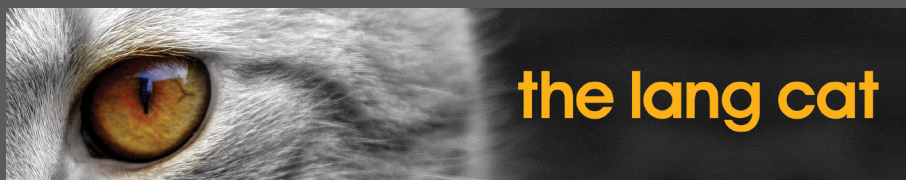




A SENTIMENTAL JOURNEY? RETIREMENT INCOME WITHDRAWAL THROUGH PLATFORMS

AN ANALYSIS BY THE LANG CAT



the lang cat



It seems like only yesterday that the lang cat published 'INCOME IN RETIREMENT THROUGH PLATFORMS: AN ANALYSIS BY THE LANG CAT'. Our seminal look at how platforms in general and Zurich Intermediary Platform (Zurich) in particular cater for income to the client. In fact, it was over a year ago.

Last year proved beyond a doubt that a week is a long time in politics. And 52 weeks is a very long time indeed. But has it been a long time in the world of retirement income? Pension freedoms are now a part of the landscape. Advisers have had time to adapt their service and advice processes to the new regime. A decent level of awareness of the flexibilities is now a *thing* in consumer-land.

Financial planning and what happens to pension money has changed. Probably irrevocably, or at least until a different government takes it in a different direction. In our view, pensions as a concept is more likely to be watered down; politics and demographics are going in that direction. Providers have adapted their propositions to accommodate needs in this new world *sound of needle coming off a record*. We'll get on to that in a bit.

With all of this going on, Zurich asked us to produce a new edition of the research. Our interest was duly piqued. So, we had a meeting with the good people at Zurich and thrashed things out between us. Two things emerged from that room:

- 1) Because propositions tend to evolve faster, and more under the radar, than you might think, we felt it was worthwhile to refresh the data and explore some extra areas of proposition (platforms don't necessarily do press releases for small enhancements these days).
- 2) The research had to evolve, so we agreed some extra dimensions. These direct the analysis towards the experience of the client and provide some material to support advisers when it comes to including this crucial aspect in their due diligence.

And with that, we set off to create this analysis. So, how did it turn out?

PART ONE

A look at the key areas of platform service relating to retirement income withdrawal: what they entail, how a typical client (if there is such a thing) might approach them and some points the adviser in question might want to keep in mind.

This is structured around a set of due diligence questions relating to each of the retirement income client journey¹ milestones². Some points that crop up in due diligence don't lend themselves to ticks and crosses (although some do, as we'll see shortly). We've devised some questions to support advisers in assessing those points.

PART TWO

Just as some points don't lend themselves to tick and cross responses, so others do. We covered quite a few of them in last year's analysis. We've refreshed and updated that analysis which represents 14 of the UK's leading advised platforms, accounting for over 90% of advised AUA and new business.

BEFORE WE GET STARTED...

Now, we say this every time but that's because a.) It's true and b.) It's important.

We stake our reputation on our independence.

This paper is free to you because Zurich paid for it. As a result, one of its main purposes is to compare Zurich to its competitors.

Zurich supplied us with an initial brief and we agreed the scope of the research.

However, the analysis and opinions are ours and ours alone. We don't say anything about Zurich that we wouldn't if we weren't getting paid. You'll just have to trust us on that. But we're very confident that if you compare our analysis here to that in other places – our advised platform guide for example – we apply a fair and consistent hand to what we say about Zurich and all platforms.

1. I'm sorry.
2. Refer to 1.

PART ONE: KEY AREAS OF PLATFORM SERVICE FOR RETIREMENT INCOME WITHDRAWAL

Now that you are sitting comfortably, or standing awkwardly on a train, let's begin.
And speaking of trains...

NOT EVERYTHING IS ON A PLATFORM

Activities described in this paper relating to planning and modelling can be, and often are, carried out using off-platform software. And that's fine. It's great, actually. The purpose of this analysis however is to look at platforms specifically. Our view is that if you want a platform to be an all-singing-all-dancing 'holistic' tool, then you want to explore all of these areas. If you don't want it to be that, then terrific; you only want to explore what's important to you and your clients.

A CLIENT JOURNEY



*CASE STUDY WARNING

KLAXON* We are going to do a client journey. But don't get too uncomfortable. After a very long and involved team

meeting³ we decided not to do THAT THING where we call the character Julie, a 59-year-old accountant from Hertfordshire with a pension pot of £450k, who is in discussion with her IFA (who is called Geoffrey) about a phased retirement plan. Even though Julie would be having a particularly scandalous affair with Geoffrey and there would be some quite interesting conflict of interest issues, it still really wouldn't have been us.

So, what you get is:

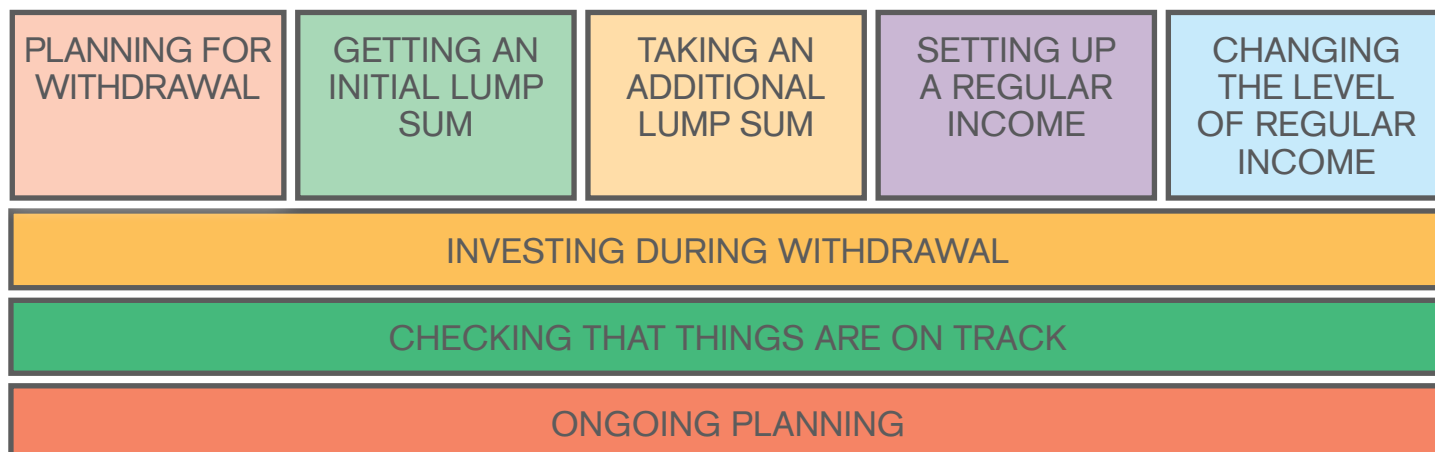
Ms Believably Average Retirement Client, Ms BARC for short. She is:

- just about to retire;
- has a retirement pot (rather obviously) and an adviser (also rather obviously); and
- is about to embark on her retirement 'journey'.

And that's it. Apologies if fluffy marketing case studies are your kind of thing. But if they are, you're probably reading a paper by the wrong consultancy.

3. Briefly shouting across the office at one another.

What we have done is identify five key stages involved in retirement income withdrawal and three distinct processes that take place alongside them.



The order of these stages can and will vary between individuals who may go through a few, some or all of them once or more than that. Some might trigger a regular income before a lump sum, some might not take any extra lump sums. Others might take lots. Others again might never change their level of income. Still others might do it loads of times. And there are those who might not even initially withdraw money from a pension pot. The point is that withdrawal is now an individually tailored thing.

So regardless of the specific (made up or real) journey, this is what we think matters:

- There are common needs that the platform must serve, which happen at different times for different people.
- Retirement is now longer and more flexible than it has ever been before.
- Platforms need to support the flexibility.

WHAT A PLATFORM DOES

Advised platforms are operated for the benefit of clients, yet advisers spend much more time actually interacting with them. This is one of our industry's more interesting juxtapositions. We are looking at advised platforms which provide services to an adviser that, in turn, benefit the client but which are usually actioned and carried out by the adviser as the client's agent. That said, clients increasingly seek to interact with their advised platform directly. So, if you can keep all that straight (and we know you can) this is the lens through which we are looking at our platforms.

If we are all in at least violent agreement, let's proceed.

We think effective withdrawal from a client perspective boils down to a combination of:

- Tools and technical support to help the adviser plan for their client.
- Administrative efficiency for the adviser, so they can provide a good service to their client.

- Speed of investment and money transactions, so the client can get their money in a timely fashion and avoid out-of-market time.
- Keeping the adviser informed, so they can inform their client.
- Keeping the client directly informed, because sometimes that's what they want.

Clients may never think about several of these points but it's the outcome that matters to them.

DUE DILIGENCE QUESTIONS

Having looked at the process of withdrawing retirement income and some considerations on that theme, here we focus on how each stage of that process can be effectively represented within due diligence.

RULES OF ENGAGEMENT

Our due diligence questions are grouped together based on which aspect of withdrawing retirement income they apply to. Some of the questions apply to more than one aspect. For example, getting an additional lump sum might involve the same process and portfolio implications as getting the first one. But it might not. It may be that only the initial pension lump sum needs a signature or generates a charge, or not. These are the nuances that affect how often you need to interact with the platform and your clients so we think they're worth getting to the bottom of.

We prefer a simple life so we've noted where questions apply more than once.

We're also acutely aware that not all questions will be relevant to all adviser propositions. And that you may well ask some of them already. There may even be areas you explore in relation to withdrawal that we don't have here (if so, get in touch, we're all ears).

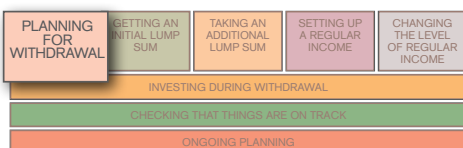
This is intended as a bank of questions that you can cut and paste from at will⁴. We hope they provide some food for thought.

4. If you'd like a Word version of the questions just drop us a note.

PLANNING FOR WITHDRAWAL

MS BARC IS IN THE PROCESS OF MEETING HER ADVISER TO PLAN FOR RETIREMENT INCOME FROM HER POT OF MONEY.

This stage is all about weighing up the options ahead of retirement and taking everything relevant into account. The decisions made now can determine the quality of the rest of Ms BARC's life. These questions look at planning software and technical support provided by the platform. What's available to the adviser to help their client? What can the client see and do for themselves?



QUESTIONS

- 1) Do you have software that allows advisers to help clients:
 - a. Work out what their monthly expenditure might be?
 - b. Understand how much money they will need in retirement?
 - c. Grasp how likely it is that they will be able to meet their income goals (factoring in projected pot size)?
 - d. Make a decision which takes into consideration all assets (i.e. not just pension)?
 - e. See how different investment portfolios will impact the likelihood of meeting goals?
- 2) For all of the above:
 - a. Can the adviser make the output available to the client in a PDF?
 - b. Can it be put online for the client to access in a secure area?
 - c. Are outputs held in the client portal (outside of a report) that the client can see at any time?
 - d. If yes to c. above, is the output mobile device friendly?
- 3) Can the client interact with the software themselves e.g. change goals and timeframes?
- 4) Do you provide advisers with access to a team of in-house specialists to assist them with technical aspects before advising clients on retirement?
- 5) Do you help to support client understanding of retirement (by producing consumer-facing materials, etc)?
- 6) Do you provide tools that help to identify the most tax efficient withdrawal strategies taking into consideration pension options and other wrappers?
- 7) Are tools independent of the platform?

GETTING AN INITIAL LUMP SUM

MS BARC IS TAKING HER VERY FIRST LUMP SUM WITHDRAWAL.

