Autumn 2017
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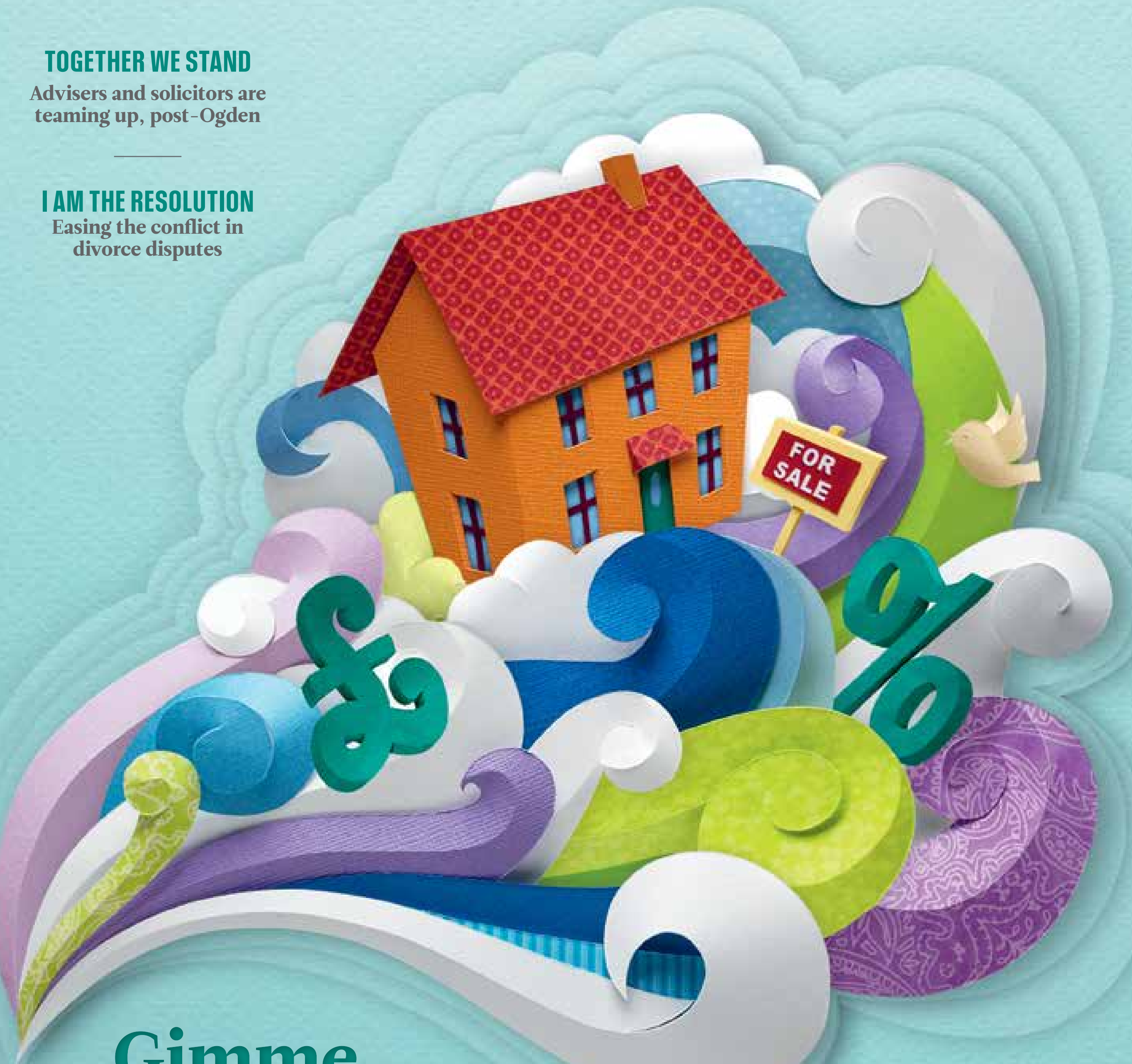
PERSONAL FINANCE PROFESSIONAL

SETTING STANDARDS AND GUIDING THE PROFESSION

TOGETHER WE STAND
Advisers and solicitors are teaming up, post-Ogden

I AM THE RESOLUTION
Easing the conflict in divorce disputes



Gimme Shelter

HOW TO WEATHER THE BUY-TO-LET TAX STORM

Personal Finance Society

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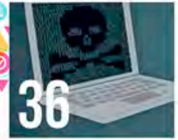

Sector Focus

Business Focus

News/ Opinion

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OPINION

STEPS IN THE RIGHT DIRECTION

CEO

KEITH RICHARDS

Personal Finance Society

Keith Richards examines two recent regulatory developments that reinforce the importance and value of regulated advice and guidance

Ever since the 2015 pension freedoms put retirement income firmly back into the spotlight for many, we have been inundated with big changes in regulation, industry and, of course, consumer attitudes.

This summer, we have been busy working closely with advisers, regulators and government to keep one step ahead and help influence key decisions. The intense pace of reforms and rules around pensions has not slowed down at all these past few months. However, there have been many strong developments that will ultimately assist financial advisers in delivering the best financial outcomes for their clients.

DB TRANSFERS

The Financial Conduct Authority (FCA) made moves to tighten the advice requirements for the transfer of safeguarded benefits and proposed many important changes to the regulation of defined benefit (DB) transfers. We wholeheartedly welcome this as a step in the right direction for the benefit of the public and I was pleased, but not at all surprised, at the positivity this was met with from members, showing the genuine commitment towards building a profession with the client at its core.

We support the FCA's proposals, including removing the default position that transferring out of a DB scheme was 'unsuitable' for a client, the clarification of an 'insistent client' and also replacing the current transfer value analysis system.

The regulator said it is very keen on understanding how many pension transfer specialists are not also investment advisers and any potential risks arising from this, which is obviously something on which we, in the interests of our members, will be in regular dialogue with the FCA. We acknowledge that many financial advisers rely on referring clients to pension transfer specialists and therefore fully intend to use our insight built from your experience, to help, and also keep you informed of any developments.

DB transfers can be an incredibly complex area of advice, so we support the FCA's renewed focus on qualifications, experience and CPD for pension transfer specialists.

We have seen demand for gaining expertise in this area soar, with more than 700 financial professionals signing up to our pension transfer qualification in the first week of launch.

The key thing that this proves is that advisers are being incredibly proactive in making sure they get the necessary qualifications, to have the in-depth enhanced knowledge that ensures they can do the best for their clients seeking financial security in retirement.

Another important point to make is that our qualification was in process before the FCA's proposals, and was developed in conjunction with our members. They told us exactly what they wanted, ahead of the regulator, which goes to show how far the profession has advanced and how progress is now something that is financial planning sector-led.

ILLUSTRATION: LUKE WALLER

PENSION COLD CALLING BAN

We also welcome the government's confirmation that it will ban pension cold calling, including emails and text messages, in a bid to stop scammers with fraudulent pension schemes.

The decision was announced after well-known Personal Finance Society member Darren Cooke, of Red Circle Financial Planning, launched a petition last year urging the government to make cold calling for pensions or investments to be made illegal. His work, supported by our own lobbying and that of others, was instrumental in the government's decision and once again proves how financial advisers are putting their clients at the heart of their work.

While we do welcome the government's decision, we have to have our eyes open to the fact that it is not quite the ban people thought it was at first. The ban will not apply to calls from firms abroad, or more logically, if the person receiving the call is in an 'existing client relationship', among other exclusions.

So although it is a welcome move, the problem has only been partially solved and we must not rest on our laurels. We must keep fighting against these threats. The best way we can do that as a professional body is twofold:

First, we must increase our efforts to raise public awareness of scams and mis-selling; of both pensions and investments. Our campaign with the Jersey Financial Services Commission to warn people about investment mis-selling has been very successful, with a TV advert reaching more than 100,000 viewers. We are also continuing our work with the FCA, encouraging financial advisers to report scams they come across – the whole profession can play a role in protecting the public.

The common theme throughout all our campaign work is the focus on encouraging the public to seek professional financial advice and see it as an essential move, where possible. It may not be possible to ban every type of scam activity, but we should reinforce the importance and value of only regulated advice and guidance. ●

JOIN THE DISCUSSION

For more information and to offer your feedback, please visit:

PFS member email: membership@thepfs.org
Festival of Financial Planning: www.pfsfestival.org
Forces MoneyPlan: www.thepfs.org/forcesmoneyplan
Apprenticeships: www.thepfs.org/Apprenticeships
ScamSmart: www.thepfs.org/scams

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QUALIFICATIONS

PENSION TRANSFER SPECIALISTS OPT FOR CII'S LEVEL 6 QUALIFICATION

1,300 personal finance professionals have already signed up for the new pension transfers qualification module (AF7).

Candidates have been enrolling onto the new Level 4 Certificate in Pension Transfers Advice, which includes a new Level 6 unit (AF7) Pension transfers, and three existing Level 4 units – (R01) Financial services, regulation and ethics, (R02) Investment principles and risk and (R04) Pensions and retirement planning.

Some 7,000 Statement of Professional Standing holders are qualified to provide

pension transfer advice, holding either G60 (now withdrawn pensions unit) or the current AF3 pension planning unit. The new certificate provides advisers with the skills and qualifications required to operate as a pension transfer specialist.

Another new level 6 Advanced Diploma unit, Retirement income planning (AF8) will launch in October, complimenting AF7 by covering other aspects of pension planning. Together, the two new units will replace AF3, which will be withdrawn in April 2018.

For full details, visit: **bit.ly/2vhAI8c**

EVENTS

CHESTER INVESTMENT CONFERENCE WITH CISI

The inaugural investment conference, hosted jointly by the Insurance Institute of Chester & North Wales (IICNW) and the local Chartered Institute for Securities & Investment (CISI) committee, was held on 19 September and it seems this may be the first of many great joint events.

The CISI is part of the Chartered Body Alliance, along with the Chartered Insurance Institute (CII) and the Chartered Banker Institute, which was formed in an effort to enhance and sustain professionalism in financial services.

Attendees at the conference clocked up three hours of CPD and were treated to four well-known speakers discussing hot topics:

- Harry Walker, of Dimensional, held an interaction session on effective and persuasive communication;
- Phil Robotham, from Schroders, discussed the key behavioural biases, explaining how these can be identified and tips on how they can be overcome;
- Stephen English, of Blankstone Sington, explored the key benefits of investing via an AIM portfolio, and its uses in mitigating inheritance tax;
- Duane Hasnip, representing GAM, answered the audience's questions on junior, or hybrid, debt.

The idea of running a joint local conference with CISI developed after Warren Bentham, FPFS Chartered financial planner and vice president of the IICNW, met with the local CISI committee. Mr Bentham explains: "While our CII local institute has been providing a limited number of quality presentations for Personal Finance Society members in our region, by joining together with CISI we can expand this offering, run events more frequently and attract higher-profile speakers given the number of attendees expected – all with no additional cost to our members. "Looking to the future, if we are successful the aim is to make this a regular event that will be open to both local members and those from surrounding institutes."

The Chartered Body Alliance is a collaboration between the Chartered Insurance Institute, the Chartered Banker Institute and the Chartered Institute of Securities and Investments.

The Alliance has published a 'Chartered Body Commitment', to work together in pursuit of the following four key goals:

- Raising professionalism and trust across financial services;
- Promoting high standards of competence, knowledge and ethical behaviour;
- Making it easier for the public to access the services of qualified professionals;
- Encouraging individuals in the sector to undertake recognised professional qualifications.

LEARNING AND DEVELOPMENT

GUIDE TO RISK PROFILING TOOLS

Rory Percival, ex-technical specialist at the Financial Conduct Authority (FCA) and regular columnist in Personal Finance Professional, has published a guide that offers analysis and guidance on the main risk profiling tools.

The guide provides an independent review of six of the main providers of risk profiling tools, and has three main objectives:

- To test current risk profiling tools against the FCA's guidance;
- Provide a 'how to...' guide to help advisers understand how to use them in a way that is likely to meets the FCA requirements, including those introduced by MiFID II;
- Provide additional commentary and good practice examples around assessing the level of risk the client is willing and able to take.

The Personal Finance Society has negotiated a 20% discount on the normal cost of £250 + VAT. Members can access the reduced rate of £200 + VAT by using the code PFS at the checkout. For more details and to purchase the guide, visit: **bit.ly/2eScBDo**

You can read Rory Percival's latest article on page 16.

DIVERSITY

INCREASED NUMBER OF TOP ROLES FOR WOMEN

Women are set to be chosen for more top roles in the future as government's push for greater diversity in financial services gathers pace. More than two thirds of firms believe that signing up to the Treasury's Women in Finance Charter will lead to permanent and sustainable change in gender diversity at senior levels across the industry.

According to new research, conducted by thinktank New Financial, 62% of firms have taken specific action to support female career progression since signing up to the Charter – an initiative that aims to build the pipeline of female talent for leadership positions.

Initiatives such as succession planning, examining hiring practices and unconscious bias training, are helping to make the culture at these firms more female-friendly and in the long run, should help firms attract and retain the best talent.

Data shows that the groundbreaking Women in Finance Charter is also paving the way for firms to improve on other types of diversity. This comes as a further 25 firms sign up to the Women in Finance Charter, bringing the total number of firms involved to 141. New signatories from the insurance sector include Axa UK, ReAssure Group and Channel Islands Adjusters.

