SYNAPTIC

The Synaptic guide to SIPPs

Eric Armstrong looks at Synaptic Software's due diligence capabilities, and why everyone loves a SIPP in the evolving Financial Planning landscape

The worst things you can say regarding SIPPs is that they can be accessed irresponsibly and stuffed full of rubbish. Conmen cold calling pensioners to 'unlock' their pensions favour SIPPs, in order to channel funds into 'better performing' investment opportunities, like the kind that were offered by Harlequin Properties.

Traded Life Policies, Carbon Credits, Film Investments may also make us squirm, but their accessibility through SIPPs underlines how flexible these wrappers are.

ABI figures show us that individual pensions (and SIPPs) overall nosedived 84% 2012/13 following the first auto enrolment milestone, but strip out the group side and we observe that new contracts written by advisers have been growing fast: more than doubling over the next two years to 216k in Q4 2015, when 90% of individual pensions were SIPPs (75% of which were 'insured').

The other interesting trend is the ongoing dominance of the independent advice channel, who represent 80% of SIPP sales by volume. There is an interesting dichotomy between insured and non-insured SIPPs. Non-insured SIPPs represent a third of the volume of insured but hold over 60% of SIPP AUM - indicating that SIPPs deployed by specialist wealth managers and wraps are attracting very wealthy customers.

A look at the historical data shows that in the independent advice sector that we serve, SIPP recommendations have been fairly consistent over the years, including pre and post auto enrolment, but the premium value is increasing.

A further consideration is cost. This was traditionally the product's Achilles heel, where there was constant opprobrium directed at advisers who selected the more expensive product when not actually requiring the flexibility. As costs have continued to drop as technology has improved, there is less of this kind of criticism.

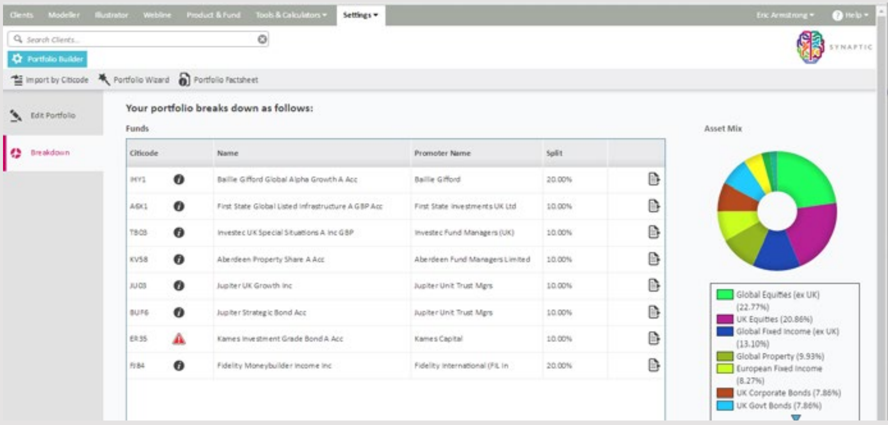
SIPPS: evidencing your expertise using Synaptic

The three key proofs of suitability that require research relate to:

1. **Features**
2. **Price**
3. **Risk**

Here is a quick demonstration of how the Synaptic Research Suite will provide you with the due diligence you may require, something that can be achieved quickly and easily.

Working with the client, and selecting funds within our chosen asset allocation via Synaptic Fund Research, we are able to build a bespoke portfolio in the Portfolio Builder module:

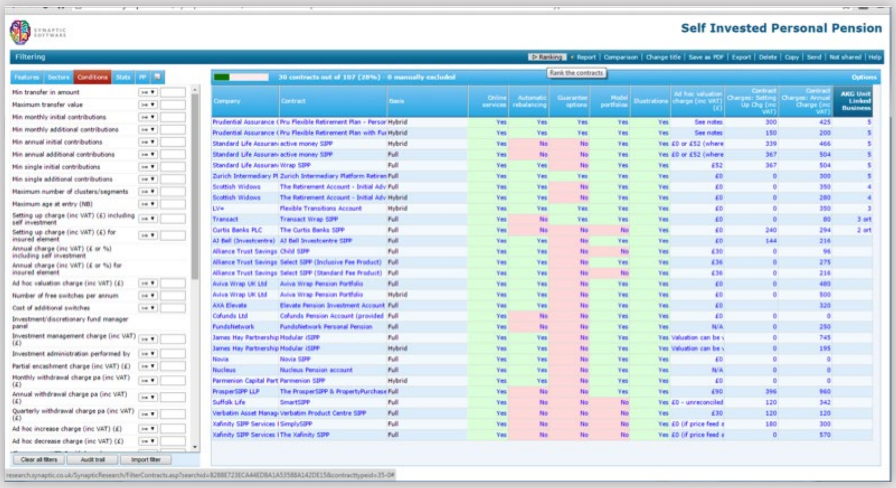


Suitability in regards to features

The following screenshot shows how a Synaptic Product research user could create a grid to compare and contrast the open market for SIPPs. Once assessed, the Synaptic methodology takes you through filtering and ranking, into a full suitability report.

As with other product categories, working with Synaptic will provide SIPP recommendations with the audit trail showing the basis of the selection. The software will also allow manual input of notes to ensure all due diligence points are captured beyond the normal filtering and ranking process.

Synaptic is also a fantastic tool for 'looking up' provider, product or fund details. Tens of thousands of fund fact sheets are downloaded annually by the thousands of advisers who rely on Synaptic



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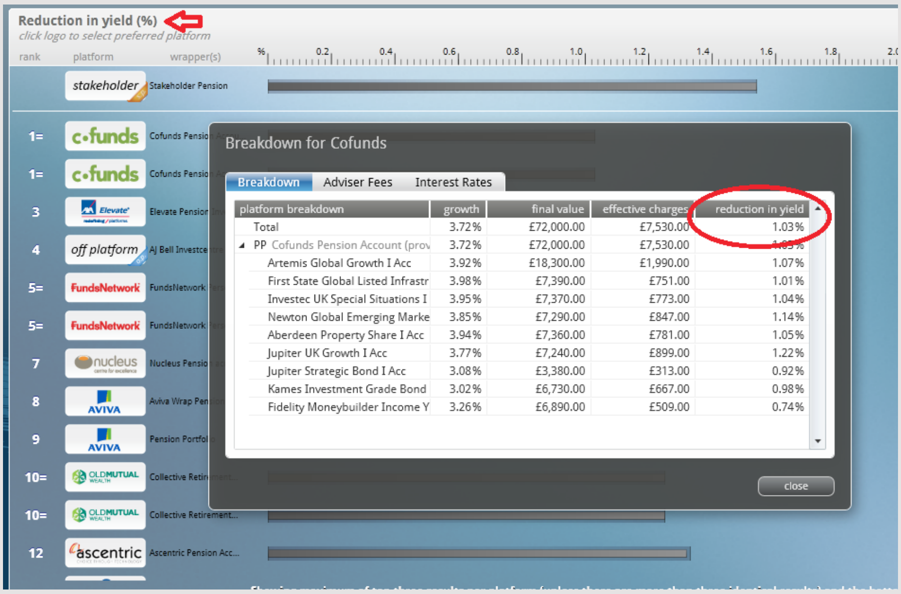
Suitability in respect of price

The screenshot on following page from Synaptic Comparator indicates the keen competition at the head of the leader board that exists today. A SIPP solution, including platform, wrapper and portfolio (though not adviser charges) comes in at around 1% RIY.

The regulator is rightly concerned at the quality of research and reporting in regards to establishing suitability. Synaptic Comparator is the research tool that allows you to perform your own illustrations; including setting the growth assumptions to match other providers' illustrations allowing like for like comparisons. It is the only tool that receives details of platform, product and investment charges across a range of products with charges data that is reviewed and signed off by providers.



