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We look forward to hearing from you.

## NEWS IN BRIEF

● **FOUR CITY FINANCIAL FUNDS** are now available on Cofunds. Andrew Williams, managing director at the firm, said it would make the Strategic Global Bond Fund, Strategic Gilt Fund, Diversified Absolute Return Fund and the UK Select Alpha Fund more easily available to advisers and their clients.

## Standard Life challenges Friends Provident ahead of Resolution merger

### MERGER PROPOSAL

The tumultuous takeover of Resolution Life had a fresh spin this week as rival Standard Life approached Swiss Re to help finance the deal.

The move followed reports of Standard Life being “furious” over allegations from its advisers, Merrill Lynch and UBS, that the insurer was in breach of takeover rules.

Two weeks short of the proposed merger of Friends Provident and Resolution Life, Standard Life made an opposing bid for Resolution, throwing the deal open to question again.

But last week, the takeover panel reprimanded Standard Life for the way the takeover was handled, leading to criticism from Merrill Lynch and UBS.

Resolution had already rejected two bids from Pearl (Resolution’s biggest shareholder), but Standard Life’s offer was unexpected, as it had always stated the intention to grow organically.

The bid was not initially considered enticing, with the Friends Provident deal valued at around 755p a share, and the Standard Life bid, by comparison, worth 517 pence in cash and 0.715 Standard Life shares for each Resolution share. The market considered it a poor move for Standard Life, and the share price fell more than 3% before closing down 1.3% on the day of the bid. However, Resolution accepted the Standard Life bid.

Pearl responded with a rival offer, worth 720p a share, opening up a three-horse race. It also demanded to meet with the Resolution board to discuss the rival offers. It argued its business was a better fit for Resolution, and that

a deal with Standard Life would drag down the share prices of both organisations. Standard Life shares rallied on the news of Pearl’s rival bid. Pearl also increased its shareholding, picking up another 5.8% of the business, taking its total to 22%. The Standard Life deal would need the approval of 75% of shareholders, giving Pearl the potential to block the bid.

Donna Bradshaw, an adviser with IFG Financial Services, said: “Whether the Friends Provident bid or the Standard Life bid goes ahead, it won’t make a damn difference for customers. The only people it will make a difference for are the senior directors, who will make a whole lot of money.”

Meanwhile, Friends Provident announced its life and pensions business grew 21% in the first nine months of 2007. In the third quarter it made £2,154m, a 35% increase from the same quarter a year earlier. Individual pensions constituted the biggest growth at 68%, while investment fell 25% as stock markets struggled.

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Bradshaw: directors stand to make a lot of money whatever the decision

## Women driving cultural change in UK

### CHANGING DEMOGRAPHICS

**WOMEN AND THE OVER 50S** are driving cultural change in modern Britain, helping build better communities, according to *The Living Britain* report by Zurich Financial Services.

More time and disposable income means the over 50s are rebooting the cultural life of Britain. The study found that a wider age group, ethnic base and social demographic is embracing this culture, spreading it throughout society.

The over 50s are also coming out of retirement and

returning to the workplace, changing attitude to work and retirement.

Older people aren’t the only ones affecting change in the workplace. ‘Womonomics’ is bringing right-brain thinking traits, such as creativity, collaboration and empathy, to help businesses better engage with sophisticated, brand-savvy consumers.

Women are also engaged with technology. They are the fastest growing group of computer game users. Broadband use has increased dramatically to 85% of

## COMMENT

PÁDRAIG FLOYD  
EDITOR

The chancellor has proved yet again that this administration is afraid of making legislation for fear of making a hash of it.

Sven-Göran Eriksson used to tell his England team that they had to dare to win to lose. In other words, not be afraid of failing if you have given it your all. Perhaps he should have a word with the Treasury.

Or, given that we pay for all these volte-faces, government departments should remember the carpenter's axiom of measure twice, cut once – sound advice against unnecessary waste.

