INSIGHTS

INTO FINANCIAL IMPROVEMENT

ISSUE NO.3

IS YOUR COMPANY'S PENSION SCHEME FIT FOR PURPOSE?

By Chris Wallsgrove of
KLO Corporate Services

INVEST IN YOU

By Rachael Hurdman of Arch Inspire

WHY YOU WON'T REGRET INVESTING IN MARKETING

By Louise Panayides of EDGE Creative

WELCOME FROM

ANDREW GREEN

Welcome to the latest edition of Insights, our magazine that shares knowledge and expertise from industry leaders with colleagues and clients.

KLO Financial Services has seen further growth since the last edition. We have expanded into Birmingham and can now be found at Grosvenor House in St Paul's Square (full information on the back of this issue).

New advisors and colleagues have joined our team, bringing strengths in the area of corporate benefits and assisting high net worth clients to achieve their objectives.

Across the industry, pensions continue to be a hot topic and we examine three key areas in this issue of Insights: on page 4 we consider why choosing the right company pension is so important and how KLO Corporate Services can help with this; on page 12 we explore the benefits and drawbacks of final salary pensions, whilst on page 28 we discuss your pension options at age 55. Please contact us if you wish to discuss any of these items - we will be delighted to help.

As always, our focus remains on strong personal connections and the welfare of our staff and colleagues. The article by Arch Inspire on page 8 challenges us to invest time in ourselves through personal development, whilst the Touchpoint article on page 16 demonstrates how a happier workforce can lead to greater business success.

We hope that you will enjoy the above articles, as well as others in the issue, and welcome your feedback and comments. If you would like to be included in the next edition, just let us know; we'd love to hear from you.

Best wishes,

Andrew Green
Managing Director - KLO Financial Services

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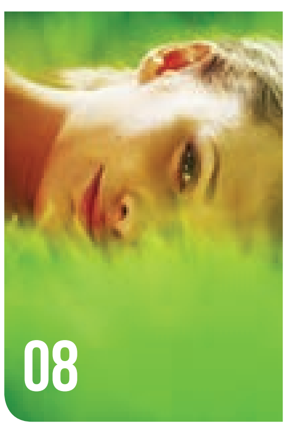

KLO CORPORATE SERVICES

IS YOUR COMPANY'S PENSION SCHEME FIT FOR PURPOSE?

Are you a business owner, Finance Director or HR Director? Are you responsible for your company's pension arrangements?

If so, you will no doubt be aware that there has been significant legislative change affecting workplace pensions in recent years. This has driven costs down, led to product innovation and created real planning opportunities. It has, however, also added real confusion and complexity both for members and for those responsible for pensions within their business.

The key legislative drivers of change have been:

1 AUTO-ENROLMENT

Auto-enrolment was introduced in 2012 for the largest companies and we are only now coming to the end of the implementation period. Companies now have to enrol all 'eligible jobholders' into a qualifying workplace pension. This has generally been considered a success with over 9 million people automatically enrolled to date with less than 10% opting out. According to analysis conducted by The Pensions Regulator, over 78% of employees are now in company pensions with 91% of these schemes operating on a defined contribution basis. Simply, significantly more people are in pension schemes provided by their employer than ever before.

2 FREEDOM AND CHOICE

I can specifically remember where I was when George Osborne announced the 'Freedom and Choice in Pensions' legislation in his 2014 Budget. I wasn't anywhere particularly interesting sadly but the change was so radical and unexpected that it really stuck in my mind.

This announcement, in principle, gave people the freedom to use their pension funds how they want. Specifically, it created Flexi Access Drawdown.

This is a flexible means of withdrawing money from your pension whilst leaving the rest invested and with the facility to pass pension wealth down through the generations outside of your estate. This is a really significant change from the previous, and much maligned, compulsory annuity purchase that applied to most people. This restricted how they used their funds and meant that often their pensions died with them and their spouse.

It would have been particularly interesting to have seen the faces in the boardrooms of the various pension providers as they realised that all associated systems and processes were now up for review.

Pension providers, with varying degrees of enthusiasm, went about adapting their workplace pension propositions to accommodate the new freedoms.

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RESPONSIBILITY

As an employer it is your responsibility to choose your workplace pension.

Over recent years there has, understandably, been a dash to comply with auto-enrolment legislation. The choice of qualifying workplace pensions has often defaulted to the existing scheme or one that is easiest to choose, typically for administrative reasons.

However, the whole point of pension provision is to provide the member with a sensible amount of money to live on in retirement. This often gets lost in amongst the compliance issues and heinous jargon. It is vital that employers play their part in this and do what they can within their budgets to ensure their staff get value from their pensions. Often, modest investments of time and resource can have a real positive impact on the material value the scheme provides its members.

HOW DOES YOUR SCHEME COMPARE?

There are many metrics that can be used to compare the various pension arrangements, however I thought it sensible to highlight three of the most topical:

1 CHARGES

There has been significant downward pressure on charges that apply to workplace pensions in recent years. Historically, charges levied on pensions have often been horrible. Annual management charges (AMCs) could be well in excess of 1% of fund value with additional administration charges and 'bid/offer spreads' of 5% of contributions being common. Stakeholders were introduced as a low-cost option with AMCs being up to 1.5% for the first 10 years and 1% thereafter.

The 'Charge Cap' was introduced in April 2015 to ensure that those enrolled in to workplace pensions were invested in to funds that charged fairly. This, alongside the complete removal of commission from all regulated investments following the Retail Distribution Review, led to significant falls in member borne costs. Administration and investment costs on default funds now cannot come to more than 0.75% and we have seen terms offered as low as 0.21%.

