evolve

An NMBA publication • **November 2019**

What will 2020 hold?

INSIGHT INTO THE FUTURE OF THE ADVICE SECTOR

GLOBAL RISKS IN 2019 & THE GROWTH OF RESPONSIBLE INVESTING

HELPING DEVELOP BOTH YOU AND YOUR BUSINESS

NMBA
New Model Business Academy

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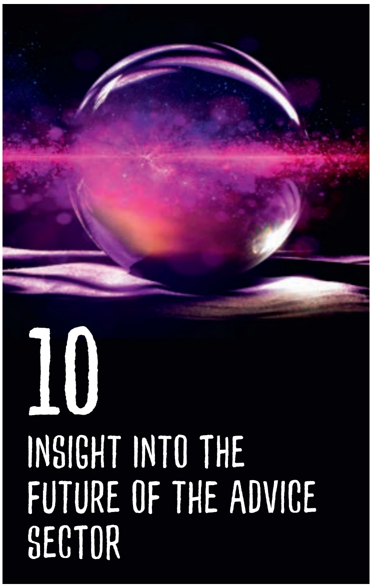
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Hello, and welcome to the winter edition of Evolve magazine.

It's been quite a year for the NMBA, and we are delighted to be heading into 2020 with a bigger team, more support available and some exciting new initiatives on the way.

We have also dedicated a lot of time this year to finding out more about what you think about the shape and future direction of the financial services sector. You can find a brief introduction to our NMBA Whitepaper on page 10, and will see more details on the full piece of research shortly. Also in this edition, you can find relevant and topical articles on areas as wide-ranging as regulation, reflective statements and CPD and our event programme for the next few months.
Not forgetting a chance to meet our new bigger and better team!

Evolve also brings you news on the biggest industry issues of the moment, and a host of interesting and valuable pieces from our partners.

As always, we'd love to hear your feedback on this edition of the magazine, and anything that you'd like to see covered in the future. Please do get in touch with your feedback at **info@nmba.info**.

Warmest regards,

The NMBA Team

NMBA New Model Business Academy

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For more information about our services, please call us on

01484 439200

Alternatively you can email **info@nmba.info** or visit our website **www.nmba.info**

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Your NMBA team!

The NMBA team has grown dramatically in 2019. As we have increased our services, we have also increased our resource in order to keep up with demand. We were delighted to welcome five new team members during September!

Who are we?

Head of NMBA
Jennifer Parker

Jennifer has worked at NMBA for four years, and is responsible for most of the Academy's functions, including strategic relationships, marketing and events, as well as apprenticeships and wider areas of business development. Jennifer is keen to see the Academy grow and has lots of plans and ideas to increase and improve the support NMBA is able to provide to advice businesses.


Richard Ardron


Janice Laing


Jennifer Parker


Julie Smith

Joint Managing Directors
Richard Ardron, Janice Laing

Richard and Janice have many years of experience in areas as diverse as marketing, strategy, development, supervision, compliance and wider aspects of financial advice. Janice and Richard have an incredible amount of enthusiasm for NMBA and continue to help the business to grow and develop by driving forward the strategy and future plans for development.

Apprenticeships Programme Manager
Julie Smith

Julie is responsible for the ongoing monitoring of the apprenticeship programmes, their development and delivery and the recruitment of new apprentices. Julie has been at NMBA since the apprenticeship first launched, and has supported all of our 113 apprentices through their journey. Julie is incredibly passionate about apprenticeships and feels a great deal of satisfaction seeing candidates succeed.

Apprenticeship Development Managers
Catherine Willoughby, Kerry Boyle, Chloe Hopkins, Jemma Broomhead, Paul Adams

Our five Apprenticeship Development Managers are responsible for supporting the ongoing development of each apprentice and making sure they stay on track. Each apprentice has a dedicated Development Manager to be their mentor throughout their programme, and they will receive as much support, encouragement and training as necessary to help them achieve their goal. Cath, Kerry, Chloe, Jemma and Paul are all very keen to support their candidates through their chosen apprenticeship programme and excited to see apprentices succeed and achieve their best 'pass' at end point assessment stage.

Apprenticeship Support Adviser
Christine Wallace

Our Apprenticeship Support Adviser is responsible for ensuring that our apprentices, and Apprenticeship Development Managers, have all they need in terms of exams, revision materials, courses, applications, and collation of important KPIs and any other support apprentices might require. Christine works closely with the Business Support team and helps to support a lot of our apprentices through the duration of the apprenticeship from initial application to end point assessment.

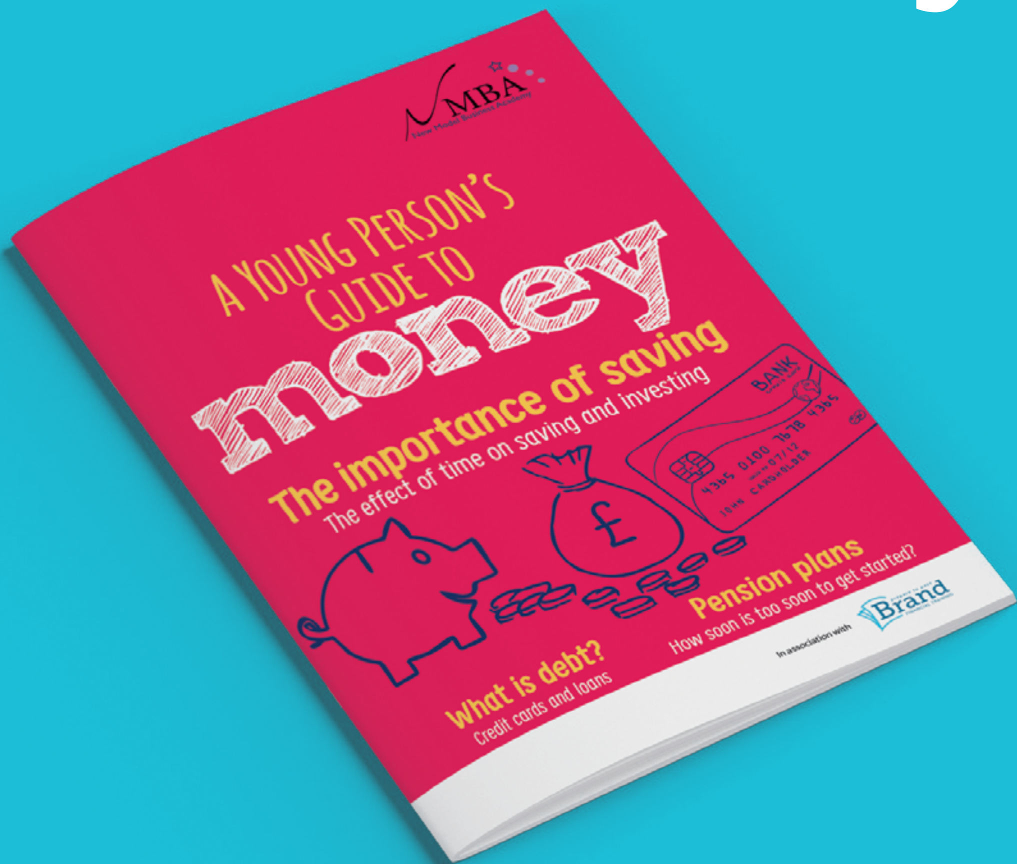
Business Support Executives
Chris Coop, Sam Chikoore, Chantal Tembedza

Our Business Support Executives are responsible for supporting all aspects of the Academy, including marketing, events, apprenticeships, online testing, answering enquiries and supporting all other Academy initiatives. If you call our main telephone number, you'll speak to Chris, Sam or Chantal, and they will be delighted to help you in any way they can.

If you every need to speak to one of us, we can be contacted on 01484 439200, there will always be someone in the office to take your call during business hours, and you can also email us on info@nmba.info or apprenticeships@nmba.info

NMBA New Model Business Academy

A Young Person's Guide to Money



We're dedicated to supporting the delivery of the Financial Capability Curriculum, and offer our Members resources so they can deliver practical financial education to the next generation.

The NMBA Committed to supporting the advice profession

RICHARD ARDRON
Joint Managing Director
NMBA

At the New Model Business Academy, we have a simple mandate...

TO IMPROVE ACCESS TO, AND THE QUALITY OF, FINANCIAL ADVICE.

A rather bold statement, but it's one that we have embedded at the core of everything we do at the Academy, as can be seen from our three main initiatives:

1. **Financial education and carers in finance**
2. **Apprenticeship programme**
3. **Professional development programme**

About six months ago, I was delighted to be asked to take on the role of Joint Managing Director of the Academy and, alongside Janice Laing (the other half of the Joint MD role) and Jennifer Parker, Head of NMBA, I embarked on a programme of rediscovery and development for the Academy.

In those short months, we have looked at every aspect of the Academy and asked three simple questions:

1. **What is it trying to achieve?**
2. **Is it as good as it could be?**
3. **Where else can we add value?**

From here, we have begun to develop all our services and to work closely with our key partners and stakeholders to build what we think will be the best propositions available.

We've been out and met Members, we've listened, we've engaged, and we've taken on feedback. We've spoken to firms at events, we've spoken to firms with apprentices and we've been out and met existing and potential partners. Oh, and Ofsted popped in to give us some extremely valuable feedback, which we have already taken onboard in further developing our apprenticeship programme.

> '...WE'VE LISTENED, WE'VE ENGAGED, AND WE'VE TAKEN ON FEEDBACK...'

So, what does all of this mean?

At the NMBA, we are committed to helping our profession to grow and flourish. We do this by providing advisers with access to business development support and by helping to bring in the next generation of adviser through our apprenticeship programme.

We also believe that by proving basic financial education to children and young adults, we can help to pave the way to a career in financial advice and help tomorrow's consumer to get a better understanding of basic finances.

'Over a third (36%) of 16-21 year olds said they would be encouraged to save money if teachers taught them how to save at school; and a fifth (20%) would be encouraged if their family talked about it more often'.

Exciting opportunities for you to get involved

Under our new programme of financial education, we are delighted to offer you more opportunities to get involved.

We are teaming up with the London Institute of Finance and Banking to get more copies than ever before of our Young Person's Guide to Money into schools to support teachers in delivering education in this vitally important area.

In addition, we are working with a number of NMBA Members to supply them with literally hundreds of copies to use when going in to present to schools themselves. We are in the process of updating the guide so, if you want to enrol in this programme, please get in touch!

The future adviser

If paving the way through our FinEd programme is step one – step two is our apprenticeship programme.

We successfully enrolled 20 paraplanners in September and 40 advisers in October, to give us over 150 apprentices now going through one of our two programmes.

As we have reached the 150 mark, we are now strengthening our programme. We have recruited four more Apprenticeship Managers to ensure our students have the best support we can give them, and we will be investing further in systems and training to ensure that the programme continues to improve and deliver the best outcome for all those engaging.

Unfortunately, despite our best endeavours, we did have to postpone the launch of our mortgage adviser programme, but we are confident that we will be able to open this back up next year.