Suitability in respect of Risk

The following screen shows a series of stochastic projections from the Synaptic Modeller tool. This is the only tool that offers full access to the Moody's Analytics stochastic engine, allowing you to project on existing as well as notional investments. Although you can customise Modeller, most use the default investment strategy provided off the shelf by Moody's Analytics (formerly Barrie + Hibbert). This aligns the Moody's ATRQ with their risk Categories, the latter which are defined by their strategic asset allocations. A 'Capacity for Loss' quotient can be calculated for most investments, whether legacy or notional. These can be mapped against the Moody's Risk model. You can then discuss investment outcomes with your client in terms of probability – in our view the only feasible approach given the huge range of possibilities.

Analysis provided by Synaptic Comparator enables you to capture costs accurately thanks to the R.I.Y. calculation. I have modelled several scenarios: the first maps the probable outcomes generated by Moody's default strategic asset allocation for the Balanced category (first graph or blue line).

The second graph (or green line) shows the spread of outcomes when costs including platform, product (SIPP) AND Adviser charging are included.

The third calculation (or red line) shows the projections for the investment strategy when inflation is taken into account. This is a difficult call to make as an adviser, which is why access to the industry leading modelling tool becomes very useful. The toll that inflation takes on investments is hard to accept – in Cash, my client is likely to have lost 25% of purchasing power (perhaps a lot more). My strategy is showing a 70% chance of beating the ravages of inflation over the term, but with the hope of significant additional upside. The work that needs to be done to reduce costs – cheaper technology, regulation, investment strategies – is essential in the (relatively) low inflation, low return environment we are in. Any contribution to the compound growth of our investment becomes very valuable.

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The FCA requires you to explain the effects of inflation for your clients – something that is unsatisfactory using deterministic cashflow modelling plans. Including a Monte Carlo simulation is the only way forward! Can you do this?

Drawdown facility makes SIPP an ideal pension vehicle

The FCA requires you to explain the effects of inflation for your clients – something that is unsatisfactory using deterministic cashflow modelling plans. Including a Monte Carlo simulation is the only way forward! Can you do this?

Synaptic Product research will also provide the details of the leading propositions' excellent drawdown capabilities. Pension freedoms have pushed the role of flexible drawdown to the forefront of at retirement planning, making the flexibility of a SIPP a powerful tool in this context. There are 56 different contracts from 13 Providers in Synaptic. Where clients require more control, including the ability 'to own the relationship contact' with Provider, the ability to 'adjust income online' as well as enjoy 'automatic rebalancing', then AEGON, James Hay and Transact lead the pack. Standard Life, Old Mutual and AXA Life have the best financial ratings, though questions marks are currently hanging over the long term platform strategies of some companies which should definitely be considered.

The current icing on the cake for SIPPs comes from its IHT planning capabilities.

We see that advisers are recommending that the SIPP be switched into slow drawdown and other sources of revenue to be exhausted before depleting pension funds. This can of course result in the SIPP being passed seamlessly on to beneficiaries. There is no guarantee that this will always be the case, but there is a good chance that the strategy will hold. Moreover this is a strategy that can and will really benefit middle Englanders at a time that policy is looking to support them when low interest rates are harming savers and the savings gap has become more of a political issue.

This ability to create a financial legacy is also a primary driver for legitimate transfer out of group schemes, again something that will be attractive to a lot of advisers' clients. The skill and experience of advisers will absolutely be required in these cases.

Any firm that is concerned that their compliance regime may need a review in the current changing pensions and compliance climate should call us on **0800 783 4477.**

Eric Armstrong
Product Marketing
Synaptic Software Limited

Source: Adapted from an article that appeared in the May edition of IFP magazine.
Market statistics published by ABI and research statistics by Synaptic Research Team

Finalytiq

Survival of the Fittest bespoke SIPP Providers

For so long the SIPP industry has escaped the kind of intense scrutiny that other providers are typically put through and there is currently very little independent rating and benchmarking to assess the financial stability of providers. That's until now!

In 2014, we produced our first benchmarking report on the platform industry, with particular focus on financial performance, profitability and re-platforming. Our report anticipated much of the structural changes going on in the platform sector right now and have been credited for raising the bar on the way adviser conducted due diligence. So when SIPP industry veteran John Moret agreed to oversee our financial stability benchmarking exercise for SIPP providers, we were over the moon.