This stage is all about moving into withdrawal for the first time and taking a lump sum, whether it be an uncrystallised funds pension lump sum (UFPLS) or tax-free cash (TFC), or even a pension commencement lump sum (PCLS) if you prefer. How efficiently does the platform get the client's money to them? And what's involved behind the scenes?



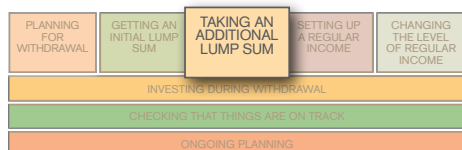
QUESTIONS

- 1) Do you have a daily run for making lump sum payments to clients? For example, if a PCLS or TFC payment is keyed today, would the payment be made as soon as the funds are clear? If not, what dates in the month are lump sum payments restricted to?
- 2) Must all pension assets be sold down in order to make a TFC payment?
- 3) Does TFC money have to be reinvested after crystallisation before it can be withdrawn?
- 4) Is the withdrawal pre-funded?
- 5) Are there any circumstances where insufficient cash account funding could prevent the withdrawal after it has been keyed? In relation to the above, please describe:
 - a. The process for releasing cash that is invested in mutual funds.
 - b. The process for releasing cash that is invested in equity traded instruments.
 - c. In relation to a. and b. above, please describe any differences with:
 - i. Assets in DFM portfolios.
 - ii. Assets in an adviser's own model portfolios.
 - iii. Can specific assets be selected to withdraw from?
- 6) Does the adviser need to submit a paper application?
- 7) Is a wet client signature required?
- 8) If the process is online, is it 'straight through' or does it go into a work queue for a human to do something?
For 4-8 above, please detail any process differences by wrapper type.
- 9) Do you flag the tax/subscription implications of ISA withdrawals?
- 10) Do you flag any potential CGT implications if the withdrawal is coming from a general account?

TAKING AN ADDITIONAL LUMP SUM

A NEED HAS ARISEN IN MS BARC'S LIFE THAT MEANS SHE NEEDS A LUMP SUM OF MONEY. THIS NEED MIGHT ARISE MORE THAN ONCE DURING HER RETIREMENT.

Taking additional lump sums along the way will of course involve very similar things to taking the initial one. So, many of the questions relating to taking the first also apply here. Is it any easier to take an additional lump sum once the groundwork has been done?



QUESTIONS

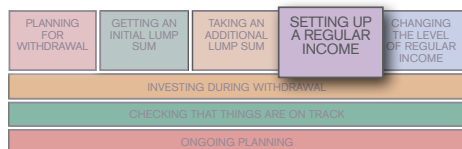
See also **GETTING AN INITIAL LUMP SUM**, questions 1 – 10.

- 1) Are there ever any charges associated with taking an additional lump sum?
- 2) If the lump sum is likely to impact regular income sustainability, is this flagged to the adviser?

SETTING UP A REGULAR INCOME

MS BARC IS TAKING HER FIRST REGULAR INCOME FROM HER POT, HAVING JUST EITHER PARTIALLY OR FULLY RETIRED.

This stage also comes at the outset of withdrawal but here we are looking at regular income rather than a lump sum. This might, and often does, happen at the same time the lump sum is taken. But there is no rulebook on what comes first, or together, as it all depends on individual needs. Can the platform pay clients their money at the time of month they want it? Is the process for setting up an income efficient for the adviser and their client?



QUESTIONS

See also **GETTING AN INITIAL LUMP SUM**, questions 7 and 8.

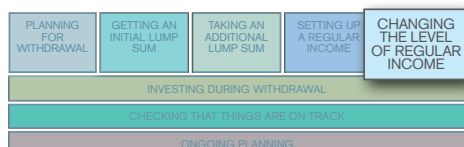
- 1) Are there any restrictions on the dates on which regular income can be paid (e.g. certain dates in the month)? If so, please detail the dates available.
- 2) If there are date restrictions, what is the longest that clients may have to wait for the first payment after the income request has been keyed?
- 3) Do all pension assets have to be sold down in order to commence regular payments?
- 4) Can a single, consolidated regular payment be made on the same date if the client is drawing income from more than one wrapper?
- 5) Are there any circumstances where the adviser has to submit a paper application to set up or change a regular income?
- 6) Are there any charges made to the client for setting up a regular income?
- 7) Are there any circumstances where insufficient cash account funding could prevent the client receiving their payments?
- 8) If taking income from a GIA, is CGT liability reported on?
- 9) Similarly, if taking income from an ISA, is the client's current ISA subscription reported on?

In all of the above, please specify any process differences by wrapper type.

CHANGING THE LEVEL OF REGULAR INCOME

MS BARC NEEDS EITHER MORE OR LESS INCOME. THIS MIGHT HAPPEN SEVERAL TIMES, OR NEVER.

What's important here is how easy the platform makes it to change the client's income from, say, £250pm to £350pm, from an administrative perspective and across the portfolio. What if that income is made up from more than one wrapper? Are there any cost implications for the client?



QUESTIONS

See also **SETTING UP A REGULAR INCOME**, questions 1 – 9.

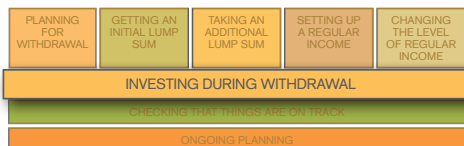
- 1) Are there ever any charges associated with the regular income being changed either up or down?
- 2) Do you have software that will illustrate the impact of changing the income? For example, if increasing income is likely to impact regular income sustainability.
- 3) Do you notify the client (and/or adviser) if a change in income is likely to impact the client's tax code?
- 4) Can total income be changed via a single process if there is more than one wrapper?
- 5) When changing the regular income up or down, are there ever any circumstances where either a paper application or wet signature is required?

INVESTING DURING WITHDRAWAL

MS BARC IS STILL INVESTED DURING HER WITHDRAWAL PHASE.

The only difference from accumulation investing is that she agreed with her adviser to move into a model portfolio with a greater proportion of cash and bonds to reduce risk exposure.

