effectiveness of this technique and will employ this as and when we believe it to be appropriate.

Your perfect protection partner

Did you know that if you provide protection as part of your firm's proposition, you can access SimplyProtect, recently enhanced to Version 7, which brings together eight market leading providers to offer SimplyBiz Group advisers a unique commission structure?

If you are not a SimplyProtect user yet, sign up now to significantly increase your protection income.

With SimplyProtect, there is little to consider other than four simple, indisputable facts:

- **NO COST**
  to the fees you currently pay for your SimplyBiz Group compliance and business support services
- **NO CHANGE**
  needed to your current protection selection and placement processes and your market status is not affected
- **FREE ACCESS**
  to Synaptic's Webline quotation portal

And then, perhaps most importantly...

- **ENHANCED COMMISSION PAYMENTS**
  on every policy you set live

Don't take our word for it though – let the numbers speak for themselves.

Here's a simple example based on the commission earned for a £50 per month policy:

WOM rates return commission of	£1,093
SimplyProtect rates return	£1,224

UPLIFT OF £131

That's an uplift on commission of £131 on just one case!

A simple £50 per month policy would return commission to you of £1,093 using whole of market rates. With SimplyProtect's exclusive rates, your return would rise to £1,224 using the same sourcing and placement process. That's an uplift of **£131 on just one case** and you've not needed to do any additional work. How many cases do you place a year?

To sign up for SimplyProtect – visit the website selecting the 'Protection' tab and then 'SimplyProtect'. The process is quick and simple and there is no commitment other than the requirement to be a registered user. If you are already registered, but have yet to update your version to 7, please also visit the site to update your status.

If you have any queries, feel free to call one of the team to discuss.

SimplyProtect – why wouldn't you?

Brought to you by SimplyBiz Mortgages

SimplyProtect

PART OF THE SIMPLYBIZ GROUP

Tel: 01484 439160
Email: protection@simplybiz.co.uk

AIG AVIVA Legal & General LV= ROYAL LONDON SCOTTISH WIDOWS Vitality Health·Life ZURICH

* The above figures have been calculated on the following assumptions: £50 policy based on WOM rates and also SimplyProtect commission rates taking the monthly premium (12 annualised) by 100 multiplied by either rates SP 204.039% or WOM 182.225%.


SUPPORTING YOUR
DEFINED BENEFIT ADVICE
START TO FINISH
Helping you achieve the right outcomes for your clients with:
• expert support including checklists and case studies
• free TVAS to help with a compliant report
• a flexible product solution if transferring is right.
HELPING YOU MAKE THE MOST OF CHANGE
scottishwidows.co.uk/defined-benefit
or email our specialist team on
DBsupport@scottishwidows.co.uk
SCOTTISH WIDOWS