

The value of advice

*How can you ensure the best
outcome for your clients
and business?*



Say hello to Thomas

Name:

Thomas

Age:

34

Aspirations:

Dreams of retiring early and sailing the world



Please note the following case study is fictional and only considers products and trust solutions offered by Quilter. There are many different options available taking into account individuals circumstances and this case study is purely illustrative.

Background

During a family get together, Thomas talks to Quinn about his dreams of retiring early and sailing around the world. Quinn says that in order for this to come true, he should stop being so reckless with his money. He recommends Thomas talks to you.

Thomas is bright, charismatic, and likes extreme sports in his spare time. He's unmarried, with no children at the moment. He's just bought himself a small sailing boat, but would love to buy a bigger one, so he can retire early and sail around Cape Horn into the Pacific. He has seen his dream boat, and believes he'll need to save around £600,000 to fulfil his dreams.

He has two well paid jobs as an Anaesthetist both in the NHS and through private practice. His salary from both jobs is £135,000. His regular outgoings come to approximately £50,000. He owns a flat with a mortgage of £290,000.

His attitude to investing...

To build up his boat fund, he has been dabbling with online investing. He has a number of existing investments including:

- ▶ seven direct shares
- ▶ three investment trusts
- ▶ three different ISAs (one cash, two stocks and shares)

Over the last three years he's lost more than he's gained but he hasn't been put off by these losses as he has an adventurous attitude to investing.

...and investing values

Not only does Thomas dislike the fact that his investments have lost money, he has strong views on where his money is invested. He thinks sustainable investing with an environmental, social and governance (ESG) focus is the next big opportunity therefore he's keen on investing in environmentally friendly tech, such as renewable energy. He doesn't want to jeopardise the potential for gains though, so is happy to take risks.



These are challenging times for investors like Thomas

Accumulating wealth in a cost effective, easy to manage and tax efficient way is only becoming more difficult. Most tax allowances are being frozen and some even reduced, making it more important than ever to get the help of a professional adviser.

Reducing capital gains tax (CGT) annual exempt amount

500,000*

individuals and trusts could be affected for the tax year 2023/24 when the CGT annual exempt amount falls to £6,000 (£3,000 for trusts). The number of people could increase to 570,000 for 2024/2025 when the exempt amount falls further, to £3,000 (£1,500 for trusts). **

260,000*

individuals and trusts will be brought into the scope of CGT for the **first-time** by 2024/25.**

£1.6bn

The amount of tax the Government is expected to bring in due to the reductions in the annual exempt amount over five years. **

Reducing dividend allowance

3,235,000*

individuals could be affected for the tax year 2023/24 when the dividend allowance falls to £1,000, increasing to 4,405,000 individuals in 2024/25. **

£3bn

The amount of tax the Government is expected to bring in due to the reduction in dividend allowance over five years. **

* Approximate figure

** Source: Capital Gains Tax: Annual Exempt Amount - GOV.UK (www.gov.uk)

The risks of Thomas doing nothing

Thomas is busy. He works long hours and 'plays' with investments in his spare time. He is spontaneous and acts on impulse. He doesn't shop around; he picks the instant option – usually via online trading accounts.

Once he has invested some money, he expects to leave the investment alone and doesn't have the time and knowledge to manage his investments in line with the macroeconomic environment. He is also impatient and has unrealistic timescales for seeing returns, often leading to him taking higher risks than necessary to meet his objectives.

By speaking to an expert like you he can avoid:

- ✓ paying higher costs than are necessary
- ✓ making amateur, uninformed investment decisions
- ✓ taking more risk than necessary
- ✓ suffering a lack of diversification
- ✓ paying more tax than he needs to.

Most importantly, he risks not achieving his long-term goals by falling short of his financial target.



How your advice can help

Thomas currently has the following investments with a total value of £95,750:

- ▶ Seven direct equities valued at £40,000. They're carrying combined losses of £10,000.
- ▶ Three investment trusts valued at £10,750. They're carrying small, combined gains of £750.
- ▶ Three ISAs (with allowance available for this tax year):
 - one cash ISA with his bank worth £10,000
 - one stocks and shares ISA with his bank worth £17,000
 - one online only stocks and shares ISA from a direct to customer platform worth £18,000.

