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
MORE INCOME DOESN’T HAVE TO MEAN MORE RISK

The Franklin UK Equity Income Fund has a track record of delivering income-beating distributions whilst taking less risk than its benchmark. This actively managed fund has a competitive OCF, capped at just 0.55% p.a.

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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 profession and 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 specialists. A qualification in the first week of launch.

Another important point to make is that our qualification was in process before the FCA’s proposal, 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.

**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 instrument in the government’s decision and once again proves how financial advisers are putting their clients at the heart of their work.

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

Candidates have been enrolling onto the new Level 4 Certificate in Pension Transfers Advice, which includes a new Level 6 unit (APf) Pension transfers, and three existing Level 4 units - (R01) Financial services, regulation and ethics, (R02) Investment principles and risk and (R06) Pensions and retirement planning.

Some 7,000 Statement of Professional Standing holders are qualified to provide pension transfer advice, holding either G60 (new 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 (APf), will launch in October, complementing APf 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.ly2vhAI8c

**LEARNING AND DEVELOPMENT**

**GUIDE TO RISK PROFILING TOOLS**

Ron Pereel, 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 meet the FCA’s 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 £200 + VAT. Members can access the reduced rate of £160 + VAT by using the code PFS at the checkout. For more details and to purchase the guide, visit: bit.ly/2deScBD

You can read Rory Pereel’s latest article on page 16.

**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 by 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.

**EVENTS**

**CHESTER INVESTMENT CONFERENCE WITH CISI**

The inaugural investment conference, hosted jointly by the Insurance Institute of Chester & North Wales (IIChW) 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 Practitioner 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;
- 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, PFS’s Chartered financial planner and vice president of the IIChW, 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."
A new report published by Scottish Widows has found that the lack of financial protection among women is leading families in a precarious situation. The report findings include:

- 36% of women said their families would struggle with everyday chores and household expenses if they became seriously ill or passed away;
- 88% of 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 54% 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 45% of men.

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 700 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).

NEW FINANCIAL HARDSHIP REPORT HIGHLIGHTS RISKS

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.

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@cil.co.uk

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

INSURING WOMEN’S FUTURES

NEW FINANCIAL HARDSHIP REPORT

HIGHLIGHTS RISKS

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.

Just Adviser Forums Announced

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/2xZeSUT
bix.ly/30b7oJ2
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

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

PFS BRANDING

MEMBERS PROUD TO SHOW OFF NEW-LOOK PFS BRANDING

The events will take place as follows:

11 October – Mercure Box Hill Burford Bridge Hotel, Dorking
12 October – DoubleTree by Hilton Cadbury House, Bristol

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 700 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).
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-Lois 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 St 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

...full text of obituary...

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 Rachel Atkinson 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!

The Society of Mortgage Professionals (SMP) has 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 (Greens Park Conference Centre, Reading)
- Tuesday 17 October – London (CII, Aldermansbury)
- 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/2XOgIP6

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 FSA was involved in the FCA’s launch event, and raised the risk of the regime imposing unnecessary bureaucracy on smaller firms. In response, the FSA 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/2I03XJL. Additionally, the latest PFS SMCR Update, Analysis & Implications policy briefing can be viewed at: www.thepfs.org/43992

REGULATORY RADAR

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/44675), 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/2BpxgQZ

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/2ko4XJ8

This issue, the Regulatory Radar picks up news on the SMCR, pension transfers and a proposed new financial guidance body.
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 reforming 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 the 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 Alzheimer’s and dementia – now responsible for more deaths than heart disease.

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.

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 unites 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.

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 we win back consumer trust. It’s all about: Standards. Professionalism. Trust.

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

THE MEANING OF THE SYMBOLS

Sword & hand
The hand grasping the blade of the sword of St Paul, 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 fish tail 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.
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.

Although it was originally proposed that the rate be reduced 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 significant 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 awaiting 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 increased significantly, especially for younger lives where the money needs to last longer. For example, figures from solicitor kneghts show that future earnings claims will double for 18-year-olds, while £100,000 will more than double 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. “We find people living miserable existences as they didn’t have enough money to live on.”

“NEED FOR ADVICE”

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 enough money to live on.

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 is 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 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 enough money to live on.”

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 for quality independent financial advice can make things a lot better for claimants.”
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 is 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:
  - 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.

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 scams.” 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 in the open market. Many commentators have said this market and those where concerns have been raised by the file reviews.

- The FCA has stated, “We are concerned that consumers receiving this advice are at risk of transferring into unsuitable investments or – worse – being scams.” 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.

RECOMMENDATIONS

I recommend firms:

- (re-)read the FCA notice of 31 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.

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SCHEME BIG

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

If 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 20% on the amount of the subscription. However, the amount of tax relief on a subscription to an EIS cannot exceed the amount of tax that would otherwise be paid without any EIS subscription.

Sections 22-24 of the Income Tax Act 2007 set out the rules for how an income tax liability is calculated and include the rules for how tax relief can reduce the liability.

