



**PIMS UK 2009 played host to 300 participants from the UK's leading financial intermediary and product provider companies. Held on board P&O's Arcadia, over the course of two days the attendees addressed a number of important issues affecting the industry today. Now in its 21st year, PIMS UK continues to play an integral part in the retail financial services event calendar.**

### Opening Address: Becoming better leaders through improved relationships



Curiosity is the key to building a relationship with someone you are meeting for the first time – whether socially or in business. That was the core message from media personality Ruby Wax in her keynote presentation opening the 2009 Richmond Events PIMS UK Forum. "People are flattered by curiosity," she

said. "Don't talk at people, talk with them – they are thrown by that."

Drawing on her extensive experience of bold interviews with the rich and the famous, and in a highly interactive session with delegates, she highlighted four elements in building relationships.

The first is having self awareness. "You must be available to the person so you need to understand what state you are in and where your mind is during the meeting to give that person focus," she said.

The second element is self management. We have to be aware that we spread our emotions like a virus, she said, so we have to stop, think and take the temperature of the meeting and be aware that people smell hype.

Social awareness, which involves the ability to decode emotion and body language, assessing the mood of a room, and social finessing, is the third factor.

The fourth element in relationship building is social management, she said. "Five per cent of our communication is through words, 40% through tone of voice and 55% by body language. Social management is all about adjusting these dials." "To be in someone else's shoes is the ultimate thing in a relationship," she said.

She also discussed dealing with a range of different personalities. Her approach to domineering people is to "give them their power."

### Keynote: Crunch time for the economy

By the end of 2009 we can expect to see the end of the recession and interest rates up to about 2%. However, warned Dennis Turner, Chief Economist of HSBC Bank in his keynote address, the end of the recession does not mean recovery or back to business as usual.

In his entertaining but hard hitting concise analysis of the current economic situation and how it happened, Turner declared himself an optimist. That is because he believes that all the levers that can be pulled have been pulled, and earlier than in previous recessions but he warned that the route to recovery will be hard.

Business as normal, he said, means getting back to our long term GDP trend growth rate of 2.5%. That will require a quarterly growth of 0.7% once we are out of recession. "The recession ends when we reach 0.01% growth, but it will be a slow climb uphill for most of next year to move from the end of recession to recovery."

The key question that now needs addressing, he said, is how Britain can pay its way in the post recessionary world. We cannot expect the traditional growth creating sectors, especially financial services, property, construction or distribution, to make much impact over the next year. "We've got to think exports," he said, "and we've got to think international. And manufacturing has to come back on the agenda."

I am in the optimistic camp," he told delegates. "we look at the numbers and say that the darkest hour is just before dawn and we're probably not far from it." "Others will look at the same numbers and say there is a light at the end of the tunnel but that it is from a train coming towards them."





## INDUSTRY SPECIFIC SESSIONS:

This year PIMS UK looked at a variety of different issues, ranging from the current global economic situation to inheritance tax planning, the future of financial planning and resetting client expectations. Highlights from some of these sessions are featured below.

### The future of financial planning: trends in the industry – past, present and future



George Kinder, founder of the Kinder Institute of Life Planning presented two seminars onboard about financial life planning. His first session set the scene for the audience. "Life planning is all about discovering what the client really wants and then delivering it against a background of RDR, increasing regulation, improved software products and systems."

The way to elicit this information from the client George stressed is through face-to-face conversations as people's goals and aspirations are rarely stated in general questionnaires or fact finders.

The essential skills a life-planner needs to possess are "listening, empathy and inspiration." Good listening breeds trust and the client can begin to believe the IFA shares their dreams. In turn, as the IFA begins to get a real understanding of the client's goals they can start to accurately plan for them and will hopefully have a client for life, and a client who will more readily accept their investment strategy than they otherwise would.

George was also keen to dispel four myths around life planning. These were: the customer does not want it; it is inefficient and takes too long; it is really just practising psychology, and you do not get paid for life planning. George believes that life planning: delivers clients for life, makes an IFAs income more constant and not based on bouts of selling, the advice given is more transferable and is 4-5 times more valuable than commission and lastly, it provides greater client retention.

Turning to life planning and branding, George stated that there are four futures to put at the centre of your business, "integrity, freedom, strong relationships and accessibility."

His final pieces of advice to the audience was to make sure they did not "ignore the middle income clients in favour of only high income; build your brand by understanding regulation; use platforms and wrappers and contrast with the impersonality of banks and insurance companies."

### The future landscape of the IFA business model

Scott Soper, Senior Manager of the Financial Services Group at Grant Thornton UK LLP came onboard to look at the future landscape of the IFA business model.



"Things will change which will create the need for more teamwork, specialisation and inevitably more regulation from Brussels." However

"because of the perceived failure of the British financial 'model', the FSA has lost some influence on forthcoming European regulation."