Business development

We continue to enhance our development programme, which will see our popular Best Practice Meetings (which, incidentally, saw record numbers attend the last round) visit 15 venues in 2020, up from 12, again with two rounds. These events will once again be supported by our Business Evolution Forums, and we are already working with existing and new partners to look at how we can further enhance your learning and, indeed, experience at these events in 2020. You can find details of the events in the first half of 2020 on pages 38/39.

We also continue to record webinars, issue regular bulletins and develop our communications through this magazine, as well as look at increasing our training around exams.

> '...WE ARE ALREADY WORKING WITH EXISTING AND NEW PARTNERS TO LOOK AT HOW WE CAN FURTHER ENHANCE YOUR LEARNING AND, INDEED, EXPERIENCE AT THESE EVENTS...'

Closing the advice gap

We appreciate that advisers are extremely busy, and due to growing pressures from both external factors and changing client demands, its not always possible to advise your clients on every single aspect of financial planning. With this in mind, we launched our Outsourcing Services to NMBA Members in September.

Now, if there are areas of business that you cannot, or simply choose not to, advise upon – you can refer on to one of our trusted partners for DB Transfers, Powers of Attorney, will writing and care planning, and even pass on those less profitable clients.

Future gazing

As an Academy committed to future-proofing our profession, we have also been gauging your views on how the landscape may look – finding out who's looking to retire, who has a succession plan in place, who's looking to expand and so on.

We are grateful for you time in completing our surveys and if you want to find out how it's all looking, you can get a sneak peek at the results on pages 10/11 and download the summary document from the website.

Are you getting the most from the NMBA?

Visit our new look website and log into the Member site to make sure you're getting the most from the NMBA. If you're not yet a Member, then you can join for FREE and take advantage of the many benefits on offer – visit www.nmba.info to find out more.

MBA
New Model Business Academy

Insight into the future of the advice sector

Over the past few months, the NMBA has undertaken one of the biggest pieces of research to date into the advice sector.

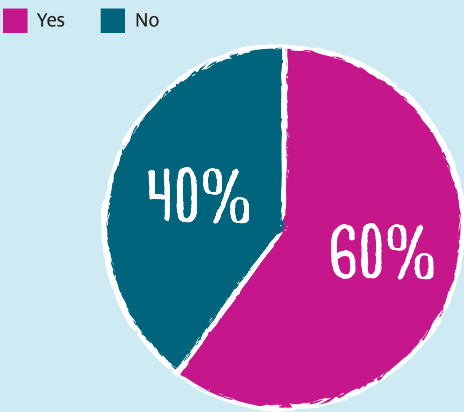
RICHARD ARDRON
Joint Managing Director
NMBA

As you may have noticed in recent bulletins, we have been looking at key indicators of adviser sentiment and future planning, on a number of relevant and important areas of the industry, including:

- **succession planning**
- **adviser acquisition**
- **advice firm growth**
- **apprenticeships and qualifications**
- **role and use of technology.**

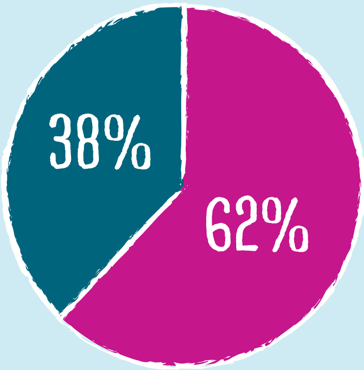
Whilst we will be publishing the research in full shortly, I wanted to give you an exclusive sneak peak of some of our findings:

DO YOU PLAN TO TAKE ANY FURTHER QUALIFICATIONS IN THE NEXT 12 MONTHS?



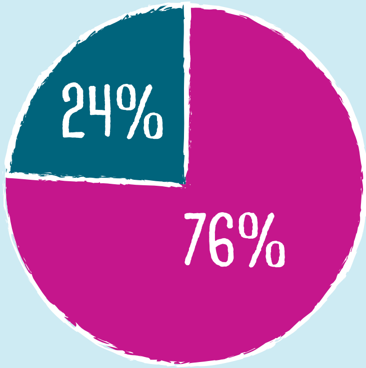
DOES DEVELOPING TECH PRESENT MORE OF A THREAT OR AN OPPORTUNITY TO ADVISERS?

Opportunity Threat



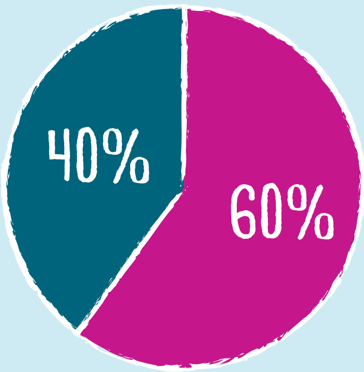
DO YOU PLAN TO TAKE ON AN APPRENTICE IN THE NEXT 12–18 MONTHS?

Yes No



DO YOU HAVE A SUCCESSION PLAN?

Yes No



"...WE WILL BE PUBLISHING THE RESEARCH SHORTLY..."

Your feedback is very important to us, and we will continue to ask for your views, and feedback responses to you, going forward.

Keep an eye on your inbox and future editions of Evolve for the full results of our research.

NMBA New Model Business Academy

Finding great talent can be a time-consuming and expensive process. In theory, it should be simply a process of writing a job specification, advertising the role and waiting for great CVs to arrive. So why do so many businesses struggle to find great people?

INVESTING TIME IN RECRUITING GREAT PEOPLE

JAMES READ
CCO
Zing365

> "BEING AN EMPLOYER OF CHOICE IS A REPUTATION YOU BUILD IN YOUR INDUSTRY OR AREA THAT IS A POWERFUL TOOL IN ATTRACTING TOP TALENT."

Forward-thinking employers develop relationships with potential candidates long before they need them. You may have heard the great phrase 'Dig your well before you're thirsty'! But how do you create a valuable people pipeline ready for recruiting?

We hope the following ideas will help you develop your talent pool and recruit the best employees.

Recruiting your ideal candidate

As well as writing a job description that includes the key responsibilities and tasks for the position, ensure you include the behavioural characteristics of your ideal candidate. It may help to consider your top five to ten key responsibilities and characteristics you will use to screen applicants at each stage of the recruitment process.

Use your employee network

Your existing employees will probably have a large social and professional network and may know the perfect candidate. Make sure they all know about each vacancy and the type of people you are looking for.

As well as online social networks, use live events, such as trade shows, industry events and conferences, to meet and get to know potential candidates, as well as clients. Encourage employees to gather business cards/contact details from high-potential, possible employees. If you don't already have one in place, consider introducing an employee referral reward scheme.

Nurture your people pipeline

Just like a sales pipeline, your people pipeline needs to be nurtured. You may be introduced to great people before you have a position available, so you need to follow up on every good lead and keep in regular contact with them. Talented people will be in high demand, so you may have to work hard to keep them interested. Let them know about good news and company progress.

LinkedIn is also a great source to discover talent and build relationships. Spend some time on a regular basis searching for candidates with skill sets that meet the requirements of an 'ideal candidate'. Connect with them and keep in touch.

Use your website for recruiting candidates

Many websites have a 'Join our team' page, but very few actually present a message about how people are valued, or commitment to quality and clients. You need to grab the attention of high-potential employees and leave them convinced that 'this organisation is for me' and then make it easy for them to apply.

Become an employer of choice

If it is difficult to recruit good talent within your industry or location, think about what potential employees will consider before agreeing to join your organisation or business. Put yourself in their shoes. What would make you join one business over another? Will they have plenty of support to develop their skills and knowledge? Will you provide exciting opportunities for challenge and professional growth? If yes, make sure you are sending these messages loud and clear.

If you want to be an employer of choice, you must act like an employer of choice. Furthermore, you must communicate this commitment to your prospective employees. Remember that every interaction with them is providing insight into your business and how you treat your employees. They appreciate prompt and personalised responses to messages and calls.

In addition, being an employer of choice is a reputation you build in your industry or area that is a powerful tool in attracting top talent.

Online recruiting

As well as your own website consider posting your positions on:

- professional association websites
- job boards
- social media (LinkedIn and so on).

Effective online adverts should portray your company as an exciting and rewarding place to work, but can attract applications from large numbers of unsuitable candidates, so have an efficient screening process in place.

Use head-hunters and recruiters

They often get a bad press, but professional head-hunters and recruiters can save you a huge amount of time and money. It may initially appear like an expensive option, but good recruiters have a large and valuable network of great candidates. A second pair of eyes is always helpful in the search, but you will need to brief them fully to ensure they understand your exact requirements.

You may have had bad experiences with recruiters, but some of them are very good and can become an extremely valuable partner for your business. Select who you work with carefully. Ideally, they should specialise in your industry and come highly recommended.

Finding great people will always be a challenge, but hopefully, some of the ideas above will help you recruit top talent for your organisation.

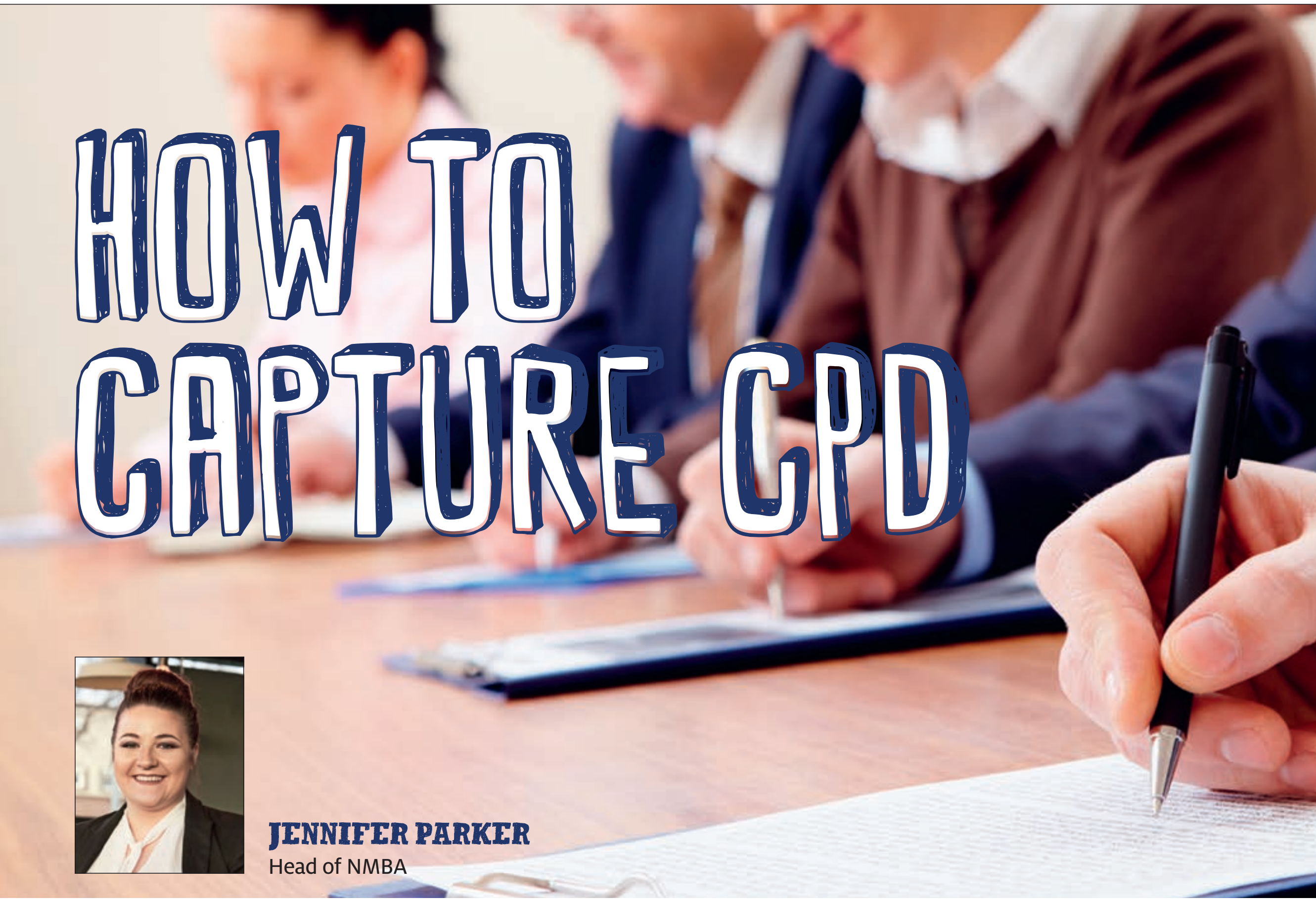
About Zing365

Zing365 is built on a solid foundation of 40 years' experience in the insurance and financial services sectors. We have an exceptional reputation for providing high-quality CPD, leadership, business skills and personal development training.