Your recommendations cover the following three areas:



Consolidation



Tax
efficiency



Selecting the
right investment

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Consolidation

The three ISAs can be combined into one ISA on the Quilter platform.

- ▶ The cash ISA didn't align to Thomas's attitude to risk.
- ▶ Within the two stocks and shares ISAs, his investments were 'self chosen' and have been left unchanged.
- ▶ The ISA on the Quilter platform will benefit from a Managed Portfolio Service (see 'Selecting the right investment' on page 9).

The remaining investments can be moved into a Collective Investment Account on the Quilter platform. The direct equities will be sold, realising losses of £10,000, whereas the investment trusts will be re-registered across to the platform.

Losses can be registered with HMRC and carried forward indefinitely. These can help avoid paying CGT on future gains, particularly with the lower CGT annual exempt amount in future tax years.

Consolidation brings several benefits:

- A low basis point charge is achieved through holding all assets in one place and Thomas will benefit from family linking (because existing wealth is held by his mum and dad, Quinn and Ursula, on the platform).
- An easy way to view all of Thomas's investments in one place through Quilter's online Customer Centre and app.
- The ability to benefit from a single investment strategy managed by professionals.
- Money can be moved quickly and simply into tax efficient wrappers each year.
- His plans can easily evolve and the platform can adapt to meet changing needs.



Tax efficiency

Following the transfers and lump sum into the ISA (current year ISA contribution) and the establishment of the Collective Investment Account, you pre-load next year's Bed & ISA contribution of £20,000 for the start of the tax year. This ensures that future income and gains on this money are achieved within the tax efficient wrapper of the ISA.

Thomas wants to invest regularly, so a monthly Direct Debit is set up into the Managed Portfolio Service. He can afford £2,500 a month based on his current circumstances.

Reporting CGT

You also update Quilter's on-platform CGT reporting tool with the original cost prices for the investment trusts which have been transferred. This will enable you to manage these assets alongside the Managed Portfolio Service, or perhaps sell them and move the money into the service if this is more appropriate.

Future gains achieved in the Managed Portfolio Service can also be monitored using the CGT tool, and you can also model Bed & ISAs on a yearly basis to ensure the CGT annual exempt amount is maximised, as well as using the registered losses from the equities within any modelling.

An achievable target

Illustrations produced on the Quilter platform show Thomas's financial target is achievable based on the initial transfers and lump sum, and the ongoing regular contributions which include a yearly Bed & ISA of £20,000.

The illustrations cover a 20-year investment horizon, taking Thomas to his mid-50s. The anticipated values in 20 years' time provide significantly more than the proposed target to cover the impacts of inflation on the future purchase of his boat.

These returns are achievable without taking unnecessary risks. You have recommended an adventurous portfolio, but Thomas is surprised that he doesn't need to take as much risk as he thought in order to achieve the large lump sum he aspires to.



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Selecting the right investment

As we know, Thomas wants to ensure his investments focus on sustainable investing and the opportunities he thinks this will bring. In the past he's taken too much risk and made a loss as a result, but he still has an adventurous outlook. His adviser highlights that he may be able to reduce the risk he takes but still achieve his goals. And, because he's previously managed his investments himself, his preference is to invest cost-effectively and to reduce additional costs.