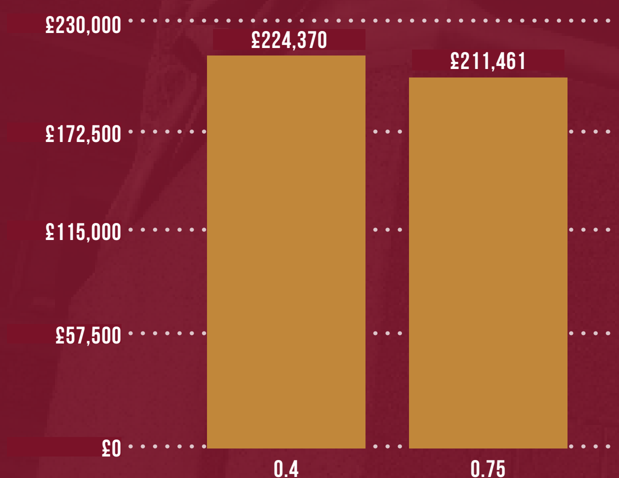
CHARGES CAN MAKE A REAL DIFFERENCE TO INDIVIDUAL MEMBERS.

FOR EXAMPLE

I have projected fund values with charges of 0.4% and 0.75% to age 68 using the following assumptions:

- *Age - 40*
- *Salary - £30,000*
- *Employee and employer contributions - 5%*
- *Investment growth - 5% pa*
- *Salary growth - 2%*
- *Existing fund value - £10,000*

FUND VALUE AT AGE 68



This represents a gain of circa £13,000 at retirement for this particular made up employee. If this example is a fair representation of the workforce and your business had 100 employees, these lower charges could represent a cumulative gain for your workforce of £1.3m at retirement.

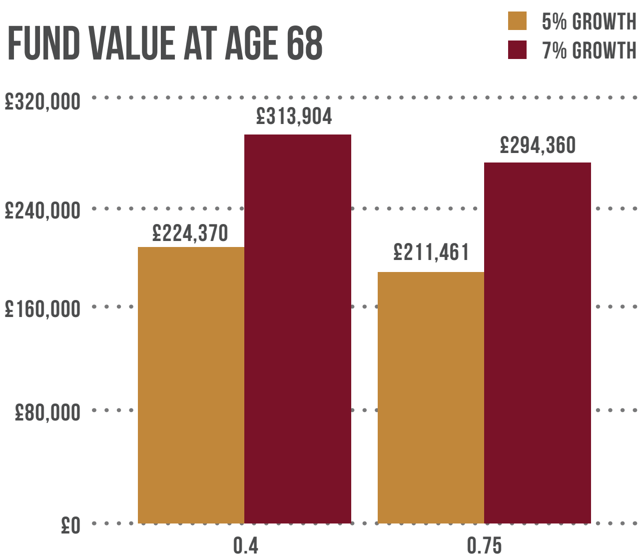
2 DEFAULT INVESTMENTS

How is your default fund performing versus its peers? Is its risk profile, investment strategy and 'lifestyling' approach right for your workforce? What are the charges associated with your default fund? Ultimately, is it providing value for money?

These are difficult questions to answer but it is vital that as an employer you have an understanding of the fund into which you are automatically enrolling your people. You may have a default fund that was chosen many years ago directly by yourselves with advice at the time, or you may be using a provider's current standard default fund. The different defaults vary significantly in both approach and performance.

In a July 2017 analysis of the typical default funds used by various workplace pension providers, the best performing fund generated 78.55% growth over 5 years, the worst 38.70%. The former providing more than double the growth of the latter. This comparison is not quite as simple as it appears as the latter is taking distinctly less risk and is targeting reduced volatility compared to many of its peers, but is that widely understood? Which would suit your employees better?

For the sake of a simple illustration to demonstrate the importance of modest growth differentials, I have used the same example as above but also used growth rates of 5% and 7% to age 68. You will note that a 2% compound growth differential makes a sizeable difference to fund values over the long term.



As well as considering long term investment strategies and risk profiles of default funds, it is also important to understand how they work for members as they are approaching retirement. Many have what is known as a 'lifestyling' process. This is where the asset allocation and risk profile change to target a specific outcome; historically this has usually been annuity purchase at 65 with many schemes still investing this way. The FCA review of the retirement income market in July 2017 found that accessing pension funds early has become the norm and that drawdown is now twice as popular as annuities. State pension age is also getting later. The difficulty here is that many members approaching retirement may find themselves investing in a way that really does not suit their intended use of their money. Employers need to understand their default fund, any changes as retirement approaches and give real consideration to whether it is right for their workforce.

According to research in late 2017 by the Financial Times, 9 out of 10 pension scheme members remain invested in the default fund. Making the right choice and keeping your choice under regular review is vital.

3 FUNCTIONALITY

Pension freedoms have been widely talked about in the general press and the public seems to be under the impression that they can access their funds how and when they want from age 55 regardless of their pension. The massively increased access to capital has been very well received as has the significantly improved death benefit regime where people are potentially able to pass pension funds down through the generations outside of their estates.

Each of the pension provider's propositions vary, with both notable and subtle differences in functionality. Many of the pension arrangements that were in existence prior to this legislation are not able to directly facilitate any of the new freedoms.

There is barely a week that goes by where I don't receive a call from an extremely frustrated scheme member who is being made to transfer out of his workplace scheme in order to begin accessing funds. This can prove time consuming, costly and there are many opportunities for error.

As with the charges and investments, it is important to understand what your scheme can and can't do and whether its functionality meets the needs of your business and its employees.

KLO CORPORATE SERVICES

At KLO we believe in effective governance. We can work on one-off projects or on an on-going retained basis. We look to build lasting relationships with our clients ensuring they are meeting all legislative requirements but also, crucially, doing what they can to help their employees to get the best possible value from their pension savings. We can also provide a range of services to educate, guide and advise your employees.