We are proud to provide curious and independently thinking professionals access to great online resources and courses 365 days a year. We also offer bespoke in-house courses and access to industry expert business coaches to provide one-to-one support at all levels.

To find out more, visit Zing365 at www.zing365.co.uk or call us on 0117 959 4135.

ZING365
Learning without Limits

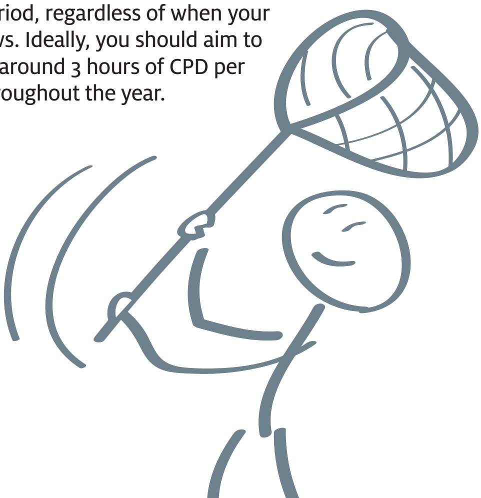


HOW TO CAPTURE CPD

JENNIFER PARKER
Head of NMBA

As we get further into the final quarter of the year, we typically see the amount of enquiries we receive relating to Continued Professional Development (CPD) increase. This is because people start to panic that they haven't achieved enough CPD during the year, and want to make sure they hit that 35 hour mark. Here are some common pitfalls people find themselves getting into:

CPD should be completed throughout the calendar year.
Undertaking the majority of CPD at the end of the year is not best practice. If you were to be spot checked by your Statement of Professional Standing (SPS) provider, this could happen at any point and can relate to any rolling 12 month period, regardless of when your SPS renews. Ideally, you should aim to complete around 3 hours of CPD per month throughout the year.



Not marking correctly what 'type' of CPD it is.
There are three types of CPD; structured, unstructured and IDD. IDD CPD can be structured or unstructured. Structured CPD is an activity which includes structured learning outcomes and can be validated, usually by a test or reflective statement. Unstructured CPD is an activity that is linked to your development plan, but doesn't have learning outcomes and isn't validated. IDD CPD is any activity which includes general insurance, protection and insurance-based investment products such as insurance bonds. Most advisers will need to complete 15 hours of IDD CPD, but this is included in the total amount of CPD required, i.e. 35 hours.

A CPD certificate validates structured CPD.
The provision of a CPD certificate does not validate structured CPD. The only way to validate what you have learned is through passing a test or evidencing your learning via a reflective statement. It is useful to attach a CPD certificate to your record as this will usually show the learning objectives of the activity you have undertaken.

All SPS providers treat CPD in the same way.
Different SPS providers can have slightly different views on CPD, so may assess you differently in the event of an audit. They should always provide you with guidance as to what their expectations are and what types of activity they will look for during an audit. For example, some SPS providers may accept the time taken to validate your CPD (e.g. the time taken to complete an online test) as CPD activity, but others may not, as this is the act of validation, not learning.

If I sit an exam, that will complete the annual requirement for CPD.
If you sit a professional qualification, you can claim CPD for the learning you have completed. However, you must break down the specific areas you have learned in detail, and not include a blanket entry of, say, 60 hours. You must also still undertake CPD in other areas throughout the year to satisfy requirements.

If you are selected for a CPD audit by your SPS provider, they will usually request this via email. They will ask for you to submit all documentation and evidence to them, for review. Usually, they will give up to four weeks for this, and provide some guidance as to what they are looking to find within what you provide. If they review your file and feel that they have further questions, or some activities require further clarification or detail, they will typically write back to you to notify you, and provide up to another four weeks for you to complete any remedial work. Some advisers are yet to be audited, but others have had an audit every year since they got their SPS. Audits are random, and usually apply to around a 10% sample of each of the SPS provider's members each year.

In our experience, one of the most common reasons an audit may be returned with request for more information is where a reflective statement is not sufficiently completed. To help you, here are some points you may consider when completing your reflective statement:

1. **Why was the activity chosen for CPD?**
   Consider what it was about this activity that interested you and how this was relevant to you and to your personal and professional development. Identify why you chose this activity specifically instead of any similar alternatives.
2. **How and if this activity is linked to your personal development plan.**
   If you don't have a plan, make some notes of what you want to develop and why. Reflect on why this activity was specifically relevant to your development based on your current level of knowledge.
3. **How the activity contributed to the development of your knowledge and skills.**
   What did you learn? Has learning this helped you realise that it is something you want to develop further? Has it given you another area in which you wish to seek further education or qualification? Will you share this information with others in your business to help further your development and understanding?
4. **How will your current practice change as a result of this activity?**
   Think about how what you have learnt will change how you act, feel or behave in the future. If you have developed significant knowledge in one area, could this result in you expanding your proposition or changing the service you offer? Will you be able to operate more efficiently or more compliantly? Are you going to implement a new process within your business?

Financial advisers are not alone as a profession required to undertake CPD. It is an important and focussed way for many people and professions to manage development and help improve business and client outcomes. The CPD regime has been in place for financial advisers for almost seven years, and if every adviser only completed the minimum of 35 hours per year during that time, that's over six million hours of development!

If you would like further help or support with CPD or reflective statements, please get in touch info@nmba.info.

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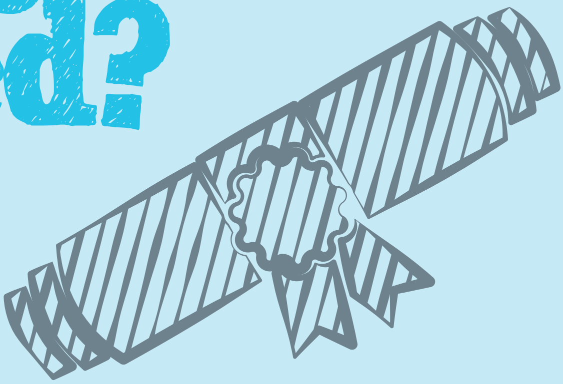
Thinking about Chartered?



CATRIONA STANDINGFORD
Managing Director
Brand Financial Training

After achieving a Diploma qualification, many individuals ask whether it is worth continuing to work towards the CII's Advanced Diploma in Financial Planning and Chartered status. Here we look at why individuals choose to become Chartered, the requirements for Chartered, and the qualification and individual exam units required.

In this article we are looking specifically at becoming Chartered via the CII, but do bear in mind that there are other options such as becoming Certified via the CISI.

Why become Chartered?

Reasons for working towards Chartered vary widely between individuals but often include: the possibility that the future qualification bar for advisers will be raised to QCF Level 6; many advisory firms are now insisting that their advisers achieve Chartered status and so becoming Chartered opens up more career opportunities; becoming Chartered demonstrates a high level of knowledge and experience to clients and peers alike.

The CII's route to Chartered

To achieve Chartered status, you need to gain the CII's Advanced Diploma in Financial Planning. Once achieved, those with over five years' experience can apply for Chartered Financial Planner status.

Here we will focus on the qualifications requirement.

The CII Advanced Diploma in Financial Planning

To achieve the CII's Level 6 Advanced Diploma in Financial Planning, you will need 290 credits with a minimum of 120 at Advanced Diploma level, 40 at Diploma level or above, and the remaining credits at any level.

"THE WIDE RANGE OF UNITS AVAILABLE CAN MAKE THE PROCESS CONFUSING, BUT IT DOES PROVIDE PLENTY OF OPPORTUNITY TO PICK AND CHOOSE THE UNITS THAT BEST SUIT YOUR CAREER AND YOUR INTERESTS"

This raises many questions. Which units are at what level? Are there some units that are easier than others? Do some units fit together better than others?

The wide range of units available can make the process confusing, but it does provide plenty of opportunity to pick and choose the units that best suit your career and your interests.

If you have a strong interest in one area, or simply want to take advantage of some of the overlaps between some units, you may opt for taking similar ones. For example, there are many pensions units available. At Level 6 we have AF7 Pension Transfers, AF8 Retirement Income Planning; at Level 4 we have R04 Pensions and Retirement Planning, J05 Pension Income Options; and at Level 3 we have FA2 Pensions Administration, LP1 Life and Pensions Customer Operations. Level 3 units may seem irrelevant, but you may find that you need an extra few credits at any level to achieve Chartered so a 10 or 15 credit Level 3 unit may fit in well.

Level 6 Advanced Diploma Credits

A minimum of 120 credits are needed at Level 6. The AF units all offer 30 credits apart from AF7 which is a 20 credit unit. So, either 4 or 5 units are required, with AF5 being compulsory. The AF units available are:

- AF1 Personal tax and trust planning – 30 credits
- AF2 Business financial planning – 30 credits
- AF4 Investment planning – 30 credits
- AF5 Financial planning process (compulsory) – 30 credits
- AF6 Senior management and supervision- 30 credits
- AF7 Pension Transfers – 20 credits
- AF8 Retirement income planning – coursework-based – 30 credits

AF8 is a coursework-based unit, whereas all other units are examined via written exams twice a year in April and October.

Level 4 Diploma Credits

Many candidates will have achieved the Diploma in Regulated Financial Planning which accounts for 100 credits at Diploma level. If you achieved your Diploma using a different route, then your options will be slightly different. As a starting point, you need to know how many credits you already have, and any exemptions you may be able to add to that. Everybody is different, so you will need to contact the CII and ask for your personal Learning Statement. This is a record of the exams you sat and the credits gained. Exam passes from other examining bodies may also entitle you to some CII exemptions.