The RDR debate rumbles on, with the PFS claiming that advisers are not fully involved with the process (see opposite), while AIFA say their members are fully engaged.

The true position probably lies somewhere in between. However, advisers wanting a stake in the post-RDR world had better see which way the wind is blowing because 'son of depolarisation' will have far-reaching consequences for the whole industry.

## NEWS IN BRIEF

● **QUAY SOFTWARE** enhanced its training services to cover all of the Capital Enabler products, including Weblines and Synaptic, enabling users to learn all the necessary tools in one session.

● **MORLEY** has launched a Diversified Strategy Fund, using conventional assets such as equities and bonds, as well as alternative investment classes, to aim for equity-like returns for bond-like risks.

● **THE CITY OF LONDON'S** Global Financial Centres Index named the Isle of Man the highest of seven financial centres appearing in the list for the first time, third in the British isles, and 21st overall.

# Financial advisers rely too much on second-hand information from RDR

## RETAIL DISTRIBUTION REVIEW

**FINANCIAL ADVISERS** risk missing their chance to shape the future of the industry if they fail to engage with the retail distribution review (RDR), says the Personal Finance Society (PFS).

It has released a survey, which showed only 35% of respondents had actually read the discussion document or a summary of it, and that 61% had simply picked up information from colleagues or the press.

David Thompson, director of public affairs for the group, said: "We were concerned by the result, but not surprised." Tim Eadon, chief executive, added: "Given my experience dealing with members, I would say the real proportion is probably even higher. This is disturbing."

However, the experience of other industry bodies differs. Chris Cummings, director-general of the Association of Independent Financial Advisers (AIFA), says: "Our members are very engaged in the process. We have had a huge number of enquiries, and run a programme of events, every one of which has been oversubscribed. At this point, it is at the top of everyone's agenda."

Sue Whitbread, commercial director of the Institute of Financial Planning, agrees: "I haven't spoken to a single member yet whose firm isn't putting together a response. It's a huge job; it has taken us a month to put our response together, and advisers have to do that at the same time as running their business."

The AIFA is planning to produce a guide to help smaller firms put their contribution together. Cummings points out: "There will be a last-minute surge, because there always is with these things." However, he is not concerned. He says:

"We have been making a concerted effort to encourage our members to contribute. The last time we had this sort of campaign, there were 700 responses, which was the largest ever response to a Financial Services Authority consultation paper."

Petronella West, a director of advisers Investment Quorum, was surprised advisers hadn't already planned their responses: "If a practice doesn't make a submission they've only got themselves to blame if they don't like the outcome of the discussions."

The PFS survey showed the membership had strong views about the review, even if they hadn't read it; 42% felt the RDR would lead to a more professional retail financial services industry, while 70% said they expected to gain more qualifications, and 41% were aiming to become a chartered financial planner, the highest level of qualifications available. However, 82% were unsure about the proposed changes to fee structures, saying customers weren't necessarily better served by advice solely on a fee basis.

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Cummings: believes RDR is top of the agenda

# Nataxis targets wealthy UK non-doms

## PRIVATE BANKING

Nataxis Private Banking International (NBPI) has opened a branch in London to offer high-level financial services to high net worth residents in the UK looking for diversified investment opportunities and bespoke wealth management.

Clients are expected to consist largely of wealthy non-domiciled UK residents. They were hit hard by the pre-Budget report, which included a £30,000 surcharge for those who will have been resident in the UK for seven years at April 5, 2008, and a host of detailed attacks with

little effect individually, but that amount to a major attack on non-doms.

Nataxis will be able to help with new developments, as well as the usual gamut of private banking services. The London Branch's managing director, Antoine De Navacelle, says, "Our branch will advise its clients on how best to benefit from our expertise in asset financing, fund management and financial engineering."

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## WOMEN AND THE OVER 50S Continued from page one

❖ internet users, compared to 19% four years ago. With people using the internet for a much wider range of tasks than simply buying books or booking flights, it is not surprising that a much wider demographic is exploring the world of computer games.