If 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, the EIS payment will not reduce the payment from the fund, as is the case for other pension schemes.

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

This month's technical column offers answers on Enterprise Investment Schemes and tax implications of company pensions contributions.
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 150 per 100,000 workers.
- The number of new cases was 234,000, an incidence rate of 695 per 100,000 workers.
- The total number of working days lost due to this condition in 2015/16 was 1.7 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 43% 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.

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.

New warnings are emerging for employers to be mindful of the extra levels of stress that Brexit might bring 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, 68% 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.
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A matter of interest

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

The ability of buy-to-let investors to fully deduct mortgage interest from tax 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 with 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/higer rate taxpayers to move into higher additional rate tax.

(ii) Higher income child benefit tax charge

Higher income child benefit tax charge is dependent on a person's ANI. Where the ANI of a claimant exceeds £80,000, the benefit is reduced by £80 for every £100 the ANI exceeds £80,000. Where ANI is £100,000, all child benefit is lost. This applies equally to the spouse of the claimant.

(iii) Personal allowance

The personal income tax allowance was cut from total income to determine taxable income. This decrease in 2017/18 is £6,000, and, therefore, to a higher rate taxpayer, is worth £3,600. However, the personal allowance is cut back at a rate of £1 per £2 of annual income when ANI exceeds £100,000. So when ANI exceeds £120,000 in 2017/18, all entitlement to 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.

(ii) Tapered annual allowance

In general, annual tax relievable contributions of up to £45,000 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 £120,000, both of which are based on net income, and it must be remembered that the defined 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 the person changes on mortgage interest relief some income.

As a person's annual allowance is reduced by £1 for every £2 above £105,000 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 MPA the annual allowance can't reduce below £10,000.

This is complicated and if there is anything asto the position specialist advice should be taken.
BATTEN DOWN FOR TAXES

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

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 3.3 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
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 £100,000 per annum from his buy-to-let property. He took out a mortgage to buy the property on which he pays £8,000 interest per annum. His position as regards the taxation of the rental income in the five years from 2016/17 will be as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Rental income</th>
<th>Mortgage interest</th>
<th>Higher rate tax</th>
<th>Less basic rate tax credit</th>
<th>Total tax due</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016/17</td>
<td>£100,000</td>
<td>£8,000</td>
<td>£1,600</td>
<td>£1,600</td>
<td>£1,800</td>
</tr>
<tr>
<td>2017/18</td>
<td>£100,000</td>
<td>£8,000</td>
<td>£2,200</td>
<td>£1,600</td>
<td>£2,800</td>
</tr>
<tr>
<td>2018/19</td>
<td>£100,000</td>
<td>£8,000</td>
<td>£2,800</td>
<td>£1,600</td>
<td>£4,400</td>
</tr>
<tr>
<td>2019/20</td>
<td>£100,000</td>
<td>£8,000</td>
<td>£3,400</td>
<td>£1,600</td>
<td>£5,000</td>
</tr>
<tr>
<td>2020/21</td>
<td>£100,000</td>
<td>£8,000</td>
<td>£4,000</td>
<td>£1,600</td>
<td>£5,600</td>
</tr>
</tbody>
</table>

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 liability.
Of course, these tax changes will only have an impact on BTL investors who have a mortgage – or potentially on those of them who 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 found BTL investors in 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 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 repatriate the cash to himself. The problem is that if this is done by way of dividend payments (to avoid National Insurance contributions) and on the basis that the owner has to absorb 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 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 CIT 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 property at 28%.

Therefore, by using the limited company approach, there could be effective double CGT as the property at 28%.

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 that is first 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 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 112 CTA 2010). This 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 it would 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 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.

The changes to relief for corporation tax on disposals of shares in the 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?

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.
CAPITAL GAINS TAX

Many BTL investors will have made their investments 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 26% respectively. Furthermore, new rules, coming into effect in April 2019, mean that any CGT liability arising on the disposal of a BTL property until a later sale of the EIS shares when the company

### 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 £40,000 (at 20%). 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, EIS 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.

COVENTRY UNIVERSITY

The University of the West of England offers a BA in 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 C ALEDONIAN 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.

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
EASING THE CONFLICT

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.

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.

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 sets out the long-term sustainability for skilled financial advisers in family law, and the skills required for success within this field. To access the report, visit www.resolution.org.uk/ unlockthemarket.

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

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.

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 estimated size of the UK divorce and separation market annually

£500M

The number of divorces in England and Wales in 2015

101,077

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. 

Authorised by a group of financial advisers and planners, the report estimates the size of the divorce and separation market at £500m each year. However, it also states that there are currently only 40 financial adviser specialists accredited in family law, which is just one for every 5,000 people that divorce each year.

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 needed to operate in this space.

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

be 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 freedoms-related statistics.

