A GAME OF LIFE AND RETIREMENT INCOME FUNCTIONALITY

AN ANALYSIS PAPER FROM

the lang cat

This lang cat analysis paper looks at on-platform retirement income functionality and was commissioned by the good people at Zurich.

For any sponsored piece we set some clear ground rules. First, we let Zurich check that we had represented its platform accurately. But it didn't get to check or challenge any other data or facts, especially those relating to other platforms.

We believe that organisations hire us for work such as this because of our independence and for the honest, direct and sometimes plain awkward opinions that come with it. The views we express here are our own and Zurich had no editorial control over the analysis. The paper is based on a combination of our experience in the market, our own research and views from the advisers we regularly speak to.

If you're an adviser involved with client retirement income, we think you'll find it worth reading – whether you're a Zurich user or not.

A NOTE ON RESEARCH

Throughout this report, we will lean on and reference 'our research' and various statistics. These are taken from the following lang cat publications:

- *Fixed That For You*, our 2018/19 guide to the advised platform market.
- *State of the Adviser Nation*, our inaugural study of adviser sentiment.
- *Platform Market Scorecard*, our quarterly analysis of the advised platform market.

WE'RE BACK!

Like the lang cat's sartorial choices somehow coming back into fashion[1], the best things really do come to those who wait.

With two years having passed since we published our last analysis of how platforms facilitate client income[2], we've decided to go back there. With the 'difficult' second release out of the way, we hope you'll agree that now is a pretty good time to revisit the subject, again in association with Zurich.

We also know, however, that trilogies can go bad. D3: The Mighty Ducks. Addams Family Reunion. Superman III.

Still not convinced? Jaws 3D. There you go.

But the landscape has continued to shift since we released the second part of our trilogy in March 2017 (which, incidentally, was also the month that Theresa May officially triggered Article 50). In regulatory terms it's a period that has brought us the Retirement Outcomes Review (ROR), the Investment Platforms Market Study (IPMS), the second Markets in Financial Instruments Directive (MiFID II) and the final report of the Asset Management Market Study (AMMS). Several changes are being implemented as a result of these and more are on the way, not least the proposed introduction of investment pathways for non-advised drawdown clients.

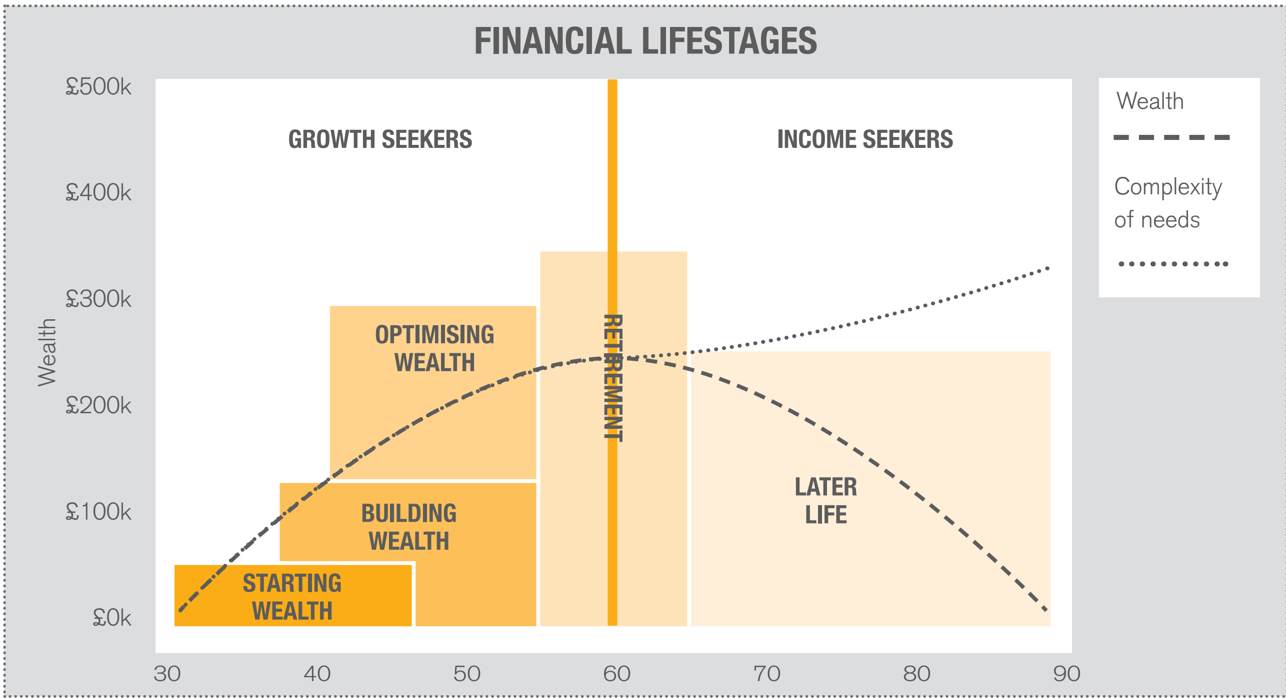
This may be familiar territory, but it's a rapidly changing landscape. So we took a step back and looked at the market from a different perspective. Or three, if we're being specific.

THE LONG VIEW

Two years ago we noted the impact of the pension freedoms on the retirement income sector across both advisers and providers. Our ageing population is another key driver, with recent figures shedding even more light on the scale of the challenge faced by policymakers, providers and platforms. By 2066 one in four of the UK population will be aged 65 or over, according to Office for National Statistics (ONS) projections published last year, while five million will be 85 or over (up from 1.6 million in 2016)[3].