THE NEWS IN NUMBERS

2,400
delegates have registered for *A Festival of Financial Planning* in November

62%
of firms have taken specific action to support female career progression since signing up to the Women In Finance Charter

1,300
personal finance professionals have signed up for the new pension transfers qualification module AF7

7%
of women surveyed by Scottish Widows had critical illness cover

Tweet Talk

@DiscRisk
V happy to have got 4 universities exhibiting at #pfsfestival. There'll also be c200 students who want a financial planning career @pfsconf

@matrixcapital
Delighted with the new branding that arrived in the post today @pfsconf @CIIGroup committed to excellence #FinancialPlanning

@_chrisbroome
Good effort on the #PFS radio station, great idea! Look forward to hearing more about #BamfordMedia

@CathiParaSols
Really important new comms page in CII, where you can now opt in and out of each part (instead of previously all in or all out) @pfsconf

@ParaPowwow
Morning folks, in 48 hours this lovely spot will be home to teepees and lots of paraplanners #Powwow17

@AskAdamOwen
@roryperciival article for @pfsconf prompted me to look into hyperbolic discounting a bit further http://buff.ly/2uLLMtT #usefulroryperciival

PFS President's Thinktank
3,879 members

PFS Chartered Financial Planners
1,665 members

@pfsconf
6,384 followers

CHARTERED BODY ALLIANCE

CHARTERED BODY ALLIANCE REACTS TO NEW ESMA GUIDELINES

The European regulator, ESMA, has revealed detailed requirements under MiFID II regarding the knowledge and competence of retail and wholesale investment advisers.

The Financial Conduct Authority (FCA) already requires retail investment advisers to have qualifications under the Retail Distribution Review. However, advisers to professional clients such as fund companies and pension funds now will be required to have qualifications.

'Qualifications' under the guidelines are defined as examinations, training or tests, and the FCA is proposing to leave it to firms to decide which of these routes to take and to judge the fitness and competence of their employees.

The Alliance has announced fears that some firms may be tempted to take the easy route to justify this qualification requirement and opt for the minimum requirement of a five-hour bespoke training course.

Typically, a Level 3 qualification would require approximately 100 hours' study, and knowledge would be tested and verified during an independent exam.

The Alliance is now encouraging the FCA to guide firms to appreciate that the guidelines are intended to provide a step change in employees' knowledge, and that the training and test options to 'qualifications' should reach the same level, meaning Level 3 or Level 4 (the current standard for the retail advisory sector).

INSURING WOMEN'S FUTURES

NEW FINANCIAL HARDSHIP REPORT HIGHLIGHTS RISKS

A new report published by Scottish Widows has found that the lack of financial protection among women is leaving families in a precarious situation. The report findings include:

- 76% of women said their families would struggle with everyday chores and household expenses if they became seriously ill or passed away;
- 81% women place importance on insuring their possessions, but just 33% said the same about their lives and health;
- Only 31% of women have life insurance and just 7% have critical illness cover in place.

The research suggests that many women are underestimating the value of their role within the household. More than 34% of women said they have not taken out life insurance because it is not a financial priority or they do not think they need it. And 9% of women without critical illness cover said they would rather take the risk of not having it than take out a policy.

In addition, fewer women than men think their household could survive on one income if their partner died or was unable to work. Some 50% of women polled said their family could live on one income, compared with 65% of men.

81%

OF WOMEN PLACED IMPORTANCE ON INSURING THEIR POSSESSIONS, BUT JUST 33% SAID THE SAME ABOUT THEIR LIVES AND HEALTH

31%

OF WOMEN SURVEYED HAD LIFE INSURANCE

PERSONAL FINANCE SOCIETY

MEMBERS PROUD TO SHOW OFF NEW-LOOK PFS BRANDING

There has been a hugely positive response to the new visual branding launched across the Personal Finance Society and the Chartered Insurance Institute, with a great many members and firms taking to social media in support of the new look.

The new visual identity was announced at the beginning of August, to aid public recognition and understanding of its role in helping the financial planning professions build credibility. The new branding presents a rich heritage in a more contemporary style, helping to align its societies, faculties and institutes to reflect a shared purpose of driving confidence in the power of professional standards.

If you have any questions about our new visual identity, or would like guidance on using and applying logos, please do not hesitate to contact: **customer.serv@cii.co.uk**

Personal Finance Society

EVENTS

JUST ADVISER FORUMS ANNOUNCED

Just, one of the UK's leading providers of specialist financial services solutions, has announced a string of new forum events around the UK.

The forums – which are aimed at both advisers and paraplanners – will address the important challenges and financial choices that face people approaching, or in, retirement. Such consumers need modern retirement advice to decipher the details relevant to them and provide solutions appropriate to their individual and changing circumstances.

Discussions at the events will include:

- Reviewing pension freedoms;
- Implications of consumer perception, behavioural finance and framing;
- Proposed remedies – application and implications for advisers;
- Retirement Income – sustainability and methodology;
- Key areas of business growth for retirement advisers

The events will take place as follows:

3 October – Bedford Lodge Hotel & Spa, Suffolk
4 October – Forest of Arden Marriott & Country Club, Birmingham
5 October – Amba Hotel Charing Cross, London
11 October – Mercure Box Hill Burford Bridge Hotel, Dorking
12 October – DoubleTree by Hilton Cadbury House, Bristol
For more details and to book your place, visit: **bit.ly/2wpB2y6**

PFS LINKEDIN GROUPS

PFS PRESIDENT'S THINKTANK

Calling all Financial Planners - please can I have your help?
I have been asked by the Personal Finance Society board to chair a Financial Planning Panel - read more about how you can get involved here **bit.ly/2w8ubOt**
bit.ly/2f5Wjuq

Have you seen the incredible headline acts we have for A Festival of Financial Planning?
Sir Clive Woodward, two former pensions ministers... Discover who else is headlining here: bit.ly/FestivalSpeakers
bit.ly/2xZe4ix

Money coaching magic at Money Marketing Initiative
Had a great day at the Money Marketing Initiative yesterday sharing ideas with my fellow financial planners.
bit.ly/2pSsZLX

PFS CHARTERED FINANCIAL PLANNERS:

Post Chartered Training/ Qualifications
Having completed the PFS exams relevant to me, I have been looking into what I can do next in terms of training and development...
bit.ly/2xZeSUT

Unable to conclude an outsourced DB transfer
I have used one of the outsourced DB transfer advisory services which has recently had its permissions temporarily withdrawn by the FCA, in light of the review of DB transfer advice.
bit.ly/2f5t5vz

Asset Protection Trusts
I have been asked to review this for a client whose 80 year old mother was approached by the "estate planning" team of a reputable funeral plan company... Surely these trusts are no use for those wealthier individuals with IHT issues due to gift with reservation rules.
bit.ly/2vV3YyM

A FESTIVAL OF FINANCIAL PLANNING

FULL FESTIVAL LINE UP ANNOUNCED

The Personal Finance Society have released the full Festival Programme for its flagship event taking place in Birmingham in November.

A Festival of Financial Planning's list of high profile headliners includes World Cup-winning rugby coach Sir Clive Woodward, leader of the Liberal Democrats, Sir Vince Cable, and former pensions ministers Baroness Ros Altmann and Sir Steve Webb.

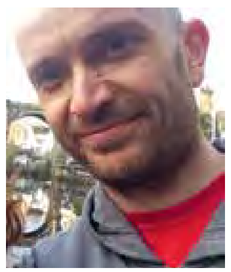
2,400 delegates have already signed up for the Festival, which is split into themed areas in addition to the five stages that will host over 70 sessions throughout the two-day event.

Complimentary tickets to A Festival of Financial Planning are available to both Personal Finance Society members and non-members. For more information or to book your place please visit: **www.pfsfestival.org**

See the special Festival Guide supplement included in this month's *Personal Finance Professional* magazine for everything you need to know about this momentous event which you don't want to miss!

OBITUARY

GARY TUNSTALL



It is with great sadness that we inform you that Gary Tunstall has passed away at the age of 41.

A Fellow of the Personal Finance Society and well known in the paraplanning community, Gary was also winner of the *Paraplanner of the Year* award, and played a huge part in the success of the Para-Sols company, where he worked with his close friend, Cathi Harrison.

In recent years, Gary moved to London to work as a paraplanning manager, but was later diagnosed with stomach cancer which he fought bravely for 18 months.

Sadly, Gary leaves behind his partner Tina and two young children, but is remembered with huge affection as talented, caring and funny by all those that knew him and worked with him.

Gary spent the final weeks at Saint Michael's Hospice in Harrogate and his loved ones have now set up a JustGiving page dedicated to raising funds for the hospice, which can be found at: **www.justgiving.com/fundraising/garytunstall**

SOCIETY OF MORTGAGE PROFESSIONALS

SMP ANNOUNCE AUTUMN MORTGAGE AND PROTECTION ROADSHOWS

The Society of Mortgage Professionals (SMP) have unveiled the dates and venues for their Autumn mortgage and protection roadshows.

The series will feature a comprehensive agenda of current mortgage and protection issues, including the latest news from the protection market, how to make the most of trusts, navigating specialist lenders, later life lending, how technology is shaping the mortgage sector and 'generation rent' – an analysis of the changing demographics in the property rental sector and the resulting opportunities for protection advice.

The SMP have also confirmed that the FCA will conclude each day by returning to present their popular regulatory update.

Dates and venues are as follows:

- Thursday 12 October – North (Cedar Court, Wakefield)
- Monday 16 October – South/Thames Valley (Green Park Conference Centre, Reading)
- Tuesday 17 October – London (CII, Aldermanbury)
- Wednesday 1 November – South West/Wales (The Vale Resort, Hensol, Glamorgan)
- Thursday 2 November – Midlands (Ramada, Sutton Coldfield)

All the events are open to both members and non-members. For a full agenda and to reserve your place, visit: **bit.ly/2eXGlP6**

MORE THAN A BLIP

This issue, the **Regulatory Radar** picks up news on the SMCR, pension transfers and a proposed new financial guidance body

DWP CONSULTATION OUTCOME: PENSION SCAMS

The PFS welcomed the government's commitment to stamping out pension scams in the package of measures proposed in its initial consultation in December 2016 (see **www.thepfs.org/446175**), which has since been further supported by the launch of the PFS and FCA 'ScamSmart' national awareness and whistleblowing campaign.

The government response sets out the feedback received and its intended next steps on the following measures:

- a cold-calling ban in relation to pensions, which will include emails and text messages;
- a tightening of HMRC rules to stop scammers opening fraudulent pension schemes;
- tougher actions to help prevent the transfer of money from occupational pension schemes into fraudulent ones.

The Government's consultation response can be accessed at: **bit.ly/2gbgxQQ**

FCA OUTLINES PROPOSALS TO EXTEND THE SENIOR MANAGERS AND CERTIFICATION REGIME TO ALL FINANCIAL SERVICES FIRMS

The UK Financial Conduct Authority (FCA) has published proposals to extend the Senior Managers and Certification Regime (SMCR) to almost all regulated firms. The new regime effectively replaces the Approved Persons Regime, and aims to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their conduct and competence. As part of this, the SMCR aims to:

- encourage a culture of staff at all levels taking personal responsibility for their actions;
- make sure firms and staff clearly understand and can demonstrate where responsibility lies.

The PFS was involved in the FCA's launch event, and raised the risk of the regime imposing unnecessary bureaucracy on smaller firms. In response, the FCA stressed that it does not want firms to overengineer a solution. The regulator does not expect firms to change their structure purely to fit into the new regime either, and is happy for paperwork and bureaucracy to be kept to a minimum. Instead, firms should use these changes to think about how they deliver good outcomes to clients.

The FCA consultation can be accessed at: **bit.ly/2h2euBq**. Additionally, the latest PFS SMCR Update, Analysis & Implications policy briefing can be viewed at: **www.thepfs.org/45992**

FINANCIAL GUIDANCE AND CLAIMS BILL

Within the UK government's legislative priorities for the forthcoming parliamentary session, of particular interest to the financial services sector is the Financial Guidance and Claims Bill announced in the Queen's Speech, which will establish a single financial guidance body that will replace the Money Advice Service, the Pensions Advisory Service and Pension Wise.

This follows on from an earlier Department for Work & Pensions consultation (view the PFS response at: **www.thepfs.org/44605**).

For further details on this and other bills announced in the Queen's Speech see: **bit.ly/2sSQLbQ**

FCA PROPOSES CHANGES TO ADVICE ON PENSION TRANSFERS

The UK FCA has published new proposals on advice relating to pension transfers where consumers have safeguarded benefits, primarily for transfers from defined benefit to defined contribution pension schemes. The PFS was involved in a workshop for this consultation.

The regulator's proposals aim to reflect the current environment and the increased demand for pension transfer advice following the introduction of pension freedoms in April 2015, where consumers have more options available to access their pension savings and historically high levels of transfer values.

The new rules outline the FCA's expectations of advisers and pension transfer specialists to ensure that consumers receive advice that considers all relevant factors. The consultation can be accessed at: **bit.ly/2ko4X8j**

NEW LOOK, SAME VALUES

With the introduction of our new brand identity, we look at how we are contributing towards driving confidence in the power of professional standards

When we published our strategic manifesto in November last year, we made a clear commitment to become a more relevant, modern and diverse organisation. For us to be successful in our core objective of building public trust in insurance and financial planning, we acknowledged that we must change.