Areas of concern here include whether the platform assists advisers in ensuring income needs can be met and the pot isn't ravaged. Is it good at ensuring money movements around the portfolio are still well catered for when a pension is in drawdown? Is it still as easy to make new contributions? Are any investment portfolios specifically designed for the withdrawal phase?



QUESTIONS

- 1) Do you offer any in-house investment portfolios that are specifically designed for clients in withdrawal?
- 2) Do you provide tools or services to help advisers establish sustainable income levels for clients?
- 3) Do you provide advisers with any tools to address sequencing risk?
- 4) Can a single model portfolio be used across different tax wrappers?
- 5) Can the pension accept regular contributions when in drawdown?
- 6) Can more than one monthly contribution payment be made on different dates?
- 7) Is phased investment within the drawdown pot supported?
- 8) Does Bed & Pension still work for clients in drawdown (if you offer it at all)?
- 9) What are your service standards for processing both transfers and re-registrations in? What are the average turnaround times over the past 6 months for processing each of these transactions (from being keyed to money in funds)?

CHECKING THAT THINGS ARE ON TRACK

MS BARC WANTS TO BE ABLE TO FIND OUT WHAT'S GOING ON WITH HER RETIREMENT INCOME PORTFOLIO, AND NOT NECESSARILY BY HAVING TO CONTACT HER ADVISER.

While always important, this tends to become more of a priority just after changes have taken place. How well can the customer (end client) interact with their income portfolio to see what's going on? What's available to the adviser to help them pass a clear, comprehensive view on to their clients?

QUESTIONS
1) Does the client site show what income is being paid if it's from more than one wrapper?
2) Does it show a 'total' income that is easy for the client to work out?
3) Does it work on the basis that, to a consumer, income is income and they don't necessarily care about the jargon i.e. what 'tax wrapper' or 'product' it's coming from?
4) Does the standard client report show income that's been paid out?
5) Does it show income against plan?
6) Can the client check all of the above as often as they like using a mobile device?
7) Do you send paper, electronic (or both) payslips to clients?
8) Are historic payslips held in an online document store?

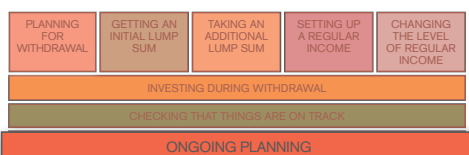


ONGOING PLANNING

EVENTS HAPPEN IN MS BARC'S LIFE AND SHE ALSO HAS A REGULAR REVIEW WITH HER ADVISER.

Again, aspects of planning for income withdrawal are also relevant to ongoing planning. But how good are the planning software and investment products at supporting and reflecting changing needs?

QUESTIONS
See also PLANNING FOR WITHDRAWAL, questions 1 – 5.
1) What tools and features does the platform offer advisers to assist their clients in adapting their plan to meet changing income requirements?
2) If projected income availability is deviating from the plan, do you have software that proactively alerts the adviser, client, or both?
3) Are outputs from previous planning saved online? If so, is it via PDFs or online data?
4) Does the planning software automatically save – and start from – the previous position for a client, or is any new visit starting from scratch?
5) Does the platform hold information on a client's attitude to risk?
6) What is the process for switching a client from an adviser's own model portfolio to another? Please describe the process if more than one wrapper is invested in the same portfolio.
7) Can a new goal, or goals, be set up that are reflected in the platform and reporting? If so, is the change of goal recorded?



PART TWO: DATA. LOTS AND LOTS OF DATA.

And now to the data refresh. The areas of proposition that do lend themselves to ticks and crosses. Now, it wouldn't be much of a data refresh if nothing changed. In that case we'd just all go on holiday for a month and send out the same paper, possibly with some new cat pictures, possibly not. And that would be madness, no?⁵

So, we've added in some new questions (the handy little stickers marked 'New Q' might provide a pointer here) and some of the platform responses have changed since last year, which is a mix of proposition development and a few clarifications.

Our thanks go once again to all the platforms for taking part. It takes a degree of guts to be involved because analysis like this inevitably exposes proposition gaps in comparison to peers. However, on the flip side we do know that the providers themselves find this type of work useful for comparison purposes. If everyone kept their proposition secret advisers, providers and end clients would all be worse off as a result. And we'd probably have to go and get proper jobs. It would be harder for advisers to assess the best venue for their clients; harder for providers to work out proposition developments in light of the competition; and harder for nosey consultancies to pick over it all to make the insight available.

We always find the advised platform sector to be very transparent, so kudos for that.

THE COHORT

We're covering the same peer group as last year, which amounts to 14 of the leading UK advised platforms. It contains all the big players and accounts for over 90% of AUA and new business.

A NOTE ABOUT TICKS AND CROSSES



We've chosen to visualise 'yes' and 'no' responses with ticks and crosses. However, a tick isn't always good and a cross isn't always bad – they just signify whether or not a platform offers each feature. You might not need a certain feature, or you might prefer the approach that a cross indicates.

One example of this is whether or not a platform operates a central cash account. Another is the approach to auto-disinvestment. Beauty is in the eye of the beholder, so we don't want you to get too hung up on a cross always being bad, even if red cross = tells brain bad. We could go on, but you're a clever sort and you get the picture.