It doesn't exactly take a genius to figure out that the SIPP market is currently undergoing a sea-change driven by commercial and regulatory pressures on providers. New capital requirements (FCA Policy Statement 14/12) are due to come into force on 1 September 2016, and providers are already bracing themselves for the potential impact of an FCA crackdown on retained interests on deposits through greater disclosure or worse. Also we can expect even greater focus on investments –particularly those classified as non-standard. Furthermore, the need to upgrade technology and IT systems, implement tighter risk controls and meet increasing client demand off the back of Pension Freedoms will put even more pressure on SIPP providers. We have seen an increase in the pace of consolidation and M&A activities in the sector, and this trend is expected to accelerate even further.

> With a typical SIPP client facing 30 to 40 years in retirement, it's crucial that adviser selects providers who have the best chance of being around for the very long haul.

Lowest Common Denominator Is No Due Diligence

When we first muted the idea of doing this research, we spoke to a number of people in the industry. Most agree with us that this piece of work is both long-overdue and also rather timely. However, we had a number of people who weren't particularly keen on the idea, perhaps for fear of what we might find if we start snooping around their businesses. Some

As the new requirements come into force, advisers can expect to see the consolidation of books of assets, with many providers disappearing from the market altogether

told us this is nearly impossible, given the number of small players in the sector.

One reason given to explain away the need to scrutinise the financial stability of SIPP provider is that idea that, since providers are authorised by the FCA, then advisers should take it for granted the provider is financially stable. This is by far the lamest excuse for inadequate due-diligence I have come across yet. Believe me when I tell you I have heard quite a few of those in my time. The idea that advisers' due diligence should be based on the lowest common denominator – i.e. being regulated by the FCA – is not only short of professional standards expected by the regulator but also well below client expectation.

In its recent thematic review TR16/1[1], the FCA said it considered inadequate research and due diligence as two of the main causes of suitability failings. As a result, adviser due diligence has never been higher on the regulator's agenda. Accordingly, to meet their regulatory and professional obligation to clients, adviser due-diligence should put SIPP providers under greater scrutiny, with a particular focus on financial stability and longer term viability. Advisers must never take it for granted that just because a provider meets the lowest common denominator of being regulated by the FCA, then that equates to being financially stable. It is one thing for a SIPP operator to be regulated by the FCA, it's another for them the business to be run profitably with capital resources and scale required to remain in the market in the long haul.

Most SIPPs remain in force for many years through and after retirement. With a typical SIPP client facing 30 to 40 years in retirement, it's crucial that adviser selects providers who have the best chance of being around for the very long haul. The longevity of SIPPs is a key attraction of this market for providers particularly given the inertia factor owing to the inefficiencies in the pension transfer market. These factors make it all the more important that the "right" SIPP is selected at outset.

As the new requirements come into force, advisers can expect to see the consolidation of books of assets, with many providers disappearing from the market altogether. This will create anxiety for clients and could do some damage to the trust advisers have spent years building, not to talk of the administrative cost it adds to the adviser' business. While most client assets will not necessarily be at risk as a result of these changes, some providers are sitting on toxic books of assets, which may fall foul of FCA and HMRC rules. The risk is that even clients with relatively standard assets may end up with providers that their advisers feel uncomfortable with in terms of cost, service or reputation, never mind the damage the uncertainty does to the relationship between adviser and client when a provider is acquired or exits the market. All of these raise a major due diligence challenge for advisers, both in terms of reviewing their existing provider and in selection new providers that are financially stable, who are likely to not only survive but thrive.

This is exactly why we put this report together, to make the due-diligence process less burdensome for advisers and arguably for providers. The scoring system is rather stringent, for obvious reasons. We don't award brownie points to provider for just meeting the minimum common denominator such as holding the minimum regulatory requirement. Instead we award points for keeping over above the regulatory requirement, which is considered good business practice. Our overall premise is that providers with track record of profitability, surplus capital resources (over and above regulatory requirement), above-average profit margins, healthy mix of assets and growing market share have demonstrated that their business strategy works and can be expected to not only survive but thrive in the increasingly competitive landscape. Providers who are loss-making or operating on thin margins and those holding the bare minimum capital requirement will struggle to absorb competitive and regulatory shocks; they are vulnerable to acquisitions by stronger players. For these providers, the light at the end of the tunnel is on oncoming train!