Assuming you already have the R01–6 exams, you have a range of Level 4 options available:

- J02 Trusts – 20 credits
- J03 The tax and legal aspects of business – 20 credits
- J05 Pension income options – 20 credits
- J07 Supervision in a regulated environment – 20 credits
- J09 Paraplanning – coursework-based and 30 credits
- J10 Discretionary investment management – 20 credits
- J11 Wrap and platform services – 20 credits
- J12 Securities advice and dealing – 20 credits
- R07 Advanced mortgage advice – 15 credits

J10, J12 and R07 are multiple choice exams that can be sat year-round. The remainder have exam sittings in April and October, whereas J09 is a coursework-based unit.

Many candidates choose Diploma level exams that best match the Advanced Diploma exams they plan to sit or the Diploma level exams that they have already passed. For example, J02 and R03 fit well with AF1. J05 and R04 fit with the pensions theme of AF7 and AF8. J10 has some overlap with R02, both of which relate to AF4. J03 goes well with AF2.

So you can either select exams related to other exams, or different exams to widen your knowledge.

Credits at other levels

When you have achieved the credits required at Level 4 and Level 6, you can opt for credits at any level. You may choose an easier Level 3 Award or Certificate level unit. Popular choices are CF8 Long Term Care Insurance and ER1 Equity Release. They are multiple choice papers that can be sat year-round.

Next steps

There is no doubt that mapping out your route to Chartered takes time and research. Download the qualifications brochure from the CII website and look at all the options available. Then work out which units you want to study for, factoring in timescales and exam sittings. And, of course, always consider your future career plans.

About Brand Financial Training

Brand Financial Training provide a variety of immediately accessible free and paid learning resources to help candidates pass their CII exams. Its resource range ensures there is something that suits every style of learning including mock papers, calculation workbooks, videos, audio masterclasses, study notes and more. As a member of NMBA, you can also claim 20% off every order by using code CORPNMBA at the checkout.

Visit Brand Financial Training at **www.brandft.co.uk** or email **enquiries@brandft.co.uk**.

prepare to pass Brand FINANCIAL TRAINING

Test your knowledge

Having trouble? For help with your CII exams including mock exam papers, calculation workbooks, study notes, audio masterclasses and e-learning videos please visit Brand Financial Training at **www.brandft.co.uk**.

These questions relate to examinable Tax year 19/20, examinable by the CII from 1 September 2019 until 31 August 2020.

1. Why are assets held under trust outside of someone's estate for IHT purposes?

a. Because the trustees have to account for IHT on the estate and trust assets separately
b. Assets held under trust belong to the trust not the individual, so are separate from the estate
c. Due to the different rates of IHT applicable on trust assets and assets from the estate
d. Due to the legislative requirements in obtaining probate e.g. Grant of Probate or Letters of Administration

2. Claire requires an annual payment of interest and capital of £1,500 at the end of each year for 10 years. The interest earned is 7.5%. Approximately how much needs to be invested now in order for her to achieve this?

a. £21,220
b. £15,000
c. £10,296
d. £16,875

3. Caroline is one of four trustees for the Elliott family trust. She lives in Spain although all the other trustees are UK resident. What is her liability regarding any tax liability arising from the trust?

a. As she is not the nominated person to deal with HMRC she has no accountability
b. Caroline would be liable for one quarter of any trust liabilities
c. Caroline is jointly liable for the full amount of any tax that is due
d. As Caroline lives in Spain the trust is not liable to UK tax

4. Caroline died aged 66 with uncrystallised funds valued at £1,600,000. What is the lifetime allowance charge (if any) if benefits over the lifetime allowance are paid as a dependant's lifetime annuity within two years of her death?

a. £400,000
b. £299,750
c. £136,250
d. £0

5. Daniel's company provides income protection for him and they pay the premiums. For how long will the benefits usually be paid if he becomes ill?

a. For a maximum period of 2 years
b. To the earliest of his recovery or normal retirement date
c. For a period chosen by the company
d. For a period of between 2 and 5 years depending on the nature of Daniel's incapacity

6. Although savings accounts are relatively simple products with low risk and no overt management charges, they are not completely free of risk. In relation to such investments, what does reinvestment risk refer to?

a. A potential penalty suffered on the early encashment within a fixed rate notice period
b. Fluctuating interest rates on variable savings accounts
c. Inability to invest maturing money from a fixed rate account into accounts offering comparable rates
d. The withdrawal of maturity investment options

7. Which type of bottom-up active management style aims to capitalise on existing trends continuing?

a. Value
b. GAARP
c. Contrarianism
d. Momentum

8. Which of the following should be disregarded by a Local Authority when assessing an individual's capital and income?

a. The fund value of a pension fund
b. A pension commencement lump sum taken from a pension fund
c. Deferred income from pension benefits
d. An uncrystallised funds pension lump sum

9. When a mortgage lender issues an illustration in the format prescribed by MCOB rules, what is the permitted tolerance for the Annual Percentage Rate?

a. No more that 1% below the actual figure charged by the lender
b. Not more than 0.2% overstated or understated
c. Not more than 0.1% understated and rounded to one decimal place
d. Within 0.5% understated and rounded to two decimal places

10. Carol and Steven have successfully applied for a closed bridging loan. This is most likely to be because they have:

a. Found a buyer for their own home and accepted their offer
b. Not put their own home on the market yet
c. Exchanged contracts on the sale of their existing property
d. 20% equity in their existing property

Question	Your answer	Score
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
	Total	

Answers on page 35.

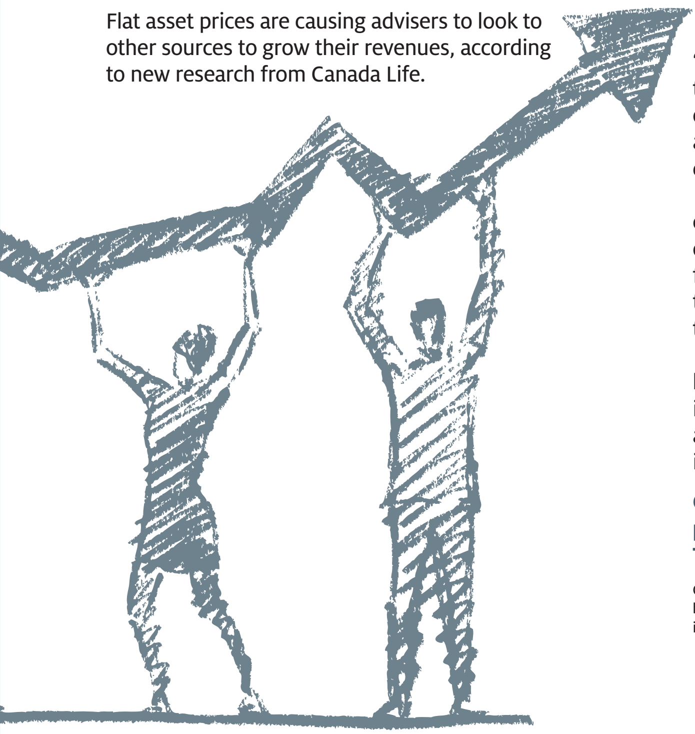
prepare to pass Brand FINANCIAL TRAINING

Advisers... what's driving the growth of your business?

NEIL JONES
Wealth Management and Tax Specialist
Canada Life

- **Only 15% of advisers expect growth in asset values to drive business growth in the next year**
- **Retirement planning is expected to be the single largest driver of revenue growth for majority of advisers**
- **Increasing demand for 'just advice' is likely to move advisers away from contingent charging**

Flat asset prices are causing advisers to look to other sources to grow their revenues, according to new research from Canada Life.



Only 15% of advisers foresee asset value increases propelling business growth in the next year, down from 34% over the past five years.

The biggest single driver of growth is expected to be retirement planning, with 58% believing this area has the potential to increase revenues, followed by inheritance and wealth planning [51%] and pensions consolidation [45%].

However, to compensate for the shortfall, advisers are also placing increasing importance on other areas. There has been a significant uptick in advisers expecting business growth to come simply from the demand for advice, with over 44% advisers seeing gains to be made in this area, up by seven percentage points in the past five years. Equity release is also increasingly expected to drive business growth [up six percentage points to 16%].

What is expected to drive business growth over the next year?	Over the next year
Retirement planning	58%
Inheritance and wealth planning	51%
Pension consolidation	45%
Simply the demand for advice	44%
Changing regulation driving more people to seek advice	24%
Equity release	16%
Growth in asset values, including equity prices	15%
Pension transfers, specifically DB business	7%

Neil Jones, Tax and Wealth Specialist at Canada Life, said: "The increase in demand for advice has propelled this into the higher rank of business drivers. It's now a central part of advisers' income streams, making up a 'big four' advice areas with retirement planning, IHT planning, and pensions consolidation.

"Overall, there are notes for caution as well as encouraging signs. The principle engine for wealth creation over the past 30 years has been the increase in asset prices for things like equities and residential property. Ultimately, that falling is a concern, be it because of Brexit or fears of a trade war.

"What's encouraging is the way advisers are reacting by looking at other revenue streams. The demand for advice is growing rapidly, which we believe will motivate more advisers away from contingent charging towards a system in which people are paying for the advice itself."

Canada Life looks after the retirement, investment and protection needs of individuals, families and companies. To find out more visit www.canadalife.co.uk/adviser.

APS Legal & Associates is one of the UK's leading will writing and estate planning companies. It specialises in helping financial advisers incorporate will writing, estate planning and probate services into their existing businesses, to ensure clients can complete their financial planning with good estate planning, but with APS completing all legal documentation and under its PI insurance.

DON'T MISS OUT!

TRAINING OPPORTUNITIES

WITH APS LEGAL & ASSOCIATES

SCARLETT MUSSON
Business Development Director
APS Legal & Associates

We now have two diverse training options to access APS Legal & Associates' services: joining us as a full Associate (with the option of additional probate services); or providing documents through the NMBA LPAs process.

Full Associate route

This route gives you full control of advising your clients on all aspects for wills, Lasting Powers of Attorney/Powers of Attorney and Trusts. Our full training package ensures that all of our associates have the skills and confidence to deliver a first-rate service, while offering continuing support in the form of associate helplines, ongoing face-to-face courses, bi-weekly webinars and an online hub. You would meet the client as you would as usual, advise them on their specific situation and take instructions from them; we then draft all documents in house, under cover of our PI insurance as mentioned above.

Our Full Associate route is not only open to advisers; we can also accept other colleagues working within the business.

Training needed:
Three-day training course, with Institute of Professional Will Writers examination (we have a 92% first time pass rate).

"APS LEGAL & ASSOCIATES IS ONE OF THE UK'S LEADING WILL WRITING AND ESTATE PLANNING COMPANIES. IT SPECIALISES IN HELPING FINANCIAL ADVISERS INCORPORATE WILL WRITING, ESTATE PLANNING AND PROBATE SERVICES INTO THEIR EXISTING BUSINESSES..."

Costs:
Monthly Associate fee of £79 p/m for the first 12 months, dropping to £35 p/m from month 13 onwards, documentation fees on each case (reduced rate compared to NMBA POAs option).