Community spirit is also rife. Britons are bonding over shared common values to create an army of society-

changing go-getters. They are increasingly concerned with doing the right thing. This has led to a significant increase in volunteerism, whether in the workplace as part of a corporate social responsibility policy, using their holiday allowance to put something back, or taking on regular weekend voluntary work.

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## NEWS IN BRIEF

● **INDIA RETAINS** long-term growth potential, says Jeff Chowdhry, head of emerging market equities and manager of the F&C Emerging Markets Fund. However, he warned the proposals from SEBI to restrict the use of Participating Notes could have further negative effects.

● **STANDARD LIFE'S** Dynamic Distribution Fund has broken the £200m barrier. The fettered fund-of-funds is ranked first out of the IMA Cautious Managed Fund sector since launch, and rated AAA by Citywire.

● **SKANDIA** has merged the commercial areas of Skandia Life and Selestia. Nick Dixon has been appointed commercial director, and his team includes Billy Mackay, Peter Jordan, Nick Bladen, Graham Bentley and Colin Jelley.

● **STEPHEN INGLEDEW** has been made distribution strategy director of Standard Life Assurance. It is a new role, with responsibility for developing Standard Life's distribution capacity, focusing on strategic distribution deals.

● **ABERDEEN ASSET MANAGERS** has topped the UK Alpha League Table, published by EuroPerformance and EDHEC. The table ranks companies according to the alpha they achieve through active equity management.

● **LATIN AMERICAN** funds may have been among the most popular this summer, but it doesn't constitute a bubble, said Will Landers, manager of BlackRock's Merrill Lynch Latin American Trust.

● **SCHRODER PROPERTY'S** Gresham Real Estate Fund II sold four city office investments in two months, for £90.3m. John Froud, head of Schroder Real Estate Ventures, said market developments meant it was "prudent to crystallise these returns".

## OMO review fails to prescribe any definitive action, say annuity experts

### OPEN MARKET OPTION

**THE OUTCOME** of the open market option (OMO) review, unveiled during the pre-Budget report, has disappointed annuity experts.

The review suggested a web-based structured tool to guide individuals through their retirement income options, an assessment of the market against 'treating customers fairly' principles, the production of better information, and annual reports into progress of the market.

Peter Quinton, business development director of *Living Time*, said: "I was initially enthusiastic about the review, but now I've had time to look at the proposals I'm a bit disappointed. There's no real definitive action and no timescales given. This is the third time this issue has been looked at and we've still not had the action we need."

Ros Altmann, an independent pensions specialist, said: "Annuity providers are being let off the hook again. They don't have to explain to members what kinds of annuity they might qualify for, they don't have to offer a decent rate and they don't have to transfer the money in any reasonable timeframe. They do not even have to use standardised forms that would make the whole transfer process easier. I think the OMO should be default, not the ceding provider's annuity."

Quinton said there would have to be changes in legislation before the OMO was used as it should be.

Altmann went further, saying: "The government is not ensuring that people make the right decision and get the best rate before they buy. That is, in my view, a gross dereliction of duty. Yet another attempt at a voluntary code, best practice, encouragement and monitoring cannot, in my view, be justified given the scale of the problem here."

Research conducted by Partnership earlier this year showed that despite the introduction of the OMO five years ago, 75% of people nearing retirement had no idea what it is, and almost three in five of those already retired fail to take advantage of it.

It pointed out that the majority of retirees can enhance their retirement income simply by shopping around, and this is particularly true if they are among the 40% of retirees who suffer poor health.

Quinton said: "There can be a difference of about 20% in people's retirement incomes from different products. With people living 20 or 30 years in retirement, it is vital they know about the open market option."

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## Asia-Pacific HNW wealth is on the rise

### ASIA-PACIFIC GROWTH

**THE ASSETS** of high net worth individuals in Asia-Pacific rose to \$84tn last year, with a wealthy population of 2.6 million, according to a study by Merrill Lynch and CapGemini.