Advisers can access a copy of the report at **www.finalytiq.co.uk/research-papers/**

Abraham Okusanya
Principal | FinalytiQ

[1] TR16/1: Assessing suitability: Research and due diligence of products and services

Retirement income: why the scale of your platform's universe matters

The introduction of pension freedoms in April 2015 created a new market of income-hungry investors eager to take advantage of the increased flexibility available for their retirement savings. For those with a SIPP, the new rules opened up the option to set up income drawdown as a way of receiving regular income in retirement or take cash from their pension pot, either as a one-off lump sum or via a series of smaller lump sums.

Platforms responded quickly to the news of the impending pension changes by reducing charges on platform-based SIPPs and income drawdown products either before, or shortly after, the new rules came into effect last year. Ascentric, for example, took action back in the summer of 2014 to reduce ongoing administration charges for drawdown from £150 to £75, with no additional fees for clients looking to set up more drawdown agreements.

This said, cost should not be an investors' only consideration when reviewing their options for a SIPP or drawdown product through a platform. One of the most widely acknowledged benefits for SIPP savers, who opt not to buy an annuity, is that they do not lose the flexibility to choose where their pension savings are invested, with the ability to select from a wide variety of investment vehicles. So an important additional consideration to cost for SIPP savers is the scale and variety of investment vehicles available through the platform they choose.

Investment strategies have evolved since the introduction of the pension changes, adapting to the increased flexibility available to clients while still supporting their income and capital preservation requirements. The traditional trajectory for pension savings, for example, would usually involve a steady shift from equity based investments to less risky assets during the 10 years leading up to retirement, principally investing in corporate debt, government bonds and cash. However, with the increasing popularity of drawdown has prompted a change in investment strategy. Instead of savers de-risking their pension portfolio, under drawdown, it may be beneficial to prolong their exposure to riskier assets such as equity funds, therefore maintaining the opportunity for both income and capital growth. Alternative investments such as Exchange Traded Funds (ETFs), some of which target income through indices that focus on dividend paying shares, may be suitable for those looking to produce income in retirement too. Property funds also have the potential to pay an attractive income.

The world of pensions is clearly changing the hunting ground for income, arguably making it more important than ever for an adviser to consider whether a platform provides a broad enough investment range beyond the more traditional investment options. With unbiased and unrestricted access to over 3,000 funds and 667 ETFs alongside investment trusts, bonds, gilts, shares and cash, Ascentric's universe of investments and tax wrappers is one of the widest available in the current platform market.

Jon Taylor
Managing Director

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The risks of the SIPP will depend on the investments chosen.

Ascentric is a trading name of Investment Funds Direct Limited (IFDL), which is part of the Royal London Group and authorised and regulated by the Financial Conduct Authority No. 114432. Registered in England and Wales number 1610781, VAT number 368524427.

Standard Life

Pension Freedoms: using SIPP drawdown to support full flexibility

The client

Jim has recently retired at age 55, he has a small consultancy income of £9,000 a year and has five years to wait until his final salary pension of £25,000 a year comes into payment. He also has Defined Contribution (DC) savings of £200,000 in a personal pension and he plans to use this to top up his consultancy earning to give him £20,000 a year net, bridging the gap until he reaches age 60.

Jim wants to maximise the funds left in his DC pot at age 60 as he plans to use this as a rainy day fund, and keep for inheritance purposes. Before Pension Freedoms it was the norm to use a bank account to do this.

His pension provider tells him that withdrawing all of his DC savings will result in him paying £55,893 income tax in the current tax year – leaving him £144,107 in the bank*.

