Valid & invalid reasons for use of a platform

PLANWORKS
Planning for you, working for your clients

Valid

Cost

Whilst the regulator concentrates on getting value for our clients, what we seem to forget is that actually most funds are more expensive to buy directly from the provider. With a few exceptions, Vanguard being one.

	Direct	Platform
Fund	Ongoing Charge	Ongoing Fund Charge (OCF)
M&G Japan	1.45%	0.95%
Liontrust Japan	1.57%	1.57%
Fundsmith Equity	1.55%	0.96%
M&G Japan Smaller Companies	1.45%	0.94%
IShares UK Equity Index	0.51%	0.13%
Weighted Average	1.31%	0.91%

Future Proofing

Whilst your selected portfolios and or DFM's might be suitable today, they may not be suitable tomorrow and therefore having the ability to change managers will negate the need to move the assets from one manager to another, saving you time and likely the client money.

Products

Platforms offer a number of products under one roof allowing the client to have a one stop shop, apply either a cohesive investment strategy across all products or different strategies for different products and or objectives.

Platforms also allow clients to take income from various products at the same time, rather than having income from different providers coming in at different times.

Also, the platform "Should" make annual reporting more efficient, saving you time and therefore the client money, provided those efficiencies are passed on to the client.

Pension Death Benefits

Some older pension products do not allow beneficiary drawdown meaning that whilst the spouse would receive the death benefit either tax-free or at their marginal rate depending upon when the first person died, it would immediately form part of the spouse's estate potentially leaving an IHT issue for the remaining spouse.

Platforms, as well as other newer pension products, offer beneficiary drawdown which allow the money to stay inside the pension wrapper and continue to benefit from the tax-advantages of that money remaining inside a pension.

Invalid

Pension Income Flexibility

If the client is 5 years or more away from their chosen retirement age, they do not need the ability to flexibly access their pension and therefore this cannot be the only reason to support the use of a platform. If the existing product does not offer beneficiary drawdown and the client is likely to have an IHT issue then it should be a consideration.

Existing Provider does not support adviser charging

Just because the existing provider does not support adviser charging, does not make the existing product unsuitable. The FSA made this clear in FG 12/16

> [14] We do not consider the ability to facilitate adviser charging to be adequate justification on its own for switching to a new, higher cost solution.

https://www.fca.org.uk/publication/finalised-guidance/fg12-16.pdf

I cannot access my company's Centralised Investment Proposition

Again, this was addressed in FG 12/16

> 3.12 Firms must not automatically assume that the CIP will provide better performance prospects than the client's existing investment. Where a firm recommends replacing an existing investment on the basis of improved performance prospects, we expect to see the firm justify specifically why the new investment is, in the firm's opinion, likely to out-perform the existing investment.

Valuable Guarantees

Some legacy products have valuable guarantees that could be lost upon transferring. Outside of tax advantageous guarantees such as protected tax-free cash and an early retirement age, a few legacy With Profits funds have valuable guarantees, some of which I am sure clients would be happy to have in the current environment.