This is an increase in total assets of 10.5% from the previous year, and a rise in total HNW individuals of 8.6%. Asia-Pacific now accounts for 27.1% of the global high net worth population. This wealth is concentrated in China and Japan. Japan alone is home to 43.7% of the region's total wealth, and China is home to 20.6%. China is also where the ultra-high net worth of the region, with more than \$30m in assets, are based.

Singapore, India and Indonesia are home to the fastest

growing wealthy populations – of 21.2%, 20.5% and 16% respectively. This compares to a global average of 8.3%.

China, Indonesia, India and Hong Kong benchmark stock indices outperformed most mature capital markets as well as their peer markets in the region, with returns over 30%.

Within the region, asset allocation differed significantly. Australians allocated 37% of their assets to equities, while investors in South Korea allocated the largest percentage of their portfolios to real estate.

Asia-Pacific high net worth individuals are increasingly looking at internationalising their investment portfolios, although they still maintain a regional portfolio focus.

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## A&B launches tax guide to arts giving

### ARTS FUNDING

**ARTS & BUSINESS**, which promotes private investment in the arts, has launched an online guide explaining how to give tax-efficiently.

Private sector giving stands at £529.5m, with £262.4m of that from individuals. For large organisations with incomes over £10m, individuals provide almost half (46.4%) of their income. Colin Tweedy, chief executive of Arts & Business, said the growth in the number of wealthy individuals represents a potentially significant income source to the arts.

However, there is confusion among donors surrounding the tax breaks available, preventing them from making the most of their gifts.

Tony Cohen, head of private client services at Deloitte, said: "The tax reliefs available are comprehensive and generous, and by taking advantage of these reliefs, both the donor and the arts world can significantly benefit."

The guide, is available at [www.aandb.org.uk/taxguide](http://www.aandb.org.uk/taxguide).

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## NEWS IN BRIEF

● **ARBUTHNOT LATHAM**, the private bank, has named Steve Hicks as chief operating officer and business development director. He joins from Barclays, where he was head of premier banking.

● **ODYSSEY FINANCIAL TECHNOLOGIES** revealed the results of a study into business priorities for wealth managers. More than half the respondents said compliance was important, while 43% cited the development of innovative advice products as vital.

● **VERITAS ASSET MANAGEMENT** appointed Ian Fridlington as private client director. He will manage private clients, create an alternative strategies platform and take responsibility for the Veritas Atlas Service.

● **LONDON & CAPITAL** launched a series of absolute return strategies for the US market, in a push to double US assets under management to \$400m. They will each invest in established London & Capital funds.

● **SCOTTISH LIFE** launched an income release plan, allowing for the flexibility permitted by the A-day changes – such as taking a lump sum without income – as well as providing a traditional income drawdown facility.

● **SIPP CENTRE** has included Cofunds on its panel. Cofunds will subsidise the set-up fee, when £25,000 is invested, and the annual fee when £250,000 is invested. When £125,000 is invested, the annual fee is reduced to £100 plus VAT.

● **HORNBUCKLE MITCHELL** said insurance companies offering deferred schemes with outsourced administration aren't taking the market seriously. Neil Marsh, managing director, said it was a case of "the emperor's new clothes".

## Sipps regulation causes spike in client confidence, research reveals

### SIPPS

**THE REGULATION** of self-invested personal pensions (Sipps) has boosted the industry by increasing confidence among consumers, a survey by Skandia revealed.

According to figures, 43% of advisers think client confidence in the product has increased, and 44% said the comfort of regulation was important.

Fergus Lyons, consumer director for AJ Bell, agreed: "Broadly, it has been very good for the industry. Consumers have the comfort of cancellation rights, the 'treating customers fairly' principle, risk management, a complaints process, business continuity, and minimum standards."

