FINANCIAL PLANNING Brief
For Corporate Clients of Lucas Fettes & Partners

LUCAS FETTES
& PARTNERS

GROUP SIPP - A WORKPLACE PENSIONS SOLUTION?

Sweeping changes to workplace pensions are fast approaching. Under new regulations, virtually every employer in the country will have to either review their existing arrangements or implement a new scheme to be compliant.

Deciding upon a workplace pension structure which best suits your business is likely to depend on a number of factors, such as your business sector, company profile and paternalistic views, not to mention budget.

When it comes to design, it can be as simple or sophisticated as you want it to be. What is important is that the structure fits well with the expectations of your employees at all levels.

A basic one size fits all scheme may suit, however providing certain groups of employees' access to more sophisticated and active investment management may require a multi-layered scheme approach.

The most basic tier of workplace pension will be NEST (National Employment Savings Trust). NEST arrives officially in 2012 as the new government backed workplace pension scheme built to enable employers to auto-enrol their workers. It will be open to employers of any size.

In reality, it's unlikely that NEST will turn too many heads – it offers very little in the way of fund choice or flexibility. Its target market will mainly be the lower paid, and those who are new to pension savings.

Many private sector employers already operate workplace pension savings in the form of Stakeholder and Group Personal Pensions. Compared to the proposed NEST scheme, these arrangements will typically offer more funds choice and greater flexibility in terms of contribution rates and portability.

Whilst Stakeholder and Group Personal Pensions may meet the needs of many individuals, those working in professional practices, senior management or highly paid roles will seek arrangements that offer more investment choice and active management.

Employers can now address these needs by establishing a Group SIPP arrangement supported by active investment management through managed portfolios or bespoke investment management. These approaches give employees easy access to passive or active investment approaches with discretionary management.

All employers will soon have to commit to making pension savings for their eligible workers and those that already have in place arrangements will need to review these. Whether employees value this benefit or otherwise may well come down to the type of arrangement(s) in place together with the support, advice and education available to them.

CONTACTS

For more information on this or other legislative changes, please contact Lucas Fettes & Partners on 0845 357 8910 or by email at employeebenefits@lucasfettes.co.uk

ABOUT MANAGED PORTFOLIOS

Rather than just give potential investors a restricted choice of funds and ask them to select one or more (which in essence can place total reliance on the fortunes of just one fund unless a diversified selection is made), Lucas Fettes are offering an **investment strategy** that provides clients a diverse and deliberately structured portfolio with **automatic quarterly review and rebalancing** to maintain a suitable asset allocation, determined by a professional asset manager.

If any single fund's performance deteriorates, the manager will **automatically** replace that fund with another suitable fund that fits the chosen asset class if deemed necessary. Therefore investors will be gaining an element of active fund management at reasonable cost.

The benefits of using the Managed Portfolio's are clear as they provide:-

- A structured portfolio suitable for a range of risk tolerances
- Access to investment expertise
- A degree of active fund management
- A clear and understandable investment mandate
- A transparent fee structure
- On-line access to complete portfolio data
- Access to environmental and ethical funds
- The ability to move between a total of three Passive and three Active Portfolio's - and split your Portfolio between any of the six should you so wish (*providing minimum investment criteria are satisfied*).

The platform used will be that of Parmenion, with the Portfolios devised and managed by Prospect Wealth, who are part of the Lucas Fettes Group of Companies.

ASSESSING YOUR ATTITUDE TO INVESTMENT RISK

Before you make any investment decisions it is essential to identify and understand your own attitude to risk.

Your investment approach will be driven not only by your risk profile but also your circumstances and your expected retirement date. It is therefore essential you identify your appetite both for risk and reward so an investment strategy is constructed around that level to ensure your expectations are sensibly managed.

It is the underlying mix of asset classes (Fixed Interest, Equity and Property) that define the potential volatility and rewards on any investment portfolio.

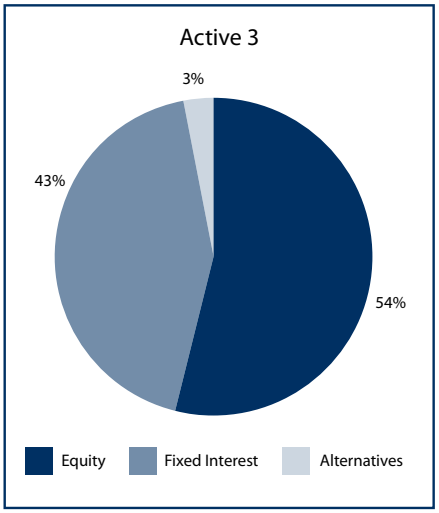
Ascertaining your risk profile is a very personal decision for each investor. However, those with longer time horizons are often prepared to accept a higher degree of risk because they have more time to recover from any investment downturn experienced during times of market volatility. Conversely, someone five years from retirement may be less likely to take significant risks because they will have little time left to recover from any capital loss if investment markets suffer a downturn in value.

EXAMPLE ACTIVE PORTFOLIO ILLUSTRATIVE FUNDS

The table below reflects the funds provided for a balanced investor.

Illustrative Active Portfolio as at 28th March 2011	Active 3
Artemis - European Growth R in GB	1.00%
Artemis Capital Fund	5.86%
Aviva Inv - Property Trust Acc in GB	2.70%
Baillie Giff - Japanese A Acc in GB	4.03%
Baring - Global Agriculture A GBP in GB	1.33%
BlackRock - Gold & General A Inc in GB	1.33%
CF Odey - Continental European in GB	1.00%
Fidelity - Money Builder Income in GB	12.30%
Franklin Templeton - Global Emerging Markets A in GB	2.62%
GAM - North American Growth Inc in GB	2.00%
GLG - Japan Core Alpha Professional Inc in GB	4.03%
Invesco Perpetual Corporate Bond	12.30%
JOHCM UK Opportunities Inst Inc	5.86%
JPM - US A Inc in GB	3.20%
L&G - All Stocks Gilt Index Inst Inc in GB	12.40%
L&G - Growth Inst Inc in GB	5.86%
Legg Mason - US Equity A in GB	2.80%
Liontrust - First Growth in GB	5.86%
M&G - High Interest A Inc GBP in GB	4.00%
Schroder - European Alpha Plus Inc in GB	1.00%
Schroder - UK Alpha Plus Inc in GB	5.86%
Stan Life Inv - Global Absolute Return Strategies Inst in GB	2.66%
Total	**100%**

The graph below indicates the split between asset classes for the balanced profile:



Lucas Fettes & Partners (Financial Services) Limited are authorised and regulated by the Financial Services Authority