

Financial Adviser Article

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Wrap Up Your Troubles?

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It is difficult to be exact, but recent estimates put the number of expat Brits around the world at nearly 6m. Whilst far flung homelands of Australia and the US account for up to a third of these, closer to home Spain, Ireland and France are right up there as popular destinations with the UAE closing fast. It is true that Spain might be losing its allure for various reasons, but expats are out there in their numbers.

Within the expat masses are those with a reasonable savings and investment portfolio, often in retirement whilst at the other end of the spectrum we see younger and hungry individuals and families with high levels of disposable income with the ability to secure their financial future – ‘the Dubai Set’. These groups, and others, have turned out to be one of the bulls-eye targets for the new breed of International Wrap platforms. The convenience of having all investments accessible from one simple log-in can be very attractive to this group, who might traditionally have their assets scattered quite literally around the world. For advisers there will be a wider choice of relevant investment products for this market.

Whether silver surfers, or bright technophobes, the explosion of tablet and smart-phone usage has made it far easier for Wrap Platforms to push home their advantage, both for the adviser and the client.

Which markets?

International Wrap Platforms are useful to the expat market but there is a wider acceptance of their benefits. Financial advisers have not been slow to find suitable offshore products for their clients, usually with tax planning as the prime mover. Products that are aimed at IHT efficiency are right up there, even if for individuals either UK resident or domiciled holding assets offshore does not generally mitigate their IHT liability. And let’s not forget that different tax regimes can provide greater tax efficiency for savers at a time when inflation is eating away at the value of their deposits.

For many of these offshore solutions the tax benefits are often limited to timing differences whilst initial product costs are far from low, fund choices can be limited and transaction charges high.

Do advisers have a horizon limited to offshore bonds and some fairly routine tax planning? There are certainly investment opportunities overseas that may not be readily available in the UK which may offer clients new dimensions for asset protection and risk-spreading and in some cases, confidentiality. There are also avenues offering the chance to access higher earnings potential to build capital. This is a key agenda for International Wraps – bringing these opportunities within the reach of both UK and Internationally-based Financial Advisers.

None of this is either tax avoidance or what has become known as aggressive tax planning. It wasn't the quest for straightforward tax efficiency that saw the Big 4 accountancy firms summoned to a committee of MPs in May 2013. Media personalities were headline news too for the wrong reasons as their complex tax-avoidance schemes were laid bare.

So what is a Platform?

Just what is an International Wrap platform? In straight commercial terms they have responded to the globalisation of financial services. Whether for ex-pats, UK citizens or International Clients, they provide a more efficient alternative for clients and advisers where assets are being held by a number of different companies, each with their own account numbers, paperwork and local customs. Some platforms will provide a value-added service that allows non-custody assets such as EIS investments (tax benefit restricted to UK taxpayers) and unquoted securities, to be incorporated and therefore visible at all times to the client.

As with UK platforms there are instant valuations, detailed investment information, trade details, adviser tools and tax return information at the press of a button. But International means just that. Investments will be held securely by an overseas custodian – although it's worth adding that this would only apply to certain assets. For example, a client with a UK portfolio and International portfolio would have their affairs administered through the platform with two custodians but still with one single view (of their investments) for themselves, and for their adviser. An added dimension for this market-place is that cash and payments will be available in Dollars and Euros as well as many other overseas currencies, and of course, Sterling. This is a particularly important service for clients who live in a non-Sterling jurisdiction.

The meaningful sales proposition for these platforms lies in the unique and specialist range of products being promoted to financial advisers. There is still, surprisingly limited competition in this space. Advisers will find transparent and client-agreed fee-based charging, or for those who are not under a restrictive regime, a traditional commission-based solution. So a wide appeal is developing both within the UK and overseas from Dubai and Spain to the USA and beyond, driven in part by tax efficiency and in part by opportunity.

Adding value to advisers

What are these specialist products? Pensions are certainly one area. No reader needs telling just how substantial some client's pensions are and what a large proportion of a client's total wealth they might represent.

If you are an expat in the USA with a UK pension what options do you have to stay close to your fund and manage it in accordance with the ultra-stringent IRS rules? This is where an International Platform can provide the US adviser with a specialist product that meets all IRS and FATCA regulations and reporting requirements.

QROPS are another specialist pension product that International Platforms specialise in. If transferring to a QROPS (or establishing a QNUPS) is the right product for your client you will be able to find an International Platform that will have a suitable provider that they will have conducted all the necessary due diligence and product reviews on. Clients (now living abroad) can benefit by seeing their pension alongside their other investments. And remember that foreign nationals with UK pension benefits are able to consider a QROPS – an example of how the client base of wraps can become wider than just UK nationals.

Advisers can also access General Investment Accounts, Equities on traded international markets, Offshore Bonds and the important feature of Multi-Currency. Whilst not all International Wrap platforms offer all these facilities, UK investors looking beyond our domestic markets, the huge expat community as well as the growing number of International Clients resident in the UK or, worldwide have some great choices available through their advisers. At the same time the platform will have built strong relationships with DFMs who can run portfolios that meet the requirements of the product and/or local tax regime.

Conclusion

Is price an issue here? For advisers there will be the likely reduced AMCs generally available on UK and International wraps, a clear platform charge with the possible add-on of a DFM cost with trades at advantageous rates and adviser remuneration built in. The market has already shown us that the range of specialist products is creating demand. And if the Platform is able to build in a real service proposition that stands out, particularly for the HNW clients who often inhabit this space, then the offering will be both different and possibly compelling.

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