Benefits:
Full range of additional service to offer clients, enhances relationship for future engagement, increased income stream.

Optional – Probate Associate

This can be an add-on to any of our other routes or a stand-alone membership. Probate services enable you to support your client's family through the estate administration process (probate) when your client passes away.

The associate's role consists of gathering initial information, after which APS completes all administration in-house, again under cover of our PI insurance.

Training needed:
2 x 30-minute webinars with self-test.

Costs:
£125 per year.

Benefits:
Offering additional service to your clients, a (significant) extra income stream, access to the next generation for future financial services business.

NMBA POAs

As an NMBA POAs Affiliate, you will have the ability to offer Lasting Powers of Attorneys/Powers of Attorney directly to your clients with your own pricing policy, but with APS drafting all documents in-house, under cover of our PI insurance. APS Legal charge a fixed document production fee for each case, which allows you, as the Affiliate, to set appropriate fees on a case-by-case basis.

Training needed:
2 x 30-minute webinars with self-test.

Costs:
No training costs, only documentation fees on each case.

Benefits:
No upfront fees, additional service to offer clients.

For further information please do not hesitate to contact us on 01909 531751 or c.faulkner@aps-legal.co.uk.

aps Legal & Associates

Increasingly, those who specialise in later life advice will need to develop an understanding of how best they can help clients ensure their wishes are respected and that their affairs are in good hands if they should develop temporary, or permanent mental, incapacity.

Mental capacity and holistic financial planning

JACQUELINE BERRY
Founding Director
My Care Consultant

Many people only think about this when a loved one (or someone for whom they act as attorney) is already losing capacity, perhaps towards the end of a long life. However, it's important to consider planning for this eventuality at any age, as it can happen suddenly and unexpectedly. For example, in England alone, it's estimated that approximately 57,000 people experienced a stroke for the first time in 2016[1] there were 348,453 admissions to hospital with acquired brain injury in 2016-17 in the UK[2].

The legal framework that deals with relevant aspects of the law in England and Wales, is the Mental Capacity Act 2005 (MCA 2005). It covers, amongst other things, Living Wills (Advance Decisions and Advance Statements) and Powers of Attorney.

In other parts of the UK, different legal frameworks and terminology apply (for example in Scotland, Advance Decisions are referred to as Advance Directives, reflecting the fact that, unlike in England and Wales, they are not legally binding).

A Living Will is a commonly used term (though not legally recognised terminology) to describe documents where someone makes it clear how they would like to be treated towards the end of their life, should they lose the capacity to make their own decisions about their health and social care.

Having a discussion when your client is healthy and well regarding the compelling reasons to put at least a Power of Attorney in place to cover financial affairs, is increasingly seen as an important part of a holistic approach to financial planning.

In our online resource library, Care Box Online, we have a number of key information sheets which can be shared with clients or used as a quick reference point, giving useful details about 'Living Wills' and powers of attorney throughout the UK. There's also an example of a 'diminished capacity' form which you may wish to use with clients at reviews.

It may be an uncomfortable topic to broach, but the sooner you have these discussions with clients, while they are healthy and well, the easier it will be for them to think practically and unemotionally about the solutions – and if they should later lose capacity in some way, both they and their loved ones will be grateful that you helped them put precautionary measures in place.

We're delighted that SimplyBiz has partnered with us to offer their firms access to Care Box at a reduced rate. Use the exclusive link below to purchase monthly or annual memberships of Care Box at 10% off (or to take a one month free trial to see if it's for you): www.careboxonline.co.uk/buy-a-membership-simplybiz-special-offer/

Sources: 1. Public Health England, Feb 2018 (and according to Headway the brain injury association).
2. www.headway.org.uk/about-brain-injury/further-information/statistics/

My Care Consultant

Have we got 'LEVY-ITIS'?

The cost of regulation currently borne by our industry is in the region of £1.4 billion per year, a truly staggering number. It now appears that this figure is likely to increase still further, adversely affecting staff retention and recruitment, reinvestment and, ultimately, squeezing already reduced profitability.

As the trade association for the financial advice and wealth management sector, PIMFA has responded to the Financial Ombudsman Service's (FOS) 'Our Future Funding' consultation, in which they propose a change in their funding model from 85% fees and 15% levy to a straight 50/50 split between the two. However, there is no financial analysis in the Consultation Paper explaining how the feedback to various proposals in 2018 was considered and how the decision to support a proposal to fund on a 50/50 basis was reached.

PIMFA argues that this initiative is both unfair and disproportionate and will result in those firms that generate the fewest complaints paying for those which generate the most and thus reducing the financial incentive for those 'bad boys' to modify their behaviour and/or improve their complaint handling.

The ombudsman has also set out proposals to reduce the number of free cases for which a company pays no fee when a complaint is made against it, with a suggestion the allowance should be cut from 25 to 10 for smaller firms and 125 to 50 for larger 'group account' firms. PIMFA believes that the current level for smaller firms should remain unchanged.

Similarly, in January of this year, PIMFA strongly criticised the level of the FSCS' indicative levy of £300m, as proposed in its plan and budget for 2019/20, asking whether a proper analysis is being undertaken on the reasons why claims are arising, in order to mitigate future claims. In rather the same way, taking action to address the root causes of the claims that result in increases is surely a better option than an increase in the levy element itself.

There is a disconnect here. On the one hand, the end consumer needs the protection that organisations such as the FOS, Financial Services Compensation Scheme (FSCS) and the FCA provide but, if the advice sector continues to be squeezed until the pips squeak, there will ultimately be fewer sources of advice to complain about.

This is time for joined-up thinking. Rather than increasing the levy element, the FOS should rework its proposal so that the costs recovered by means of a levy are as low as possible. As it stands at the moment, for businesses that do pay case fees, the cost involved is likely to be much less than defending the case in court. Further work is needed to address this issue.

"THIS IS TIME FOR JOINED-UP THINKING"

The deadline for PPI claims, a significant part of the FOS caseload in recent years which saw their service size treble, was the 29th August this year, after which they suggest that their operational output will reduce, although we are not aware of any evidence to support this.

Settling in

The new FOS Chair, Baroness Manzoor, is now also settling in. She brings high-level experience of public service, governance and dispute resolution to the role. These changes to the FOS' circumstances could herald in a time of re-examination, during which solutions can be found to help reduce the cost burden on firms. Greater interaction between FOS, FSCS and the FCA could, and should, produce a more cohesive approach to nipping potential crises in the bud, thus reducing distress to clients and saving significant amounts of money for both them and the industry as a whole.

PIMFA
Personal Investment Management & Financial Advice Association

SENIOR MANAGERS & CERTIFICATION REGIME
Supervisor

Case study

The SimplyBiz Group recently launched its new online SM&CR Conduct Rules Course. This supervisor case study will give you a taster of the resources available through the course, and allow you to test your understanding of the new regime by answering the case study questions.

For the purpose of this exercise, imagine the SM&CR has already commenced when answering the case study questions.

Meet Stuart...

Stuart is Head of Financial Advice at XYZ Advice Limited, which provides specialist investment, pensions, IHT, protection, and mortgage advice to retail clients.

Martin is one of the IFAs working under Stuart's supervision. Recently, he met with prospective client Stephan, 50. Stephan had never invested before. During the fact-find process, Martin established Stephan's risk profile to be moderately cautious, and his objective was to grow the value of his pension over the next seventeen years, and then retire at age 67.

Martin recommended a smoothed fund for Stephan that matched his moderately cautious risk profile.

Martin assured Stephan that his fund value wouldn't fall because the investment volatility was smoothed out by the life office. He then showed Stephan a cash flow model, which assumed a net 6% annualised growth rate, and demonstrated that if Stephan invested in the recommended fund, he'd be able to secure himself a comfortable retirement.

Shortly after the business was completed, Stephan's client file was audited as part of a random sample. While the advice provided was found to be suitable, the file failed due to breaches of the Conduct Rules evident within it. As a result of this, Stuart decides to take formal disciplinary action against Martin. The disciplinary action resulted in Martin having his income for the case withheld, but he did NOT receive a formal written warning. The disciplinary action is completed just before the GABRIEL deadline. However, Martin intends to appeal.

Under direction from Stuart, Stephan was contacted by the firm, and one of the firm's other advisers has now taken over management of his account. Stephan has been informed of the issues surrounding the advice provided by Martin. Stephan has advised he is happy with the service from the firm and is happy to continue as a client.

Following the incident, Stuart has decided to step-up the level of training his staff are receiving with regards to the Conduct Rules.

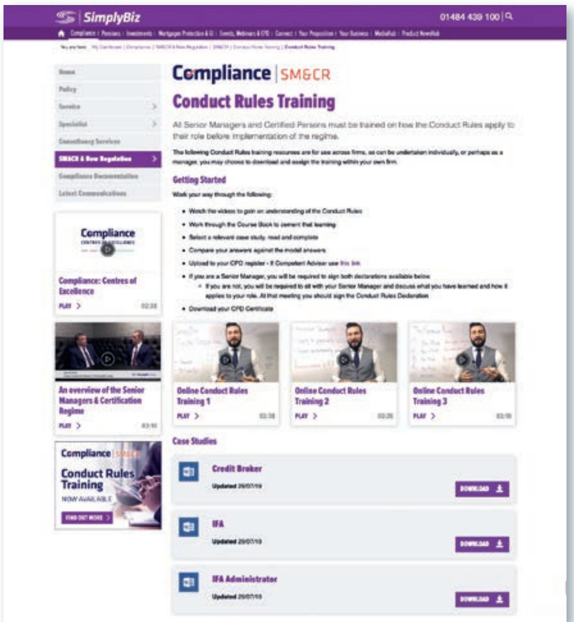
Questions

1. **Explain why Martin is subject to the Conduct Rules.**
   (2 marks)

2. **Which of the Conduct Rules, if any, may Martin have breached, and why?**
   Look up COCON 4.1 to help you answer this question.
   (8 marks)

3. **List three points Stuart needs to be aware of when implementing his new Conduct Rules training policy.**
   (3 marks)

Answers on page 39.



If you're a SimplyBiz Group Member or Client, visit the online SM&CR Conduct Rules Course to see how you've done, and to see the full range of case studies and resources. If you're not with the Group, please get in touch to see how we can support you with SM&CR and other regulatory and technical areas.

MBA New Model Business Academy

Risky Business

GLOBAL RISKS IN 2019

CHRIS COOP
Business Support Exectutive
NMBA

We are only three quarters of the way through 2019 and so far, global risks are intensifying, with impacts being felt across society, the environment and our economy. The world is facing unprecedented challenges, from slowing economic growth and growing wealth inequalities to climate change and political uncertainty.

In the lead up to the United Nations Climate Action Summit 2019 protests swept across the world demanding action to mitigate against one of the biggest global risk of today, climate change. Groups such as Extinction Rebellion and individuals such as Greta Thunberg took matters into their own hands by conducting meaningful protests to raise awareness and put pressure on global actors[1].

Awareness of the challenges we are facing is growing, global risks have been published by the World Economic Forum in their 2019 report[2], this highlights five key areas of concern.