PLATFORM	REFERRED TO AS
Aegon Retirement Choices (ARC)	Aegon
AJ Bell Investcentre	AJ Bell
Ascentric	Ascentric
Aviva Platform	Aviva
Cofunds	Cofunds
Elevate	Elevate
FundsNetwork	FFN
James Hay Modular iPlan	James Hay
Novia	Novia
Nucleus	Nucleus
Old Mutual Wealth	OMW
Standard Life Wrap	Standard Life
Transact	Transact
Zurich Intermediary Platform	Zurich

5. *makes a mental note to try that next year*

SECTION ONE: THE BASICS

	AEGON	AJ BELL	ASCENTRIC	AVIVA	COFUNDS	ELEVATE	FFN	JAMES HAY	NOVIA	NUCLEUS	OMW	STANDARD LIFE	TRANSACT	ZURICH
Are UFPLS payments supported?	✓	✓	✓	✗	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓
FLEXI-ACCESS DRAWDOWN														
Is flexi-access drawdown supported?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Can existing (in-house) capped be converted to flexi-access?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Can capped that has been transferred in be converted to flexi-access?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Can transferred in capped be retained as capped?	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Can contributions continue to an account in drawdown?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
PRE-FUNDING														
Regular contributions?	✗	✗	✓	✗	✓	✓*	✓	✗	✗	✗	✓	✓	✗	✓
Switching?	✗	✓	✓	✓	✓	✓	✗	✓	✗	✓	✓	✓	✗	✓
Rebalancing within a model portfolio?	✗	✓	✓	✓	✓	✓	✗	✓	✗	✓	✓	✓	✓	✓
Inter-wrapper transfers?	✗	✗	✓	✗	✓	✓**	✓	✗	✗	✗	✓	✓	✓	✓
Pension tax relief?	✓	✗	✓	✓	✗	✓	✗	✗	✓	✓	✓	✓	✗	✓
Withdrawals?	✗	✗	✗	✗	✗	✓	✓	✗	✗	✗	✗	✓	✗	✓
 Bed & Pension?	✗	✗	✓	✗	✗	✗	✗	✗	✓	✗	✓	✓	✓	✓
 DFM model portfolios?	✗	✗	✓	✗	✗	✓	✓	✗	✗	✓	✓	✓	✓	✓

*ISA and GIA

** Bed & ISA

- Last year, we said that most platforms support the full range of mainstream drawdown features, so it's no surprise to see that not much has changed on that front.
- It's a different story when we look at pre-funding with many providers adding functionality to their ability to pre-fund in certain scenarios. A chunk of providers now pre-fund a decent range of the most common transactions, meaning the average out-of-market time for Ms BARC is coming down. That can only be a good thing.
- Zurich and Standard Life (both of which sit on FNZ tech) are the only platforms to offer the full suite of pre-funding options. Our response to any muttering about one of the top platforms being the paper's sponsor is to gently point out that Zurich would hardly commission a paper where pre-funding is one of the key areas if it was rubbish at it.
- Anyway, while Zurich and Standard Life have the pre-funding clean sweep, Ascentric, Elevate and OMW are snapping at their heels.

SECTION TWO: MODELLING TOOLS

	AEGON	AJ BELL	ASCENTRIC	AVIVA	COFUNDS	ELEVATE	FFN	JAMES HAY	NOVIA	NUCLEUS	OMW	STANDARD LIFE	TRANSACT	ZURICH
NEW Q Do you have a retirement modelling tool?	✓	✗	✗	✓	✓	✓	✗	✗	✓	✗	✓	✓	✓	✓
Do you have a risk profiling tool that produces different asset allocations depending on the time horizon of the investment?	✗	✗	✗	✗	✓	✗	✓	✗	✓	✗	✓	✗	✗	✓
Does your risk profiling tool match to in-house drawdown portfolios?	✗	✗	✗	✗	✓	✓	✗	✗	✓	✗	✓	✗	✗	✓
Do you offer a cashflow modelling tool that works into drawdown?	✓	✗	✗	✓	✗	✓	✗	✗	✓	✗	✗	✗	✓	✓
NEW Q Do you provide any other tools geared specifically to helping with efficient income management?	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✗	✓
NEW Q Do you have goal setting software that clients can interact with?	✓	✗	✗	✓	✗	✓	✗	✗	✓	✗	✗	✗	✗	✗

- Managing client income is a hot topic. Barely a day goes past without industry noise surrounding sustainable income, retirement product choice and so on. It's only natural that platforms will keep evolving and offer widgets to help advisers and their clients.
- Now, clearly there's still a segment of the adviser community who would rather use off-platform tools – understandably so for those running clients on multiple platforms – but for those wanting to keep everything in one place, this stuff is often seen as vital.
- No surprise then that there are lots of platforms offering either a retirement modelling tool or a tool geared specifically to managing income. Or both. As we noted last year, there's a propensity for platforms with a lifeco heritage⁶ to offer this kind of shizzle.
- However Novia bucks that trend with a complete set of 'yes' responses.

6. They'll hate us for saying this, which is kind of why we say it. Sorry.

SECTION THREE: MANAGING CENTRALISED INVESTMENT PROPOSITIONS

	AEGON	AJ BELL	ASCENTRIC	AVIVA	COFUNDS	ELEVATE	FFN	JAMES HAY	NOVIA	NUCLEUS	OMW	STANDARD LIFE	TRANSACT	ZURICH
Can model portfolios be run in drawdown?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Can multiple model portfolios be held by a client within a single wrapper e.g. drawdown or ISA?	✗	✓	✓	✗	✗	✓	✓ (GIA only)	✗	✗	✓	✗	✓*	✓**	✓
△ If yes to above, what is the maximum number?	N/A	2	No limit	N/A	N/A	No limit	No limit	N/A	N/A	10	N/A	No limit*	10	No limit
△ ***If yes to above, can this cope with different portfolios?	N/A	✓	✓	N/A	N/A	✓	✓	N/A	N/A	✓	N/A	✓*	✓**	✓
****Is there access to WoM DFMs?	✓	✓	✓	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓
Do you offer in-house portfolios to support income in retirement?	✓	✗	✗	✗	✓	✗	✓	✗	✓	✗	✓	✓	✗	✗
Can one model portfolio be used across all tax wrappers so advisers are only managing a single set of models?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓



* It's possible to split money between a DFM on Investment Hub and an adviser's own model portfolio within a single wrapper. You can only have one adviser's own portfolio per wrapper and there is no limit on Investment Hub.
 ** If held in a sub-wrapper.
 *** By this we mean, can they be any mixture of self-managed, DFM and outsourced portfolios?
 **** By this we mean, do you offer a subset of DFMs chosen by you or will you add any DFM an adviser asks for subject to an appropriate bipartite agreement being signed?