The solution

There are three options Jim could consider (see table overleaf):

Scenario 1

(Pre Pension Freedoms typical behaviour)

- Jim takes all of his Tax Free Cash (TFC) up front – £50,000 and deposits it in his bank account
- The balance of £150,000 is used to provide a regular taxable drawdown income
- Income tax is payable of £2,250 a year

Scenario 2

(partial use of Pension Freedoms)

- Monthly payments are made up of 25% TFC so the 75% balance is taxable (this is the UFPLS method)
- £12,470 (£3,117.65 + £9,352.95) is crystallised each year to give a net payment of £11,000 on top of Jim's consultancy income
- Income tax of £1,470.59 is paid each year

Scenario 3

(using the full flexibility available under Pension Freedoms)

- Jim gets a regular income of £9,000 a year from his tax-free cash entitlement
- Jim only needs £2,000 a year to reach his £20,000 income target. Jim's total taxable income is £11,000 (£9,000 consultancy income and £2,000 from his pension fund). This equals the 2016/17 personal allowance so no income tax is payable
- At 60, Jim receives his final salary pension and stops the drawdown income, leaving the balance invested for rainy day or estate planning purposes

All scenarios assume Jim receives his consultancy income of £9,000 a year

	Scenario 1	Scenario 2	Scenario 3
Tax-free lump sum taken	-50,000	£0	£0
Gross pension withdrawal required	£13,250	£12,470.60	£2,000
Regular income from Tax-free cash	£0	£3,117.65	£9,000
Total Gross income (taxable pension withdrawal + £9k earnnings)	£22,250	£18,352.95	£11,000
Personal Allowance	-£11,000	-£11,000	-£11,000
Total Taxable income	£11,250	£7,352.95	£0
Tax paid (20%)	-£2,250	-£l,470.59	£0
Total net income	£20,000	£20,000	£20,000
Balance left in pension	£136,750	£187,529.40	£189,000

Therefore, by choosing option 3 Jim doesn't have to pay any income tax, keeps the funds in a tax-exempt environment (CGT, income tax and IHT) and is more likely to meet Jim's needs compared to some of the less flexible options (annuity, capped drawdown or UFPLS). In addition, there is more left in the DC pot for future use.

Alistair Black
Head of Financial Planning Proposition

Notes
- This case study takes no account of the adviser charge
- There may be a charge for transferring to a drawdown arrangement
- Laws and tax rules may change in the future and the information is based on our understanding at February 2016.
- Investments can go up or down. A drawdown arrangement will need to be reviewed on a regular basis to ensure that the pension fund can sustain the level of income that the customer is taking. Remember, that the fund could run out of money.
- This is for information purposes only. Every person's circumstances will be different and require advice. Standard Life accepts no responsibility for advice that may be formulated on the basis of this information. No guarantees are given regarding the effectiveness of any arrangement entered into on the basis of these comments.

The SIPP

As the 'pension' tax wrapper has become less synonymous with providing an income in retirement and increasingly one part of the broader planning process alongside other tax wrappers, so the self-invested personal pension (SIPP) has become increasingly valuable in helping investors fulfil their financial goals in the most tax efficient way.

Financial advisers increasingly use cash flow modelling tools with their clients to establish and maintain a financial plan. The use of tax wrappers within this to achieve the most tax efficient 'path' illustrates how wide-ranging and flexible a SIPP can be in covering particular requirements.

Typically from age 55 any amount of accumulated pension savings can be withdrawn to provide one-off or regular payments as required. Up to 25% of accumulated pension savings can be paid tax-free.

It is now also possible that an individual's pension fund can be passed down the generations without becoming subject to inheritance tax (IHT). For many this means that their SIPP will be the last wrapper to be accessed for income or other payments. ISAs, for example, provide tax-free income and typically are not IHT exempt so a SIPP investment would provide a better option when funds are required if passing pension savings on following death is a key requirement. Modern investment administration platforms such as that offered by Transact are ideal for managing investment and tax wrapper selection to optimise an investor's financial plan. The Transact SIPP wrappers offer access to a very broad range of investments including shares, collective investment schemes, investment trusts, structured products and exchange traded funds (ETFs). These plans also include full flexibility in terms of taking benefits whether for the individual themselves or for their intended beneficiaries following their death.