Platform clients aren't getting any younger either. According to consumer research carried out as part of the IPMS, the average age is 57, rising to 59 among advised clients[4]. The financial lifestages graphic below highlights just what this means for the industry – the typical platform user is right at the point of transition from building wealth into preserving it and taking an income.

Advisers and clients are increasingly concerned with what happens in the right-hand side of this picture, where client needs get a little bit more complicated. Are platforms servicing those needs? It's time for another look.



1. Hasn't actually happened – yet.
2. https://www.langcatfinancial.co.uk/product/a-sentimental-journey-retirement-income-withdrawal-through-platforms/
3. https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglongerhowourpopulationischangingandwhyitmatters/2018-08-13#how-is-the-uk-population-changing
4. https://www.fca.org.uk/publication/market-studies/ms17-1-2-annex-2.pdf

THE MARKET VIEW

The platform market has transformed in the five years since the pension freedoms were first announced:

- The biggest direct impact has been the tsunami of cash released from defined benefit (DB) plans. Almost £21bn was transferred out of DB schemes in 2017 alone[5], but that is now slowing down. The Financial Conduct Authority (FCA) has found alarming levels of unsuitable advice – just over half of the transfers reviewed were found to be unsuitable[6] – and is finally cracking down[7].
- More than nine in 10 of today's retirees reached retirement with at least some DB entitlement, the Pensions Policy Institute estimates. By 2060, up to half of people entering retirement will have only defined contribution (DC) savings[8].
- Drawdown is now the biggest show in town. Despite there being more than eight times as many annuities in force, drawdown sales are now double those of annuities[9]. More than four in 10 drawdown investors are taking out more than 10% of their fund a year[10], with large numbers of people continuing to underestimate how long they will need their pot to last.

Now, that final point may sort of be ok if investment markets were to carry on as they have done for the past decade. But – spoiler alert! – there's more chance of Jacob Rees-Mogg winning the Eurovision Song Contest with an enthusiastic rendition of Bob Marley's 'One Love'.

With very few multi-asset funds having been around a decade ago and not a single model portfolio having been through a full market cycle, we may soon find out exactly how the rapidly growing army of drawdown investors will respond to a spot of turmoil. Our guess? "But I thought balanced meant…".

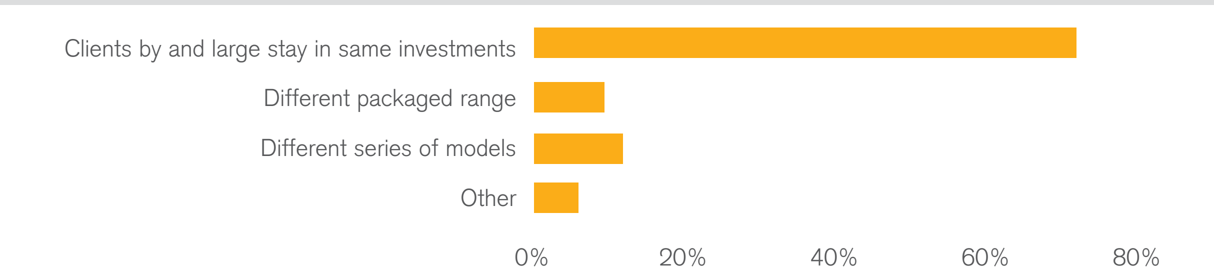
Which brings us back to why we're here – it's all about managing retirement income through different tax wrappers, not just drawdown. We're beginning to see some interesting platform developments in this area: AJ Bell now has a range of four income-focused multi-asset funds designed to provide a specific level of income, Novia recently launched Secure Lifetime Income, which combines guaranteed income for life with drawdown, while Seven IM's new Retirement Income Service is a centralised retirement proposition (CRP) built around five specific time horizons.

But are platforms doing enough in this space? It's time for another look.

THE ADVISER VIEW

"We're still working it out" is the big (and familiar) theme in the advised space. When we asked in our 2018 *State of the Adviser Nation*[11] research if advisers were running a different series of investments for clients in retirement, the vast majority replied that they were not.

RETIREMENT CIP?



5. https://www.ft.com/content/a5e8041c-59d1-11e8-b8b2-d6ceb45fa9d0
6. https://www.fca.org.uk/publications/multi-firm-reviews/key-findings-our-recent-work-pension-transfer-advice
7. https://www.fca.org.uk/news/press-releases/fca-confirms-final-rules-improving-quality-pension-transfer-advice
8. http://www.pensionspolicyinstitute.org.uk/publications/reports/the-evolving-retirement-landscape
9. https://www.fca.org.uk/publication/data/data-bulletin-issue-14.pdf
10. https://www.ajbell.co.uk/news/pension-freedoms-three-years-new-analysis
11. We surveyed 235 adviser firms across October and November 2018.

Now, a number of things sit beneath this statistic:

- A huge chunk of advisers tell us that attitude to risk doesn't change, clients stay in the same investment range; "I buy into safe withdrawal rate theory".
- Some advisers haven't yet nailed down a process for at-retirement customers.
- Others tell us that there simply aren't the product and investment ranges commensurate with market demand.

Ultimately, though, one thing rings true – managing customer income in retirement is where a chunk of the individual advised market is going to sit for the foreseeable future. We know that this is being managed via a number of different mechanisms and that actually, defining a CRP might be more about the philosophy, strategy and processes that go towards managing client income rather than the actual underlying investments. We see three approaches emerging:

1. Maximising income via return on capital + safe withdrawal rate theory + stochastic modelling + longevity.
2. A 'bucketing' multi-pot strategy i.e. immediate needs + long-term needs and balancing a range of risk-aligned investments accordingly.
3. A blended approach of critical income (i.e. secure via annuity) and invested capital for future returns.