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INVEST IN YOU

"YOU ARE NEVER TOO OLD TO SET A NEW GOAL OR DREAM A NEW DREAM" *C.S Lewis*

In the first edition of 'Insights' I discussed time being our most valuable resource and shared a number of quick wins all designed to help....

- **Maximise the time you spend in both your professional and personal life**
- **Deliver true value with the time you have**
- **Create more 'in the moment' time**

In this edition I challenge you to focus on how you can invest valuable time in you - an investment that will bring real benefits to both your personal and business wellbeing.

Personal development is a life-long journey which is hugely rewarding both personally and professionally. However, all too often, investing in our own development can fall to the bottom of the list of priorities when competing against all the other plates we have spinning in our lives.

As the founder of my growing business, being a wife, a mother to 3 young children and giving time to my family and friends, I appreciate fully how easy it can be to put off the things we really want to do, learn and achieve. However, for me to thrive in all areas of my personal and business life, I have learned the importance of investing in me, otherwise how can I support and inspire others? One of the key reasons I work with two incredible mentors and coaches is to ensure I continually challenge myself to do this.

PERSONAL DEVELOPMENT IS DEFINED AS ACTIVITIES THAT...

- Improve awareness and identity
- Develop potential
- Build human capital
- Enhance quality of life
- Contribute towards the realisation of dreams and aspirations

I often look to others I know who inspire me and think about how much they have achieved in their lives. My grandmother passed away very recently and as I look back at her life and what she meant to my sisters and I, it has prompted me to ask myself, 'what was it specifically about her that inspired me so much?' It was this... her continual desire to invest in others and in herself, to teach us because she continually taught herself, to challenge us because she continually challenged herself, to make us happy as she made herself happy – it was that simple.

She lived to 95 and in those years she achieved just some of the following: she saw, experienced and survived World War II; she worked in London as a secretary excelling in her career; she joined the Women's Voluntary Service; and she was a wonderful wife and mother to 3 children. In her later years she travelled around the world, started playing golf in her 50s and took flying lessons at 60. During her long life she also learnt to paint, tap dance, play the piano, violin and the accordion. She never ever stopped investing in herself so she could inspire others. This is the legacy she leaves for her children, grandchildren and great grandchildren.

TRY OUT MY FOLLOWING QUICK WINS TO TAKE THE FIRST STEPS TO INVEST IN YOU

1 ASK YOURSELF THE FOLLOWING

(RECORD, REFLECT AND CONTINUALLY REVISIT YOUR RESPONSES)

- Who inspires me most in my life and why?
- How could developing a new skill support me personally and in business?
- If money/time was no object how would I choose to develop myself?
- What do I keep putting off that I really want to do?

2 ASK FOR FEEDBACK

Ask others to share with you their view of what your strengths are and where you would benefit from developing. This can help uncover 'blind spots' you may have and inspire you to think differently about where you may want to invest in new skills/talents.

3 INVEST IN A COACH

If you are serious about investing in you, consider working with a coach who can help and support you in the process of identifying where you are, where you want to get to and how to achieve the personal and business aspirations you have.

4 LEARN FROM OTHERS WHO INSPIRE YOU

Meet with people who inspire you, learn about their journey and the challenges/obstacles they have faced and how they have overcome them. Ask them how they invest in themselves and the value it brings to them and others.

5 AVOID NEGATIVE PEOPLE

This may sound obvious but it's so true. Surround yourself with people who want to continually develop and grow, by virtue this makes them more positive, happy and more willing to help others do the same.

“One day you’ll wake up and realise that there isn’t any more time to do the things you’ve always wanted. Start now or forever regret your procrastination.”

— Paulo Coelho

Arch inspire
Consultancy & Coaching

Rachael Hurdman
The Founder and Director or Arch inspire. Rachael works as a business coach and consultant with businesses, teams and individuals to inspire people and performance through coaching and consulting solutions.

Visit www.archinspire.co.uk
to find out more and get in touch.

ARE FINAL SALARY PENSIONS A GOOD IDEA?

Across the financial services industry, there has been a huge increase in the number of people enquiring about their final salary pensions and whether or not it is a good idea to transfer to a personal pension arrangement.

Recent figures from the Financial Conduct Authority (FCA) have revealed that the amount of cash transferred out of traditional 'final salary' pensions (otherwise known as defined benefit schemes) into personal pensions has leapt from £7.9 billion in 2016 to £20.8 billion in 2017.

Defined benefit schemes offer the member a secure, index-linked pension for life. The pension is 'accrued' by the scheme member depending on their length of service. For example, a member may accrue their pension at a rate of 1/60th per annum, meaning that if the member has been in the scheme for 20 years, they will be entitled to 20/60ths of their final (or career-averaged) salary at the date of leaving the scheme.

Provided the employer and pension scheme remains solvent, the scheme trustees are obliged to pay the member's pension for life. In the event that the company and scheme become insolvent, the scheme will enter the Pension Protection Fund, which protects 90% of the member's pension prior to their normal retirement date (subject to a cap), or 100% of the pension when it is already in payment.

The key point is that with a DB scheme, the investment risk is borne by the pension scheme trustees, not the individual member. On transfer to a personal pension, the individual receives a transferred 'pot' of money from the ceding DB scheme and at that point the individual takes on any investment risk. It is for this reason that the FCA states that the starting point in advising on a DB pension transfer is that it is unlikely to be unsuitable to transfer in most cases. It is important to note that once a transfer has taken place, it cannot be reversed. However, various different factors have been driving the significant increase in people exploring a transfer.