Scott warned that the RDR may be modified or even shelved in light of future regulation from Brussels and a new UK government. Moreover, new regulations might be on route to the UK for numerous areas including mortgages and packaged retail investment products, the latter of which could be onerous. EU regulations can focus on protecting the consumer at the expense of innovation.

The key concern Scott highlighted was that all these things are making maintaining profitability for IFAs increasingly difficult as the cost of running or controlling a business has increased sharply. Examples of this are the compliance burden, increased FSA scrutiny combined with enforcement and penalties. Scott stated, that "assuming it's not made redundant by the upcoming Brussels regulations, the FSA's RDR will focus on increased transparency, raising professional standards and reducing conflicts of interest in remuneration practices."

Looking to the future of the industry, Scott believes there is likely to be revised product design, greater remuneration transparency, specialisation and new services made available.

For IFA businesses themselves, Scott believes that they will need to be clear on strategy; allocate budget for changes; engage with Europe or relevant trade bodies; review their anti-fraud measures and retain adequate risk, compliance and sales personnel.





### Top ten estate planning ideas



Danby Bloch, Chairman of City IFAs Helm Godfrey and Taxbriefs Financial Publishing discussed the topical issue of IHT and estate planning.

Danby set the scene by emphasising that estate planning is more than just IHT planning. Consider for example the factors of

“the prospective increase in the nil rate band; inter/intra-generational planning; increasingly complicated lives; the impact of divorce, and new wealth equating to new traditions.”

If that was not enough to make the situation complicated Danby then went on to talk about the impact of lasting powers of attorney, divorce protection, longevity, and pensions, upon estate planning. The pensions issue was then broken down into effective strategies which could be adopted for high income clients and high income business owners.

Regarding IHT planning, Danby had significant advice to offer the audience from, being wary of equity relief for IHT planning as it is mostly toxic, making sure you find out everything there is to know about the use of the nil rate tax band, be aware that the intestacy rules have changed and something which might seem obvious but that many ignore “make a will – and update it!”

In his last words of caution for estate planning Danby suggested that where possible pre-nups should be built into estate planning for the rich as divorce is potentially more expensive than IHT! And for those who are not married? – there is always the possibility of a cohabitation agreement. Although no one goes into a relationship looking for it to break down, it is always easier to deal with if these measures have been put in place.



### Resetting client expectations and the client service proposition

One of the two industry focussed panel debates onboard looked at the issue of resetting client expectations and the client service proposition in light of the current economic climate.

The session was chaired by Justin Urquhart Stewart of 7IM with a breadth of experienced industry representatives, Danby Bloch of IFAs Helm Godfrey and Taxbriefs Financial Publishing, John Abraham, of Bluefin Wealth Management, Colin Sloss, of 1st & The Exchange and Stephen Ford of Brewin Dolphin, as the panellists.



The key issue upon which all of the panellists agreed was that the best approach is a ‘client centric’ one. “Increasing client contact in uncertain times is essential as clients can think your silence means bad news” stated John Abraham. The use of technology is a key tool for maintaining effective contact which can be done by using technology such as email or Twitter.

“Understanding what clients *really* want is critical,” continued John Abraham, a point which was echoed by Stephen Ford who stated “many high net worth clients are deserting the big institutions for smaller players whom they trust more and get better service from.”

Moreover Stephen Ford said that in the current climate tax management is crucial. An area close to Danby Bloch’s heart, he cautioned that “clients know little of tax planning and need their IFA to be very knowledgeable on it. Judicious use of tax planning can produce positive returns, often greater than the performance of the underlying investments. The best results come from combining tax and investment planning.”

There are many additional ways to maintain portfolio performance in the current climate, albeit at lower returns than previously. For example Colin Sloss proposed using smart diversification to compensate for low interest rates and remembering good dividend producers. Danby Bloch said that with 50% tax rates looming, tax shelters could be used until rates go back down. Stephen Ford suggested focussing on benchmarking returns and thinking about special opportunities funds or dated instruments which provide a degree of certainty.

The panel’s final advice was, to focus on a client’s expectations rather than some abstract benchmark, perhaps even use psychometric testing to gauge a client’s attitude to risk and remember, many who lost money on the stock market did not understand the risk element. Therefore, explaining the risk associated with every product is vitally important.



**Additional sessions on the 2009 conference programme included:**

**Seminars:**

- Financial life planning: the new methodologies of client service delivery
- Alternatives in a recession
- Behavioural finance and the psychology of investing
- Why to charge fees and how
- Justifying your choice of asset allocation and exercising due diligence

**Panel sessions:**

- The future staffing of the industry: ensuring the entry of new talent

**Professional Development:**

- Innovating your way out of recession: the truth about innovation in tough times
- Is your customer service hot or not?: Lessons about customers from the World's best companies!
- Leadership in tough times: lessons about thriving from the World's best leaders!
- Inspiring and motivating a team: revealing the secrets that enable some teams to achieve magical results
- Beer & cheese as a mini gastro tour of the British Isles

**Other activities included:**

- Fund manager presentations
- Product provider presentations



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