Regulation has also increased transparency of charging for the products, with the research showing half of advisers felt transparency had improved. Nick Bladen, head of pensions marketing at Skandia, said: "People are demanding transparency. The fact that half of advisers are saying it has improved is therefore very encouraging."

Regulation also increased publicity for Sipps. Tom McPhail, an adviser with Hargreaves Lansdown, said: "It helped bring Sipps into the mainstream."

However, not all advisers are seeing a benefit. Around half said regulation had made no difference to the transparency of Sipps, and 47% said it made it no easier to compare them to other pension products. Donna Bradshaw, an adviser with IFG, said: "There were always good providers and they haven't really changed."

However, regulation has come at a cost. Nearly a third said the amount of time spent on compliance and adminis-

tration was worse under the new regime. Bradshaw said: "For many providers it would be business as usual, except for the fact there's now a lot more paperwork."

Lyons commented: "The Financial Services Authority has said

to be careful about recommending Sipps when someone might be able to use a stakeholder instead. It was actually an attempt to dampen the market so people didn't get carried away, and that has had a slightly negative impact."

McPhail added that this wasn't necessarily a concern in the first place: "The number of occasions when people have been demonstrably mis-sold a Sipp are probably very small." In all, however, McPhail said: "So far regulation has been carried out in a reasonably proportionate way."

Bladen welcomed this, saying, "Extending regulation across the board, from presale projections to post sale disclosure, is the only way to truly achieve [comparability]".

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McPhail: regs have made Sipps mainstream

## Suffolk Life mastery gets round Sipp regs

### SIPP PRODUCT LAUNCH

**SUFFOLK LIFE** has reacted to proposed regulatory changes by launching a new self-invested personal pension (Sipp) product to take advantage of protected rights money.

The Sipp specialist, which last month won the *Pensions Management* TAS award for best Sipp provider, claimed the current market is worth £40bn, but estimated it would grow to £500bn.

John Moret, Suffolk Life's director of sales and marketing, said: "The Department for Work and Pensions has recently indicated they will issue draft regulations on Sipps for consultation until December 2007. They intend to bring regulations into force in October 2008.

"As we speak, quite what will be in the draft for consultation is unknown, less still what will be in the actual regulations. Due to this, we have designed the MasterSipp with as much flexibility as we can, and are prepared to improve functionality and investment options should regulatory change permit this."

The MasterSipp offers members the option of

self-investment of protected rights money from zombie funds.

Moret, the self-confessed father of Sipps, who led the launch of Sipps in 1990, claimed the market is buoyant. He said: "The small acorn has grown, and I think we can safely say it is through the sapling stage and is now a fully grown tree."

Andy Tully, marketing technical manager at Standard Life, said: "I don't imagine many more companies will make it possible to invest protected rights money into their products. But if the government changes its mind, I think you will see them reconsider. I think people are just hanging fire."

He added: "The concept behind the MasterSipp – of allowing people to invest their money how they like – is absolutely fine. The trouble is we have to jump through so many hoops to get there."

Suffolk Life's deed poll scheme, the other Sipp product currently offered, will close to new joiners in November.

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## NEWS IN BRIEF

● **THE GOVERNMENT** has stopped progress of 'third way' annuity products that would have allowed consumers to receive income and investment returns at the same time. It said the development would only help a few people with very large pension funds.

● **SG PRIVATE BANKING** has been named outstanding bank for alternative investment, by Private Banker International.

● **RESEARCH BY THE UN** Environment Programme Finance Initiative and Mercers showed that 10 academic studies had shown a positive correlation between environment and social factors, and only three showed negative correlations.

● **THREADNEEDLE** has launched a 130/30 strategy fund, the Threadneedle American Extended Alpha Fund. It is a traditional long-only portfolio of American stocks, with a short exposure to unattractive stocks set at about 30% of the value of the fund.

● **THE CONVERGENCE OF** hedge fund and equity market returns, combined with confusion over the classification of hedge funds, is bamboozling investors, says the Bank of New York Mellon. It has called for classification using cluster analysis instead of by strategy.