Firstly, the Cash Equivalent Transfer Values (CETVs) being offered by DB schemes are in many cases being viewed by members as very generous, relative to the benefits being offered by the scheme. This is largely due to low yields on UK Gilts (as a result of quantitative easing and historically low interest rates), meaning that it is costlier for DB pension schemes to provide benefits for their members. As a result, transfer values are at historic highs.

The Government's 'pension freedoms', introduced in April 2016, have meant that there is far greater flexibility in how people are able to draw benefits from personal pensions, and also greater flexibility in how the pension pot can be passed on to beneficiaries in the event of the pension holder's demise.

A personal pension can be accessed from age 55 under current legislation, without penalty. It is possible to take benefits prior to the normal retirement date of a DB scheme (this will vary according to the individual scheme rules), but in doing so the income will be reduced by an early retirement reduction factor, to take into account the fact that the DB pension will be in payment for longer. A personal pension will not, typically, form part of the deceased's estate for Inheritance Tax purposes, and if the member dies prior

to age 75, the pot can be passed on tax free to any named beneficiary; post 75 the first 25% is tax free and the residual pot is taxed at the beneficiary's marginal rate.

With a DB pension, a fraction of the deceased member's pension will be available to the member's spouse or dependent children - often half in respect of the spousal pension. Some people value the 'return of fund' lump sum death benefit that is available on transfer to a personal pension, above the spousal or dependant's pension benefit available from a DB pension.

A member may be divorced or have no dependent children, in which case in the event of their death there are no further pension benefits payable, whereas on transfer there may be a residual fund that can be passed to a friend or sibling, or indeed any named beneficiary.

Often the 25% tax free cash that can be taken from a personal pension is greater than the tax free lump sum offered by a DB scheme. This can be attractive to people wishing to pay down debt, such as an outstanding mortgage liability.

For people in ill health and with a lower life expectancy, the ability to access pension benefits flexibly can be important. More generally, some people view the ability to take full control of their funds as being beneficial, valuing the ability to be able to spend more in the early stages of their retirement whilst they are still healthy and active, as opposed to the 'fixed income' available from a DB pension. The ability to vary income levels via a 'drawdown' pension can be appealing to people who may wish to take semi-retirement, and therefore wish to combine earned income with pension income and to structure that income tax efficiently. Pension 'drawdown' is when an individual leaves their pension funds invested post retirement, drawing money as and when they wish, whilst hopefully generating sufficient investment return to preserve the capital (perhaps for future generations), or at least to ensure that the pot is sufficient to generate the required income in retirement.

For those clients that transfer their DB pensions where the transfer value is over £30,000, it is a requirement to take advice from an appropriately qualified financial adviser.

Ongoing advice is, in our view, highly advisable. It is important that any transferred pension funds are regularly reviewed and 're-balanced', to ensure that they remain suited to the client's attitude to risk and objectives. It is also vital to regularly re-assess withdrawal rates and investment performance, to ensure the sustainability of the client's required income.

We have been able to successfully advise many clients in respect of their DB pensions and other financial affairs. If you have a DB pension and would like to discuss the potential pros and cons of a transfer, then please contact us for an initial conversation using the details below.

Please note we are fully independent financial advisers and are not tied to any provider or product. There is no charge for any initial consultation.

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CASE STUDY

Mr Hughes has a deferred DB scheme with a CETV of £813,600 and an accrued pension at the date of calculation of £39,389 per annum.

He wants to take full control of his pension benefits and to have the flexibility to draw on them as and when he wishes, and to be able to take ad-hoc lump sums if necessary. Whilst he is currently in good health, he has told me he does have a family history of low life expectancy.

In the event of his death he would prefer that his wife receive a lump sum death benefit rather than the 50% spousal pension available from the scheme, as she is well catered for with her own DB pension, which she intends to retain.

He has cash deposits and non-pension investments worth £512,000, which can be used to generate income in retirement.

A Cashflow Modeller was used which determined that (based on various assumptions) if Mr Hughes were to transfer his DB pension and take the same level of benefits as would be available from the DB scheme at his desired retirement age of 65, then the transferred pot would theoretically last until he was 99 years old (although this is in no way guaranteed).

His actual income requirement is much lower, at £18,000 gross per annum. I have advised that he draws this from his non-pension assets, as this is more efficient from an Inheritance Tax perspective.

Taking all of Mr Hughes's objectives and circumstances into account, the advice was to transfer.

REASONS FOR TRANSFERRING OUT	REASONS FOR REMAINING IN THE SCHEME
Potential for a higher tax free cash amount	Security available from the scheme and/or employer
Increased flexibility on how to structure retirement benefits	Uncomfortable with investment risk arising from a personal pension
Potential for a higher pension/retirement income	Comfortable with existing benefits structure (pension increases and dependant pension)
Increased flexibility on how to invest retirement funds	No experience of making investment decisions
Enable early retirement	No desire to retire early
More suitable death benefits	Income available from a post transfer annuity purchase is lower
Can benefit from enhanced annuity rates	No need for immediate cash or income
Wish to have all retirement benefits in one place	Member has alternate income streams to call on
Have a need for additional income	Scheme pension forms a large proportion of retirement provision
Risk of failure of the scheme and/or employer	Uncomfortable with change
Generous CETV offer	Low CETV offer
Ill health issues	Younger spouse and dependants
Inheritance Tax Planning	Additional scheme membership benefits
No dependants	Ongoing charges and transfer fees

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touchpoint
EMPLOYEE BENEFITS

66% OF PEOPLE WOULD RATHER TAKE A PAY CUT AND BE HAPPIER AT WORK[1]

Nigel Brittle, Managing Director of Touchpoint, shares his passion for improving health, happiness and engagement in the workplace which in turn can save your business valuable income. Touchpoint provides solutions and services to employers in partnership with KLO Corporate Services.