Yes, it's definitely time for another look.

THE LANG CAT VIEW

We're not here to argue for one particular approach over another. That's a debate for another day.

What we are here to do is take a closer look at the range of tools, services and functionality that platforms make available to advisers. Now, we've established that the market landscape and client needs have moved on over the last two years, but one important question remains:

Does income functionality vary between platforms to an extent that merits us running these comparisons again?

Some people believe that platforms are vanilla – commoditised, homogenous beasts where you can do most things much of a muchly with very little to separate them. When it comes to the (very) basic stuff, we have no argument with that view. But if you're looking to get into the nitty gritty of how to run client propositions via platforms, then the devil is very much in the detail.

So the short answer is that yes, it does. Let's take a look at that devilish detail.

A GAME OF RETIREMENT INCOME

NOTES ON THE DATA

We contacted each platform with our questions, and we thank them for both their participation and transparency. Two platforms joined the peer group for the first time – welcome to Embark Platform and Seven IM. A couple of other changes: Cofunds has morphed into The Aegon Platform and Elevate is now Standard Life Elevate.

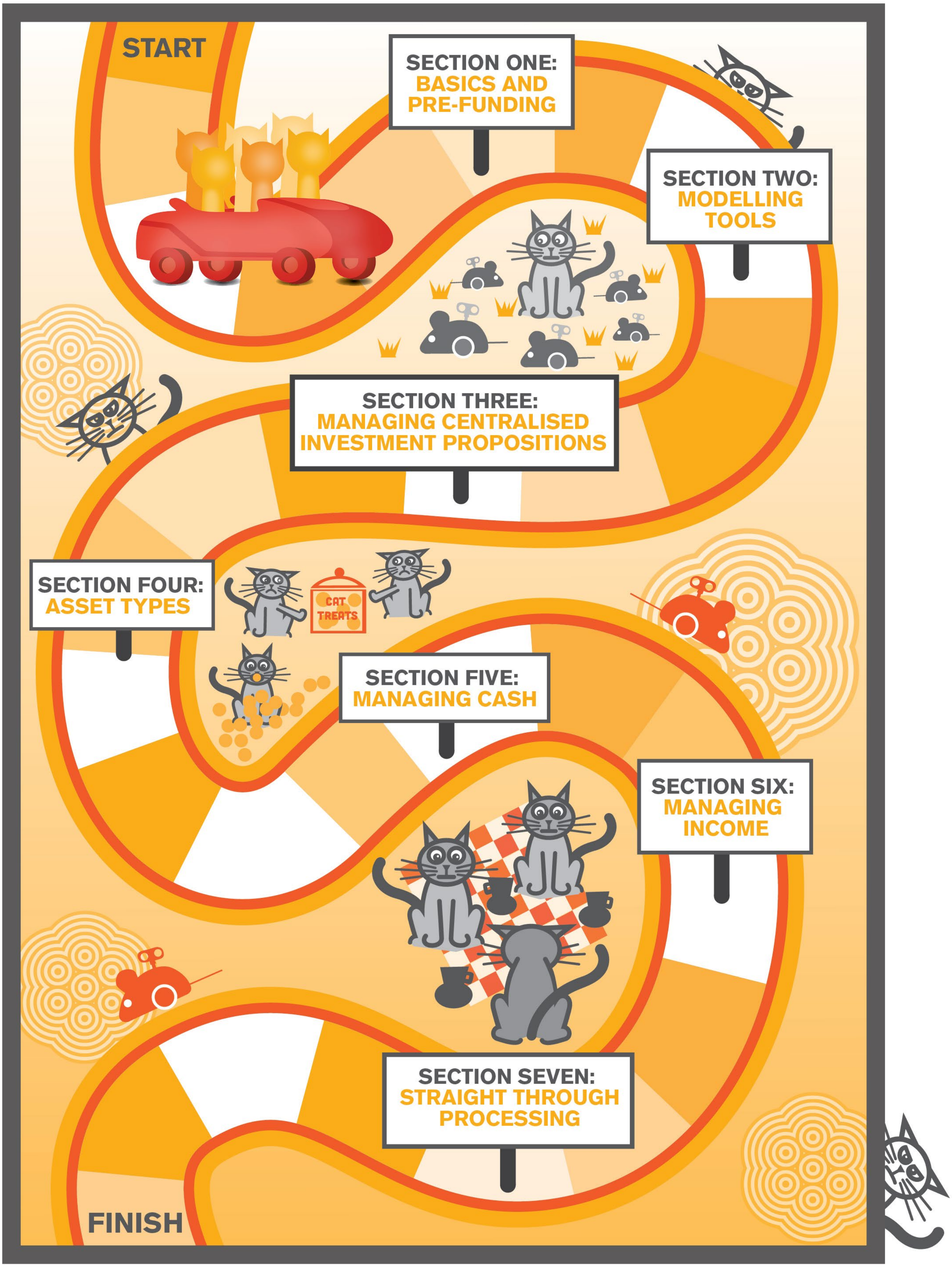
PLATFORM	REFERRED TO AS
The Aegon Platform	TAP
Aegon Retirement Choices	ARC
AJ Bell Investcentre	AJ Bell
Ascentric	Ascentric
Aviva Platform	Aviva
Embark Platform	Embark
FundsNetwork	FFN
James Hay Modular iPlan	James Hay
Novia	Novia
Nucleus	Nucleus
Old Mutual Wealth	OMW
Seven IM	Seven IM
Standard Life Elevate	Elevate
Standard Life Wrap	SL Wrap
Transact	Transact
Zurich	Zurich

We're looking at seven key areas of platform capability that together form the basis upon which advisers run an income proposition for their customers:

1. Basics and pre-funding
2. Modelling tools
3. Managing centralised investment propositions (CIPs)
4. Asset types
5. Managing cash
6. Managing income
7. Straight through processing (STP)

Some new questions have been added since last time and you'll see these highlighted. Cells shaded grey show where provider responses to existing questions have changed since our last round of research.