- A similar showing to last year, which doesn't surprise us. From our work with platforms in 2016 we concluded that model portfolio functionality on most platforms was pretty much ok across the piece. That's not to say that each platform is identical. They're not. It's just that we think there are other areas more ripe for development.
- We're chuffed that all of our platforms can manage a single set of models across wrappers. With the lines increasingly blurring between all things retirement and wrappery (both real words) it just makes sense from an adminy (also a real word) perspective to be able to do this.
- Running multiple portfolios in a single wrapper is clearly an area still to fully develop; half of our cohort offer this to some extent. Accommodating distinct goals which demand different timescales and risk profiles in one wrapper is perhaps more of an accumulation thing than withdrawal. Perhaps not.

SECTION FOUR: AVAILABLE ASSET TYPES

	CORPORATE BONDS		STRUCTURED PRODUCTS		GUARANTEED INCOME PRODUCTS		INCOME (SOLUTION) FUNDS		MONEY MARKET FUNDS		INVESTMENT TRUSTS	
	Availability	MPS?*	Availability	MPS?*	Availability	MPS?*	Availability	MPS?*	Availability	MPS?*	Availability	MPS?*
AEGON	No	✗	No	✗	Limited range	✗	Limited range	✓	Limited range	✓	Limited range	✗
AJ BELL	Whole of market (subject to approval)	✓	Whole of market (subject to approval)	✓	Limited range	✓	Limited range	✓	Whole of market (subject to approval)	✓	Whole of market (subject to approval)	✓
ASCENTRIC	Whole of market	✓	Whole of market	✓	Whole of market	✓	Whole of market	✓	Whole of market	✓	Whole of market	✓
AVIVA	No	✗	Whole of market	✗	No	✗	Whole of market	✓	Whole of market	✓	Whole of market	✓
COFUNDS	No	✗	No	✗	No	✗	Limited range	✓	Limited range	✓	No	✗
ELEVATE	Whole of market	✓	No	✗	Limited range	✗	Whole of market	✓	Whole of market	✓	Whole of market	✓
FFN	No	✗	No	✗	Limited range	✓	Limited range	✓	Limited range	✓	Limited range	✓
JAMES HAY	Whole of market	✗	Whole of market	✗	Whole of market	✗	Whole of market	✗	Whole of market	✗	Whole of market	✗
NOVIA	Whole of market	✗	Whole of market	✗	No	✗	Whole of market	✓	Whole of market	✓	Whole of market	✗
NUCLEUS	Whole of market	✓	Whole of market	✗	No	✗	Whole of market	✓	Whole of market	✓	Whole of market	✓
OMW	No	✗	No	✗	No	✗	Limited range	✓	Whole of market	✓	No	✗
STANDARD LIFE	Whole of market (subject to using a DFM via Investment Hub)**	✗	Whole of market (subject to using a DFM via Investment Hub)**	✗	Whole of market (subject to using a DFM via Investment Hub)**	✗	Whole of market (subject to using a DFM via Investment Hub)**	✓	Whole of market (subject to using a DFM via Investment Hub)**	✓	Whole of market (subject to using a DFM via Investment Hub)**	✗
TRANSACT	Whole of market	✓	Whole of market	✓	Whole of market	✓	Whole of market	✓	Whole of market	✓	Whole of market	✓
ZURICH	Whole of market	✓	No	✗	No	✗	Whole of market	✓	Whole of market	✓	Whole of market	✓

* Whether the asset type can be held within a model portfolio service.

** For advisers not using Investment Hub, different access may apply.

KEY

Whole of market

More about philosophy than existing range – the platform is happy to add any asset based on adviser demand, subject to compliance.

Limited range

There is access to a specific range of assets in this category.

No

No assets of this type can be accessed through the platform.

- It's worth a quick reminder at this point that the asset types listed here are those which some sections of the adviser community tell us they use to generate income during the withdrawal stage.
- Plenty of advisers also tell us that they don't see too much of a distinction (from a portfolio creation perspective) between accumulation and withdrawal. Cash management is king for them.
- A fair challenge to that stance would be asking whether it makes sense to use a full accumulation strategy, potentially built on a 15 – 20 year outlook, only to be disinvesting within a few years to supply income?
- It's also fair to say that platform investment in anything bar collectives remains the exception, with around 95%⁷ of platform assets being held in a mix of collectives and cash.

7. The Quick and the Dead: State of the Platform Nation, the lang cat, autumn 2016.

SECTION FIVE: CASH





	AEGON	AJ BELL	ASCENTRIC	AVIVA	COFUNDS	ELEVATE	FFN	JAMES HAY	NOVIA	NUCLEUS	OMW	STANDARD LIFE	TRANSACTION	ZURICH
FLEXI-ACCESS DRAWDOWN														
Is there a central platform cash account?	✗	✗	✗	✗	✓	✓	✗	✗	✓	✗	✗	✓	✓	✓
Are there wrapper specific cash accounts/elements?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓
OTHER CASH VEHICLES														
Fixed term deposit?	✗	✓	✓	✗	✗	✓	✗	✓	✗	✓	✗	✓	✓	✗
Instant access?	✗	✓	✗	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗	✓
CASH MANAGEMENT														
Is there a minimum balance requirement?	✓	✗	✓	✗	✗	✗	✗	✗	✓	✓	N/A	✗	✓	✗
Can auto-disinvestment maintain a specific cash holding?	✓	✗	✗	N/A ⁱ	N/A ⁱ	N/A ⁱ	✗	✗	✓	✓	N/A	✗	✓	N/A ⁱ
Can the order of assets for regular sell-down be selected?	✓	✓	✗	✗	✓	✓	✓	✓	✗	✓	N/A	✗	✓	✓
Can specific assets be protected from being automatically sold?	✗	✓	✗	✗	✓	✓	✓	✓	✗	✓	N/A	✗	✓	✓
If there is insufficient cash, does auto sell-down happen to ensure the client is paid?	✓	✗	✓	✓	✓	✓	✗	✗	✓	✓	N/A	✗	✗	✓
INTEREST														
What is the current interest rate on platform cash?	0.15%	0.00%	0.00% to 0.075%	0.05%	Various ⁱⁱ	Pension: 0.05%, ISA/GIA: 0.25%	Various ⁱⁱⁱ	0.9375% below BoE Base Rate ^{iv}	0.00%	0.13% to 0.50% ^v	N/A	0.00% to 0.05%	0.16%	0.00%
Is the platform charge levied on wrapper cash and/or cash account?	✓	✓	✗	✓	✗	✓	✓ (on pension)	✗	✓	✓	N/A	✓	✓	✓ (except ISA and central cash account)