The charismatic entrepreneur, Richard Branson says, “if you look after your staff, they’ll look after your customers. It’s that simple.” Is it that simple? In today’s competitive marketplace, it is vital to attract and retain the right talent. As an employer, you want a happy, motivated workforce and a positive vibe in your workplace. It’s all about how your employees feel about working for you, how they talk about working for you and how they work for you.

The cliché social scenario when an employee is asked outside of work, “what do you do? Who do you work for?” is a huge brand opportunity for employers. Whatever the employee says in response to these questions will usually give a clear indication of how they feel about their employer.

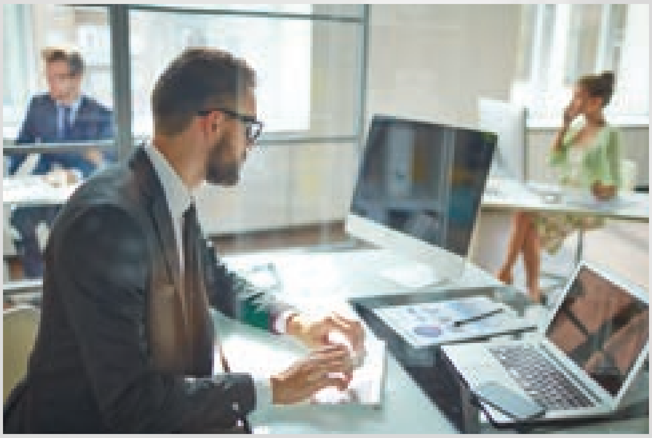
For example: The John Lewis Partnership boldly puts the happiness of its employees or ‘partners’ at the centre of everything it does. The partners are the John Lewis brand. It is reflected in their dedication to serving customers with flair and fairness and in turn, helps make John Lewis the success story it is today.

It’s hard to argue with the logic applied by these successful businesses; satisfied and engaged employees are simply more productive and more efficient. They tend to work harder, contribute more, and call in sick less. They feel empowered, appreciated, and are more loyal.

But isn’t it easier for big businesses such as Virgin and John Lewis with the budgets and resources they have to hand? How can small to medium-sized businesses compete with the big guns?

That's why Touchpoint was formed. Nigel has over 25 years' experience in employee benefits, financial services and workplace communications. Having focused on developing service delivery to larger corporate employers, Nigel recognised that there is an identifiable need for businesses of all sizes to also have access to engaging benefit services. He co-founded Touchpoint to address this need and to deliver a positively differentiated service to both UK employers and employees at a reasonable price.

For some of our clients, staff turnover and retention of talent had become specific challenges – leading them to look at how employee benefits solutions can help - is this something which affects your business?



WHAT IS IT COSTING YOU TO HIRE NEW PEOPLE?

24% of a business' annual budget is spent on hiring new staff *(Centre for Economics and Business Research 2017)*.

WHAT IS IT COSTING YOU WHEN YOUR PEOPLE ARE OFF WORK OR WORKING LONG HOURS?

A UK employee is off work for an average of 6 days per year (outside of scheduled holiday) *(Personnel Today 2015)*.

The World Health Organization estimates that by 2021 occupational stress will be the leading cause of absenteeism and presenteeism at work *(WHO 2017)*.

We work with companies of all sizes to help them with employee engagement and productivity and to reduce the cost of staff recruitment and retention.

WHY ENGAGED EMPLOYEES MATTER

Employees who are more engaged are more productive. Greater engagement and productivity increases business revenue and reduces staff acquisition and retention costs.

HOW YOU CAN GROW YOUR BUSINESS WITH ENGAGED EMPLOYEES

- Engaged employees are up to 22% more productive[2]
- A 5% increase in engagement is linked to a 3% increase in revenue[3]
- Companies with higher employee engagement experience 65% less staff turnover[4]

HOW EMPLOYEE BENEFITS ARE GOOD FOR YOUR PEOPLE

It is often assumed that the only way to keep employees happy and engaged is by giving them more cash. However, the answer is rarely this simple. In fact, offering something that they might value for longer can be a far more successful strategy. Cash often makes little or no lasting impact, particularly when it is spent mostly on day-to-day bills. A longer term benefit such as providing access to payroll related services like Childcare Vouchers, Cycle to Work or Holiday Trading can really help. It can be a truly positive alternative to a pay rise. While a pay rise involves an employee paying more tax and NI, the above mentioned benefits can actually save your employees tax and NI and also result in you paying less NI as an employer!

Throw in some lifestyle benefits including shopping discounts, cinema savings, discounted gym memberships, travel and financial perks and your employees will start to see significant and sustained savings on their day-to-day spending, leaving them with more money in their pockets. These are tax-free savings, enabling them to use that extra money wherever and whenever they choose.

Offering staff ways to gain regular discounts on day-to-day living costs is highly valued. Employees and their families truly appreciate savings on treats such as a trip to the cinema or holidays… and remember…

It can be much easier to put a smile on your employees' faces than you think…

HOW CAN WE HELP YOUR BUSINESS?

We can work with you to provide a tailored benefits platform for your people with a complete kit of engagement and communication tools branded for your business. Everything you need in one place.

Available on any device, anytime, anywhere.

BENEFITS THAT MAKE A POSITIVE DIFFERENCE

You select the benefits and services you want. We take care of the rest. It's hassle free and all hosted through our online one-stop shop portal backed up by our extra mile and positively differentiated employee communications and customer service.

EXAMPLE OF EMPLOYEE SAVINGS

We can help you save any employee who is a working parent **over £1,630** per year just through the following benefits:

- Everyday savings: an average of **£700** on their annual household spend via shopping and recreational discounts.
- Childcare costs: up to **£930** per year via our online Childcare Voucher service.
- Your people could save even more with our Bike to Work and Holiday Trading benefits.