Now, it's easy in this industry to spiral down into a vortex of jargon, so we're going to open each section with our view as to why it's important. We put ourselves into the end-customer's shoes here, which was enlightening if occasionally pinchy.


START
SECTION ONE: BASICS AND PRE-FUNDING
SECTION TWO: MODELLING TOOLS
SECTION THREE: MANAGING CENTRALISED INVESTMENT PROPOSITIONS
SECTION FOUR: ASSET TYPES
CAT TREATS
SECTION FIVE: MANAGING CASH
SECTION SIX: MANAGING INCOME
SECTION SEVEN: STRAIGHT THROUGH PROCESSING
FINISH

SECTION ONE: BASICS AND PRE-FUNDING

"Do you have the services I need, and can you please handle my money with the minimum of fuss?"

	AJ BELL	ARC	ASCENTRIC	AVIVA	ELEVATE	EMBARK	FFN	JAMES HAY	NOVIA	NUCLEUS	OMW	SEVEN IM	SL WRAP	TAP	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?	✖	✖	✖	✖	✔	✖	✔*	✖	✖	✖	✔	✖	✔	✖	✔	✔

* Compressed trading cycle.

- All platforms offer the basics, with the exception of Aviva and Nucleus not offering UFPLS. Both platforms have previously stated that this is down to a lack of demand.
- Pre-funding has been a contentious issue for us over the years. We view pre-funding as two distinct camps – those platforms that pre-fund in the truest sense (i.e. underwrite it on the balance sheet), and those that compress the trading cycle via technology and processes.
- Pre-funding, in the underwriting sense, creates certainty for adviser firms as it removes the admin drag of having to check if money is invested, or available to send to a customer. Alongside flexible withdrawal options, it enables a definite timescale as to when clients should expect their income.
- Ultimately, no-one has a crystal ball and we're not here to advocate timing the market, but pure pre-funding negates the ifs and buts of time out of the market and creates a real-time (in the sense of trading cycles) investment experience. It feels like the kind of thing that platforms were created for, albeit we understand the challenges of underwriting large sums of money on a company balance sheet. It's easy to criticise when it's not your money.

SECTION TWO: MODELLING TOOLS

"Will my adviser be able to show me how things are going?"

	AJ BELL	ARC	ASCENTRIC	AVIVA	ELEVATE	EMBARK	FFN	JAMES HAY	NOVIA	NUCLEUS	OMW	SEVEN IM	SL WRAP	TAP	TRANSACT	ZURICH
Do you have a retirement modelling tool?	✖	✔	✖	✖	✔	✖	✖	✖	✔	✖	✔	✔	✔	✖	✔	✔
Do you have a risk profiling tool that produces different asset alloactions 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 Question: Can off-platform assets be factored into income modelling?	✖	✔	✖	✖	✔	✖	✖	✔	✔	✖	✔	✔	✔	✖	✖	✔
Do you provide any other tools geared specifically to help with efficient income management?	✔	✔	✔	✔	✔	✖	✖	✖	✔	✔	✔	✔	✔	✖	✖	✔
Do you have goal setting software that clients can interact with?	✖	✔	✖	✔	✔	✖	✖	✖	✔	✖	✖	✔	✔	✖	✖	✖

- There are a couple of changes in this table since last time out, with some withdrawal of functionality at a couple of platforms, specifically FFN and TAP. The former withdrew tools in response to changes to regulatory principles alongside adviser feedback which suggested that they were no longer necessary in light of a shift towards third-party tools. The latter is a result of the Cofunds/Aegon replatforming and we expect this position to change over time to more closely reflect the range of tools available on ARC.
- SL Wrap has made some additions, including cashflow modelling and retirement expenses tools.
- Adviser tools came under the spotlight in the interim report of the IPMS, with the FCA raising the issue of whether it is the adviser or the client who actually derives benefit from them. We were pleased that common sense prevailed in the final report, with the FCA satisfied that the existing rules around this are sufficient.
- That said, it seems clear to us that the variability of availability (try saying that after a few drinks) reflects aspects of market demand here. Many adviser firms actively seek to own their own tech/tooling/reporting proposition off-platform, so we're not surprised to see several platforms shying away from something they have decided isn't 'value add'. But it's good to have choice. The flip side of that argument would be to ask yourself how integrated is your toolkit? Does integration – or a lack thereof – create a drag on your business?

SECTION THREE: MANAGING CENTRALISED INVESTMENT PROPOSITIONS

"Will my investments perform in line with my goals?"

	AJ BELL	ARC	ASCENTRIC	AVIVA	ELEVATE	EMBARK	FFN	JAMES HAY	NOVIA	NUCLEUS	OMW	SEVEN IM	SL WRAP	TAP	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?	✔	✖	✔	✔	✔	✖*	✔ (ISA and GIA)	✖	✖	✔	✖	✔	✔	✖	✖**	✔
If yes to above, what is the maximum number?	2	N/A	No limit	10	No limit	N/A	No limit	N/A	N/A	10	N/A	4	No limit	N/A	10	No limit
If yes to above, can this cope with different portfolios[1]?	✔	N/A	✔	✔	✔	N/A	✔	N/A	N/A	✔	N/A	✔	✔	N/A	✖	✔
Is there access to whole-of-market DFMs[2]?	✔	✖	✔	✖	✔	✖	✔	✔	✔	✔	✔	✔	✔	✖	✔	✔
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?	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔

* Ability coming in Q2 2019.
** If held in a sub-wrapper.
1. By this we mean, can there be a mixture of self-managed, DFM and outsourced portfolios?
2. 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?