Tools to understand Thomas's investment needs

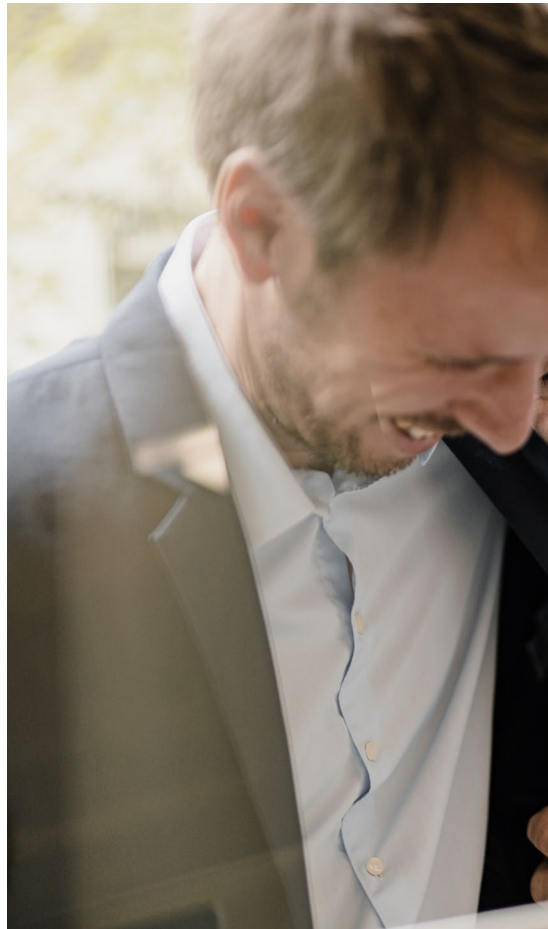
With Quilter's help, Thomas's adviser has implemented a robust and repeatable approach to understanding his clients' investment needs, including their preferences when it comes to responsible investment. He does this by using Quilter's Client Profiler and Solutions Explorer tools. This helps him to have a structured conversation with his clients about their needs, and when it comes to selecting an appropriate investment, he uses the Solutions Explorer to identify the correct portfolio for his clients.

Using these tools, the adviser agrees a suitable risk rating of 8 with Thomas. He then identifies WealthSelect Responsible Passive 8 as the most suited portfolio for him.

Why does he recommend WealthSelect Responsible Passive Portfolio 8?

- 1.** It's a multi-asset investment solution, made up of passive building blocks that is available at a highly competitive cost.
- 2.** It's risk targeted, so Thomas is invested in a way that's designed to match his appetite for risk.
- 3.** It aims to achieve capital growth whilst managing the ESG risk of the portfolio, including investing over 50% in funds that are leaders in the integration and management of ESG factors.
- 4.** It allows the adviser to provide Thomas with a personalised quarterly portfolio report and a responsible investment report, that he can co-brand with his logo.
- 5.** It's part of the WealthSelect Managed Portfolio Service, which is trusted with more than £11bn of customers' money from more than 2,100 financial adviser firms*.

*As at 31 March 2023.





The difference financial advice
can make



Thomas now has a financial plan
to achieve his dreams



Thomas is protected from
paying too much tax



Thomas is no longer taking too
much risk with his money

Please remember that past performance is not a guide to future performance.

The value of your client's investments may fall as well as rise and they may not get back what they put in.

Investment involves risk. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Because of this, an investor is not certain to make a profit on an investment and may lose money. Exchange rates may cause the value of overseas investments to rise or fall.

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Please be aware that calls and electronic communications may be recorded for monitoring, regulatory and training purposes and records are available for at least five years.

This document is based on Quilter's interpretation of the law and HM Revenue and Customs practice as at December 2022. We believe this interpretation is correct, but cannot guarantee it.

Tax relief and the tax treatment of investment funds may change.

The value of any tax relief will depend on your individual circumstances. The tax treatment and efficiency of these options will depend on your individual circumstances. Tax rules and their application may change in the future.

Please be aware that calls and electronic communications may be recorded for monitoring, regulatory and training purposes and records are available for at least five years.

Quilter is the trading name of Quilter Investment Platform Limited which provides an Individual Savings Account (ISA), Junior ISA (JISA) and Collective Investment Account (CIA) and Quilter Life & Pensions Limited which provides a Collective Retirement Account (CRA) and Collective Investment Bond (CIB). Quilter Investment Platform Limited and Quilter Life & Pensions Limited are registered in England and Wales under numbers 1680071 and 4163431 respectively.

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VAT number 386 1301 59.

The WealthSelect Managed Portfolio Service is provided by Quilter Investment Platform Limited and Quilter Life & Pensions Limited. "Quilter" is the trading name of Quilter Investment Platform Limited (which also provides an Individual Savings Account (ISA), Junior ISA (JISA) and Collective Investment Account (CIA)) and Quilter Life & Pensions Limited (which also provides a Collective Retirement Account (CRA) and Collective Investment Bonds (CIB)).

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Quilter uses all reasonable skill and care in compiling the information in this communication and in ensuring its accuracy, but no assurances or warranties are given. You should not rely on the information in this communication in making investment decisions. Nothing in this communication constitutes advice or personal recommendation.

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