The pension rules are continually changing with a main trend being the restriction of what can be paid into an individual's plans. £40,000 (including basic rate tax relief on contributions made by the individual) is the current annual input limit that applies across all schemes of which an individual is a member although this starts to reduce for higher earners down to a maximum of £10,000. It is possible that the unused input allowance from the previous three years can be utilised once the current year's allowance has been used. A £10,000 input limit also applies where an individual has taken income under the 'flexi-access' rules introduced in April 2015.

An individual's lifetime allowance (LTA) for pension savings will also impact on the amount of input. If this limit (currently £1m for those taking benefits from 6 April 2016 who do not have a protected higher limit) is exceeded then tax of 55% or 25% is applied to the excess if taken as a lump sum or as a pension respectively.

These changes indicate a 'direction of travel' under which further restrictions (including the possible loss of tax relief on contributions) are likely so it is important that individuals make use of their current input allowance where they can to ensure that the benefits of a SIPP can be maximised.

Brian Radbone
Head of Technical

AJ Bell Investcentre

AJ Bell – from SIPP to full platform

AJ Bell's heritage is in the Self-Invested Personal Pension (SIPP) and Small Self-Administered Pension Scheme (SSAS) markets but today we are one of the leading full service platform operators, offering a wide range of products, extensive investment options and first class service, all at a very competitive cost.

The platform market is extremely competitive. The investment in IT needed to maintain a robust, secure and scalable platform is an ongoing commitment. Platforms that have under invested in their technology in the past are reportedly now spending eye watering sums of money playing catch up.

Over the years at AJ Bell we have been very focussed on maintaining a consistently profitable, stable and well capitalised business in order to maintain the sustained investment that I believe any evolving platform needs.

Our evolution

AJ Bell Investcentre was launched in 2002 under the name Sippcentre. This exciting new proposition offered financial advisers a unique way to help clients reap the benefits of a low-cost online SIPP.

The formula proved popular, and in 2007 we made it even more appealing by acquiring the stockbroker Lawshare (now AJ Bell Securities). By 2008 the extensive range of investments available was boosted with several new off-panel options.

When we launched our ISA and GIA in 2011, Sippcentre became a true investment platform - albeit one with a name that did not quite reflect its new status, so today we are called AJ Bell Investcentre.

AJ Bell today

AJ Bell is a financially strong, profitable company with no debt. We have an excellent track record of re-investing retained profits to ensure our platform can help the adviser improve client outcomes, mitigate risk in their business and increase efficiency by saving time and reducing costs.

Our most recent development was the acquisition of a small asset management operation which adds investment management services to our business. It gives us discretionary permissions as well as the ability to launch our own funds and build new investment solutions that advisers need to service their clients.

Our initial intention is to launch a Model Portfolio Service, utilising passive investments as the underlying vehicles to keep costs low. The new service will enable advisers to offer their clients a high-quality, low-cost portfolio service aligned to their attitude to risk.

In addition, we continue to invest in the day-to-day functionality of the platform. We are in the process of improving the user interface and upgrading the calculation engine on our illustration tool, and work is underway to expand our range of data links to back office providers such as the Iress XPLAN and Intelliflo.

We have also launched a major project which will result in a streamlined new business application process, and an improved look and feel for the website. We also intend to provide a wide range of new functionality, such as a Capital Gains Tax planning tool.

All the investment, expertise and passion that made us a leading SIPP provider is now channelled into delivering high quality online investment services via ISAs, dealing accounts and offshore bonds, as well as our market-leading SIPP.

Billy Mackay
Marketing Director, AJ Bell

Pension technical update - the extended definition of a dependant

Under existing legislation, a person must meet one of the following definitions in order to be classed as a dependant:

- A spouse or civil partner of the member (either at the member's death or, if the scheme rules allow, when the member became entitled to a pension under the scheme)
- A child of the member under age 23
- A child age 23 or over, who was dependent on the member at the time of the member's death due to physical or mental impairment
- A person who was not a spouse, civil partner or child of the member who, at the member's death, was:
  - Financially dependent on the member
  - In a mutually dependent financial relationship with the member
  - Dependent on the member due to physical or mental impairment.