EXAMPLE OF EMPLOYER SAVINGS

We can help your business make savings on employer's National Insurance and also your wage bill.

If only two employees* participate in Childcare Vouchers, Bike to Work and Holiday Trading benefits per year, this can generate **in excess of £2,000** in annual savings for your business.

*based on an average gross annual employee salary of £27,721

We'd love to share how we can make a positive difference for your business and your people.

Please get in touch to book a FREE demo now:
info@touchpointeb.com | 0345 548 4106
www.touchpointeb.com

Reference key to above stats: *1 Employee Benefits Magazine; 2 Harvard Business Review; 3 Aon; 4 Gallup*

touchpoint
EMPLOYEE BENEFITS

DIVERSIFICATION IS GOOD FOR YOUR INVESTMENTS

THE ATTRACTION FOR ENTERPRISE INVESTMENT SCHEMES

Over the past couple of years, two steps by the government transformed the demand for Enterprise Investment Schemes. In fact, a growing number of wealth management firms are now offering these to their clients because of demand from the clients themselves.

The first step taken by the government was to reduce the amount that was allowable into a pension plan and receive tax relief. As a result more and more people are filling their pension pot earlier than before, and are then seeking to find other tax efficient ways to save for their retirement.

Secondly, in the Budget at the end of 2017, Enterprise Investment Schemes were the only tax saving schemes that had their scope enhanced by the government. It was a very strong signal that the government was very supportive of these investments.

In addition to these steps, early in 2018 the government published its industrial strategy for the future of the UK. At the heart of this strategy is the desire to help and support the growth and development of young businesses, particularly in the 'knowledge intensive' sectors where new ideas will be our future.

DIVERSIFICATION IS KEY

The issue that investors face is how best to diversify their portfolio across different sectors and investments. It has often been said that investing in Enterprise Investment Schemes can be risky. It can be, as not all new ventures make it. A key pillar of managing this risk is to diversify your investment across several investments and sectors.

AMERSHAM

ONE MANAGER – YOUR PREFERENCE PICK OF VARIOUS SECTORS OR ALL

Amersham is authorised and regulated by the Financial Conduct Authority (FCA) as an Investment Manager and additionally as an Alternative Investment Fund Manager within the meaning of the Alternative Investment Fund Managers Directive.

Amersham is a leading specialist investment firm for start-up funding and junior venture capital, having invested over £6m in more than 40 SEIS qualifying companies, alongside over £23m in EIS qualifying companies and over £2m in BPR/IHT assets (April 2018).

Amersham's offerings are structured so that eligible investors are provided opportunities to invest in companies, organised to bring proportionate venture capital disciplines to tax advantaged investing.

For 2018/19 Amersham offers an evergreen fund for each of EIS and SEIS classes. These alternative investment funds each facilitate diversification across one or more sectors for which investors may indicate preference. In this way investors, through 'mini-portfolios', can gain exposure across several business sectors from a single subscription to the relevant fund. Portfolio companies must have received Advance Assurance from HMRC and Amersham welcomes recent HM Treasury's risk-to-capital conditions mandating that tax-advantaged investment should be restricted to seedcorn and growth UK companies.

This manager has resourced its ability to reach across its chosen and developing sector spectrum through working with sector specialists possessing appropriate domain experience and track-record. These deal-originators source and qualify deal flow for Amersham's consideration as Fund Manager through its due diligence and transaction support.

Where appropriate, Amersham's originators provide board level oversight and mentoring assistance to the investee companies.

Once an investment is approved, Amersham manages this overall monitoring of the companies' progress and provides investors with twice yearly reports and valuations. Amersham works from the start with its originators and portfolio companies toward providing investors with exits from portfolio companies in typically a target 5-year horizon. The firm believes too much focus is placed on managers' claims to be able to invest rather than ability to divest. Its principals believe that "it is relatively easy to invest, but it takes other skills including managing difficulties to gain a good exit". Amersham commenced S/EIS investing in 2013, now with £32m under management (prior to disposals). The firm announced 2 exits in July, providing 2x and 2.2x return to investors after tax relief, on a 4-year hold.

MORE THAN AN INVESTMENT

One area of diversification, an investment sector that is clearly supported by the government, is the UK film industry. This is not surprising as it is a considerable source of inward investment for the UK, and a significant employer. The demand for films is now higher than it has ever been, to satisfy the need for content across many digital channels.

One of the investment options within the Amersham funds is with Iron Box Capital in films. Iron Box Capital Ltd (FRN 670 397) is an Appointed Representative of Sturgeon Ventures LLP which is authorised and regulated by the Financial Conduct Authority with FRN 452811.

Iron Box Capital ensure that their projects comply with new HM Treasury rules and also take a really refreshing approach, offering investors in their film companies the opportunity to really get involved in the film world. What this does show is that you can diversify what you invest in, and also diversify your enjoyment!

Iron Box Capital Ltd (FRN 670 397) is an Appointed Representative of Sturgeon Ventures LLP which is authorised and regulated by the Financial Conduct Authority with FRN 452811. This article is for information only. It is not advice or financial guidance. Please seek Financial Advice from an FCA Regulated Financial Advisory Firm.

AMERSHAM INVESTMENT MANAGEMENT

IRON BOX CAPITAL

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WHY YOU WON'T REGRET INVESTING IN MARKETING

***"It's just not something that's worked for us in the past"* — it's something we hear a lot of when talking to new clients about marketing. They know they need a marketing strategy, they're ready and willing to embrace it but they've been disappointed by results (or lack of them).**

For the most part, there's a reason for that - they've never experienced good marketing. You see, when it works, when there is a cohesive approach across the many strands and joined up thinking from everyone involved, marketing can reap huge rewards.