- At a headline level we can see that all platforms i) run models in drawdown and ii) run a single model portfolio across all tax wrappers. Boxes duly ticked.
- But we're back to the underlying detail. Only half our platforms cater for adviser firms wanting to operate a multi-goal strategy within a single wrapper. This functionality is crucial if you want to run a 'bucketing' strategy with the minimum of fuss.
- Straying slightly off-remit for one moment, we'd always advise firms to try and get down and dirty with portfolio maintenance before adopting a new platform. In particular, if you're going to be running your own suite of models, getting to grips with how your prospective platform deals with version control (the series of processes and controls that manage different versions of models as you make changes) should be top priority for your firm. This is the stuff that can make a real difference to the efficiency of running your own investment proposition and, in turn, the efficiency of that part of your business. Everyone wins if you get this firing.

SECTION FOUR: ASSET TYPES

"Does my adviser have the building blocks they need to construct and recommend the type of portfolio I need?"

	CORPORATE BONDS		STRUCTURED PRODUCTS		GUARANTEED INCOME PRODUCTS		INCOME (SOLUTION) FUNDS		MONEY MARKET FUNDS		INVESTMENT TRUSTS	
	Availability	MPS?[1]	Availability	MPS?[1]	Availability	MPS?[1]	Availability	MPS?[1]	Availability	MPS?[1]	Availability	MPS?[1]
AJ BELL	Whole of market (subject to approval)	✔	Whole of market (subject to approval)	✔	Certain range	✔	Certain range	✔	Whole of market (subject to approval)	✔	Whole of market (subject to approval)	✔
ARC	No	✖	No	✖	Certain range	✖	Certain range	✔	Certain range	✔	Certain range	✔
ASCENTRIC	Whole of market	✔	Whole of market	✔	Whole of market	✔	Whole of market	✔	Whole of market	✔	Whole of market	✔
AVIVA	No	✖	Certain range	✖	No	✖	Whole of market	✔	Whole of market	✔	Whole of market	✔
ELEVATE	Whole of market	✔	No	✖	No	✖	Whole of market	✔	Whole of market	✔	Whole of market	✔
EMBARK	Whole of market	✖*	No	✖	No	✖	No	✖	No	✖	Whole of market	✖*
FFN	No	✖	No	✖	Certain range	✔	Certain range	✔	Certain range	✔	Certain 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	✖	Just: Secure Lifetime Income	✖	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	✖	Certain range	✔	Whole of market	✔	No	✖
SEVEN IM	Whole of market	✔	Whole of market	✔	No	✖	Whole of market	✔	Whole of market	✔	Whole of market	✔
SL WRAP	Whole of market	✖	Can be facilitated as an off-platform investment on a case-by-case basis.	✖	Can be facilitated as an off-platform investment on a case-by-case basis.	✖	Certain range	✔	Whole of market	✔	Whole of market	✔
TAP	Certain range	✔	No	✖	No	✖	Certain range	✔	Certain range	✔	No	✖
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	✔

1. By this we mean whether the asset type can be held within a model portfolio service.
* Yes – from Q2 2019.
** No guaranteed funds, but a number of protected funds are available. They may have a set percentage level of price protection, below which the fund price will not fall from its highest ever level. Alternatively, they may offer rolling protection, where the fund aims not to fall by more than a set percentage over any market cycle.

KEY	Whole of market	Certain range	No
	Rather than the range itself, this refers to ease of adding assets. These platforms are happy to add any asset according to adviser demand, subject to compliance.	These platforms offer access to a specific range of assets.	Assets of this type cannot be accessed via these platforms.

- If we look way back to the outset of platform development, one of the founding principles was to open up a whole of market, open architecture approach to investment. Looking at this table tells us that some providers are more whole of market than others. Whether this is good/bad/indifferent will depend upon your world view but, if the IP of managing investments/CIP construction sits within your firm, then it is a consideration.
- This is a contentious one and ultimately comes down to your opinion on the appropriate range of investments required to build a portfolio that's suitable for income in and around retirement.
- Those who reject the notion of income-bearing assets, favouring a risk-aligned portfolio (say a multi-asset fund, for example) and managing a withdrawal strategy, will find themselves rolling their eyes and moving swiftly on.

SECTION FIVE: MANAGING CASH

"What actually happens to the money I hold as cash?"

	AJ BELL	ARC	ASCENTRIC	AVIVA	ELEVATE	EMBARK	FFN	JAMES HAY	NOVIA	NUCLEUS	OMW	SEVEN IM	SL WRAP	TAP	TRANSACT	ZURICH
CASH ACCOUNT																
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*	N/A*	N/A*	N/A*	N/A*	N/A*	✖	✔	✔	N/A	✖	✖	N/A*	✔	N/A*
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 AND CHARGES																
What is the current interest rate on cash?	0.00%	0.70%	0.56%	0.58% gross AER	Varies per account	0.55%	0.00%	0.00%	0.00%	Ranges from 0.15% - 0.56%	0.00%	0.00%	0.29%	0.70%	0.58%	0.37%
Is the platform charge levied on wrapper cash and/or cash account?	✔	✔	✔	✔	✔	✔	Y (on pension)	✔	✔	✔	✖	✖	✔	✔	✔	Y (except ISA and central cash account)
New Question: Are there any additional charges for entering drawdown or taking income?	✔	✔	✖	✖	✖	✖	✖	✔	✔	✖	✖	✔	✔	✔	✖	✖

* A minimum holding isn't required as auto sell-down happens to pay liabilities instead.