CASH CAVEATS

- i We've said N/A here because these platforms don't need to have a minimum holding as auto sell-down happens to pay liabilities instead.
- ii 0.40% below BoE Base Rate or zero, whichever is higher.
- iii 0.00% on ISA Cash Park and Intl Bond bank account. Pension 1% below BoE Base Rate subject to 0.25% minimum – currently 0.25%.
- iv Minimum earned interest of 0.00001%.
- v This is the rate that applied and was paid at end of Q3 2016.

- The biggest change since last year has been the BoE Base Rate revision down to 0.25%, killing cash as an investment vehicle (if it wasn't already dead).
- On top of that, a good number of platforms have an approach to charging that can leave clients in a negative position on their cash holdings. Many platforms take the full platform charge on cash (AJ Bell moved to this approach in the autumn) whereas some retain a slice of any interest. Zurich takes no charge on the central platform and ISA cash accounts but does on other wrappers.
- Crucial then, to avoid kicking customers while they're down, is keeping cash holdings to a minimum⁸ by managing income and fee payments efficiently. You see, there's a reason why we ask some of this stuff.
- The auto-disinvestment question is a classic example of a cross not necessarily being a bad thing. We know that many advisers like this type of automation as it can seriously cut down on admin time.

SECTION SIX: INCOME TO THE CLIENT

	AEGON	AJ BELL	ASCENTRIC	AVIVA	COFUNDS	ELEVATE	FFN	JAMES HAY	NOVIA	NUCLEUS	OMW	STANDARD LIFE	TRANSACT	ZURICH
INCOME TO THE CLIENT														
Can there be one regular consolidated payment to the client (from across all wrappers)?	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗	✗	✗	✗	✓
△ If yes to above, can any date be selected?	N/A	N/A	N/A	N/A	N/A	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓
△ If no, can separate wrapper payments be paid on the same date?	✓	✗	✓	✓	✓	N/A	✗	✓	✓	✓	✗	✗	✓	N/A
Can wrappers be prioritised for regular withdrawals?	✗	✓	✗	✗	✓✗*	✗	✗	✗	✗	✗	✗	✗	✗	✗
Are there auto-alerts if there is not going to be enough cash to pay income?	✗	✓	✗	✗	✗	✓	✓	✓	✗	✓	N/A	✗	✗	✓
 Frequency of lump sum withdrawals payment run (i.e. every day/weekly/monthly)?	Every Day	Every Day	Every Day	Every Day	Monthly	Every Day	Every Day	Every Day	Every Day	Every Day	Every Day	Every Day	Every Day	Every Day
 As above but for regular withdrawals, any day of the month or only certain days?	Certain days	Certain days, available every day for additional charge.	Every Day	Every day for ISA/GIA, one of 4 days for pension income.	N/A	Every Day	Certain days	Monthly	Certain days	Every Day	Certain days	Every Day	Either 7th, 17th or 27th on a monthly, quarterly, half-yearly or yearly basis.	Between the 1st and 28th of each month.
 Are there service standards for paying income? Are they reported on?	✓	✓	Yes – not reported externally.	✓	Not reported externally.**	✓	Not reported externally.**	Certain transactions – not reported externally.	✓	✓	✗	✓	✗	Yes – not reported externally.
 Is income included in the client report?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

8. 6% of UK platform assets are in cash. The Quick and the Dead: State of the Platform Nation, the lang cat, autumn 2016.

	AEGON	AJ BELL	ASCENTRIC	AVIVA	COFUNDS	ELEVATE	FFN	JAMES HAY	NOVIA	NUCLEUS	OMW	STANDARD LIFE	TRANSACT	ZURICH
NEW Q Do you report on sustainability of client income?	✗	✗	✗	✓	✓	✓	✗	✓	✓	✗	✗	✓	✓	✓
NEW Q Can income/withdrawals be generated across ISA/GIA and pension at the same time but for different amounts?	✓	✓	✓	✓	✓***	✓	✓ (via ISA/GIA at present)	✓	✓	✓	N/A	✓	✓	✓
NATURAL INCOME OPTIONS														
Can it be paid to a tax wrapper cash account?	✓	✗	✓	✓	✓	✓	✓ (for pension and offshore bond)	✓	✓	✓	✓	✓	✓	✓
Can it be paid to a central platform cash account?	✗	N/A	N/A	N/A	✓	✓	✗	✗	✓	✗	N/A	✓	✗	✓
Can it be paid direct to client bank account?	✗	✓	✓	✓ (GIA and ISA)	✓	✓ (GIA and ISA)	✓	✗	✗	✓	✓	✓	✓	✓
CHECKING INCOME ON THE GO														
Do you have a mobile app for client accounts?	✗	✗	✗	✗	✗	✓	✓	✗	✗	✗	✗	✗	✗	✗
Is the client platform fully optimised for mobile access?	✓	✗	✗	✗	✗	✓	✓	✓	✗	✗	✓	✗	✓	✓

* Cannot choose to fully deplete ISA, move on to GIA and then move on to pension. Can choose just one or both of ISA/GIA but cannot incorporate pension in the same withdrawal instruction.
 ** Internal performance reported internally but not communicated externally.
 *** Won't be paid on the same date.