BUT WHAT EXACTLY IS GOOD MARKETING?

Well, it starts with a relationship. Would you expect someone you'd never met to be able to talk about what makes you, you? Whoever is tasked with developing and promoting your brand, whether that be an in-house marketing manager or a whole team of creatives at a marketing agency, must know your business inside out.

That's something we're pretty serious about at EDGE Creative. Since forming in 2004, we've always ensured the message we're putting out through our comprehensive digital marketing campaigns, content and even events really drills down into the ethos of our clients.

Next comes the collective element. You see, the secret to effective marketing is consistency, and that's only achievable if everyone is on the same page - from the tech superstar working to make your website high functioning, easy to navigate and striking in design and the SEO wizards analysing Google algorithms and rankings to the graphic designers making sure your marketing materials stand out and the strategist helping to develop your brand. Why? Because if that's not happening, your brand automatically becomes weaker.

At EDGE, we can deliver a holistic approach to your marketing needs. With our team of designers, web developers, social media experts, brand specialists, and content writers, we can ensure every aspect of your marketing campaign is on brand and on point!

> ***There's no getting away from the fact technology is changing the way we live, work and play.***
>
> ***— Louise Panayides, Founder & Creative Director, EDGE Creative***

Effective marketing takes forward-thinking. There's no getting away from the fact technology is changing the way we live, work and play. What's more, it's changing how we connect and interact. We've got some of the brightest minds who can devise and implement digital campaigns that will entice and excite potential customers. Meanwhile, our web designers can create eye-catching, high functioning websites that your customers will want to engage with. If you think a basic website is all you need, think again - according to Forbes 38% of consumers will stop interacting with a website if the layout is unattractive while, 39% will stop engaging if images won't load.

Finally, of course, it takes creativity. At EDGE, we work with a whole range of clients from a whole variety of industries. As a result we know what's happening across many markets. We're seeing new trends and styles and their influence on consumers all the time. We're constantly being inspired, which is something that doesn't necessarily happen with an in-house team working on the same things day in, day out. We can bring that inspiration and creativity to your business.

WHEN ALL THESE THINGS HAPPEN, AMAZING THINGS FOLLOW...

THINGS LIKE BRAND AWARENESS

Effective marketing campaigns can raise awareness of your brand considerably. The right firm can put your brand - and your message - in front of the people you want to see it. EDGE Creative is an industry standard, full service, integrated agency, meaning we'll build a marketing campaign that delivers results.

THINGS LIKE GROWTH

As a result of good marketing you'll be reaching a bigger audience. Using a combination of email campaigns (which alone are proven to have a return on investment of 122%), social media, events, brand development and website design, we can ensure you're reaching all the right people all of the time.

THINGS LIKE CUSTOMER LOYALTY

Let's face it; we choose firms because we like them - whether we're talking about where we shop, who we bank with or what we buy. When we don't like a firm we vote with our feet!

Effective marketing can help you to connect with your customers on many levels, building a relationship and a connection, essentially boosting customer loyalty and expanding your customer base.

THINGS LIKE SEARCH ENGINE RANKINGS

The right campaign and effective SEO can boost your business in Google's rankings. Why does that matter? Well, studies have shown firms who are top of the first page on Google get more than 50% of traffic. For the fifth spot however that number falls to 4%.

At EDGE Creative, creativity is in our blood. We get excited by ideas! We're not simply fulfilling a marketing requirement, as is often the case with in house marketing functions, we're putting our everything into your campaign. Why? Because we love it! We're passionate about building your brand.

We work with clients from across the globe, from SMEs to huge brands. We fall in love with all of them and work our hardest to deliver amazing results.

— Louise Panayides, Founder and Creative Director, EDGE Creative

At EDGE, our experience and expertise has meant we've been able to attract clients from a huge range of industries but I think the great thing about our team - and, indeed, the feedback we get from our clients supports this - is that when we work with a business we devote ourselves to them, so much so that our team becomes an extension of yours. We're YOUR marketing team and we'll work with you to develop your brand and take your business to incredible places.

— Karen O'Donovan, Client Services Director, EDGE Creative

Effective marketing takes creativity, passion, innovation and, most importantly, joined up thinking. At EDGE we've built up a reputation for having it all. Get in touch today to see how we can work together to take your company further than you ever thought it could go.

IF USING AN EXTERNAL AGENCY SOUNDS LIKE THE RIGHT MOVE FOR YOU, AND WHY WOULDN'T IT? CALL EDGE CREATIVE ON:

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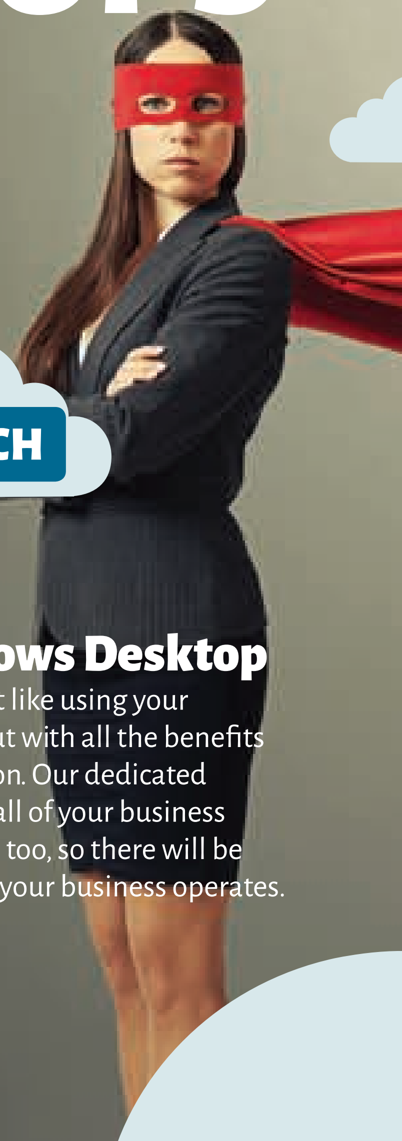

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STILL CONFUSED ABOUT YOUR PENSION OPTIONS AT AGE 55?