CASH CAVEATS

ARC Gross rate of Bank of England base rate less 0.05%. The current interest rate is 0.70% gross pa.

ASCENTRIC Average between 01/10/2018 – 31/12/2018.

ELEVATE Elevate Pension Investment Account: 0.35%.
Elevate GIA: 0.29%.
Elevate ISA: 0.29%.

JAMES HAY Cash account currently earns interest of 0.00001%.

NUCLEUS Depends on the wrapper. This figure is from the end of Q4 2018.

SEVEN IM Interest is paid at base rate minus 0.75%.

SL WRAP On all products except Wrap cash.

TAP Gross rate of Bank of England base rate less 0.05%. The current interest rate is 0.70% gross pa.

ZURICH Currently allocated to clients. Zurich retains an additional 0.1%.

- Ongoing economic and political uncertainty might result in interest rates rising and some degree of a 'retreat' to cash. You can see from our table that cash functionality varies significantly from platform to platform.
- A theme we keep returning to is the efficiency of running a proposition – we like end-to-end processes that require a minimum of manual intervention. So for us, functionality around auto-disinvestment and auto sell-downs are big plus points, especially when managing the complexity of client income needs.
- The approach to charging on cash varies significantly between platforms. While MiFID II has driven further improvements to charging transparency, a consistent approach across the platform sector remains some way off[12]. And that means we are some distance from customers fully understanding each component part.
- We reckon the industry's understanding of what happens to cash on platforms is lower than it should be. The wide range of interest rates and approaches to charging should be factored into due diligence/platform research, especially if clients are likely to have significant cash balances at any time.

12. https://www.langcatfinancial.co.uk/product/advised-platforms-and-mifid-ii-disclosure/
Note how the products that are in scope for disclosure varies from platform to platform. And that's only one aspect.

SECTION SIX: MANAGING INCOME

"I want to be able to access my money when I need it, and quickly. It is my money after all."

	AJ BELL	ARC	ASCENTRIC	AVIVA	ELEVATE	EMBARK	FFN	JAMES HAY	NOVIA	NUCLEUS	OMW	SEVEN IM	SL WRAP	TAP	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	✔	✔	✖	✔	✖	✔	N/A	✖	✔	N/A
Can payment dates be selected by the client/adviser?	✖	✔	✖	✔	✔	✔	✔	✖	✖	✔	✖	✔	✔	✖	✔	✔
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	✖	N/A	✖	✖	✔
Frequency of lump sum withdrawals payment run (i.e. daily/weekly/monthly)?	Daily	Daily	Daily	Daily	Daily	Daily	Daily	Daily	Daily	Daily	Daily	Daily	Daily	Daily	Daily	Daily
As above but for regular withdrawals – any day of the month or only certain days?	Certain days**	Daily	Daily	Daily	Daily	Certain days	Certain days	Monthly	Certain days	Daily	Monthly	Daily	Daily	Certain days	Certain days	Daily
Are there service standards for paying income? Are they reported on?	✔	✔ – not reported externally	✔ – not reported externally	✔	✔	✖	✔ – not reported externally	✔	✔ – not reported externally	✔	✖	✖	✔	✔ – not reported externally	✖	✔ – not reported externally
Is income included in the client report?	✔	✔	✔	✔	✔	✖	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Do you report on sustainability of client income?	✖	✖	✖	✔	✔	✖	✖	✔	✔	✖	✖	✔	✔	✖	✔	✔
Can income/withdrawals be generated across ISA/GIA and pension at the same time but for different amounts?	✔	✔	✔	✔	✔	✖	✖	✔	✔	✔	N/A	✔	✔	✖	✔	✔
NATURAL INCOME OPTIONS																
Can it be paid to a tax wrapper cash account?	✖	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Can it be paid to a central platform cash account?	✖	✖	✖	✖	✔	✖	✔	✖	✔	✖	✖	✖	✔	✖	✖	✔
Can it be paid direct to the client's bank account?	✔	✖	✔	✔ (ISA and GIA)	✔ (ISA and GIA)	✔	✔ (ISA and GIA)	✖	✖	✔	✔	✔	✔ (ISA and GIA)	✖	✔	✔
CHECKING INCOME ON THE GO																
Do you have a mobile app for client accounts?	✔	✖	✖	✔	✔	✖	✔	✖	✔	✔	✖	✔	✖	✖	✖	✖
Is the client platform fully optimised for mobile access?	✔	✖***	✖	✔	✔	✖	✔	✖	✔	✔	✔	✔	✔	✖	✔	✔

* Income withdrawals from separate pension accounts can be consolidated into one payment, which is payable on the 25th of each month or the last working day prior to the 25th if it is a non-working day.

** Available every day for an additional charge.

*** Workplace clients access the platform through Retiready, a mobile-first digital experience. Retail clients access the platform through a desktop optimised service.

