



RETIREMENT

IN PENSIONS WE TRUST

The self-administered pension has become more a necessity than a choice in today's volatile climate, according to **Donal Quinn**

Wealth management could be described as 'a sophisticated investment advisory discipline that combines financial planning and the provision of specialist financial services'. It could be described in many other ways too.

The key objective of wealth management remains the same regardless of its definition. That is to provide personalised financial planning to individuals/families with the goal of attaining, retaining, increasing and ultimately distributing wealth. Inherent within the wealth management discipline is the necessity of establishing an accurate client risk/investment profile, and structure a flexible investment programme to reflect this profile. Current market volatility and the globalisation of the investment market have emphasised the importance of the need for flexibility. One of the key skills of the modern financial advisor is the ability to structure a client's portfolio in such a way as to minimise the effect of market fluctuations and to enable the portfolio to seize opportunities when favourable market conditions prevail.

Self-administered pensions (SAPs) have long been a key component in the wealth management discipline. The inbuilt flexibility of the self-administered structure has enabled advisors to have a greater influence/impact on their client's portfolio and has reinforced the sense of partnership that comes with the more inclusive client/advisor relationship that self-administered schemes allow for.

Partnership

This enhanced sense of partnership within the self-administered discipline can be demonstrated by reviewing some key

characteristics that successful clients/advisors exhibit.

Take responsibility

The client must take greater responsibility and make their own decisions. By fully engaging with their advisor, the client will be able to utilise the advisor's experience and expertise in arriving at appropriate investment decisions. Both partners can then take credit for making profit and accept responsibility for losses. This inclusive process can assist the advisor in establishing a clearer picture of the client's needs and concerns.

Assess the risk

In all cases, risk comes from not knowing what you're doing. By reviewing pension investments on an individual asset class/product basis, you are in a better position to review the entire portfolio, assess and ultimately reduce risk.

Design a risk/investment programme

Certain individuals have very specific investment interests/goals, meaning a generalised fund may not suit. An advisor can structure and adapt a programme to suit each individual client.

Diversify

Current market conditions have reinforced the old adage of 'don't put all your eggs in one basket'. Pension assets should be diversified across asset classes to fully reflect a client's risk/age profile.

Seize opportunities

Structure pension assets so as to enable flexibility, e.g. buy cheap shares, buy in

distressed markets, etc. By using a self-administered structure you can engage with the entire market, all available products can be considered and you can broaden your horizons.

Stagger your investments

Asset class diversification is essential; however, it is best measured in conjunction with a staggered investment term. All markets by their nature are cyclical; staggering your investment can smooth out the peaks and troughs that will occur throughout the investment timeline. Self-administered schemes will allow for staggered investments e.g. three-year, five-year, seven-year investments, allowing for a smoothing mechanism within the pension. This staggered approach also enables the client to keep taking money out of the market, 'you only make money when you sell'.

Have confidence

By creating and adhering to a diversified investment programme, the client can have confidence that all decisions taken are in accordance with his/her overall investment objective.

The self-administered pension has now become an essential building block of a well structured wealth management programme. By taking advantage of their flexibility a client/advisor can best approach the new ever-changing global investment market.

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