Adviser Edge Workbook

For those who give financial advice

Standard Life

ADVISER EDGE

prepared for the future

Programme overview

Module	Learning objectives
The value of advice	1. To understand what the pension freedom changes are and what they mean for your clients 2. To understand how these freedoms have impacted the advice process 3. To be able to demonstrate the value of your advice to your retirement clients
Completing your fact find	1. To understand how the fact find phase of the advice process differs for retirement clients and may have changed since pension freedoms 2. To understand the information you need to collect in order to implement the 3 policies of a CRP 3. To be able to successfully amend your own fact find process for your retirement clients
Making your recommendations – Investments	1. To understand the differences between investing for saving versus retirement 2. To understand the different investment strategies that can be utilised for clients in retirement 3. To understand what an investment policy is and how to implement one for your business
Making your recommendations – Withdrawals	1. To understand how income needs and goals may differ throughout a client's retirement 2. To understand the key considerations around taking an income in retirement following the pension freedoms 3. To understand what a withdrawal policy is and how to implement one for your business
Making your recommendations – Tax	1. To understand how tax planning has changed as a result of the pension freedoms 2. To understand what a tax policy is and how to implement one for your business 3. To be able to articulate the value of a tax policy to your retirement clients

Notes

The value of advice

Self-assessment (you can check your answers at the back of the booklet)

1. Name one key benefit of using your CRP to communicate value

For your business:

For your clients:

2. Which of these is not an option open to clients as a result of the new pension freedoms?

- [ ] They can transfer the whole value of their pension fund into a Drawdown Pension
- [ ] They can take all of their benefits as a lump sum, known as an Uncrystallised Funds Pension Lump Sum (UFPLS)
- [ ] They can convert their retirement fund in stages
- [ ] They can buy an annuity, either through their current provider or from another provider with a better rate

3. What do the following policies aim to do?

Investment policy:

Withdrawal policy:

Tax:

All 3:

Notes

Completing your fact find

Self-assessment (you can check your answers at the back of the booklet)

1. According to the latest research, what do clients most value about their financial adviser?

BONUS POINT: What percentage of clients gave this answer?

2. Name three of the risk factors you need to consider when giving advice to clients in retirement?

1/

2/

3/

3. Which of these questions would be relevant during a fact-find with retirement clients? (Tick all that apply)

How do you want to live in retirement?	☐
Are there any once in a lifetime dreams you'd like to fulfil?	☐
How much risk do you feel comfortable with?	☐
What does retirement mean to you?	☐
How healthy are you?	☐
Do you wish to leave an inheritance?	☐

Notes

Making your recommendations - Investments

Self-assessment (you can check your answers at the back of the booklet)

1. Name three of the key requirements of an investment strategy

1/

2/

3/

2. Which of these is not a challenge for clients investing in retirement?

- The client's main objective is to get the best investment returns which may not tie in with their attitude to risk ☐
- The client has many goals with different time horizons and an uncertain total time period ☐
- The client's capacity to earn and add to the pot is lower ☐
- The portfolio may need to support ad hoc lump sum withdrawals to cover major purchases ☐

3. Explain the concept of 'pound cost ravaging'

Notes

Making your recommendations - Withdrawals

Self-assessment (you can check your answers at the back of the booklet)

1. What is the key benefit of a withdrawal policy?

2. Which of these is not a key step to implementing a withdrawal policy?

Being clear on the client's minimum and preferred income levels	☐
Discussing how income levels may change over time	☐
Explaining how investment conditions may impact income	☐
Setting out exactly how much income a client will receive throughout their retirement	☐

3. Explain the concept of the 'retirement smile'

Notes

Making your recommendations - Tax

Self-assessment (you can check your answers at the back of the booklet)

1. Name one of the key benefits of implementing a tax policy:

For your business:

For your clients:

2. Which of these is not a key step to creating a tax policy?

- [ ] Consider inheritance implications
- [ ] Maximise tax allowances
- [ ] Review investment options
- [ ] Ring-fence emergency funds

3. In what circumstance would it not be advisable to exhaust a client's tax free cash allowance by age 75?

Answers

The value of advice
1. For your business. There are 6 answers to choose from:
– Differentiate your business
– Allowing you to select the clients you want to work with
– Offering propositions that suit both your business and your clients
– Ensure the sustainability of your business by building long lasting, profitable relationships
– Reduce time and cost spent on administration by improving the efficiency of processes
– Reduce time and cost spent reassuring clients by setting their expectations
For your clients. There are 4 answers to choose from:
– Setting realistic expectations so there are no negative surprises
– Aim to help them meet their key goals
– Help them to understand the complexity associated with drawing income from investments – they can't do this on their own
– Understand how your processes and practices help manage risks
2. They can buy an annuity, either through their current provider or from another provider with a better rate – this has always been an option, even before the pension freedoms were announced
3. – Investment policy: sets client expectations and reinforces the suitability of your recommendation, in line with your firm's 'in retirement' investment proposition
– Withdrawal policy: helps clients to understand that their income is not certain and will change in the future
– Tax: explains the complexities of cross-product tax-efficient withdrawals to clients in a clear and methodical way
– All 3: instils confidence in adviser firms that consistent advice processes are being followed

Answers

Completing your fact find
1. Feeling understood
Bonus point: 75%
2. There are 11 answers to choose from:
– Their health
– If their pension products offer any guarantees
– The ongoing needs of their partner/dependants
– The effect of inflation
– Whether they have considered all options
– Whether they will have a sustainable income in retirement
– What the tax implications are
– Whether they understand the charges involved
– The impact on any means tested benefits
– Any debt they have
– If they are aware of pension scams and what they look like
3. All of the suggested answers are correct

Making your recommendations – Investments
1. There are 4 answers to choose from:
– Flexible enough to be able to deal with changes in client circumstances and the market environment
– Aligned to the various goals that clients have in retirement
– Aware of the extra risks that clients face in retirement
– Tailored to individual client goals and managed on an on-going basis
2. The client's main objective is to get the best investment returns which may not tie in with their attitude to risk – this is more of a concern in accumulation
3. Retirement involves withdrawing a fixed amount at regular intervals. If the value of your client's investments drops then the fixed amount being withdrawn becomes a larger proportion of their overall total pot – and they'll have to sell more units or shares to meet the withdrawal. This means that it's harder for the remaining assets to recover from a fall. Effectively they've locked in their investment losses.

Answers

Making your recommendations – Withdrawals
1. It provides clear documentation of how you are going to meet the client's goals by flexing their income over time
2. Setting out exactly how much income a client will receive throughout their retirement – this is incorrect as income may fluctuate depending on market conditions
3. The retirement smile illustrates the changing needs of people in retirement over time. When they first retire they are likely to need more income to clear debts/tick off some 'bucket list' items; then as they get older they become less able to do as much so income needs will drop. Finally, as they get much older, the cost of care/assisted living may be required leading to a rise in income requirements. On a graph, this looks like a 'smile' shape.

Making your recommendations – Tax
1.For your business. There are 3 answers to choose from:
– Clearly demonstrate the value of your advice
– Improve efficiency by having repeatable processes
– Reduces business risk
For your clients. There are 3 answers to choose from:
– Minimising tax payable on withdrawals by maximising allowances
– Limiting the effects of tax on future investment returns
– Future proofing their retirement strategy
2. Review investment options – this would be managed as part of your investment policy
3. If the client doesn't need the cash and IHT is the primary concern