- No, your eyes are not deceiving you – very few platforms offer one consolidated client income payment. This represents a complete disconnect with how clients want to receive their income. There's a world of difference between a round £1,000 landing in their bank account and a succession of payments from various wrappers and funds of anything from £50 to £500, all of which must be checked and tracked to make sure they add up. And that's assuming they only have income-bearing investments on one platform…
- The picture for regular payment runs is very similar. We imagine a version of the future where, right across the sector, stuff like this is flexible and driven by the client. Ultimately, and with complete justification, clients want access to their money quickly, efficiently and with the minimum of fuss. Put it this way, have you ever heard anyone complaining that they've been given their money too quickly?
- Reporting on sustainability of income is a growth industry. Again, many advisers are taking the IP of this off-platform, but – recurring theme alert – we see a future of tech talking to each other more effectively.

SECTION SEVEN: STRAIGHT THROUGH PROCESSING

New Section

"It's 2019. This is all automated, right?"

	AJ BELL	ARC	ASCENTRIC	AVIVA	ELEVATE	EMBARK	FFN	JAMES HAY	NOVIA	NUCLEUS	OMW	SEVEN IM	SL WRAP	TAP	TRANSACT	ZURICH
GENERAL																
Is a signature required to enable STP?	✖	✖	N/A	✖	✖	✖	✖	✔	✖	✔	✖	✔	✖	✖	✔	✔
Is a form required to update the linked bank account?	✔	✖	N/A	✔	✖	✖	✖	✖	✖	✔	✔	✔	✖	✔	✔	✖
NEW MONEY																
Pension new business	✔	✔	✖	✔	✔	✔	✔	✔	✔	✖	✔	✖	✔	✖	✖	✔
Pension top-ups	✖	✔	✖	✔	✔	✔	✔	✖	✔	✔	✔	✖	✔	✖	✔	✔
WITHDRAWALS																
Pension	✔	✔	✖	✔	✔	✔	✔	✖	✔	✖	✖	✔	✔	✖	✔	✔
SWITCHING																
Fund switch	✔	✔	✖	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Model portfolio rebalance	✔	✔	✖	✔	✔	✖	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
MOVING MONEY																
Re-registration on	✖	✖	✖	✖	✔	✔	✔	✖	✖	✖	✖	✖	✔	✖	✔	✔
Re-registration off	✖	✖	✖	✖	✔	✔	✔*	✖	✖	✖	✖	✖	✔	✖	✔	✔
Transfer on	✔	✖	✖	✔	✔	✔	✔	✔	✖	✖	✖	✖	✔	✖	✔	✔
Transfer off	✖	✖	✖	✔	✔	✔	✔**	✔	✖	✖	✖	✖	✔	✖	✔	✔

* Electronic for ISA/GIA, currently manual for pension.
** Electronic for ISA/GIA. For pension, electronic for Origo providers and manual if not.

- In this day and age clients and advisers are entitled to expect fully digitised STP. We refuse to believe the next generation of either will tolerate wet signature processes. This is an increasingly important theme for platform providers.
- Zurich, along with SL Wrap, Elevate and to a lesser extent FFN and Transact, lead the market for STP. For example, the only Zurich process to involve paperwork is an increase in adviser remuneration and that is a compliance requirement.
- Just a handful of our peer group offer one overarching signature that 'unlocks' all functionality without the need for manual intervention and repeated wet signatures.
- Elevate, SL Wrap, Transact and Zurich all offer good levels of STP across the piece. Elsewhere it's a mixed picture, or, to put it kindly, work in progress.

CONCLUSIONS: WHAT DOES THIS ALL MEAN FOR CLIENT INCOME?

THE LANG CAT PERSPECTIVE

It's been four years now since the pension freedoms came into effect. By a happy coincidence that's about the same length of time we've been tracking retirement income functionality through these papers. So what's changed?

If we're honest, not much. Most platforms do the basics and do them well. But very few offer what we would consider to be a comprehensive retirement income proposition. If we dig a little deeper, we can start to understand some of the reasons that may sit behind this lack of development. When we asked advisers as part of our *State of the Nation* research whether they use a CRP, the overwhelming majority did not. Taken as part of a bigger picture, this suggests that the market doesn't quite understand what it needs to do for clients in retirement and their investments.

Another challenge is that a CRP means different things to different people. It may be a physical product, purely investment or perhaps both. We think the answer will depend on who is answering.

There is still significant variation in functionality from platform to platform. Some elements of this surprise us less than others, such as the fact that several platforms still don't offer much (or anything) in the way of modelling tools. Many adviser firms actively seek to 'own' their tech proposition, managing tooling and client reporting off-platform, but that doesn't come without its own challenges, particularly around integration.

We imagine (or at least hope for) a future where back office + CRM + platform + stochastic modeller + client reporting + CIP maintenance, and so on, all talk to one another seamlessly – but that remains a pretty distant prospect.

In the meantime, we've identified (in no particular order) a few more immediate causes for concern that the market needs to address:

- The lack of a market-wide understanding of how cash is treated on platforms. The huge variability we see here suggests the industry *still* doesn't 'get' this.
- The intermittent, yet persistent, disconnect between the manufacturing side of the sector ("Let's build shiny things!") and the customer side ("Can I please get my own money back quickly and efficiently? That's my first, second and third priority").
- The many, many on-platform processes that still require manual intervention, administration or signatures. Users will not tolerate this for much longer. The question is when the crossover point will be. We think it might be sooner than you expect.
- The grunty, grungy stuff that we love around model portfolio maintenance, rebalancing architecture, version control and so forth – making it easier for adviser businesses to scale up and bring their CIPs and CRPs along with them.
- All platforms have work to do when it comes to client reporting. As things stand, advisers tend to reject platform output and create their own with the help of a cash planning tool. What advisers want and need is a simple one-pager of income levels. Seven IM still leads the market on this and it's well past time for a challenger to step up.

Ultimately the better platforms will align with market needs – but any consensus on what best practice around managing income in retirement on platforms looks like continues to be elusive.