During the first half of 2017, we have begun a number of strategic workstreams to deliver on that commitment. We are enhancing our education programmes to be more relevant to members throughout their careers, while also meeting the expectations of new generations of aspiring professionals.

We are also making good on our commitment to provide insightful leadership, to help engage he public and policymakers in more positive conversations that support our public interest goals. We are supporting the Insurance United Against Dementia initiative, which seeks to raise awareness and funding to find a cure for Alzheimers and dementia – now responsible for more deaths than heart disease.

NEW BRAND IDENTITY

A NEW LOOK

On 1 August we took another important step by updating the way we look to better reflect the organisation that we are becoming. We have a rich heritage; it's part of what makes us unique. By redrawing our original coat of arms in a more contemporary way we have created a new visual identity that remains true to our origins whilst becoming more relevant for new generations of consumers.

The refreshed branding unifies previously separate brands under a common identity using our heritage and royal charter as a more publicly visible mark of our profession. The logo embodies the united profession that we serve: each major class of business represented symbolically.

Other subtle changes have also been introduced to improve recognition and understanding.

We have removed often confusing acronyms, introduced a contemporary typeface and paired this with a broad and more flexible colour palette that gives us the understated confidence that our status as a Chartered professional body affords. The original Latin has been updated with the introduction of a new tagline, neatly summarising our role and core objective.

Our Royal Charter, granted in 1912, remains a powerful part of our heritage and Chartered status is widely recognised by consumers. As part of this rebrand we have developed new Chartered marks, for both individual members and firms, that more closely align Chartered status to the heritage of the CII.

> *Having worked in insurance for more than 30 years, I am excited by the CII's commitment to unite our profession, putting the public at the heart of what we do*
>
> **Sian Fisher, CEO, CII**

UNITING THE PROFESSION

This new visual identity is a key step in helping consumers understand the role that we play in uniting the profession behind professional standards. Only by delivering consistent professional standards will the we win back consumer trust. It's all about: Standards. Professionalism. Trust.

For more information, please visit: **www.thepfs.org/newbrand**

Chartered Financial Planners

Chartered Financial Planner

Standards.
Professionalism.
Trust.

THE MEANING OF THE SYMBOLS

Sword & hand
The hand grasping the blade of the sword of St Pauls, rather than the hilt, is symbolic of the weapon being neutralised.

Supporters
The Scottish unicorn and English lion represent our national role and each animal has a fishtail to represent international.

Book
The open book between supporters symbolises the institute's role as a professional body responsible for career guidance, education and qualifications.

Fire, wheat and anchor
The shield of arms illustrates the main original classes of insurance.

SUM TOGETHER

Changes to the Ogden rate mean advisors and solicitors are working closer than ever to structure, forecast and manage personal injury claims. **Sam Barrett** investigates…

Changes in the legal framework will significantly increase the settlements many personal injury claimants receive. As this makes independent financial advice increasingly important to these individuals, it could be time to consider collaborating with lawyers in this space.

The most recent proposals – Lord Justice Jackson's review of fixed recoverable costs (FRC) – were announced at the end of July. This looked at extending the FRC regime, which was already in place for fast-track claims up to £25,000, to streamline the claims process and control costs.

Although it was originally proposed that the regime should be extended to claims up to £250,000, Lord Jackson's review recommended it for claims of modest complexity up to £100,000.

The decision not to go to the higher limit has received mixed reactions. "It would have been a nightmare to have fixed costs at £250,000, so I'm glad he backed off from that," says Paul Tapner, senior lawyer at Slater & Gordon. "However, it does bring concerns about the level at which costs will be fixed: a £100,000 claim involves a serious injury and serious financial consequences. It would be bad if this meant corners were cut."

INCREASED COMPENSATION

While there is still uncertainty about how this will affect settlements, movement in the personal injury discount rate will have a much more marked effect. This is the rate used to take account of investment returns when awarding lump sum payments. Set at 2.5% in 2001, the government reviewed it earlier this year, announcing that as the return from index-linked government bonds had fallen, it should be cut to -0.75%.

This shift would have seen lump sum settlements increase substantially, especially for younger lives where the money needs to last longer. For example, figures from solicitors Keoghs show that future earnings claims will double for 18-year-olds, while life losses will more than treble for children.

The change was well received by claimant solicitors. "People were being undercompensated under the old discount rate," says Brett Dixon, president of the Association of Personal Injury Lawyers. "You'd find people living miserable existences as they didn't have enough money to live on."

ALL CHANGE, AGAIN

But, as the increase in compensation payments put significant pressure on bodies such as the NHS and the insurance industry, with policyholders ultimately paying for it through higher motor insurance and liability premiums, the government launched a consultation into how the rate should be set.

The Ministry of Justice responded to this in September, proposing that the rate be increased to between 0% and 1%, with future rates set by reference to low risk rather than very low risk investments. It also proposes that the rate be reviewed every three years, with an independent expert panel involved in the process.

This has been applauded by the insurance industry, with the Association of British Insurers' director general, Huw Evans, describing it as a "welcome reform proposal… that is fairer for claimants, customers and taxpayers alike".

NEED FOR ADVICE

Although it is likely to take several months for the new rate to take effect, all the discussion has highlighted the need for independent financial advice in personal injury claims. "There's a real need for an IFA to be involved, both throughout the claim but also on an ongoing basis after the settlement to provide financial advice to the claimant," says Mr Dixon. "Their role is crucial."

As an example, Paul Rosson, senior financial consultant at Adroit Financial

> *"There's a real need for an IFA to be involved, both throughout the claim but also on an ongoing basis after the settlement to provide financial advice to the claimant"*

Planning, has specialised in supporting legal professionals and their clients for many years. "I will help a solicitor to structure the claim, providing cashflow forecasting and advising on areas such as how the changes in pension legislation have affected the person," he explains. "Once they receive the settlement, I'll then advise them on how to manage it."

Providing financial advice in this area requires a slightly different approach. In many instances the claimant may never be able to work again, so the compensation needs to last a lifetime. "They won't be able to replace the money if it's gone, so I work out the lowest risk they can take with their money," Mr Rosson explains. "I see many of my clients every three months and some ring me at least once a month. It's my job to make sure they don't have to worry about money."

He would also like to see more IFAs working in this area. "There aren't a lot of specialists providing this type of advice," he adds. "There's definitely a need: good quality independent financial advice can make things a lot better for claimants." ●

HOW HAS THE OGDEN RATE CHANGED?

The Ministry of Justice cut the Ogden rate from 2.5% to -0.75%, from 20 March 2017. This now means that for every £1,000 awarded in a claim the insurer will be expected to pay the claimant £1,007.50, which is an additional £32.50 compared to the 2.5% rate.

£100,000

Jackson's review recommended the fixed recoverable costs regime for claims of modest complexity up to £100,000

PLAY BY THE RULES

As defined benefit transfers continue to feature in the news, **Rory Percival** provides a reminder of the main FCA rules, what changes are planned, what are the FCA's concerns and what should firms be doing

FCA REGULATIONS

The current rules on defined benefit (DB) transfers sit in COBS 19. These set out the default position that the adviser should assume that a transfer is not suitable unless they can *clearly* demonstrate it is in the client's best interests (my emphasis). Also, all DB transfers must be completed or checked by a pension transfer specialist and clients must be provided with a transfer value analyses (TVA).

In June 2017, the Financial Conduct Authority (FCA) published a consultation paper (CP17/16) with proposed changes to the rules. There has been a lot of comment regarding the FCA removing the guidance about the default position being to remain in the scheme and that there will be a neutral position. This mis-represents the FCA's position, as the proposal is for new guidance to say that a firm should have regard to the likelihood that it will be in the best interests of the majority of clients to remain in the scheme. This not materially different from the current position.

The other main proposed changes are:
The TVA is to be replaced by the 'appropriate pension transfer analysis' with two parts:
- A prescribed format bar chart comparison between the cash equivalent transfer value (CETV) and the fund required to buy a comparable annuity in the open market. Many commentators have said it is inappropriate to continue with an annuity comparison, but this misses the point. Many clients are focused on the big number that is the CETV. This comparison demonstrates the value of the income being given up in similar big number terms. Indeed, coincidentally, I recommended this exact course of action in my article in the previous edition of *Personal Finance Professional*.
- Cash-flow planning to demonstrate how the benefits from the DB scheme and an alternative approach might work in practice. This is also a sensible approach and helps clients understand the implications of the two options better.

The CP also proposes more guidance suggesting advisers should consider the:
- client's attitude to risk in relation to giving up DB benefits;
- client's income needs and the role played by DB benefits in achieving them;
- specific receiving scheme and the investments within;
- client's plans for accessing benefits;
- alternative ways of achieving the client's objectives; and the
- wider circumstances of the client.

> *This is a critically important area for the sector to demonstrate its expertise*

ILLUSTRATION: LUKE WALLER

FCA CONCERNS

The FCA has stated, "We are concerned that consumers receiving this advice are at risk of transferring into unsuitable investments or – worse – being scammed." The subject is clearly of significant concern, as the FCA reminded firms of its expectations in January 2017 and is currently undertaking significant supervisory action.

The FCA is also concerned about the biases on the part of the client and the adviser that could, if not managed effectively by the firm, lead to unsuitable outcomes. Again, I covered this in more detail in my last article for PFP.

FCA ACTIONS

The FCA is currently undertaking multi-firm work on DB transfers. This involves a desk-based review of client files from a large number of firms followed by a smaller number of firm visits. The visits are likely to be to firms which are significant players in this market and those where concerns have been raised by the file reviews.

We have been hearing about the impact of these visits with a number of high profile firms voluntarily varying their permissions to cease advising on DB transfers for a period. Make no mistake, the FCA asking a firm to stop advising in an area – and hence stop receiving any income – is one of the more stringent supervisory tools the regulator has available. This option is only usually exercised when the FCA has material and immediate concerns about potential client detriment.

RECOMMENDATIONS

I recommend firms:
- (re-)read the FCA notice of 24 January 2017;
- ensure advisers are fully competent in this area and up-to-date with relevant CPD;
- consider how they can manage the advisers' and clients' biases;
- revisit their systems and controls to ensure these are adequately robust;
- ensure they have a robust insistent client process if this type of transaction is undertaken;
- adopt the approach and guidance set out in CP17/16 now, even though the new requirements have not yet come into force (while still using the TVA). In my opinion, the consultation paper recommendations are sensible and will help the adviser and the client in the advice process.

This is a critically important area for the sector to demonstrate its expertise and avoid a further mis-selling scandal in future. ●

Rory Percival of Rory Percival Training & Consultancy Ltd

SCHEME BIG

This month's technical column offers answers on Enterprise Investment Schemes and tax implications of company pensions contributions

Q Can the income tax payable on a deferred state pension lump sum be relieved by a subscription to an Enterprise Investment Scheme (EIS)?

A EIS income tax relief takes the form of a reduction in an individual's income tax liability. The amount of the reduction is currently equal to tax at 30% on the amount of the subscription. However, the amount of the tax relief on a subscription to an EIS cannot exceed the amount of tax that would otherwise be paid without any EIS subscription.

Sections 22-32 of the Income Tax Act 2007 set down the rules on how an income tax liability is calculated and include the rules for how tax reliefs can reduce the liability.

First total income is calculated – this is the income on which an individual is charged to tax. Then personal allowances and other reliefs (such as loss relief) are deducted. The tax liability is then calculated on this amount. EIS relief is then used to reduce the tax liability. However, this cannot result in a repayment of tax.

Although a deferred state pension lump sum is treated as income and taxed as such it is not to be taken into account in determining the total income of any person – section 7 Finance (No.2) Act 2005.

Therefore, the amount of income tax due on a deferred state pension lump sum cannot be relieved by a subscription to an EIS.

Q Client is a company director and has existing accrued relevant pensions. His employment income is currently £0 with £20k salary expected to commence this year. He receives annual rental income of £35,000 and £8,000 savings income.

Do these factors impact upon how much his company can contribute to his pension within the annual allowance rules? His company is to make a one-off £155,000 lump sum contribution to a pension in his name, but is this permitted or are there any tax implications of doing so?

A The employer contribution needs to satisfy the wholly and exclusively rules insofar as it's relievable for the business. In other words, is the package payable to that director commercial?

All relievable contributions (member and employer) count towards the individual's annual allowance. To mitigate the impact, you can use carry forward from the previous 3 tax years, provided he was a member of a pension scheme in the tax year that you want to carry forward from.

An annual allowance charge should not arise if proper planning is carried out. However, if a case should arise when one does, then the member may have the option to use the scheme pays facility whereby the scheme makes the payment from the fund as opposed to the individual making the payment directly to HRMC. ●

→ These are actual questions and answers taken from the Technical Connection Techlink Professional question bank. Chartered Financial Planners can find out more about a trial subscription to TechWise by visiting: **www.techlink.co.uk/techwise**

WORK-RELATED STRESS

DEFUSING THE STRESS TIMEBOMB

New warnings are emerging for employers to be mindful of the extra levels of stress that Brexit might bring

Source: YouGov survey of 20,000 people in work across the UK

77%
of employees have experienced some kind of mental health problem

70%
of employees said they would not notify their bosses if they had a mental health problem

Mental health experts have been warning that the unknowns surrounding a so-called hard Brexit, dwindling job security, increased regulatory scrutiny and long working hours are taking a toll on the mental health of those working in the city's financial sector.