The changes to the rules which govern how and when you can take your pension income came into effect in April 2015. Yet despite being around for over 3 years, many people are still understandably unclear about the changes and the tax implications of accessing their pension savings.

The new pension rules give more choice as to how you can access your pension savings. Whilst there is a lot of talk of the changes available to retirees at 55, many of us will not have planned to retire at 55, but at 65, 70 or even later. So, whatever you hope to do, whether it is retiring fully or reducing working hours and topping up your income from your pension, and at whatever age post 55, what are the options?

OUR GUIDE TO YOUR PENSION OPTIONS

The new pension rules allow you to mix and match any of the options below, using parts of one pension pot or using separate or combined pots. Not all pension providers offer the full range of flexible options and, even if they do, it is still important to work with your independent financial adviser and allow them to shop around all the reputable providers in order to secure you the best arrangement.

Whilst the options sound straightforward, there is a lot more to consider when it comes to working out what is best for you and your money.

OPTION ONE: DO NOTHING FOR NOW

Most pension providers will allow you to take your pension benefits at an earlier, or later date than you originally planned. So, why wait until you are older? If you defer taking your pension until a later date it will remain invested, and whilst invested, any growth will be tax-free. Most people who do this are aiming for their pension fund to continue to grow with the aim of getting a higher income at a later date.

As a general rule if you are a UK resident taxpayer under the age of 75, you can contribute as much as you earn each year to your pensions, up to the annual allowance of £40,000. If you are not earning enough to

pay income tax, you can still receive tax relief on pension contributions up to a maximum of £3,600 a year.

If you are considering delaying for only a few years, don't forget to get advice about how much investment risk you are taking with your funds; you don't want to risk a substantial loss this close to retirement.

Remember if you want to make changes to your pension, check with your pension scheme or provider as to whether there are any restrictions or charges for changing your retirement date, and the process and deadline for telling them. Also check that you won't lose any income guarantees by delaying your retirement date.

OPTION TWO: CHOSE A GUARANTEED INCOME FOR LIFE WITH AN ANNUITY

It may be that you just want the security of having a guaranteed income for the rest of your life. In which case, you may want to consider buying an annuity.

You can take a quarter of your pension pot (25%) as a one-off, tax-free lump sum. The remainder of the money must be used to buy an annuity which will give you an income until you die. How much of an income you will receive depends on how much you have saved into your pension, your health, the annuity provider, whether or not you want an income that will rise in line with inflation or to provide an income for your spouse after your death. An independent financial adviser will ensure you choose the right annuity and secure the best income deal for you.

OPTION THREE: CHOOSING A FLEXIBLE INCOME ARRANGEMENT OR FLEXI-ACCESS DRAWDOWN

With this option you take up to 25% of your pension pot as a tax-free lump sum, and the rest is invested in order to provide you with a regular taxable income. With the help of your independent financial adviser, you set the income level you want. This can be adjusted periodically depending on how your investments perform (which don't forget can be good and not so good) or how your income needs change over time. Unlike with a lifetime annuity, the income isn't guaranteed for life, so careful management of your investments is essential.

OPTION FOUR: WITHDRAWING AD-HOC SMALL CASH SUMS FROM YOUR POT

You can use your pension pot in a similar way to a savings account, taking cash as and when you need it and leaving the remainder to grow tax-free. For each cash withdrawal the first 25% is tax-free and the rest counts as taxable income. There may be charges each time you make a cash withdrawal and/or limits on how many withdrawals you can make each year.

With this option, your pension pot isn't re-invested into new funds specifically chosen to pay you a regular income and it won't provide for a dependant after you die. There are also more tax implications to consider than with the previous two options.

OPTION FIVE: WITHDRAWING YOUR ENTIRE PENSION POT AS CASH

You could close your pension pot and take the whole amount as cash, but there are serious tax implications to consider if you decide to do this. The first 25% will be tax-free and the rest will be taxed at your highest marginal tax rate – by adding it to the rest of your income. For many people this could mean a large proportion of this money is taxed at the higher rate tax band of 40%.

There are many risks associated with cashing in your pension in one lump sum. Without very careful planning, you could run out of money and have nothing to live on in retirement, so it is important to seek good financial advice.

OPTION SIX: MIX AND MATCHING YOUR OPTIONS

You can mix and match the pension options, taking cash and income at different times to suit your needs.

There are of course many things to consider in working out what is right for you. Many decisions which are made regarding pensions are irreversible; you may not be able to change your mind at a later date, even if you realise that you have made a mistake, so it is important to give proper time to look at all the options and make sure you understand the implications of each one.

Be prepared to think about a range of factors such as:

1. The date you plan to stop or reduce your work. If reducing work, is this likely to be a one-off reduction, or a slow 'phasing' out of working hours?
2. The amount of income you want and your attitude to taking investment risk
3. Your age and health
4. The size of your pension pot and other savings
5. If your circumstances are likely to change in the future
6. Whether you have financial dependants

Above all, make sure that the person advising you on your pension is reputable and regulated by the Financial Conduct Authority; there is an industry wide concern that people approaching the age of 55 are vulnerable to pension scams which could see you lose your hard-earned savings.

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