All except one of the definitions depends on a person's status at a fixed point in time. A person who meets one of those definitions cannot 'lose' their classification as a dependant. However, as the second definition is based solely on age, a child would no longer be a dependant upon reaching age 23.

This causes problems when death benefits are paid in a form which involves ongoing income, such as dependants' drawdown. Income from a dependant's drawdown account can only be paid to a dependant; otherwise it is an unauthorised payment. Therefore children must usually stop taking income before their 23rd birthdays.

Draft legislation is now in place to resolve this problem going forward. It will work by adding a new definition of a dependant as follows:

- A child of the member who:
  - Has reached age 23
  - Was not dependent on the member due to physical or mental impairment at the time of the member's death.

This additional definition will only apply if a child has established a dependant's drawdown account before age 23, allowing them to continue taking income as a dependant after reaching this age. It does not extend to other areas of the legislation. Therefore, other than where a child was dependent due to physical or mental impairment:

- Children who are already 23 or over when inheriting benefits will still be classed as nominees, rather than dependants
- Dependant' annuities and dependants' scheme pensions for children must still end at age 23
- The existence of a child age 23 or over would not prevent the payment of a charity lump sum death benefit.

Jessica List
Pensions Analyst, Suffolk Life

Is decumulation where the money is?

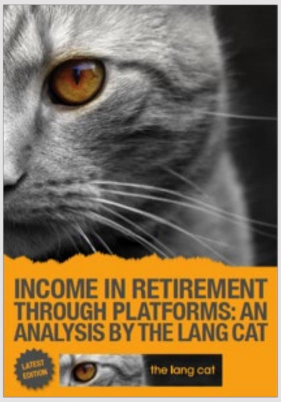
With so much airtime given to pension freedoms – understandably so – and also the apparent lack of innovation across the market, we arranged a deeper look at what is available in the market – relating to platforms in particular. The reason for focusing on platforms, if reports are to be believed, is that platforms are seen as one of the leading solutions that will support the retirement market, in particular the provision of income for clients (and we have a platform!)

For those with an interest in platforms, the findings are enlightening, even for the seemingly straightforward stuff.

From a client's perspective, obtaining income doesn't have to be really complicated and must be delivered in a way they value. For instance, they may wish to have income supplied from across multiple tax wrappers on the platform but don't want to receive lots of different payments in their bank account, preferring just one. But which platform can cope?

So we commissioned the report but stepped back from carrying out the research ourselves, or writing the resulting report for that matter. There are some who would be quite happy to suggest 'foul play' if we had. Instead, we turned to those well-known felines of Edinburgh for help.

The lang cat (a consultancy based in Leith, Edinburgh, specialising in platforms, pensions and investments) researched fourteen adviser-led platforms at the turn of this year. If you would like a copy of 'Income in retirement through platforms', get in touch via Twitter @ZurichAlistair or @ZurichAdvisers, or ask your usual Zurich contact, and we'll let you have it!



The Zurich platform also ensures clients are always paid their income even when there is insufficient cash available. The lang cat stated "We think this is pretty cool; the last thing anyone wants is the client not getting a monthly income that's required to pay the bills...because somebody forgot to keep the cash account healthy."

With the variety of responses in the report it does make me ponder which platforms are actually capable of delivering against the new flexibilities available to clients and advisers. After all, many (all) platforms reviewed here were built prior to the introduction of freedoms. And as the lang cat pointed out "...clients typically spend a bigger part of their platform experience in retirement than accumulation."

Back in December we asked advisers who are part of the New Model Business Academy (NMBA):

"Given the new pension freedoms, are you reassessing the platforms you use to ensure they will meet your client needs going forward?"

Perhaps unsurprisingly, two thirds indicated they are. I wonder how this has changed following some of the direct and rather scathing comments made by the FCA following the publication of their due diligence findings in March.

So on reflection, should platforms perhaps review their own processes, functionality and suitability in this new world before embarking on delivering new solutions?

I will leave that one with you.

Alistair Wilson
Zurich's Head of Retail Platform Strategy