The global financial crisis, the resulting meltdown, and the subsequent disruption as financial institutions have by necessity undergone rapid cultural and structural change, have pushed city stress levels into the stratosphere.

Estimates for the impact of Brexit vary but the most sobering is a warning that in total more than 230,000 jobs could be lost.

PROACTIVE SOLUTIONS

"Work-related stress is epidemic but many forward-thinking employers are tackling the issue responsibly, adopting comprehensive or full-service wellbeing solutions that include access to counsellors, mental health advice and stress-relieving activities like yoga or gym memberships," comments Brett Hill, managing director of The Health Insurance Group. YouGov surveyed 20,000 people in work across the UK and found that 77% of employees said they had experienced some kind of mental health problem. Tellingly, 56% said their employers took no mitigating action. Similarly, in a survey among decision makers at financial institutions, about 70% said they would not notify their bosses if they had a problem, believing an admission of anxiety or mental health issues could damage their career prospects. Many more cases go unreported.

One solution lies in employee assistance programmes (EAPs), and the Health Insurance Group says the evidence suggests more people are using EAPs.

From a sample of nine million UK employees, people employed within the media (17% utilisation), NHS (11%), retail (11%) and public sectors (10%) accessed EAP services in the past year, indicating higher levels of stress when compared to other professions.

"It is reassuring that many forward-thinking employers are tackling stress responsibly through providing and promoting wellbeing solutions that provide access to trained counsellors and mental health support and advice," says Mr Hill.

He adds: "While support systems are in place, attitudes and culture can sometimes seem less than compassionate, which is why it is vital for employers to have an effective strategy in place, particularly for mental health and stress.

"If an employer understands their responsibilities, then the right support can be provided with the appropriate sensitivity, avoiding potential liabilities if a business did get things wrong."

POSITIVE IMPACT

The data from Health Assured also demonstrates that EAP can make a difference to wellbeing. After using their EAP, 60% returned to work, 64% showed improvement in their depression and 51% showed improvement to their anxiety.

"Employee wellness isn't a simple fix but driven from the top and with an understanding of the importance of a holistic approach, the improvements could be life changing. Firms need to show some bravery and openness when addressing the stigmas of stress and mental health," concludes Mr Hill. ●

STRESS IN NUMBERS

The latest estimates from the Labour Force Survey (LFS) show:

- The total number of cases of work related stress, depression or anxiety in 2015/16 was 488,000 cases, a prevalence rate of 1510 per 100,000 workers.
- The number of new cases was 224,000, an incidence rate of 690 per 100,000 workers.
- The total number of working days lost due to this condition in 2015/16 was 11.7 million days. This equated to an average of 23.9 days lost per case.
- In 2015/16 stress accounted for 37% of all work related ill health cases and 45% of all working days lost due to ill health.
- Stress is more prevalent in public service industries, such as education; health and social care; and public administration and defence.
- By occupation, jobs that are common across public service industries (such as healthcare workers; teaching professionals; business, media and public service professionals) show higher levels of stress as compared to all jobs.
- The main work factors cited by respondents as causing work related stress, depression or anxiety (LFS) were workload pressures, including tight deadlines and too much responsibility and a lack of managerial support

Source: HSE

WHAT ARE THE MANAGEMENT STANDARDS?

The management standards define the characteristics, or culture, of an organisation where the risks from work related stress are being effectively managed and controlled and cover six areas of work design that, if not properly managed, are associated with poor health and well-being, lower productivity and increased sickness absence. These are:

- **Demands** – this includes issues such as workload, work patterns and the work environment
- **Control** – how much say the person has in the way they do their work
- **Support** – this includes the encouragement, sponsorship and resources provided by the organisation, line management and colleagues
- **Relationships** – this includes promoting positive working to avoid conflict and dealing with unacceptable behaviour
- **Change** – how organisational change (large or small) is managed and communicated in the organisation.

Source: Health and Safety Executive

A MATTER OF INTEREST

This month we revisit the fundamentals of tax relief on mortgage interest

The inability of buy-to-let investors to fully deduct mortgage interest from rent means that their adjusted net income (ANI) will increase. The position will peak in 2020/21 when no mortgage interest is deductible. ANI is broadly income after permitted deductions but before a person's personal allowance is deducted. This could have some significant indirect consequences on other tax liabilities, as follows:

(i) Basic and higher rate taxpayers

For those affected, the level of taxable income of a buy-to-let investor will increase. This could cause investors who were previously basic/higher rate taxpayers to move into higher/additional rate tax.

(ii) High income child benefit tax charge

Entitlement to child benefit is dependent on a person's ANI. Where the ANI of a claimant (normally the mother) exceeds £50,000, the benefit is gradually reduced until, when ANI is £60,000, all child income benefit is lost. This applies equally to the spouse of the claimant.

(iii) Personal allowance

The personal income tax allowance can be deducted from total income to determine taxable income. This allowance in 2017/18 is £11,500 and, therefore, to a higher rate taxpayer, is worth £4,600.

However, the personal allowance is cut back at a rate of £1 per £2 of excess income when ANI exceeds £100,000. So when ANI exceeds £123,000 in 2017/18, all entitlement to a personal allowance is lost. Therefore, the effective rate of income tax on non-dividend income in that band is 60%. An increased ANI can therefore impact on the amount of personal allowance available.

(iv) Tapered annual allowance

In general, annual tax relievable contributions of up to £40,000 can be paid each tax year into a pension plan. However, this is subject to the planholder's threshold income (TI) not exceeding £110,000 and adjusted income (AI) not exceeding £150,000, both of which are based on net income – and it must be remembered that the definition of net income differs from that for adjusted net income.

Net income includes all of a person's taxable income, this includes earned income, investment income, savings interest and rental income (including buy-to-let).

The changes discussed above mean that net income, and therefore TI and AI, will increase as these changes on mortgage interest relief come into force.

As a person's annual allowance is reduced by £1 for every £2 above £150,000 of AI, any increase in taxable rental income will reduce the amount of tax relievable pension contributions that can be made. So without any changes to the actual income received, the annual allowance will reduce. It should be noted that unless someone is subject to the MPAA the annual allowance can't reduce below £10,000.

This is complicated and if there is any doubt as to the position specialist advice should be taken.

TECHNICAL CONNECTION

BATTEN DOWN FOR TAXES

Technical Connection's **John Woolley** examines fiscal changes in buy-to-let and how to weather the tax onslaught

ILLUSTRATIONS: GAIL ARMSTRONG

BACKGROUND

Residential property has become a very popular area of investment in the last 20 years. The spectacular capital growth that has been achieved, which is often well publicised, has attracted more and more investors. Some will invest in second properties as holiday homes, some as short-term accommodation for children at university but the vast majority have invested in buy-to-let (BTL) properties.

There is no doubting its popularity as an investment. A fifth of England's population live in accommodation that is owned by a private landlord, more than double the proportion in 2000. In the past 17 years, the number of privately rented homes has risen from just above two million to more than 5.3 million. This rise in the popularity of the BTL market has caused concern in some government circles.

In January 2017, the Prudential Regulation Authority announced tougher stress tests for lenders to apply to people borrowing to purchase a buy-to-let property. Under these rules, expected rent needs to cover mortgage costs by 125% with mortgage interest rates based on 5.5%. Many lenders have increased this figure to 145% to provide extra comfort in cases where the borrower is a higher rate taxpayer and so ↘

TECHNICAL CONNECTION

will suffer because of the recent tax changes. Harsher rules are to come into force in October for portfolio landlords – those with four or more properties.

Two years ago, in an attempt to slow down the buy-to-let market and make property more available to first time buyers, the then-Chancellor, George Osborne, announced a number of tax measures in his Summer 2015 Budget, many of which are now only just coming into effect. For anybody already in the buy-to-let market or thinking about dipping their "toe in the water", it is extremely important they are aware of these tax measures.

Changes were announced in the following areas:
(i) a reduction in the wear and tear allowance;
(ii) increases in stamp duty land tax (SDLT) for the purchase of additional residential properties;
(iii) a restriction in mortgage interest relief on buy-to-lets; and
(iv) the continuation of the previous higher rates of capital gains tax (CGT) for residential property which does not qualify for private residence relief.

We will look at all of these changes in more detail below, but it is also important to note that a whole host of other tax changes have been introduced in the last five years to slow down the general growth in residential property values at the top-end. Most notably the annual tax on enveloped dwellings (ATED) and ATED-related CGT. We do not discuss these changes further in this article.

While there are signs that, for some, these tax changes have slowed down the BTL market, for others it is business as normal but perhaps with property ownership being channelled through a limited company.

In this article, we give an overview of the four main tax changes and, where appropriate, consider tax planning measures a property investor can take to mitigate their impact.

1 WEAR AND TEAR ALLOWANCE

For tax years 2015/16 and earlier, it was possible for a landlord of a furnished property to offset 10% of the rental income as a wear and tear allowance for keeping furnishings in a fit and proper state irrespective of the actual costs incurred. This effectively meant that the landlord could reduce the taxable rental income figure by 10%.

However, from 6 April 2016, the wear and tear allowance was abolished. No relief is given on the initial purchase of furnishings and other items used in domestic lettings and relief is now only available in respect of expenditure actually incurred in updating furniture, furnishings and appliances. If furnishings are replaced, the capital expenditure incurred in replacing those furnishings can be deducted from the rental income figure (although where the new item represents an improvement on the old item, the amount of the deduction is limited to the cost of a reasonable modern equivalent).

Landlords will need to keep detailed records in order to make the necessary claims in the future – previously it was simply a case of deducting 10% from the rent that was brought into the tax computation. Now actual expenditure incurred is relevant.

2 STAMP DUTY LAND TAX

From 1 April 2016, BTL landlords have been hit with an extra 3% charge on each stamp duty rate band when purchasing additional residential properties. The extra charge applies where, at the end of the day of the transaction, an individual purchaser owns two or more residential properties and is not simply replacing their main residence (see below).

The current rates of stamp duty land tax (SDLT) in the UK (excluding Scotland) for BTL properties, where the value of the property is £40,000 or more and the individual already owns at least one other residential property are:

- 3% tax on the first £125,000
- 5% on the portion from £125,001 up to £250,000
- 8% on the portion up from £250,001 to £925,000
- 13% on the portion from £925,001 up to £1.5 million
- 15% on everything higher than that.

Any clients purchasing an additional residential property will be charged these rates unless the new property is simply replacing their main residence. The new rates will therefore apply to holiday homes situated in the UK and also to property bought by parents either in the name of one or more of their minor children, or for occupation by children where the parent(s) leave their name on the title deeds and the (parental) purchaser already owns another residential property (including their main home). The additional rates will not, however, apply if the parent is buying in his/her capacity as a trustee of a bare trust for the benefit of, say, an adult child, or simply funding the purchase of a property that is going to be registered in the name of an adult child. SDLT has to be paid within 30 days of completion of the purchase of the property, although it is deductible from any capital gains made when the property is sold or gifted.

There are various concessions and transitional provisions that apply where property is inherited or where the main residence is sold within three years of the purchase of the additional property. In the latter situation, it will usually be necessary to pay the extra SDLT when the new property is purchased and then recover it when the former residence is eventually sold. This situation might typically arise where the new residence needs renovation work before it can be occupied as a home. Where an individual sold their main residence before November 2015, and owns other residential BTL property but has not yet purchased a replacement main residence, they will have until 26 November 2018 to buy a new residential property and obtain the replacement main residence concession. If the replacement main residence is not bought until after 26 November 2018, the new property will be treated as an additional property and the higher SDLT rates will apply to the purchase. There are also special rules that apply to married couples, other joint purchasers and trusts. In particular, it should be noted that purchases of residential property by trustees of discretionary trusts will always be subject to the new higher rates – even if they own no other property.

Purchases of caravans, mobile homes and houseboats are excluded from the higher SDLT rates as are "granny flats" purchased as an annexe to part of a bigger property, provided the cost of the granny flat does not exceed 33% of the overall cost of the property.

3 TAX RELIEF ON MORTGAGE INTEREST

Under the rules applying in 2016/17 and earlier tax years, when determining taxable income it was possible for a landlord to deduct qualifying interest from rental income to arrive at their taxable rental profits. In this respect, qualifying interest is effectively the interest paid on loans which are taken out to buy or improve the property.
This meant that the landlord would have obtained tax relief at the top rate(s) of tax paid – be that basic rate, higher rate and/or additional rate.
The higher/additional rate tax relief is being phased out across a period of four years starting from 2017/18. This change does not apply to interest on loans to buy furnished holiday lettings or to property owned by companies.

Those provisions, which are now embodied in section 24 Finance (No.2) Act 2015, mean that, with effect from 2017/18 higher/additional rate tax relief is reduced at the rate of 25% per year so that with effect from 2020/21 it will be removed completely. Instead, a basic rate tax reduction is given as a replacement for the higher/additional rate tax removed. This reduction is given by way of a credit at 20% of the proportion of interest not deducted. The following example illustrates how this will work.

EXAMPLE: BILL

Bill is a higher rate taxpayer and receives a rental income of £10,000 per annum from his buy-to-let property. He took out a mortgage to buy the property on which he pays £6,000 interest per annum.