1. Economic vulnerabilities

The International Monetary Fund (IMF) projections forecast a slowdown of economic growth over the next few years, specifically with developed economies[3]. Developing economies are to remain relatively unchanged, with some growth predicted. However, concerns are emerging with the Chinese economy, as growth is predicted to slow down over the next couple of years. China has the world's 2nd largest economy and is of global importance, with the world bank stating; "China has been the largest single contributor to world growth since the global financial crisis of 2008". Therefore, any significant decline in growth could have damaging effects!

There have been many risk factors that impacted global economies, such as trade disputes, increase in global debt and political uncertainty. These risk factors are impacting on the markets and market perception, and, as uncertainty remains, growth is likely to remain slow.

2. Geopolitical tensions

Over the last few years we have seen a rise of geopolitical tensions amongst the world's leading powers, with the economy being used as a powerful weapon. This can be seen with the United States threatening sanctions on Iran over political disagreements, and the EU/US imposing economic sanctions on Russia, with regards to the Ukraine crisis. As relationships between the various world powers fluctuate, the economy can be impacted in many ways.

Geopolitical tensions are occurring across the world with a multiple party civil war in Syria, in which hundreds of thousands of people have died and many more have been displaced. In Yemen, there is a major humanitarian crisis after a devastating conflict that has left children and families in urgent need of food, water and medical supplies. The geopolitical environment is volatile and ever-changing with many conflicts at play at one time; however, we are now living in the most peaceful time in history, which can be seen as a positive sign for the future.

3. Societal and political

In today's society, we are seeing a rise in political fragmentation as political leaders struggle to cope with the demand for devolution. From Brexit, to Catalonia, to Scotland, the demand for more autonomy over resources and legislation is on the rise. Political instability can occur with questions of weak governance that can create social and economic risk in regions around the world. Devolution and political fragmentation are concerning when the problems of today require multilateral cooperation and a global response.

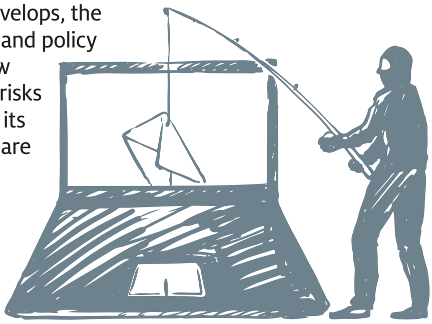
4. Climate catastrophe

Environmental risks are a dominating factor in the 2019 World Economic Forum's risk report, including as climate change, pollution, food insecurity and natural disasters. The risks from climate change are increasingly of concern, with the physical impacts already being felt across the globe, from extreme weather events to natural disasters. As temperatures increase and the change in climate intensifies, our resilience and ability to adapt and mitigate against the impact of climate change is weakening. A coordinated response is needed from all parties (governments, the private sector, civil society, local authorities and other international organisations) to address major climate issues.

5. Technological instabilities

Technology is becoming an increasingly more concerning aspect of the risk landscape, technology has been hitting the headlines and not always for the right reasons. Cyber-security is becoming an increasingly major risk to data security and global stability, and the BBC report a sharp increase in cyber-attacks compared to 2018[4]. Cyber-attacks can lead to the theft of money and data, which can cause major disruption to operations. Cyber-attacks can impact global infrastructure, as virus attacks expose the vulnerability of modern technology which can be of national and global concern, especially in today's tech developed world.

Technology is continuously progressing and is ever-changing, with social media and fake news having been of topical discussion in the last couple of years. The online world is harder to regulate and police – as modern technology develops, the infrastructure and policy needs to follow suit to ensure risks to society and its infrastructure are minimised.



Summary

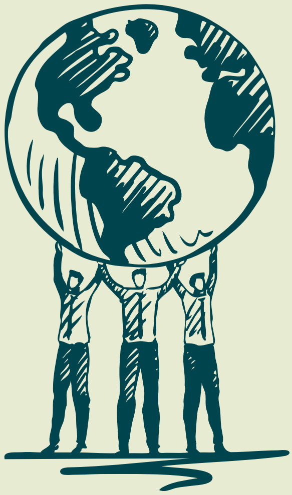
It is important to be aware of the different risks and concerns in today's globalised world. The above areas do not recognise borders or businesses, they have the potential to impact you and your business from anywhere on the global stage. The solutions to mitigate the impact of the above risks can create increased legislation, economic impacts and the need for further study and training, therefore you need to be aware and ready. With Extinction Rebellion and Greta Thunberg putting pressure on global actors, changes may be around the corner. There is nearly always an element of risk in anything that we do, and this cannot be eliminated, but global cooperation is needed from all parts of society to ensure we can address, mitigate and adapt to the risks of today. Building a resilient, sustainable global society with the tools to adapt will help ensure we are ready for the risks of tomorrow.

For further reading please see the references below, including the Global risk report 2019. The articles to follow from our partners will touch upon the different areas discussed throughout this piece.

Sources: 1. Climate protests: www.theguardian.com/environment/2019/sep/27/fresh-wave-of-climate-strikes-take-place-around-the-world.
2. Global risk report: http://www3.weforum.org/docs/WEF_Global_Risks_Report_2019.pdf.
3. IMF: www.imf.org/en/Publications/WEO/Issues/2019/07/18/WEOupdateJuly2019 climate-strikes-take-place-around-the-world.
4. BBC News: .www.bbc.co.uk/news/business-48017943.

Investing in the circular economy

TARGETING SUSTAINABLE GROWTH – FOR THE PLANET & INVESTORS – BY 'CLOSING THE LOOP'



BEN CONSTABLE-MAXWELL
Head of Sustainable and Impact Investing
M&G Investments

Since the start of the industrial era, linear economic models have been dominant. Resources have generally been extracted, used, and then cast aside as waste.

This 'take, make and dispose' approach is reaching its limits, as the world has grown wealthier and more crowded. Not only are many important resources finite, or increasingly difficult to obtain, but their extraction and single-use can have costly implications for the environment and society.

Moving to a more circular economy, where waste from production and consumption becomes a resource to be recycled, repaired and reused, offers a potential alternative to this extractive linear model, and a potential solution to some of its challenges. The process can be described as 'closing the loop'.

Waste not, want not

The transition to closed-loop processes holds out the prospect of enabling the global economy to decouple long-term economic development from the extraction of resources, as well as reducing unnecessary waste and mitigating the risks of resource scarcity.

The importance of this shift is reflected in the UN Sustainable Development Goals, which articulate the world's most pressing sustainability issues. Specifically, Goal 12 is to ensure sustainable consumption and production patterns.

This transformation will take more than a change in mindset; it also requires new processes and systems. Durable goods must be designed so they can be repaired, not replaced, and global supply chains will have to be reimagined to enable the reuse and recycling of materials.

Closing the loop

Some companies and sectors have already made substantial progress towards closed-loop processes that can overcome sustainability challenges. Practices adopted by one of the world's largest producers of corrugated boxes illustrates how innovation can transform a challenge into an opportunity.

UK-based packaging group DS Smith is an industry leader when it comes to closed-loop recycling – a process whereby waste is collected, recycled and then used again to make the same product it came from. By recycling paper fibres, DS Smith saves hundreds of thousands of trees a year from being cut down. Looking ahead, the company aims to send zero waste to landfill by 2030.

For me, it is intentionality like this that distinguishes impact investing from wider ESG investing.

Targeting sustainable growth

Where companies can successfully shift to closed-loop business models, the environment is not the only winner. Successfully identifying companies that are making measurable progress towards more circular processes can offer active investors, whether in debt or equity, the prospect of more sustainable financial returns over the long-term.

As investors in companies that contribute to a more circular economy – and therefore to more sustainable consumption and production patterns – I believe we can also target a positive impact on the environment.

Visit www.mandg.co.uk/positiveimpact for more information.

The value of investments will fluctuate, which will cause prices to fall as well as rise and you may not get back the original amount you invested.

For investment professionals and financial advisers only. Not for onward distribution. No other persons should rely on any information contained within.

M&G INVESTMENTS

PYRFORD PERSPECTIVES

TARIFF TENSIONS AND RATE REDUCTIONS

The trade war between the US and China is an ever-evolving tale. In the latest chapter, US-imposed China tariffs are set to increase to 30% (from 25%) on approximately $250 billion of goods from 1st October, while tariffs on $300 billion of goods have been taxed at 15% (up from 10%) in two tranches – the first was on 1st September, with the second coming on 15th December… or not.

To say the situation is fluid is an understatement – every time Trump comments on the matter, the goalposts seem to shift. China has retaliated, although those details also remain 'fluid', and Trump has bounced back by 'demanding' that US businesses move operations out of China. You couldn't make this stuff up.

Tariffs, as we have repeatedly remarked, are very bad business. They hinder economic growth everywhere. Many US businesses are already feeling the pinch from higher import prices and curtailed supply chains, while the great Chinese export machine is stuttering. The slowdown in China is directly hitting other front-line exporters such as Germany and Japan.

Mr Trump, never one to waste a day without some extraordinary tweets, said: "My only question is, who is our bigger enemy, Jay Powell or Chairman Xi." To the uninitiated, Mr Powell is Chairman of the US Federal Reserve, whilst Chairman Xi is, of course, China's supremo. President Trump believes the Fed should have reduced interest rates by at least a full percentage point at the end of July when it opted for 'only' 25 basis points. We emphatically disagree – particularly since the Fed has stopped the gradual shrinkage of its enormously bloated balance sheet. Quantitative easing is once again a reality, with quantitative tightening well and truly buried.

Central banks in other countries that have also recently reduced their key interest rate include: New Zealand, Australia, Russia, Chile, South Korea, Brazil, South Africa, Mexico, Saudi Arabia, India and Turkey. It is expected that the European Central Bank will cut its deposit rate this month – probably to a negative 0.5%. Robust world in which we are living, isn't it!

To find out more, visit www.bmogam.com/gb-en/intermediary/team-members/pyrford/

Risk warnings: The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any companies that may be mentioned.

The information, opinions, estimates or forecasts contained in this document were obtained from sources reasonably believed to be reliable and are subject to change at any time.

Pyrford | BMO Global Asset Management

Creative disruption and its impact on portfolios

Technology trends and disruptive innovation are key in today's markets. Innovation is a catalyst for growth, and businesses that fail to innovate are more likely to suffer reduced productivity and profits, or fail.

Kodak is a famous example: it had 90% of the US film market[1] before it was disrupted by digital photography. Blockbuster was killed by movie streaming; Nokia failed to innovate into smartphones; Tower Records suffered from online retailing and streaming.

Technology changes so rapidly that it's unlikely this trend will stop. Economist Joseph Schumpeter believes technology will plod relentlessly on. His 'creative destruction'[2] theory dictates that companies develop a way of doing things until something better destroys it. And if Schumpeter is to be believed, even the innovators may be destroyed by something new.

Investing in technology no longer means scouring traditional tech sectors or investing in FAANG stocks. From solar, robotics and big data, to healthcare and manufacturing, innovation is everywhere. The key is companies being able to harness this to develop significant competitive advantages and earn better returns.

With market theory dictating the ability of firms to sustain high returns, we have to be confident the companies we identify do something different. Hence why sustainability of returns is so important.