● **LYXOR ASSET MANAGEMENT** has launched four exchange traded funds (ETFs), including the first Russian ETF on the London Stock Exchange and a Brazil fund. Lyxor is the first provider to offer individual ETFs in all four BRIC countries.

● **THE INTERNATIONAL BIOTECHNOLOGY TRUST**, managed by SV Life Sciences, has shown an increasing net asset value for a fifth consecutive year, thanks to increased merger activity in the sector, says Kate Bingham, managing partner of SVLS.

## Third way annuities may go mainstream if larger life firms enter the marketplace

### ANNUITIES SURVEY

**ANNUITY HEAVYWEIGHTS** are considering moving into the nascent third way annuities market, according to a survey by *Pensions Management*, the sister title of *High Net Worth*.

This month's *PM* reveals how providers such as Standard Life and Bank of Scotland Annuity Service (BSAS) are eyeing up the fledgling market space, currently occupied by four American life offices: Lincoln, The Hartford, MetLife and Living Time.

Third way annuities – often called mid-market or variable – first launched in the US a decade ago and are now the retirement product of choice for 80% of Americans. Their attraction is they offer the investment in equities associated with a drawdown product combined with the security of an annuity.

The success of third way products in the US and Japan has led to many in the industry predicting big things in the UK. Some annuity providers are holding back and assessing this first generation of products before they enter the market.

Sean McCabe, financial planner at Chartwell, said:

"We've heard Standard Life is looking to get into the annuity market and that could have quite a big effect.

"When the large life insurance companies – no disrespect to the ones already in the field – start offering third way products it will give them more credence and respectability."

The full survey can be found in November's edition of *Pensions Management*.

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Third way annuities are big news in the USA

## Rowanmoor's results better than expected

### COMPANY PROFITS

**ROWANMOOR PENSIONS** increased turnover from £10m to more than £11m in its first 13 months of business, and said its £750,000 gross profit, before exceptionals, exceeded its expectations.

The organisation was formed from the management buyout of James Hay's SSAS and the associated consultancy business, in September 2006.

It had expected a year of consolidation. During the last 13 months, the company had to switch ownership of every trust deed, thousands of properties and several thousand other assets from James Hay to Rowanmoor.

David Seaton, director of consultancy, said: "I would expect next year to be another of sorting out issues from the buyout, before 2009 when we can really expand."

Ian Hammond, managing director, said he expected some growth next year from "transfer business, as advisers and their SSAS clients start to feel the impact of having a scheme with an operator who does not take on the scheme administrator role".

Rowanmoor has expanded its workforce at its regional office and administration centre in Bolton to deal with the new business. Seaton said he hoped the company would hit around £11m in the next 12 months.

The company plans to launch a self-invested personal pension in 2009.

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## Butterfield service will protect shares from IHT

### IHT PLANNING PRODUCT

**BUTTERFIELD PRIVATE BANK** has developed an inheritance tax (IHT) planning service, allowing clients to create an individually managed portfolio of alternative investment market shares, combining risk management with tax mitigation for a minimum investment of £50,000.

The shares are selected with the aim of preserving capital, and portfolios are invested in between 20 and 30 stocks, to diversify the risk. They are analysed to ensure they are at a reasonable valuation, have sound financials, and are backed by proven management.

The shares qualify as business assets, which are free from IHT once the investment has been held for two years. They also take advantage of business asset taper relief, so the tax payable on any gains is reduced to a maximum of 10% after two years.

The portfolio is managed to ensure it complies with rules regarding business property relief.

Portfolios may also include shares that qualify as enterprise investment schemes (EIS). These allow for the offsetting of capital gains made three years before, or one year after the purchase of the EIS. The shareholder may also be entitled to 20% income tax relief.

The initial fee is 1.5% of the amount invested, and annual management fees are a further 1.5%. The fund aims to cover ongoing fees with dividend income.

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