His position as regards the taxation of the rental income in the five years from 2016/17 will be as follows:

	2016/17	2017/18	2018/19	2019/20	2020/21
Rental income	£10,000	£10,000	£10,000	£10,000	£10,000
Mortgage interest	£6,000	£6,000	£6,000	£6,000	£6,000
Gross profit	£4,000	£4,000	£4,000	£4,000	£4,000
Higher rate tax	£1,600	£2,200	£2,800	£3,400	£4,000
Less basic rate tax credit	–	£300	£600	£900	£1,200
Tax due	£1,600	£1,900	£2,200	£2,500	£2,800
Net receipt*	£2,400	£2,100	£1,800	£1,500	£1,200

It will be seen that Bill's tax on the rental income has increased by 75% through the period from 2016/17 to 2020/21.

*The net receipt is the net rental income (£4,000) less the tax liability

Of course, these tax changes will only have an impact on BTL investors who have a mortgage – and only then if they are higher/additional rate taxpayers. But don't forget that because interest was previously fully deductible against income, the level of taxable income that a landlord has will increase. This could cause investors who were previously basic rate taxpayers to move into higher rate tax. Other taxpayers could see the non-deductibility of interest causing their adjusted net income to increase and so have an impact on their entitlement to benefits and allowances, such as child benefit at £50,000 (by way of the high-income child benefit tax charge), the personal allowance at £100,000, annual allowances for pension plans at £150,000 and whether chargeable event gains/capital gains suffer higher rate tax or not.

As far as existing higher/additional rate-taxpaying BTL investors with mortgage interest are concerned, they will need to consider their position and take action accordingly.

Possible solutions involve:

- repaying a mortgage – if other funds are available;
- remortgaging (perhaps using an offset arrangement);
- transferring the property (wholly or partially) into the name of a basic rate-taxpaying spouse – although care needs to be exercised over SDLT charges if there is a mortgage of more than £40,000;
- buying or transferring the BTL within or to a company.

COMPANIES FOR NEW BTL INVESTMENTS

These changes have focused BTL investors on the attractions of using a "special purpose" company as the vehicle for new BTL investments. The main advantages of the corporate approach are:

(i) a company can offset all interest on borrowed funds against rental income for tax purposes;

(ii) the lower rate of corporation tax on profits (19% in 2017/18 reducing to 17% in 2020/21). This compares favourably to the higher income tax rates of 40%, or even 45%, payable by an individual.

Where net profits are to be kept in the company to help purchase new BTL investments, a company will look attractive.

However, more care is needed in cases where the owner of the company wishes to regularly take cash out of the company. If this is taken by way of dividend payments (to avoid National Insurance contributions) and on the basis that the owner has other income that absorbs his personal allowance, dividend payments will only be tax-free to the extent that they do not exceed the dividend tax allowance (DTA). This is £5,000 in 2017/18 and will reduce to £2,000 in 2018/19. Where dividends will exceed the DTA, higher rate taxpayers may therefore find that they suffer quite substantial marginal rates of tax on dividends they draw because of the non-deductibility of dividend payments for corporation tax purposes and the higher rate income tax paid by the owner on the dividend. Care needs to be exercised in such cases.

A more tax-efficient approach may be for the property company to pay a contribution to a registered pension scheme for the director/shareholder. For example, it is thought that a contribution of up to £3,600 per annum could normally be made without problems (see HMRC Company Tax Manual CTM 08344).

If surplus cash is left in the company and the company is ultimately liquidated, the shareholder will pay CGT at 20% on capital gains on the basis that there is a disposal of shares in a company (not an underlying residential property at 28%). However, by using the limited company approach, there could be effective double CGT as the company will also pay tax on disposal of the property (or a discount will apply to the purchase price of the shares to reflect this).

Entrepreneurs' relief (ER) is unlikely to be available because the company is not a trading company. The position becomes more complicated if an existing trading company purchases the new BTL and is then liquidated.

Much will depend on the precise facts and professional advice should first be sought.

TRANSFERRING EXISTING BTLS TO A COMPANY

For people who already own a BTL investment and are seriously affected by the changes in the deduction of mortgage interest, can they transfer the property to a company to improve the position? Such a strategy may give rise to three possible problems:

(i) a transfer of an existing BTL property to a company will involve a change of ownership. That may mean that any existing mortgage needs to be repaid. If so, can the company secure a new "replacement" mortgage – and, if so, will it be on terms as favourable as the original mortgage?

(ii) the transfer of a BTL investment from an individual to a company in which the individual is a significant shareholder will involve a change

A person will carry on a rental business even if they engage an agent to handle it for them. The person carries on the business through the agent

of ownership that involves a potential SDLT charge. This will be based on the market value of the property at the date of transfer and so could be substantial (section 1122 CTA 2010). The 3% surcharge would also be payable.

If the transfer to the company is made not by an individual but by a partnership, the exemption in paras 18 to 20 Schedule 15 FA 2003 will apply to prevent a SDLT charge. For this to apply, the transfer must be made from a business that is run as a true partnership and this will need to be demonstrated by the taxpayer. This will involve the need for the business to produce partnership accounts, make partnership tax returns and run a partnership bank account into which all rents are paid and from which all expenses are met. Also, both the properties and the mortgages should be registered in the partnership's name. The ownership of a property in the joint names (of say husband and wife) is not sufficient to justify it constituting a partnership (see HMRC Manual PIM 1030).

So would it be possible to transfer ownership of a BTL into a partnership with a view to a later transfer to a company with no SDLT? Well, provided the partnership interests are the same as the shares in the company this is possible but it is suggested that the ownership of the BTL by the partnership would need to be for a reasonable period of time before onward transfer to the company. This is especially the case as the legislation contains a general SDLT anti-avoidance provision in section 75A to 75C FA 2003 which would prevent the non-payment of SDLT in cases where, for example, the partnership was inserted to avoid a SDLT charge.

(iii) The transfer of the BTL to the company will often be made in exchange for an issue of shares in the company being made to the investor. This means that there has been a disposal of the BTL to a connected party and so a potential CGT charge will arise based on the market value of the BTL. This tax charge can be avoided by claiming CGT "Incorporation Relief" under section 162 TCGA 1992. The impact of a successful claim would be to reduce the acquisition cost of the shares by an amount equal to the capital gains in the BTL property. Thus the payment of tax on this capital gain is deferred until such time as the shares are sold.

EXAMPLE: WAYNE

Wayne owns a BTL investment worth £200,000, which he acquired in 2007 for £100,000. He decides to transfer the property to Rooley Residences Ltd (RR Ltd), in return for an issue of 100% of the shares in RR Ltd. Ordinarily the £100,000 gain on the property would be subject to CGT at the time of the transfer and the shares would have an acquisition cost of £200,000 in Wayne's hands – reflecting the asset value of the company. However, if a claim for incorporation relief is successfully made, the acquisition cost will be reduced to £100,000 – thereby effectively deferring the gain on the property until the shares are sold.

To make a successful claim for incorporation relief, it would be necessary to demonstrate that the individual is currently operating his BTL investment as a "business". This might not be easy. At the very least he would need to show that he spent a reasonable period of time each week managing, maintaining and carrying out property-related work in the business. In the case of Elizabeth Ramsay v HMRC (2013) UKUT 0226, the Upper Tax Tribunal found that the period of 20 hours that the taxpayer devoted to this work satisfied this requirement. This is not a set period – and much would depend on the circumstances. But it does seem that emphasis is placed on the quantity of time given to the business rather than the quality.

Would the time that a property management agent spends managing the property count? HMRC Property Income Tax Manual states in PIM 1020

'A person will carry on a rental business even if they engage an agent to handle it for them. The person carries on the business through the agent'

This is encouraging and confirms the fact that if a person engages a property management agent this does not necessarily prevent the person from being treated as carrying on a property rental business for the purposes of charging the profits to tax. However, is this the same as demonstrating that there is a business for the purposes of incorporation relief? It seems that there will only be a business for incorporation relief if the activities associated with the running of the 'business' are of a significant nature and take up a reasonable amount of the taxpayer's time. Presumably these criteria would not be satisfied if an agent runs the property rental business on the property owner's behalf?

Also, this interpretation is supported by the decision in Burkin Young v CIR (1995) SC3.

In addition, anecdotal evidence suggests that HMRC does not always apply the principles in PIM 1020 in deciding whether a business exists and whether a claim for incorporation relief should succeed or not.

Fortunately, a non-statutory clearance procedure exists with HMRC so people can check whether they are likely to obtain incorporation relief before they make the transfer.

Other important aspects to remember in relation to a claim for incorporation relief are:

- all the assets of the business need to be transferred to the company;
- cash can, however, be kept outside of the business and introduced as loan capital.

4 CAPITAL GAINS TAX

Many BTL investors will have made their investment with a view to realising a capital gain. The rates of capital gains tax (CGT) have recently reduced so that, for gains above the annual exempt amount (£11,300 for 2017/18), gains that fall within the investor's basic rate tax band are taxed at 10% and gains that cause the investor to exceed the higher rate tax threshold are taxed at 20%. Unfortunately, as regards investments linked to residential property (such as BTLs) these rates remain at 18% and 28% respectively. Furthermore, new rules, coming into effect in April 2019, mean that any CGT liability arising on the sale of a BTL property needs to be paid within 30 days of completion of the disposal. Currently, it needs to be paid by 31 January following the end of the tax year in which the gains arise – this could be up to 21 months later.

What can BTL investors do to mitigate any potential CGT liability? The following planning points could be considered:

(i) offset any capital losses (current and/or brought forward) against the capital gain

If the investor has any available losses from previous years, these can be brought forward and offset against the capital gains arising on the sale of the property.

(ii) transfer the property into joint names of husband and wife/civil partner

By transferring the property into joint names prior to sale, both CGT annual exemptions will be available on the sale each to be set against 50% of the capital gain. Also, one may only be a basic rate taxpayer thus reducing tax still further. Don't forget the transfer of the property into joint names will not incur CGT (if the couple are living together) or IHT but any proceeds on sale would need to be kept on a 50/50 basis. Also, if a mortgage of more than £80,000 is in place the SDLT issue would need to be considered.

(iii) using CGT reinvestment relief

This would involve the investor investing an amount of up to the taxable capital gain in qualifying EIS shares at least one year before or up to three years after the sale of the BTL property.

By doing this the investor can claim CGT reinvestment relief. The impact of this is to defer the gain made on sale of the BTL property until a later sale of the EIS shares when such part of the deferred gain as exceeds the annual exempt amount for that year will become chargeable but at the general rates of 10%/20% rather than the residential rates of 18%/28% that would have applied on the direct sale of the BTL investment.

EXAMPLE: BARRY

Barry sells his BTL investment realising a chargeable gain of £211,300. After deduction of his CGT annual exempt amount, this leaves a taxable gain of £200,000 and a potential CGT liability of £56,000 (at 28%).

If he were to invest £200,000 into a qualifying EIS he could claim reinvestment relief. Tax on the gain would then be deferred until such time as he sold the shares and then a further CGT annual exemption would be available with the tax rate on the chargeable gain being at 20% (currently) and not 28%.

Furthermore, on making the investment, income tax relief at 30% (£60,000) would be available if Barry had paid sufficient tax on income in this year (or a previous year) and, after 2 years of ownership, IHT business property relief at 100% would be available.

Of course, investments in EIS shares are high risk and investors need to bear this in mind.

CONCLUSION

A lot is happening in the BTL space in terms of taxation. Given the number of clients who own residential property, advisers should make sure their clients are aware of the changes and, where appropriate, take appropriate planning action to limit those extra tax charges.

John Woolley – Technical Connection

discover fortunes

TALENT SPOTTING

The PFS Festival of Finance has much to offer young people looking to join the industry, as well as businesses looking to meet them. **Caspar Bartington** explains what to look out for...

You will have read plenty about this year's PFS Festival on social media, as well as in these pages. It promises to be an exciting event for practitioners from across the country and beyond. We will see you there, I hope.

What you may not have seen is the work that we are doing to bring together PFS members, sector companies and future talent at the event.

This has been done for the most part in the context of there being a gentle rise in the number of companies developing structured graduate schemes – good examples are Para-Sols and LIFT-Financial.

Thanks to the work undertaken in schools, colleges and universities each year, there are more and more young people keen to build a career in financial planning – including those without any family connections.

The following universities have agreed to take stand space at the festival:

COVENTRY UNIVERSITY

Voted the UK's top new university 2018, Coventry University also offers a BA Financial Services, which was designed in part against the Chartered Insurance Institute's (CII) Diploma in Regulated Financial Planning. While the university has not sought accreditation with the CII, the degree does offer excellent sector knowledge and preparation for the Diploma.

GLASGOW CALEDONIAN UNIVERSITY

For many years we have enjoyed an excellent relationship with this university. It offers a BA in Finance, Investment and Risk, which offers a solid grounding in financial planning and the wider finance sector, as well as exemptions from CII units at Certificate and Diploma levels (as well as non-specific credits at Advanced Diploma level). The university has more than 100 Discover members each year.

SHEFFIELD HALLAM UNIVERSITY

As with GCU, the CII has longstanding links with Sheffield Hallam University. The university has more than 100 Discover members and is one of the most employer-facing universities in the country. Its BA Finance and Investment degree offers credits into CII professional qualifications, as well as relevant sector knowledge.