Disagreements around this stuff (i.e. maximising income vs security vs consumer needs vs risk appetite vs the changing needs of an ageing population) have become a staple of industry social media exchanges...and it's not a debate that anyone's really winning.

THE LANG CAT PREDICTS: POLISHING THE CRYSTAL BALL

So that's where we are now. This is where we think we're heading:

- Demographic trends mean that managing customers through the pre-and post-retirement stages (and everything in between) will be the majority sport in our sector for the foreseeable future.
- The traditional response from providers is to develop investment ranges or packaged bits of kit in order to meet (perceived) adviser and client needs. The likes of AJ Bell, Novia and Seven IM have all launched their take on stuff that will help manage retirement needs more easily and more off-the-shelf CRPs will follow.
- On top of this, core platform architecture around retirement income will continue to be high up the development agenda for some time to come. This will take a number of forms, including clever algorithms around disinvestment and income needs, improved reporting of client goals, and technology that both integrates and reports on the sustainability of income.
- We also reckon cash management will evolve to be a genuine differentiator when markets go through tricky times. Technology will enable seamless open architecture with bank (and other) accounts and link it all together.
- The notion that a cashflow modeller + back-office system + CRM system + investment research tool + model portfolio maintenance + customer reporting etc. will all act independently in the future feels perverse to us. The modular nature of this is great for competition, but proper integrations – i.e. these things talking to each other in real-time – will be a theme throughout the next decade. Expect to hear lots about API integration being on development agendas across the market.

YES, THAT'S ALL VERY INTERESTING. BUT WE'RE AN ADVISER FIRM. WHAT DO WE DO NOW?

This checklist should help you out:

1. Ask the right questions and also ask them of yourself.
2. Do a bit of soul searching. How do you want to define yourself as a business? Is it in the IP of portfolio creation? If so, do you have the tools, assets, reporting and everything that goes along with it to do that efficiently? There are tonnes of potential customers coming over the hill. Can you run things at scale? What's your capacity? What would make your life easier?
3. If you define yourself as a financial planner and the investment stuff happens on the side, then that's cool – but you still need to ask critical questions around how you facilitate and enable a withdrawal strategy. How do you monitor it? How do you report on it? How do you know when to stop and steer the ship? Advisers do all of these things pretty well already but, again, how close are you to absolute capacity? How could you scale up? What processes would make your life easier?
4. How does succession planning fit into this? If you're taking ownership of and running an income strategy, then what happens when your clients outlive your desire to run a business?

On one level this is all very meta, but we reckon the smartest businesses will take a long-term view, deploy the smartest toolkit and develop an ecosystem that lets them scale up whilst focusing on what they do best. Whether that's financial planning, investment management or a combination of the two.

Another challenge for advice firms in the future will be in managing efficient income propositions – and managing them consistently. The only way to do that, while still growing your business, is through effective systems, processes and controls. Anything that requires you to side-step (i.e. chase a provider for an answer, or a process breakdown at the platform end) creates a drag on your business.

We have the healthy self-awareness to know that, depending on your world view, a good number of the questions in this paper will not apply to you. Not interested in income-bearing asset classes? Not unreasonable. But we bet you'll want to know about the detail behind cash management and withdrawal architecture. And if you don't want to know, you probably should.

Ultimately it will depend on your client proposition and which aspects of platform technology you most value. Focus on these and ask detailed, awkward questions of your potential platforms. If that means using some of our questions as a base, that's all good.

WHERE DOES ZURICH FIT INTO ALL OF THIS?

Oh yes, the sponsored thing. *SPONSORED CONTENT KLAXON*

We all know that a platform wouldn't commission a third party to surface issues that it was terrible at. That would be really silly. So, in a sense, our conclusion that Zurich is one of the standout platforms for facilitating client income needs won't come as a massive shock.

This is our reasoning:

- It leads the way on pre-funding (alongside SL Wrap and Elevate).
- Along with Novia, it has one of the most comprehensive on-platform toolkits: retirement modelling, risk profiling, cashflow modelling etc, if you're into that sort of thing.
- It is one of very few platforms that can facilitate a multi-goal, multi-wrapper CIP.
- It does everything you would expect from a cash management perspective. The value of this can't be underestimated – at the end of the day platforms are income-generating machines, which means that being able to give people their own money in a clear and manageable way should be a priority. Not to mention a matter of routine.

There is always scope for development, however, and we think next steps for Zurich could be around sustainability of withdrawals and developing tools and software that talk to modellers and adviser systems.

We mentioned earlier that the sector would benefit from taking a fresh look at client reporting. Now, we actually rate the Zurich report – it stands pretty well against its platform market peers – but no-one has absolutely nailed this yet, particularly in the context of income. What's needed is something that rationalises key data from a client perspective (valuation, income payments, sustainability, charges et al) into a short, concise and engaging document.

Summing it all up, Zurich positions itself as an income platform and, as you'd expect, is very good at giving people their money back. It does much more, but this is what it should be known for. Other platforms will have their own USP and we want to see more of them being clear about what they are designed for. It would really help advisers fulfil their PROD segmentation requirements, not to mention supporting platform recommendations.

Specialist platforms increasingly play a role here and, rightly or wrongly, that seems to align with the regulator's perspective. Ultimately, with so much uncertainty around PROD best practice[13], there's an opportunity for well-defined platforms like Zurich to get on the front foot and help advisers with their suitability requirements.

13. *State of the Adviser Nation,* November 2018: 58% of advisers "not sure" if they are able to evidence suitability of products and investment services as required by new PROD rules.

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