

## 1.1. Introduction

We all get caught up in day to day living and seldom look up and think “I really wish I could retire at 58, or go to New Zealand for 3 months ...”, and so much more.

The purpose of financial planning is not just to make money and set up products but, more importantly, to organise your finances so that you can hopefully do the things you want to, when you want to. Because your life and circumstances will change then regular input is needed to keep the plans on target.

Few people are fortunate enough to have sufficient money to be able to do all the things they want to. So financial planning helps to prioritise and then look at the best ways to provide the capital and income needed to meet those objectives. In a very uncertain world financial planning can provide some reassurance.

When a financial product, such as an ISA or pension, is set up then advice is given at that time, but this is only part of the equation. We believe in giving holistic advice, looking at your financial planning needs and objectives and how these can be met. It is then equally important that your financial plans are regularly reviewed and monitored.

## 1.2. So what is the Wealth Management Service?

Imagine that a farmer goes to market and buys a calf which he rears and sells two years later for a profit. The biggest affect on the final sale price is not the original purchase but more how he rears it - the food, care, veterinary treatments. Simple common sense; financial advice and planning is no different. People's circumstances change, so do the markets and funds they invest into.

Our Wealth Management Service provides the regular financial input and management needed to increase the likelihood of achieving your financial objectives.

The Wealth Management Service includes:

- *Financial planning* solutions specifically aimed at helping you achieve your personal and financial objectives
- *Financial review meetings* whenever these are needed
- *Investment management* – depending on which level of the Wealth Management Service you have selected, we will monitor your investment funds and make changes as and when necessary
- *Investment reviews* - a regular review of funds under management and how these are invested
- *Investment performance reports*
- Where needed, an annual *Financial Profile Report*, reviewing your whole financial position and, for example, indicating whether there is adequate retirement income and/or that there is sufficient life insurance and ill-health protection; the report can also comment on the estate planning position

For clients with more substantial capital investments and pensions it is necessary to review their situations regularly and this is where the Wealth Management Service makes such a difference. Depending upon the amount of capital involved, the complexity and the client requirements, we monitor and review the investments and the financial planning

### 1.3. Asset Allocation – The Key To Investment Success

Asset allocation is how investment funds are divided across different asset types – cash, fixed interest, property and equities, and across different investment markets – equities, fixed interest, property, and cash.

Surveys reveal that it is the asset allocation which is responsible for around 80-90% of investment performance and not whether a particular investment fund has outperformed its peers. This is logical, if equities fall heavily, and 75% of your money is invested in equities then being with the best equity manager isn't going to make a massive difference, you are still likely to lose money because the asset class (equities) has fallen.

A large part of our work with Wealth Management Service clients is getting the asset allocation right.

### 1.4. How does the Wealth Management Service work?

For a new client, the Schaefer Wealth Management Service is an option that can be selected after any initial transactions have been set up. There are three levels of service:

1. Financial markets change very quickly and what was a good investment selection 3-4 years ago may well not be the case any more. The **Investment Review Service** is primarily for those who want to review their investment funds in case changes are needed both in terms of the asset allocation across various investment markets, the funds used, and the level of investment risk to be taken. An investment portfolio will be designed to reflect the situation at the time of the review and assume that the portfolio runs until the end of the policy/investment term. The funds selected tend to be very broad based general investment funds.

A short review report is issued with recommendations if any are needed.

Further investment reviews can be carried out at any point in the future.

2. The **Annual Service** carries out a general financial review once a year, providing an overview of financial protection, investments and pension planning, as well as reviewing the investment funds invested in. The investment review aims to review and rebalance the funds used in the client's investments and pensions for the next 12 months, so the time frame is much shorter than for the potentially one-off investment review. Reviewing investment funds every 12 months should increase the likelihood of better performance when compared to funds that have not been reviewed, or are

reviewed only occasionally. We tend to use broad based general funds over a 12 month timescale.

We provide an Annual Service review report that details our findings and recommendations if any.

Each year clients have the option to renew the Annual Service for a further 12 months.

3. With the **Comprehensive Service** we look after a client's financial affairs throughout the year, and undertake a lot more financial planning and advice. In addition, because the funds you invest in are under constant review they can be more specialised and therefore could deliver higher investment performance than broad based funds. For Comprehensive Service clients we can also take the asset allocation between asset types and markets to more extreme levels, for example coming out of equities completely. We are unable to do this to the same degree for clients selecting the Investment Review and Annual Services.

Each year clients have the option to renew the Comprehensive Service for a further 12 months.

### **The Comprehensive Service Review**

If you decide to opt for the Comprehensive Service then the review will normally take the following format:

#### Initial Performance Report

This sets out the portfolio valuation at the review date and shows the performance and growth achieved over the previous 12 months.

#### Financial Data Update

We'll then arrange a short meeting to discuss the following:

- To update our records regarding your financial position and any changes that have occurred, and to learn of any new objectives and plans you may have.
- To comment on, and discuss, the past year's investment performance.
- To confirm your attitude to investment risk and whether this has changed.
- To discuss the investment management and financial planning required over the next 12 months.
- You may also want to make further investments into ISAs, pensions, etc.

#### Follow-Up Financial Report

If needed, we take the data obtained at the review meeting and use it to prepare a *Financial Profile Report*, looking at all aspects of your financial planning, from pension projections to life insurance and investment planning. We will also update your *Asset Allocation Model* based upon the stochastic model calculated from your current attitude to investment risk.

## Further Meeting

If needed, we will arrange a further meeting to discuss and implement any changes and new investments, etc.

## Investment Monitoring

We monitor your funds and investments throughout the year, looking for funds that are failing and advising you regarding fund switches, adjusting the exposure to investment markets by changing your asset allocation.

## 1.5. Investing In Your Finances

Obtaining good financial advice is a sound investment and can make the difference between the success and failure of your financial plans. Any adviser can set up a financial product for a client but it is only by combining our real interest in your financial needs with ongoing monitoring and changes that makes the difference. The following table explains the fee structure of our Wealth Management Service:

<b>The Investment Review</b>	We charge £110+VAT per policy/investment reviewed.
<b>The Annual Service</b>	We charge a fixed fee of £500+VAT, payable at the start of the Service year.  In addition, there is a fund based commission of 0.5% pa of the assets under management; the latter is normally paid direct to us by the policy providers, but there may be a small balancing charge at the end of the 12 months.
<b>The Comprehensive Service</b>	At the start of the Comprehensive Service we will prepare a statement of the assets we will be looking after for you. The initial fee for our Comprehensive Service is 1.25% (+VAT) of the total assets monitored and advised on by us. This is payable in advance and covers a period of 12 months.  In addition, there is a fund based commission of 0.5% pa of the assets under management; the latter is normally paid direct to us by the policy providers, but there may be a small balancing charge at the end of the 12 months.  The Comprehensive Service is subject to a minimum initial fee of £1,500 pa +VAT.

We retain renewal commission on existing policies to cover the costs of any administration that may arise in connection with these policies during the year.

### 1.6. Will you benefit from paying for the Wealth Management Service?

The Wealth Management Service provides you with a more individual and enhanced level of service, and more financial support and advice during the year that should increase the likelihood of better investment performance and achieving your financial objectives.

### 1.7. What do you do next?

Call us to discuss our Wealth Management Service and how this can help you to achieve your financial objectives.