- It's only right that customers are able to access their own money so we've dug a bit deeper with our questioning this year. And it's fair to say that the responses are something of a mixed bag.
- On the plus side, lump sum withdrawals can be made on any day on the vast majority of platforms.
- Regular income is another story. Elevate and Zurich are the only platforms able to pay a regular consolidated income across all wrappers.
- When it comes to choosing income dates, you've around a 50% chance that your platform can facilitate your chosen date #glasshalffull.
- Almost half of platforms won't externally report service standards for paying income.
- And a similar number aren't able to report on the sustainability of client income.



CONCLUSIONS

This paper came into being with two main aims: first to propose a set of due diligence questions specifically designed around the key stages and processes (some or all of which) investors will encounter as they plan for, set up and manage retirement income withdrawals. We did just that and hopefully those questions will prove a useful addition to your existing set – we're always happy to hear feedback on how they could develop further.

The second aim was to update and develop our view on how well (or not) platforms are playing their role in the process of investors getting their money back again.

Where we see change

- A handful of platforms are doing clever stuff to try and help advisers manage their clients' retirement journeys. Aegon's interactive Retirement Income Planner tool and Standard Life's Tailored Drawdown – now brought into the platform – are good examples.
- Margins are tight and cash rates have continued to wane. AJ Bell completely changed its approach by introducing a charge on cash and we think others might follow.
- 13 of the 14 platforms have a daily run for paying lump sums to clients. While we didn't ask about that last time around, we have looked into it a number of times over the years and have always found that only a handful of platforms operated a daily run. It seems like quite a shift in a short space of time and without too much in the way of fanfare. But there you go, great news for clients.

Where we don't

- Model portfolio functionality is pretty much as you were.
- As is investment choice from platform to platform.
- There's still not much in the way of portfolios designed for drawdown, or at least packaging some as such, which we think is a little strange.

What the market is generally bad at

- Paying regular income when the client wants it. Too many platforms restrict withdrawals to certain days of the month. Three things spring to mind here: 1.) It's 2017, 2.) It's their money, not yours and 3.) It's 2017.
- Managing the full range of low-level grunty processes that can make a big difference to advisers. There's still lots of differentiation at process level from wrapper to wrapper. That's why we produce these papers and go into so much detail.
- The concept of an 'income portfolio', articulating the client's portfolio as a thing to pay income. There's still too much focus on accumulation, portfolio value and performance over income requirements.

What the market is generally good at

- Doing most of the basics competently, including incorporating the pension freedoms.
- Being platforms. This sort of analysis always picks holes – as it should – but let's take a step back. The level of 'holistic' income management services that platforms do provide is way ahead

of other product areas – SIPP, personal pensions, standalone investment bonds. Take applying a single model portfolio across the range of tax wrappers as an example. All of this gives much more choice to the client and ultimately helps achieve better outcomes.

What do we predict will change

- We reckon we'll see more investment choice designed specifically with retirement in mind. Perhaps not by the platforms directly (Nucleus and Transact for example will probably never do this as they lack an asset manager sister) but certainly by some asset managers. How platforms deal with this could be interesting.
- Platforms will get better at incorporating income into client reporting.
- Platforms will continue to introduce more of the esoteric income paying assets and get better at incorporating them in model portfolios.
- More digital client functionality is in the offing across the sector, so clients will continue to be better informed.
- The same goes for planning software, chiefly for the adviser but there will be more client interaction with it.
- It's not quite surfaced yet, but there's still lots of work going on with pre-funding.

ONE LAST THING: OUR ANALYSIS OF ZURICH







Sponsor of the paper or not, our house view of Zurich is that it's one of the fullest propositions in the market. We say this in lots of places, you can check if you like. That's not to say fullest = best. Or right for any particular firm or (most importantly) its individual clients.

The challenge for Zurich is to translate a strong proposition into a leading position in sales. That's not easy because it was later to market and most of its rivals already had a foothold. What you as an adviser need to be persuaded of is that it's worth moving to and replacing an incumbent.

Naturally, Zurich wouldn't have sponsored this paper if it didn't already have a good idea that it was good at delivering income. We find that it is – no surprise to you, no surprise to us.





Zurich is strong at the core accumulation stuff. However, it does somewhat specialise in income functionality. It's been designed around it and that's where it sets out its stall as being something different. What you do with that is up to you.

AND WITH CAT FACES

FEATURE	COMMENT	CAT FACE
THE BASICS	A clean sweep of ticks. Zurich's combination of basic drawdown functionality and pre-funding is as good as it gets. Or that we know of.	
MODELLING TOOLS	The way that Zurich's tools are integrated into the platform is quite impressive (at least compared to most other platforms). And the risk profiling tool's ability to match different time horizons continues to be a particular strength.	
CIP MANAGEMENT	Zurich is pretty CIPy. The model portfolio management is robust, if not necessarily <i>the</i> best, and it can accommodate more than one model in a single wrapper.	
INCOME ASSET TYPES	Still no structured products, which have a fair following in some quarters. Some other asset types are not whole of market but that's relatively minor. Non-UK corporate bonds are a minority sport.	
CASH	Zurich does cash management well. We particularly like the auto-disinvestment safety net and there's a good level of control over what is disinvested (order of assets, specific assets). The cash rate (or lack of one) is, however, responsible for the slightly smiley, as opposed to very smiley, pussycat.	
INCOME TO THE CLIENT	Almost another clean sweep of ticks and again it's hard to argue against Zurich being market leader (it is clearly designed to be in this area).	

A NOTE ON PLATFORM CASH RATES

Zurich is not the worst here. Right across advised platforms, the rates on transactional cash are dreadful. However, that's a sign of the times and can hardly be blamed on platforms (we vote for blaming the banks). What can be, in an increasing number of cases, is putting client cash holdings in a negative position by deducting a platform charge. Zurich doesn't do this for its central platform cash account or ISA cash, so there are at least options to avoid negative territory. That's not the case with all platforms and, in general, we're uncomfortable with what we see.

KEY			
Sad cat	Flat faced cat	Slightly smiley cat	Very smiley cat
			

You might want to dive deeper into the clear blue waters of Zurich and its contemporaries. That's just what our question set is designed to help you do. And if this is an area that matters to you, your business and your clients, we think you should.



do what you love

www.langcatfinancial.com