UNIVERSITY OF THE WEST OF ENGLAND

University of the West of England offers its students a Personal Financial Planning unit, which last year attracted 160 students. Many of the university's accounting, economics and finance students go on to work in the sector, from SMEs to Hargreaves Lansdown and anywhere in between.

These universities will feature within the Future Generations area of the conference, where they will have technical experts from faculties as well as alumni working in the sector. You can ask about the wide range of ways in which you can work with a university, such as the following:

- **Internships**
- **Graduate schemes**
- **Guest lectures**
- **Soft skills sessions**
- **Sponsorship and prizes**

Expect to see about 10% of the delegates at the event being students from colleges and universities, all of whom are motivated to work in our sector and will be asking for your contact details and information about opportunities to work in your business.

For more information how to engage with tomorrow's workforce, email: **discover@cii.co.uk** ●

Caspar Bartington is education relationship manager at the CII

DIVORCE

EASING THE CONFLICT

Steven Hennessy talks about the rewarding work of resolution of family disputes and the real positive difference it can make

For many people, divorce is a time of great emotional turmoil, which can be exacerbated by the financial challenges and decisions that need to be made. A specialist financial adviser can make a huge difference.

Financial advisers have often been brought into the divorce process to assist where the financial settlement has largely run its course, and are then asked to implement what has been agreed. However, there is much more that experienced financial planners can do to help both the divorcing spouse and other family justice professionals to make informed decisions and better understand the options open to them.

It is a challenging but rewarding area of work and although it is not a necessary step to working in this area, becoming a Resolution accredited adviser is a great way for an adviser to develop their knowledge and demonstrate their aptitude for, and commitment to, the work.

DISCOVERING RESOLUTION

When I started out on my own journey to becoming an accredited adviser I didn't know anybody who did this type of work, nor did I know that Resolution existed. Looking back, I spent a lot of time re-inventing the wheel and would have got where I was going much quicker had I known about the organisation. Instead, for the first few years, I survived and developed by asking questions relentlessly of a handful of very patient family lawyers. I bought the relevant books (and plenty of irrelevant ones), read them, and went to the conferences and seminars. I chose to undertake the accreditation two years ago and was so proud of finally getting there.

£500M

THE ESTIMATED SIZE OF THE UK DIVORCE AND SEPARATION MARKET ANNUALLY

101,077

THE NUMBER OF DIVORCES IN ENGLAND AND WALES IN 2015

The accreditation scheme is aimed at those who specialise, or aim to specialise, in working with people who are separating or separated. The entry requirements are high; not only in terms of financial planning qualifications, but also in terms of the levels of relevant work, training and continuing professional development that you are required to demonstrate. For those already specialising in this field, these requirements should not be too onerous. However, for those seeking to enter it, they can seem a bit daunting. There is definitely a bit of "chicken and egg" about getting started.

VALUABLE RESOURCES

Before becoming accredited I joined Resolution. This allowed me to make use of the resources and networking opportunities. There are many events throughout the year, including regional 'POD' groups which are multi-disciplinary and always useful. Over time, I had the pleasure of getting to know other accredited advisers.

I could see that they really knew what they were talking about, but more importantly for me they were all quite willing to share their knowledge and best practice tips, and were generally humble in the face of the broad and deep body of knowledge required to operate in this space.

Joining Resolution helped me to gain more knowledge and do more work in this area before seeking accreditation to demonstrate I'm a specialist in this field. For any financial adviser who wants to specialise in the field of separation and divorce, joining Resolution could be the smartest move you've ever made and will help you on your journey to achieving specialist accreditation.

If you plan to specialise in this area I would wish you the very best of luck, but if you bring your own willingness to work hard and learn you will not need it. ●

Steven Hennessy APFS is a Chartered financial planner and Resolution accredited advisor

THE NEED FOR FAMILY LAW ADVISERS

An insight report recently published by Resolution highlights the growing need for specialist financial advisers in family law. The report was launched in partnership with the Personal Finance Society, and has received an unprecedented level of interest.

Authored by a group of financial advisers and planners, the report estimates the size of the divorce and separation market as £500m each year. However, it also states that there are currently only 42 financial adviser specialists accredited in family law, which is just one for every 5,000 people that divorce each year.

As well as exploring this untapped demand for skilled financial advisers in family law, the report also sets out the long-term sustainability for financial advisers, and the skills required for success within this field. To access the report, visit: **www.resolution.org.uk/unlockthemarket**

PENSIONS PRESSURE FRONT

Matt Ward reflects on key considerations two years on from pension freedoms

The announcement about pension freedoms pretty much caught everyone in the industry by surprise and subsequently their introduction has disturbed 'the natural order of things'. These changes have also coincided with a period of great political and economic uncertainty, while the concept and profile of retirement is no longer that of yesteryear.

Key sources of retirement market data have been the Financial Conduct Authority (FCA) and The Association of British Insurers (ABI), who issue regular key figures on market activity. The FCA's recent Retirement Outcomes Review brings things up to speed in terms of summarising pension freedoms-related statistics.

Independent financial services information specialists, AKG, carry out financial strength assessments of a wide range of companies with whom advisers, and their customers, place business. And while the initial focus of pensions freedoms rightly centred on the impact likely to be felt by annuity providers, AKG felt that things should be considered more broadly and that companies across assessment sectors would be presented with challenges and opportunities by pension freedoms.

STRATEGIC IMPACT

Two years on, it is still relatively early days in terms of company responses. Specific development items so far have been intrinsically linked to the fortunes of annuities and drawdown.

Some progress has been slowed by other corporate priorities. For example, merger and acquisition activity has impacted on some companies while responses to other legislative/regulatory change and challenge, including Solvency II and MiFID II, is also occupying companies.

VITAL DRAWDOWN

Market data points to the fact that, so far, drawdown has been the obvious winner in terms of retirement product popularity post-pension freedoms. Therefore, the drawdown market is now an extremely competitive space with a wide variety of company types targeting business.

The average drawdown fund size has fluctuated over the past two years, but these are now much lower than traditional drawdown fund sizes would have been prior to pension freedoms. Now, without the GAD framework in place for withdrawals, it will be crucial to understand exactly how drawdown is being utilised by customers.

Drawdown customers' investment portfolios are likely to be impacted by the performance of equities. Since the introduction of pension freedoms, and despite Brexit, we have largely seen a period of growth in equity markets. Should we subsequently see this growth profile challenged, with an ensuing period of uncertainty and volatility, we may see drawdown portfolios, and hence customer sentiment towards drawdown, impacted adversely.

FUTURE FORTUNES

There are some key underlying economic factors which can have a big bearing on the fortunes of annuities and guarantees moving forward:

Annuities – Interest rates and gilt rates (and therefore annuity rates) have been challenged for a period and hence returns have seemed less appealing to customers. Should there be a shift in the economic landscape that spurs a rise in interest/gilt rates, and improves annuity rates, we may see a renaissance in annuity sales and customer sentiment towards annuities.

> *Advisors remain extremely well-placed to steer customers safely*

Guarantees – Pricing of guarantees outside of annuities, including unit linked guarantees, has also proved challenging in recent times with a number of market exits. However, it is possible that customers with a more cautious outlook might be more willing to engage with, and pay for, guaranteed, or 'smoothed', solutions if they fear the impact of a market downturn and can see the value in the protection.

PENSIONS CONSOLIDATION

In more recent times, and with the baton for regular pension savings requirements generally being taken up with auto enrolment, the focus in the individual pensions market has been on the theme of pension consolidation.

Further driven by pension freedoms and potentially by the introduction of a digital pensions dashboard for customers, this consolidation drive is likely to continue in the short to medium term.

DB TO DC TRANSFER

There has been a period of great excitement, discussion and debate in the market, together with concerned focus about the opportunity for DB to DC transfer business. Adviser and provider concerns relate to the risk of future regulatory focus and any associated actions should transfer activity turn out not to have been in the customer's best interests.

It is to be hoped that the latest consultation paper from the FCA – Advising on Pension Transfers – can help to bring some order to this debate.

ADVICE AND GUIDANCE

Customer research seems to indicate that people want 'help' from their engagement with the financial services industry, but shows that they don't typically tend to decipher between advice and guidance. While the distinction might seem less important to them, it is important we can explain exactly what type of support is provided.

There is more work to be done here, some still in train with the Financial Advice Market Review (FAMR).

NEXT STEPS

The number of 'baby boomers' approaching retirement is well documented, many of whom are yet to make retirement decisions. Opportunity will knock for key industry stakeholders for several years to come.

However, in the two years since the introduction of pension freedoms, we have already seen that it won't all be one-way traffic in terms of opportunities realised, there will be challenges and casualties along the way. Companies across the market must continue to learn quickly from those customers experiencing the initial stages of pension freedoms and adapt their propositions accordingly to better target future business opportunities.

The key to successfully manufacturing and distributing products/funds/services, will be intrinsically linked to the key retirement planning considerations for customers. Meanwhile, advisers remain extremely well placed to continue to steer customers safely through the changing profile of retirement and big retirement planning decisions, all the time underlining the value that trusted and qualified advice can deliver. ●

Matt Ward is communications director at AKG Financial Analytics

PEOPLE: THE REAL THREAT

In an increasingly automated world, it seems people have become the biggest risk. **Liz Booth** finds out more

Cyber risk is high on the agenda for most people – or at least it should be. Increasingly, businesses are being warned of the dangers – and of the risk of not taking the threat seriously enough.

Figures suggest that last year, cybercrime cost UK businesses an eye-watering £29bn. And the threat is only likely to get worse.

Financial services are often easy targets for the cybercriminals, with cyber attacks against online lending companies and alternative payment systems increasing 122% last year, according to ThreatMetrix.

Earlier this year, the *Telegraph* reported cyberfraud is estimated to have cost consumers as much as £8bn in 2016.

In the UK, financial services transactions online grew by 10% last year but this increase has made the industry a prime target for cyber attacks, according to ThreatMetrix, which detected 80 million attacks on the financial sector using fake or stolen credentials in 2016.

MISSING THE MARK

Companies are being bombarded with these warnings on an almost daily basis, so what is going wrong?

Surely, most firms now consider the cyber threat against them and take sensible precautions? And surely that would be a top-to-bottom approach?

Seemingly not, if recent research from Lloyd's is to be believed. In its recent report on the subject, Lloyd's states: "There has been a major growth in targeting companies through CEO fraud, ie perpetrators posing as a senior executive to elicit sensitive information. This is resulting in significant financial losses."

And here perhaps lies the nub of the problem: people.

However good the security solutions, they are only as good as the people who operate them.

Discussing this with an industry insider, it seems there is widespread scepticism about any new and allegedly more secure systems coming to the market – simply because without ensuring people are properly trained, security is just not secure.

REMEMBER THE BASICS

Cyber experts recommend continual assessment and training for all levels of staff. Some top tips to emerge are frighteningly obvious but are clearly not being carried through. For example:

- If staff take a loo break, do they shut down their computer before leaving their desk?
- When they go out to lunch, do they lock t heir office doors?
- If someone else in the team calls in from home forgetting their passcode, do they share it?
- Do they ever use USBs given as a freebie?
- Do they ever use shared wifi access – in hotels, restaurants or even on the train?

It seems very few of us can honestly answer all these questions correctly and it seems that, often, the more senior managers are more likely to be the offenders. The answer may lie in training, training and yet more training. ●

£8 BILLION

Cyberfraud is estimated to have cost consumers as much as £8bn in 2016

THE COST OF CYBERCRIME

In 2016, 2.9 million British companies were hit by some sort of cybercrime – at a total cost of £29.1bn.

Phishing was the most common type of attack (affecting 1,299,178 businesses), followed by computer viruses (1,288,547 businesses) and hacking (1,022,781 businesses).

Although ransomware ranked last in terms of the number of organisations affected (388,858), it ranked first in terms of financial losses (£7,356,060,699), followed by phishing (£5,923,634,311) and social engineering (£5,350,684,088).

Source: Beaming

WHO IS BEING TARGETED?

- **Ransomware** and distributed denial-of-service attacks are increasingly used against businesses, with healthcare and media and entertainment particularly targeted. For example, Beazley, a Lloyd's underwriter, has seen a fourfold increase in ransomware attacks on its customers from 2014 to 2016. It predicts the number of attacks will double again this year.
- The **financial services** sector finds itself at the sharp end of targeted attacks by organised cybercrime, but retail is increasingly being targeted. Criminals are becoming more financially savvy and have started to target bank systems and financial infrastructure.
- **Oil and gas** firms can find themselves caught up in national politics and can be the subject of espionage as well as occasional high-end disruptive attacks; they essentially become political cyber footballs.
- The **public sector** and **telecommunications** sectors are highly susceptible to espionage-focused cyber attacks.

Source: Lloyd's

USING APPS

Using apps can automate a process and take away some of the human risk, but risks remain.

Andrew Whaley, VP, engineering at application security specialist Arxan Technologies, says: "Within the insurance industry, apps have become a common offering from most providers, enabling customers to check and manage their claims, and make payments.

"As the digital market continues to grow, more firms are deploying the popular 'hybrid app' approach to cut down on development time and costs. The main benefit is that the app can be developed as one base code that can then be easily ported between different platforms, enabling the company, for example, to have presence on both Android and Apple devices."