A typical pattern is a company enjoying an explosive period of high returns before innovation stalls, competitive advantage fades and returns plummet (think Nokia again). Hence our emphasis on companies using technology and innovation to create barriers to entry.

Innovation and technology can mean durable competitive advantages, whether it is specialist knowledge, economies of scale or cost advantages. This can help sustain high returns which, combined with growth, can mean outperformance. This sustainability is often underestimated by the market, which is why it is so attractive.

Many businesses we look at have multiple competitive advantages, one of the most important being the network effect: the more people use them, the better for everyone. For example, online shopping means we're spending 12% per annum more on credit cards[3]. That growth is in evidence for Mastercard and Visa, which effectively represent a global duopoly (excluding China). These companies have consistently high returns thanks to their barriers to entry. Our global equity teams have held both for five-plus years.

Conclusion

Economic growth remains subdued, and the geopolitical situation means equity market volatility is likely to be more elevated than in recent years. As technology leaves the confines of IT and floods into other sectors, businesses that use it to drive competitive advantage, and in turn high returns and growth, will be winners.

To find out more, visit www.columbiathreadneedle.co.uk/globalequities

Sources: 1. Kodak Failed By Asking The Wrong Marketing Question, forbes.com, 23/1/2012.
2. Capitalism, Socialism and Democracy, Joseph Schumpeter, Routledge, 1942.
3. Refers to difference between 2017 and 2018 full-year spending, Q1 Quarterly Results, Mastercard, 30 April 2019.

Responsible investing for a positive future

FRANK POTACZEK
Head of UK Proposition
Architas

Responsible investing is an approach to managing assets that typically includes environmental, social and governance (ESG) factors in its investment strategy. And, on an individual stock level, ESG factors are increasingly recognised as important elements of a company's sustainable long-term performance, competitiveness and profitability.

The past

ESG or 'sustainable' investing looked very different 20 years or so ago. In the 1990s and 2000s, discretionary fund managers set up portfolios for investors considered to be 'tree-huggers' or hippies who had inherited money and wanted to invest by exclusion. In other words, our industry then thought that to be ethical/green you had to exclude all the 'bad' stocks.

The present

Today, ESG is mainstream, but the parameters have changed. Negative screening, otherwise known as exclusion, doesn't produce a lasting impact. People nowadays don't want to just 'not invest in tobacco'; they want to influence the way tobacco companies behave. They want to encourage them to create less harmful products or make sure the tobacco they grow is sustainable. So there's been a flip in mindset.

This is driving companies, even in the US, to become more sustainable and ensure they have a positive impact. US president Donald Trump's climate change scepticism has created a popular misconception that sustainability and positive impact is not taking root in the US. But this is not the case, and the game-changer here is cost. More coal mines were closed in the first two years of the Trump presidency than in the entire first term of Barack Obama's presidency. And this was driven by economics: they are expensive to run.

The future

The future's looking bright. Sustainable, positive investing is gaining momentum and starting to have an impact on governments and companies globally. In Europe, governments are directing companies to report on how they meet ESG criteria. And the UK government announced its green finance initiative, which looks set to make the UK a leading player in green and sustainable investing. We also now have a whole generation of CEOs aware there's more than just the zero-sum game ideas of American capitalism.

The numbers stack up

Research shows the application of ESG factors in the boardroom generally increases profitability. Thirty years ago, Exxon's stock price hardly dropped following the Exxon Valdez oil spill disaster, when 11 million gallons of oil was released into the Gulf of Alaska. But investors now hold companies accountable for their actions, as BP and Volkswagen know to their cost.

Positive future

Society's approach to ESG issues is changing and investments are changing to reflect this. The sustainable investment market is now worth $30 trillion and it is growing. Socially responsible investing is now mainstream. We believe this type of positive investing not doesn't only delivers the feel-good factor: incorporating ESG considerations into the investment process delivers better outcomes for clients.

This is for financial adviser use only and should not be distributed to, or relied upon by, retail clients.

Gen Xers care more about sustainability than millennials

Generation X is more likely than millennials to consider sustainability factors when investing, Schroders Global Investor Study 2019 has found.

People from Generation X – defined as those between 38 and 50 years of age – appear more motivated to invest sustainably than millennials.

New research found 61% of 'Generation Xers' always consider sustainability factors when selecting an investment product, compared with 59% of millennials, who are 18 to 37 years old.

Half (50%) of Baby Boomers (51 to 70 years old) said they always considered sustainability factors, while it was 40% for the Silent Generation (over 71 years old). The average for all investors was 57%.

The findings were part of Schroders Global Investor Study (GIS) 2019, which measured the views of more than 25,000 investors in 32 locations around the world. They suggest that while Gen Xers are leading the charge, most investors consider sustainability factors when they invest.

Can my investments make an impact?

The majority of investors said they feel that their individual investments could have a direct impact in contributing to a more sustainable world.

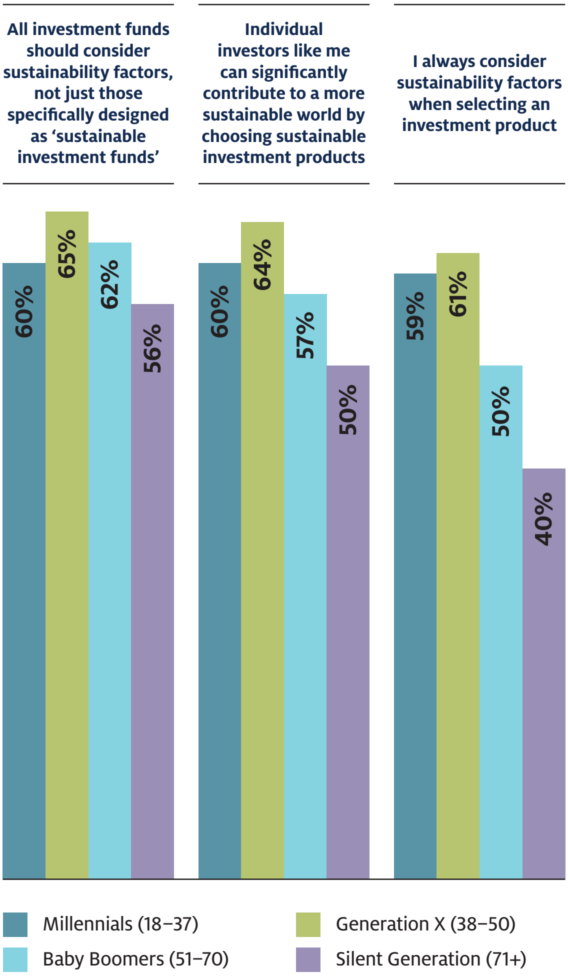
Again, Gen Xers led the way. Nearly two-thirds (64%) of them believed their investments could have a direct impact, compared with 60% of millennials. It was 57% of Baby Boomers and half (50%) for the Silent Generation. The average overall was 60%.

There was also significant demand for all investment funds to consider sustainability factors, commonly described as ESG – environmental, social and governance factors, not just those specifically designed as 'sustainable investment funds'.

Nearly two-thirds of Gen Xers (65%) agree all investment funds should consider sustainability factors, compared with 60% for millennials. Perhaps surprisingly, Baby Boomers (62%) wanted it more than millennials. It was 56% for the Silent Generation. The Global average was 61%.

‘Gen Xers’ more motivated to invest sustainably

Which of the following statements do people agree with?



Source: Schroders Global Investor Study 2019

The study also pointed to concern among Gen X about climate change. More than two-thirds (67%) of Gen Xers feel that climate change is having, or will have, an impact on their investments. That’s more than millennials (64%), Baby Boomers (58%) and the Silent Generation (51%). The global average for all investors is (63%).

Why are Gen Xers bucking the trend?

Jessica Ground, Global Head of Stewardship at Schroders, said: “It’s been impossible to miss the outcry about climate change from younger generations in the past year. Greta Thunberg, the 16-year-old campaigner, has led the charge on behalf of Generation Y, making headlines around the world for her protests.

“People might easily assume that it’s always the younger generations who are most concerned about investing sustainably.

“Our research challenges that assumption. Among investors, it is actually Generation X that now shows the most concern.

“Perhaps this is due to the publicity generated by Greta and others, with the parents of that generation taking note. Whatever the reason, there is a whole wave of people in their forties saving hard for their future and for their retirements. Fund managers who are investing on behalf of those investors should take note of their concerns and make sure their money is invested the way they want it to be.”

Read more about how sustainability seeks to deliver long-term value in a fast-changing world by visiting www.schroders.com/en/strategic-capabilities/sustainability/

> ‘…THERE IS A WHOLE WAVE OF PEOPLE IN THEIR FORTIES SAVING HARD FOR THEIR FUTURE AND FOR THEIR RETIREMENTS. FUND MANAGERS WHO ARE INVESTING ON BEHALF OF THOSE INVESTORS SHOULD TAKE NOTE OF THEIR CONCERNS AND MAKE SURE THEIR MONEY IS INVESTED THE WAY THEY WANT IT TO BE’

Schroders commissioned Research Plus Ltd to conduct an independent online survey of 25,743 investors in 32 locations throughout the world, with fieldwork held between 4th April – 7th May 2019. This research defines ‘investors’ as people who will be investing at least €10,000 (or the equivalent) in the next 12 months and who have made changes to their investments within the last 10 years; these individuals represent the views of investors in each country included in the survey.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LIFETIME MORTGAGES
Tom and Anna Hill's story
A CASE STUDY

Tom and Anna are 75 and 71 respectively and live in Leeds. They currently have an interest only mortgage and the term is about to expire. They're not keen on downsizing or moving out of their area.

Tom is still employed full-time as a chef in a local restaurant, while Anna is in part-time employment as a town planner at the local council. While Tom enjoys his job and wants to work for as long as his health permits, Anna wants to scale down her role with a view to retiring in five years' time.

Both have a modest lifestyle and enjoy eating out occasionally. They don't have any real hobbies but enjoy spending time together at weekends with their eight grandchildren.

"We're comfortable at the moment and want this to continue into retirement even though we weren't expecting this amount of mortgage debt at this time in our lives."

Lifetime mortgage required:
Property worth £280,000 with £42,000 mortgage (so £238,000 in equity). Although equity release can be used to repay existing debt, it could cost more in the long term.

How does the Just For You Lifetime Mortgage help them?

Their mortgage repayment plans haven't worked out well for them and they still owe £42,000. They've been able to service 100% of the interest while they're both working but their concern was what happens when Anna retires. They didn't feel able to commit to monthly payments indefinitely as Anna plans to retire in a few years.

Ideally, they wanted the ability to stop paying interest at some point while maintaining the security of tenure.

The Just For You Lifetime Mortgage enabled them to:

- Pay off their interest only mortgage
- Benefit from a reduction to the standard roll-up rate while they're servicing interest
- Benefit from the flexibility of payment holidays
- Service interest while they are still working and when they want to stop, for example when Anna retires, the loan will automatically switch to a roll-up and a higher interest rate.

For more information call: 01737 233297, email: support@wearejust.co.uk, or visit: justadviser.com.