PENSIONS PRESSURE FRONT

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 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 see a change in the current profile, then there would be an ensuing period of uncertainty and volatility. We may see drawdown portfolios, and hence customer sentiment towards drawdown, impacted accordingly.

FUTURE FORTUNES

There are some key underlying economic factors which can have a bearing on the fortunes of annuities and drawdown.

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.

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 focus on 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 drivers 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.

Advisors remain extremely well-placed to steer customers safely

Matt Ward is communications director at AKG Financial Analytics

Advisors remain extremely well-placed to steer customers safely

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/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

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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 attack against online lending companies and alternative payment systems increasing 122% last year, according to ThreatMetrix.

Earlier this year, the Telegraph reported cyber attack is estimated to have cost consumers as much as £6bn 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 break, do they shut down their computer before leaving their desk?
- When they go out to lunch, do they lock their office doors?
- If someone else in the team calls in from home or from a remote location, do they still have access to the firm?
- 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?
- If they go to a coffee shop, do they use a bank card?
- If they take a break, do they shut down their computer?
- Do they ever use their mobile phone to log in?
- Do they ever use shared wifi access from a hotel?
- If they do their shopping online, do they remember to check the website address?
- If they have a credit card, do they update it regularly?
- If they buy things online, do they keep a copy of the receipt?
- Do they use one password for all their online accounts?
- Do they connect to unsecured networks?
- Do they use shared wifi access? (In hotels, restaurants or even on the train?)
- If the computer is left running, do they shut it down?
- Do they check their email inbox regularly?
- Do they ever use shared wifi access from a hotel?
- If they have a new computer, do they check the configuration?
- Do they use one password for all their online accounts?
- Do they use shared wifi access?
- Do they connect to unsecured networks?
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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 governance. 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.

SA Y 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.

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

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, retains 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 graduates, a technical researcher, 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 liferaft, not just for graduates with an interest in financial services, to get them 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 encouragement to enjoy some downtime away from their desk, which they believe is critical in 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.

ATTRACTION THE NEXT GENERATION

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

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Chris Spratt is membership marketing executive at the Personal Finance Society

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

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, finding the right people who would fit within the business, but equally as important, ensuring that talent is nurtured and lives up to the applicant’s expectations.

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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.

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!
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 necessarily been 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.”
“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 EMIA sales, FS 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 harnessing the cloud and sit at the heart of sprawling ecosystems incorporating 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**

A time 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 even wider adoption of blockchain technology and decentralised apps, driven by the appeal of cryptocurrencies, 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 60% of enterprises. Markets & Markets estimates that the value of the global blockchain market will grow from $1.07bn in 2018 to $25.1bn by 2023.

Across Europe and South Africa, a third of consumers (32%) have used or are interested in using a blockchain-powered version of a bank account. Meanwhile, in Europe an estimated 331bn is stored in the hands of 58 million public sector supply chain participants.

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.

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

**DISCIPLINARY MATTERS**

**BREAK OF CI CODE OF ETHICS**

**Charles Honeybey, Travelers Management, Eschequers Court, 33 St Mary Axe, London, UK**

(order effective from 15 May 2017)

The Respondent was a member of the CII who, in re-applying 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 in 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:

- be reprimanded for the breaches;
- be declared ineligible for membership for 6 months.

**BREAK OF CI COPYRIGHT**

Matthew Fretwell, AS Financial, High Holborn House, 52-54 High Holborn, London, UK (order effective from 30 May 2017)

The Respondent was found to have sold CII copyright items (study texts) without authorisation on the elearning 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 imposed were that the Respondent:

- be reprimanded;
- be declared ineligible for membership for 1 year;
- be required to take the MSc on-line ethics course.

**TAKE NOTE**

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

**Amyr Rocha-Lima MSc FPFS Chartered Financial Planner**

always encouraging my clients to set goals and fulfill their lifetime ambitions. It seemed only right that I should be doing the same myself.

**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 to the profession. This is creating a climate of ‘commoditisation’, which made me realise I would need to build up as much experience and knowledge as possible. That was the day I decided to push myself further still, with an MSc in Wealth Management.

Amyr Rocha-Lima wanted to push himself further still, with an MSc in Wealth Management.
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 ambition 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

Framing this paragraph as you hear stories of friendships, weekends and 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 ConductAuthority 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, truly, we will be a beacon to the world.

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

PFS Events App

Discover what’s on offer for Festival goers with the newly launched Festival Programme available now on the PFS Events app.
Register for free tickets and tailor your unique Festival experience in minutes!
Discover the entire line-up and tailor your unique Festival experience with over 70 sessions to choose from!

pfsfestival.org

Festival Programme Now Available

Introducing PFS Festival Radio!
Hosted by Informed Choice Radio’s Martin Bamford, Festival Radio will capture the best of the Festival including interviews with headline speakers, partners and exhibitors.

Enjoy the pre-event podcasts at bit.ly/PFS_FestivalRadio

Join the conversation #pfsfestival