However, he warns: "Hybrid apps can introduce even more risk than standard mobile apps as the JavaScript HTML source code, used to develop the apps, requires less skill to reverse engineer and tamper with than native binary code. Once an attacker is able to access an app's code, they can modify it for a whole host of malicious activity."

He explains that additional security is available, but that discussion needs to be had with developers.

*For more on apps, see Study Room on p44

MEMBER SERVICES

MAKE THE CONNECTION

Regional Conferences are a fantastic way to engage with your profession. **Chris Spratt** tells you how to get involved…

REGIONAL CONFERENCES

With the Q3 regionals in full swing and Q4 just around the corner, we take a look at what's in store for attendees and why the ever-increasing demand for the Regional Conferences sees no slowing down.

- Four opportunities a year to increase your knowledge and gain new skills locally;
- An invaluable source of accredited CPD;
- Network with your professional peers and connect with your local regional committee.

One of the most valued member services, our Regional Conferences, take place across 26 regions throughout the UK, meaning you'll never be too far away from accessing high quality CPD. Every quarter, you are invited to your local regional conference, offering you the opportunity to stay up-to-date with developments impacting the profession with guidance from leading subject specialists.

REGIONAL CONFERENCE CONTENT

Conference programmes are structured to offer a balance of technical and soft skills training with a focus on good practice guidance. Hear from a range of experts covering a wide variety of subjects, enabling you to develop and expand your technical awareness.

Put your new knowledge to the test with case study participation with fellow members, allowing you to assess yourself and ensure you have learnt the salient facts of the day.

NETWORK AND ENGAGE

Regional Conferences are a great way to meet other professionals who live and work locally, and also to connect with your local regional committee members. Each region is made up of a group of member volunteers who represent your professional body and organise many events, both social and technical, throughout the year.

MEMBER CASE STUDY

Peter Cowden, financial planner with Close Brothers

Being a Northerner, I am always keen to get value for money, so if my annual subscription was paying for these quarterly Regional Conferences, I was going to find out how it could benefit me! I implore you to discover for yourself, as there is much more on offer for those willing to commit a day per quarter, as I have for more than 20 years now.

The day starts casually with a coffee and a welcome from the Regional Committee, and then a chat with some of the exhibitors, not forgetting a quick visit to the PFS stand to catch up on the latest initiatives and campaigns. Old friends catch up, new friends are made and a great day is in store.

For each of the Regional Conferences I earn four hours of accredited CPD provided by a range of technical experts and partners in professionalism. You may be able to source your annual CPD requirements from other activities, however, I would challenge how often you have the opportunity to listen and engage with speakers of this quality, such as representatives of the FCA.

I am proud with the strides we've taken as a profession and at the vanguard is the Personal Finance Society. By attending the Regional Conferences, we are included in the latest activity our professional body is promoting and provides me with the opportunity to find out how I can play a part. This is vitally the sort of work that reflects on us as a profession and not a sales force, and shows the direction that our profession is travelling in.

SAY HELLO!

Regional Conferences are designed to be sociable. Visit the exhibitors and learn about new products and services; meet the speakers and find out more about topics presented. Come and say hello to the Personal Finance Society team and keep up-to-date with new initiatives and campaigns that you can get involved with.

HOW TO REGISTER

Find and register for Regional Conferences via the Personal Finance Society website, at: **thepfs.org/events**

Why not keep track of all your events throughout the year with the PFS Events app! Free to download for Apple and Android users, you can search and register for events and access a wealth of information on speakers, attendees and much more. ●

Chris Spratt is membership marketing executive at the Personal Finance Society

HOW TO ATTRACT THE NEXT GENERATION

With young talent in short demand in the paraplanning profession, **Chris Spratt** looks at how one business applied fresh thinking to its recruitment needs

With bags of ambition and enthusiasm for paraplanning, the desire to grow the business has always been in abundance for Cathi Harrison, founder and director of Para-Sols.

With a list of prospective clients waiting to come on board, her greatest challenge was always, until recently, recruitment.

THE GRAD SCHEME

In 2014, Para-Sols recruited its first intern, which proved to be a fortuitous relationship and by 2016, they had taken on another three. Although successful, the volume simply was not enough to keep up with demand, so in January 2017, Natalie Bell was brought onboard as strategic marketing and engagement manager to formalise the graduate training programme, which became The Grad Scheme: **www.thegradscheme.co.uk**

The Grad Scheme is a two-year learning programme designed for graduates with an interest in financial services, to get them to Level 4 Diploma qualified. The philosophy is: skills can be taught but attitude cannot.

A focus for assessment ranges from demonstrating competent english and maths, to personality profiling and aptitude tests, ensuring that applicants have the skills and attributes that align to the company values. Para-Sols has been strategic in developing an implementation framework that not only attracts the right type of people to the business, but equally as important, lives up to the applicant's expectations to ensure talent is nurtured and retained beyond their training.

With two successful intakes from The Grad Scheme already in post and a third nearing completion, Para-Sols has welcomed five new graduate paraplanners, a technical researcher and a marketing and engagement manager in this year alone. At a time when attracting young talent into the profession is desperately needed, Para-Sols has become a kitemark for the sector with its established graduate scheme, proving it can be done with incredible success and longevity.

> *Most of our applicants hadn't heard about paraplanning as a role and for us, that's something we're trying to work with local universities on. We champion paraplanning and it's our personal commitment to building capacity within the sector*
>
> Cathi Harrison, founder and director, Para-Sols

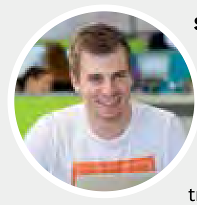
ATTRACTING THE NEXT GENERATION

As part of its new office space, needed to keep pace with the growing business, there is a 'Para-Pub' social area, casually named The Tunstall Arms (a tribute to former colleague Gary Tunstall), giving staff the flexibility and environment to enjoy some downtime away from their desk, which they believe is critical to building a culture that attracts the next generation workforce.

To reinforce the transformation that is taking place, Para-Sols has recently undergone a brand refresh to reflect the company's progression and reinforce the values that it invests in so well. ●

Chris Spratt is membership marketing executive at the Personal Finance Society

CASE STUDY



Simon Warne, paraplanner

I started on The Grad Scheme at Para-Sols in August 2015 and although they talked me through a two-year training programme, I was given the reigns for the speed of my own development. A little over 18 months since starting the graduate programme, it feels good to have this qualification safely tucked under my belt. Being able to put DipPFS after my name quite literally was the icing on the cake.

Combining studies with my work was relatively easy, purely down to the fact that what I do on a daily basis teaches me more about the world of financial planning than a textbook ever could. It's incredible how much you learn about a subject without realising – it was only when I came to do doing traditional revision that I realised just how much knowledge I'd absorbed.

I really value Para-Sols' open, friendly and relaxed culture. I have colleagues sat in every direction ready and waiting to help. I know I can always quiz them about anything I don't understand and they're always happy to share their experience. Sometimes just hearing something explained in plain English is all you need.

'The way the training scheme is designed means that I get to check in with my mentor more formally once a month and make sure my development is still on track with where I want it to be'

As proud as I am of myself, I'm very aware I'm just over two years into my career and there's still so much I'm yet to fully understand and grasp in the world of finance. I'm expecting these next steps to be much tougher but I'm ready for the challenge. The Grad Scheme at Para-Sols offers me everything and more to springboard my career as a finance professional. Watch this space!

Q4 2017 REGIONAL CONFERENCE PROGRAMME

REGULATORY CHANGE, TRANSFER SUITABILITY & STRATEGIES FOR SIDEWAYS MARKETS

With Autumn fast approaching, we look ahead to your final regional conference for 2017.

Believe it or not we are now just days away from the final quarter of 2017, where has the year gone?! The good news is that we are delighted to announce a terrific programme for the quarter four regional conferences, which commence on 4 October in Kent and run through to 14 December in the Isle of Man.

PROGRAMME HIGHLIGHTS INCLUDE:

- FCA – Regulatory and supervisory change for 2018;
- Assessing DB-DC suitability;
- Strategies for outperforming a sideways market;
- Innovation as a driver of shareholder returns;
- The future of retirement advice;
- A case study – The only certainties in life...

See opposite for a list of dates and venues/locations. Make sure you visit **thepfs.org/events** to view the full programme and reserve your free place.

Lunch and refreshments will be provided and you can claim up to 3hrs and 55mins of CPD, should you consider it relevant to your professional development needs.

Personal Finance Society

If you haven't already downloaded the PFS events app you can do so now! Thousands of members are already using it to plan and manage their event attendance and a host of helpful features could really help you get maximum value from your events experience. Available for both Apple and Android devices, simply search for 'PFS Events' and download it free!

Very worthwhile day. An excellent balance of topics and speakers

Q3 delegate feedback

Q4 REGIONAL CONFERENCE PROGRAMME

REGION	DATE	VENUE
MANCHESTER	02/11/17	THE MERE
SOUTH WALES	14/11/17	THE VALE
BRISTOL AND CHELTENHAM	15/11/17	TORTWORTH COURT
NORTH SCOTLAND	21/11/17	ALTENS HOTEL
CENTRAL SCOTLAND	22/11/17	HILTON DUNBLANE
LONDON	22/11/17	CAMDEN ROUNDHOUSE
TYNE TEES	23/11/17	RAMSIDE HALL
LONDON 2	27/11/17	CHARTERED INSURANCE INSTITUTE
STAMFORD	28/11/17	KINGSGATE
NORFOLK	29/11/17	DUNSTON HALL
ESSEX	30/11/17	HYLANDS HOUSE
PLYMOUTH & CORNWALL	05/12/17	LANHYDROCK HOTEL
EXETER AND NORTH DEVON	06/12/17	SANDY PARK
HANTS AND DORSET	07/12/17	AFC BOURNEMOUTH
JERSEY	07/12/17	POMME D'OR
NORTHERN IRELAND	12/12/17	HILTON TEMPLEPATRICK
ISLE OF MAN	14/12/17	SEFTON HOTE

STUDY ROOM: APPS

STUDY ROOM

WHO'S IN CONTROL?

Data is set to be the new currency as the ownership of information becomes increasingly important. But personal advisers need to keep pace with the fast-changing balance of power between organisations and individuals

Some industry sectors proved slower than others to adopt social media and see its commercial advantages. The same has not been necessarily true of the use of apps. However, a new report suggests the balance of power is shifting from organisations to individuals.

The Future of Apps report, according to Josh McBain, director of consultancy, Foresight Factory, suggests: "Physical and digital worlds are blurring. We now have the opportunity for unprecedented productivity and efficiency at both a corporate and individual level.

65%

of enterprises will use blockchain technology and solutions by 2020

"More than ever before, embedded biometrics and artificial intelligence (AI) will enable humans to take greater control of their personal data. However, these technological shifts will bring significant risks to an increasingly fraught threat landscape, including the dangers of self-replicating AI, autonomous vehicle hacks or the weaponisation of the Internet of Things (IoT). We now need to be prepared for when cybercriminals hack the human or even breach the brain."

Lizzie Cohen-Laloum, senior vice-president EMEA sales, F5 Networks, adds: "There is growing pressure on organisations and developers to stay relevant. Demands are changing at lightning pace and security concerns are surging.

"The Future of Apps indicates how the balance of power is shifting away from businesses, creating immense opportunities for those capable of delivering apps with speed, adaptive functionality and security. This is particularly true as apps increasingly harness the cloud and sit at the heart of complex ecosystems incorporating everything from voice and biometrics to haptics and augmented reality."

NEXT GENERATION

Increasingly sophisticated AI will underpin a new generation of cognitive apps that will not only provide users with highly personalised, real-time service, but will also offer predictive and preventative capabilities, across a spectrum of consumer and corporate activities, concludes the report.

With the rise of IoT, it suggests, increasingly these apps will sit at the heart of sprawling ecosystems combining multiple sensors with real-time analytics of wide-ranging data to provide insight and/or foresight to optimise decision making.

Within the consumer market there are significant levels of interest in more personalised, predictive services when it comes to personal finance too. This is particularly the case among Gen Y10 consumers: nearly six in 10 (58%) agree that they would be interested in a service that predicts their future financial situation based on current factors, such as professional performance and spending.

Within other areas of financial services, cognitive apps, or cognitive computing more generally, are also being explored for their capabilities to tackle industry issues that are growing in proportion with the digital economy (such as fraud).

However, the report finds that the mid-term will still be about helping humans to make better decisions. "We are looking at a horizon closer to 10 years before AI and machine learning are really in the driving seat," it suggests.

BLOCKCHAIN'S ROLE

At a time of widespread uncertainty and distrust in so many areas of society, blockchain's central promise of new, ultra-secure measures for certainty and authenticity, without an expensive middleman, is an incredibly compelling proposition. Indeed, for many, blockchain is the biggest disruptor yet for the digital economy.

To date, blockchain is best known as the technology behind Bitcoin, and uptake so far is probably most advanced in the financial services sector. However, a wealth of other use cases for its distributed ledger technology are emerging rapidly, from traceability through the food supply chain, to micropayments for media content. Many of the concepts emerging propose a dramatic shift in traditional approaches to transactions and many businesses processes across sectors.

In the medium term, we should expect ever wider application of blockchain technology and decentralised apps, driven by the appeal for governments, businesses and consumers alike of enhanced security and transparency, as the IoT expands.