Lines are open Monday to Friday, 8.30am to 5.30pm

All numbers are illustrative only to show how the Just For You Lifetime Mortgage could be used. This is not intended to provide any form of advice or recommendation.

JUST.

RETHINK RETIREMENT

DB Administration often overlooked!

There is plenty of anecdotal evidence that many Defined Benefit (DB) pension schemes are dissatisfied with the levels of service they receive, even on some core elements, including administration. And just because it is anecdotal doesn't make it meaningless.

Capacity crunch

The difficulty in running a profitable DB admin business has seen some providers rationalise their service offering, closing sites and redistributing resource.

This, added to recent consolidation among administrators, has contributed to a lack of capacity, restricting choice and making it very difficult for a scheme that feels it isn't getting the service it wants to find an alternative.

Some schemes have considered using consolidators, like DB Master Trusts, not only to move to a complete service provider, but also to improve levels of administrative support the scheme wants for its members.

An attractive proposition

If staying put with an existing provider is not an option, schemes must find one that can meet their requirements.

Moving to a DB Master Trust to fix a problem with your administration may seem extreme – a little like changing a tyre that is only in need of a little air – but some of these frustrations are long held and things don't seem to be getting any better.

Under those circumstances, it is easy to understand why some might consider looking at consolidator options, whether through existing providers or new entrants, as a one-stop shop for their scheme. However, schemes must be wise to a degree of risk in making such a move and ensure that they consider all elements of the proposition, not only the economies of scale and efficiencies gained from the administration.

Bigger, faster stronger

That said, a DB Master Trust/Consolidator could offer small to medium schemes the opportunity to 'punch above their weight' in terms of accessing the latest innovations and standards at a reasonable cost. For example:

- Schemes want – indeed need – better digital support for their members. Online isn't just about saving paper, but goes to the heart of building member communications in the 21st century. People expect to have access to data when they want it and schemes must begin to use more effective, digital-first strategies if they are to increase – and improve – member engagement, the holy grail of every scheme.
- Improving data quality relies on data not only being held correctly, but also consistently, particularly with the Pensions Dashboard starting to pick up pace again. The Regulator has already indicated it is losing patience with the stragglers in the move to drive up standards.

"HOW SURE ARE YOU THAT YOUR ADMINISTRATION IS AN ARENA IN WHICH YOUR SCHEME CAN HOLD ITS HEAD HIGH?"

It not only rains...

For many schemes, administration of their schemes may be approaching a watershed. No longer can they allow it to trundle on as it has in the past, particularly if it is considered to be sub-optimal.

If that is the case, how sure are you that your administration is an arena in which your scheme can hold its head high?

To find out more about DB Mastertrusts please contact Paul Longstaff at paul.longstaff@tpt.org.uk

tpt
Retirement Solutions

Business Relief, the Residential Nil Rate Band and Discretionary Trusts/PETS

DOMINIQUE BUTTERS
Executive Business Development Manager
Blackfinch

Business Relief (BR) investments are just that, investments. How they gain IHT relief is on death, as long as the client has held the shares for a minimum of two years out of the last five years at the time of death.

On death they attract 100% relief from IHT. This means that they are never 'outside of the estate' and always deemed to be an asset of the estate. This is important to note for the calculation of the Residential Nil Rate Band (RNRB) as BR assets will form part of it.

With this in mind when reviewing clients' estate values. If a client holds BR assets that have gone through the minimum two-year holding period, now deemed to be Relevant Business Property, and they no longer need access to all of the BR investment, some or all could be given away. This can be done either through a trust* or a gift.

However, this starts the seven-year clock for trusts/gifts. But, if the trust or the donee keeps the investments in the BR assets, should the donor (client) die in the subsequent seven years, then no IHT is payable.

This will be the case even though the investment would be deemed a failed Chargeable Lifetime Transfer (CLT) or failed Potentially Exempt Transfer (PET), because it is still invested in an IHT-exempt asset.

And as money has now been gifted/put into trust, this is then 'out of the estate' for the calculation of the RNRB.

Warning: It's crucial to be aware that if the donee or trust sells the BR-qualifying asset, and the client/donor dies within the seven years of making the gift, then the IHT would be payable.

Blackfinch Investments specialises in tax-efficient investing and we champion the use of BR-based solutions through our IHT range. Whatever a client's situation or requirements, we can offer advisers support and expertise. For more information or to arrange a meeting please get in touch on 01452 717070 or at enquiries@blackfinch.com. You can also see www.blackfinch.com.

Note: * When using a Discretionary Trust as long as the BR assets have been held for a minimum of two years before the transfer is made, then although it is deemed as a Chargeable Lifetime Transfer, no 20% entry charge is applied as it is in an IHT exempt asset. (Current legislation as of 21/6/19).

Important information: Capital at risk.
This article is for intermediary information only and does not form any offer or invitation to invest.

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2020 Events

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Best Practice Meetings

15 venues • 2 rounds

Best Practice Meetings are interactive and engaging, designed to progress your business for even better client outcomes, with each meeting giving you access to valuable 'adviser intelligence' from the sharing of experiences and ideas from your peers.

These meetings will include generic educational sessions, which will support regulated continued professional development, and a large proportion of the overall content will be accredited by NMBA for structured CPD. There will also be substantial portion of the agenda designed for attendees to debate and discuss topical issues in an open forum and evolve a more profitable and efficient business.

One of the key benefits of Best Practice Meetings is for attendees to use the event as an opportunity to exchange thoughts and ideas on practical, productive solutions, and overcome challenges together, in order to enhance the quality of advice delivered to customers.

ROUND 1 2020 • FEBRUARY		
Tue 4	BOLTON	**Bolton Whites Hotel** University of Bolton Stadium, De Havilland Way, Horwich, Bolton, BL6 6SF
Thu 6	GLASGOW	**Westerwood Hotel and Golf Resort** 1 St Andrews Drive, Glasgow, G68 0EW
Tue 25	MANCHESTER	**Manchester Airport Marriott Hotel** Hales Barns, Hale Road, Altrincham, WA15 8XW
Wed 26	BOLTON	**Bolton Whites Hotel** University of Bolton Stadium, De Havilland Way, Horwich, Bolton, BL6 6SF
Thu 27	WAKEFIELD	**Cedar Court Hotel (Wakefield)** Denby Dale Road, Calder Grove, Wakefield, WF4 3QZ
MARCH		
Tue 3	BIRMINGHAM	**Village Hotel Solihull** Dog Kennel Lane, Shirley, Solihull, B90 4JG
Wed 4	NOTTINGHAM	**Eastwood Hall** Mansfield Road, Eastwood, NG16 3SS
Tue 10	CHELMSFORD	**Pontlands Park Hotel** West Hanningfield Road, Great Baddow, Chelmsford, Essex, CM2 8HR
Wed 11	CENTRAL LONDON	**Congress Centre** 28 Great Russell Street, London, WC1B 3LS
Thu 12	NORTH LONDON	**Holiday Inn London-Elstree M25 Jct 23** Barnett Bypass, Borehamwood, London, WD6 5PU
Tue 17	SOUTHAMPTON	**Macdonald Botley Park Hotel and Spa** Winchester Road, Boorley Green, Southampton, SO32 2UA
Wed 18	EXETER	**Sandy Park Conference and Banqueting Centre** Sandy Park Way, Exeter, Devon, EX2 7NN
Wed 25	BIRMINGHAM	**Village Hotel Solihull** Dog Kennel Lane, Shirley, Solihull, B90 4JG
Tue 31	CARDIFF	**The Vale Resort** Hensol Park, Hensol, Vale of Glamorgan, CF72 8JY
APRIL		
Thu 2	CENTRAL LONDON	**Congress Centre** 28 Great Russell Street, London, WC1B 3LS

Business Evolution Forums

10 venues • 1 round

NMBA's Business Evolution Forums provide a great opportunity to fully engage with experts, listen to their advice, have discussions with your peers, and ask questions relevant to your individual and business needs.

Our Business Evolution Forums provides practical and useful guidance on how to evolve your business model, diversify income streams and shape your proposition to meet the needs of a segmented client-base. By working with other advisers and our hand-picked partners, the New Model Business Academy will help you to not only visualise the direction in which you would like your business to go, but also to turn that vision into reality.

ROUND 1 2020 • MAY		
Tue 5	CHELMSFORD	**Pontlands Park Hotel** West Hanningfield Road, Great Baddow, Chelmsford, Essex, CM2 8HR
Wed 6	CENTRAL LONDON	**Congress Centre** 28 Great Russell Street, London, WC1B 3LS
Wed 13	GLASGOW	**Westerwood Hotel and Golf Resort** 1 St Andrews Drive, Glasgow, G68 0EW
JUNE		
Tue 2	BIRMINGHAM	**Village Hotel Solihull** Dog Kennel Lane, Shirley, Solihull, B90 4JG
Wed 3	NOTTINGHAM	**Eastwood Hall** Mansfield Road, Eastwood, NG16 3SS
Tue 9	BOLTON	**Bolton Whites Hotel** University of Bolton Stadium, De Havilland Way, Horwich, Bolton, BL6 6SF
Wed 10	WAKEFIELD	**Cedar Court Hotel (Wakefield)** Denby Dale Road, Calder Grove, Wakefield, WF4 3QZ
Tue 16	SOUTHAMPTON	**Macdonald Botley Park Hotel and Spa** Winchester Road, Boorley Green, Southampton, SO32 2UA
Wed 17	EXETER	**Sandy Park Conference and Banqueting Centre** Sandy Park Way, Exeter, Devon, EX2 7NN
Thu 18	CARDIFF	**The Vale Resort** Hensol Park, Hensol, Vale of Glamorgan, CF72 8JY

Find out more about our 2019 events and book your place at **www.nmba.info** or call 01484 439200.

MBA
New Model Business Academy

Case Study (pages 24/25) – answers:

1. Martin is an employee of the firm, as defined by FSMA 2000, in a non-ancillary role.
   Martin is Certified.
2. Martin did not act with integrity:
   - He misled Stephan by using an unrealistically high expected growth rate (relative to Stephan's ATR) in the cash flow model
   - He told Stephan the investment had less risk than it actually did, as smoothed funds can go down in value.

   Martin did not act with due care, skill, and diligence.
   - He failed to fully explain the risks involved with the investment.

   Martin did not pay due regard to Stephan's interest, or treat him fairly:
   - He failed to explain the risks of the investment to Stephan.
   - He provided inaccurate or inadequate information to Stephan.
3. Training must be relevant to the roles of the employees.
   'Sheep dip' training should not be used.
   Stuart can decide whether or not he wants to train all employees on the Conduct rules, or just those subject to them.

Test your knowledge (page 18) – answers and cross-references:

1. **B** CII R01 Study Text Chapter 3
2. **C** CII R02 Study Text Chapter 4
3. **C** CII R03 Study Text Chapter 1
4. **C** CII R04 Study Text Chapter 2:2
5. **B** CII R05 Study Text Chapter 6
6. **C** CII J10 Study Text Chapter 2:1
7. **D** CII J12 Study Text Chapter 4
8. **A** CII CF8 Study Text Chapter 3
9. **C** CII ER1 Study Text Chapter 2
10. **C** CII R07 Study Text Chapter 6

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