That is not to say, of course, that more traditional approaches to transactions, proof of authenticity and cybersecurity will not continue to be a significant feature of the digital economy. Blockchain continues to have a range of limitations. Analysis from the Open Data Institute has highlighted a range of potential stumbling blocks including interoperability, privacy and the need to find information within the blockchain, among others.

As awareness and understanding of the new technology grows, consumers will also relish the chance to swing the balance of power back in their favour when it comes to data control. ●

IN NUMBERS

Research and Markets anticipates that by 2020, blockchain technology and solutions will be in use by up to 65% of enterprises Markets & Markets estimates that the value of the global blockchain market will grow from $210.2m in 2016 to $2,312.5m by 2021.

Across Europe and South Africa, a third of consumers (32%) have used or would be interested to use a peer-to-peer lending website, rising to 37% of Gen Y.

Of Gen Y10 consumers, nearly six in 10 (58%) agree that they would be interested in a service that predicts their future financial situation based on current factors, such as professional performance and spending.

$2,312.5m

estimated value of the global blockchain market by 2021

STUDY ROOM

THE BIG TEN

This set of questions, courtesy of online CII training package FINANCIAL Assess, will test your knowledge of key financial topics. The answers are at the bottom...

QUESTION 1

Business ethics relate to:

- A Legal decisions
- B An organisation's decisions
- C Society's decisions
- D An individual's or work group's decisions

QUESTION 2

The Financial Action Task Force (FATF) fulfils which global role?

- A FATF develops and promotes policies to combat money laundering and the finance of terrorism
- B FATF implements the directives of the International Monetary Fund (IMF)
- C FATF co-ordinates global strategies for dealing with financial crises
- D FATF develops economic strategies in co-operation with central banks

QUESTION 3

Which of the following is true for married couples?

- A The husband can pay a premium into his wife's pension and receive tax relief at his highest rate
- B A transfer of assets between them is liable to capital gains tax.
- C If both are UK domiciled, a transfer of assets between them does not attract IHT
- D They can own an ISA in their joint names

QUESTION 4

Which of the following statements about exchange traded funds (ETFs) and index tracker funds is true?

- A Both ETFs and index trackers can synthetically replicate an index
- B Both ETFs and index trackers can be traded at any time of day
- C Both ETFs and index trackers are stock market traded
- D Institutions can invest in ETFs, they cannot invest in index trackers

QUESTION 5

What is the income tax liability in 2017/18 for a higher rate taxpayer with a company car that has a list price of £100,000 and the highest emission rating?

- A £7,200
- B £14,800
- C £16,650
- D £40,000

QUESTION 6

Which relief applies to chargeable gains made by companies?

- A The annual exempt amount
- B The personal allowance
- C Capital allowances
- D An indexation allowance

QUESTION 7

Correlation compression would be associated with a:

- A Systematic fall in risk aversion
- B Systematic rise in risk aversion
- C Fall in non-systematic risk
- D Rise in non-systematic risk

QUESTION 8

In order to be marketed in the UK, a unit trust must be:

- A Exempt from capital gains tax in the hands of the investor
- B Invested in UK funds only
- C Subject to 10% tax only
- D Authorised by the Financial Conduct Authority (FCA)

QUESTION 9

What change has removed the requirement for an employer to designate a stakeholder pension in the near future?

- A Introduction of the workplace pension reforms
- B Removal of the default retirement age of 65
- C Removal of any pension provision obligation from employers
- D Introduction of the single-tier State pension

QUESTION 10

Which of the following is correct regarding access to primary and enhanced protection?

- A Protection must have been claimed by 5 April 2008
- B It was not possible to elect for both enhanced and primary protection
- C Primary protection was available to anyone
- D Enhanced protection was available to anyone

● YOUR SCORE »

1–3 POOR	7–8 VERY GOOD
4–6 GOOD	9-10 EXCELLENT

ANSWERS

1D. Ethics arise from an internal process within the business.
2A. FATF is the international body addressing the issue of money laundering by promoting and developing policies.
3C. ISAs can only be owned individually, there is no CGT on inter-spouse transfers and a payment by the husband into his wife's pension contract would attract tax relief at her rates of tax.
4A. ETFs and index trackers can both synthetically replicate an index.
5B. The top rating gives rise to a charge of 37% of the list price. The taxpayer is a higher rate taxpayer and so pays tax at the top rate of 40% on earnings such as the deemed income from benefits in kind. The calculation is therefore 37% x £100,000 x 40% = £14,800.
6D. Companies receive an indexation allowance which takes the effect of inflation out of any chargeable gains made.
7B. Correlation compression is seen during times of financial stress when all asset classes tend to move in the same direction and is usually associated with a systematic rise in risk aversion.
8D. To be marketed in the UK, a unit trust must be authorised by the FCA.
9A. One consequence of the introduction of the workplace pension reforms and NEST is that from 1 October 2012 the requirement for an employer to designate a stakeholder pension scheme was no longer required.
10D. Enhanced protection was available to all, but primary protection required benefits at 5 April 2006 of over £1.5m. An election for one or both had to be made by 5 April 2009.

CHARTERED... AND BEYOND

After achieving Chartered status, **Amyr Rocha-Lima** wanted to push himself further still, with an MSc in Wealth Management

After 15 months of intense hard work requiring time management of epic proportions, 17 July was a red letter day for me and my family. That was the day I graduated from the Cass Business School – City, University of London, with my MSc in Wealth Management; the first financial planner to do so.

You might ask why I would put myself through all this with a full-time job, a baby daughter and having already achieved Chartered status. Well, I would be the first to admit it was quite a challenge – but I was determined to continue to invest in my education for a number of reasons.

GOING THE EXTRA MILE

There is no denying that becoming a Chartered financial planner is the gold standard in our profession and it represents a great deal of dedication and hard work. Yet with so many financial planners achieving the title, it made me wonder what extra I could do. After all, in 2012 the number of Chartered financial planners was 3,408 – and this had risen to 5,300 by November 2016.

Furthermore, the rapid increase of robo-advice tools is adding pressure for us to differentiate ourselves. Tasks where we could previously be seen to be adding real value, such as risk profiling or asset allocation, are now being performed by software. This is creating a climate of 'commoditisation', which made me realise I would need to build up as much experience and knowledge as possible, to deliver a financial planning proposition with a true difference.

Having decided to not go to university when younger, one of my objectives in taking an MSc course was, of course, to add a formal academic degree to my existing professional qualifications. But even more so, it was about enhancing my skillset so that I would have additional tools to provide specialist advice and solve complex financial planning and wealth management problems.

I suppose I also felt that as a financial planner, I am always encouraging my clients to set goals and fulfil their lifetime ambitions. It seemed only right that I should be doing the same myself.

BACK TO SCHOOL

So what was it like for a full-time Chartered financial planner returning to the lecture theatre as a part-time postgraduate student?

The course included four compulsory core units, a research methods unit and five elective units on topics including behavioral finance, portfolio management and pension finance. It also involved a 10,000-word dissertation, which I saw as a good opportunity to do something focused on retirement planning. I therefore chose 'Rethinking the 4% Rule – a study into retirement income withdrawal strategies' as my title.

The academic experience offered some amazing opportunities. I had access to world-class lecturers and felt privileged to benefit from their wisdom and expertise. It was also great to work with some of the smartest, most interesting, and passionate people I've ever met – genuinely putting teamwork into practice.

WAS THE SACRIFICE WORTH IT?

I've always been inspired by the quote – "Do what you need to do, to be who you want to be." This is what kept me going on many a late night trying to meet a coursework deadline – deep down I knew it would all pay off in the long term. And I have not regretted it.

The MSc course created the right environment for me to make connections with different people and different ideas, ultimately giving me some valuable skills to become a better professional. I would certainly recommend postgraduate education to the next generation of financial planners as a worthwhile way to invest in yourself. ●

Amyr Rocha-Lima MSc FPFS Chartered Financial Planner

IMAGE: SHUTTERSTOCK

DISCIPLINARY MATTERS

CII wishes to make clear that, unless the case reported indicates otherwise, allegations and findings against members do not implicate those members' employers in any way.

BREACH OF CII CODE OF ETHICS

Charles Humphreys, Travelers Management, Exchequer Court, 33 St Mary Axe, London, UK
(order effective from 15 May 2017)
The respondent was a former member of the CII who on re-application for membership failed to disclose a previous disciplinary decision to the CII, failed to comply with a previous order and was found to have provided incorrect information to the investigation. The CII case examiner invited the respondent to approve and sign a consensual order under Rule 9.1 of the CII Disciplinary Procedure Rules 2015, to which the Respondent agreed. The sanctions imposed were that the respondent:
a) be reprimanded for the breaches;
b) be declared ineligible for membership for 18 months;
c) be required to take the CII on-line ethics course.

Jay Solder, Romford, Essex, UK
(order effective from 11 May 2017)
The respondent was a member of the CII at the time of the offences and had been convicted of six counts of fraud by misrepresentation which he had not disclosed to the CII. The respondent's membership of the CII had now lapsed. The CII case examiner invited the respondent to approve and sign a consensual order under Rule 9.1 of the CII Disciplinary Procedure Rules 2015, to which the respondent agreed. The sanctions imposed were that the respondent:
a) be reprimanded for the breaches;
b) be declared ineligible for membership for the maximum period of three years;
c) be required to take the CII on-line ethics course.

TAKE NOTE

The CII have dealt with 20 instances of non-members using CII designations during 2017. As this is an infringement of CII's trademarks, where people persist in misusing CII designations, legal action will be taken against them.

BREACH OF CII COPYRIGHT

Matthew Fretwell, AS Financial, High Holborn House, 52-54 High Holborn, London, UK *(order effective 30 May 2017)*
The respondent was found to have sold CII copyright items (study texts) without authorisation on the eBay website. The CII case examiner invited the respondent to approve and sign a consensual order under Rule 9.1 of the CII Disciplinary Procedure Rules 2015, to which the respondent agreed. The sanctions issued were that the respondent would:
a) be reprimanded;
b) be declared ineligible for membership for 1 year;
c) be excluded from CII examinations and assessments for 1 year and have to take the CII on-line ethics course before taking any CII exams and assessments or applying for recognition of prior learning in future;
d) be declared ineligible for CII recognition of prior learning for examinations, assessments or qualifications obtained by the Respondent during the 1 year period of exclusion;
e) be fined £300.
The case examiner reduced the sanctions which would otherwise have been applied in respect of the offence for b) and c) from 2 years in the light of the respondent's early admission of the charge.

Where the disciplinary panel or case examiner has decided to publish details of a disciplinary case ascribed (i.e. where an individual has been named), every care has been taken to identify members correctly. Please contact the CII if there is any doubt about the identity of a member who may have been the subject of disciplinary proceedings and in relation to whom a report has been published.

IMAGE: ISTOCK

In his final address as president, **Nick Turner** feels honoured to serve a profession we can all be proud of

A BEACON TO THE WORLD

This is my last blog as president of the Personal Finance Society and my last year on the board. I've served for six wonderful years and enjoyed the company of some outstanding financial advisers and professionals.

I have seen the number and quality of our membership increase, the ambitious idea of turning our industry into a profession become increasingly real, a very visible commitment of thousands of people to put clients first and commit to ongoing professional development. I have also witnessed achievement of incredible academic accolades and seen students bristle with pride in front of their families at graduation ceremonies.

TRUE COMMITMENT

I find talking to many graduates humbling as you hear stories of evenings, weekends and even holidays given over to study in order simply to do the best they can for clients and to be part of a profession that is respected by everyone.

We've looked at helping new blood into the profession through the apprenticeship scheme launched this year. We have increased the profile and importance of Chartered status for both firms and members, referencing the high standards to journalists and consumers, bringing real brand value to Chartered professionals.

We have provided guidance in areas of moral and ethical dilemmas, taken positions on behalf of the consumer and promoted these to our members – not always popular – but popularity is not our role, professionalism is.

We have highlighted forthcoming issues and provided practical advice and guidance to help firms avoid the pitfalls of an increasingly complex world, where seemingly straightforward solutions turn out to not be so straightforward after all. We have talked about conflicts of interest and started debates to try to heighten awareness to seek out better outcomes for clients, and developed a rich and fruitful relationship with regulators, government, and professional bodies elsewhere, all with one simple aim – improving standards, professionalism and trust.

AND WHAT OF THE FUTURE...

Short term, we must face the challenges presented by the defined benefit transfer review to make sure that our professionalism is front of mind when and if a correction to advice needs to be made, be humble enough to take the Financial Conduct Authority challenge around value for money as a healthy consumer tension. We must be ready to take on new paradigms that might require changes to the way our profession operates today.

AND BEYOND THAT...

We should recognise that broadly our customers are unable to bring the competitive tension that great businesses thrive on. That without a powerful customer voice challenging the way we do things "survival of the fittest" is a tension that is not strong enough in our marketplace. We as a profession have a duty to bring that tension to ourselves and seek out sustainable business models that have consumer tension at every point. If we achieve that, and it won't be easy, then truly, we will be a beacon to the world.

Thank you for the enormous personal opportunity to make a small contribution to a giant ambition. ●

3
THINGS TO TAKE AWAY

1 PRIDE I have been truly humbled by the commitment I have seen to our profession

2 SHORT TERM We must face the challenges presented by the defined benefit transfer review

3 THE LONG GAME Seek out sustainable business models that have consumer tension at every point

ILLUSTRATION: LUKE WALLER

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