

IFA Retirement Benefit Scheme



Investment Management

Retirement Planning

Independent Financial Advisers

Estate Planning

Employee Benefits

Today's IFA Market

The market place for IFA's seeking to retire from their business has changed over recent years.

IFA practices are often valued as a multiple of renewal income plus a factor for goodwill, built up through strong client relationships.

However, with the events surrounding pension, FSAVC, endowment and split capital trust mis-selling, professional indemnity premiums and excess's have risen sharply. We live in an ever increasing claim culture with claims companies offering no win no fee deals to encourage a culture of compensation.

Complaints and claims are retrospective in nature and with IFA's responsible for the advice given for the duration of the plan term IFA's cannot easily walk away from uncertain and unknown potential liabilities.

It is for these reasons that business values have fallen and are likely to stay low. Purchasers do not want to take on any uncertain and unknown potential liabilities. Therefore, to protect themselves from the uncertain and unknown, IFA's have to purchase PI run off cover throughout their retirement.

Business Value

For a business that has taken many years to build, to then sell it at a low multiple of renewal income is galling and unfair. So why sell? Why not transfer it and retain the renewal income stream for life.

Retirement Benefit Package

We at Estate Capital Partnership Ltd wish to provide retiring IFA's with a unique forward thinking and mutually attractive retirement benefit deal.

Our offer is to provide you with your renewals for life

Our offer looks like this:-

Step 1

You the retiring IFA become a Registered Individual of Estate Capital Partnership and terminate all other agencies.

Step 2

We novate all your renewal income and servicing rights from your previous agencies to Estate Capital Partnership.

Step 3

Sub agencies and a new separate business account are set up for the retiring IFA's novated renewal income and new business.

Step 4

You the retiring IFA spend twelve months transferring, consolidating and re-registering all your clients' investments and pension funds onto the Estate Capital wrap platform.

These investments will be reviewed in line with the client's attitude to risk profile and our model investment portfolios. The intention is to establish the investments on a management fee basis for the management of the investments. Regardless of future investment changes the ongoing management fee is secured through the funds being assets within the wrap platform.

Step 5

The funds under management will now generate management fees usually 1% pa. and therefore the larger the funds the larger the fees. This fee is split equally between the retiring IFA and Estate Capital Partnership and is paid monthly by direct transfer.

Step 6

The retiring IFA fully retires after twelve months of consolidating the relationship and business to Estate Capital Partnership.

Step 7

The now retired ex IFA will enjoy payment of half the management fee received by Estate Capital Partnership for the rest of one's life or 10 years whichever is the longest.

Contract details

The retiring IFA is precluded from re-entering the financial services industry in any guise and cannot solicit business in any form with past clients to anyone other than Estate Capital Partnership. Any breach in this agreement will lead to the loss of future management fees.

All new business written on the clients of the retiring IFA while a registered individual within Estate Capital Partnership will be split according to our Registered Individuals contract.

All new business commissions written on the past clients of the retired IFA are retained by Estate Capital Partnership. We will however pay to the retired IFA a 10% loyalty bonus twenty four months after retiring on business concluded by Estate Capital Partnership on past clients of the retired IFA.

Estate Capital Partnership will not be responsible for any business sold by the retiring IFA prior to becoming a RI of Estate Capital Partnership nor will we provide ongoing Professional Indemnity Run off Insurance.

We recommend that the retiring IFA secure run off PI with their existing PI insurer.

Retirement Benefit Scheme

We are confident that this novation and renewal continuation service offers a unique alternative to selling a business cheaply. The retiring IFA shares in the rewards and risks but essentially secures an ongoing and potentially rising life long income.

If you would like to discuss our offer in more detail please do not hesitate to call Chris Davies at Estate Capital Partnership on 01792 477763.

Retirement Benefit Scheme

Example

A 62 year old IFA having been in business for 19 years wished to retire but not sell his business for a multiple of 2.5 x renewals. His funds under management are currently £21 million. Most of his business in the early years was sold on indemnity terms so his renewals are only £70,000 per annum.

He could sell for £175,000, or

He could novate his clients and restructure the funds under management. By consolidating the funds under the Estate Capital wrap platform an investment management fee of between 0.5% and 1% per annum can be generated. If 90% of the funds are transferable then a maximum fee income of £189,000 is available each year. Half of this income is provided to the retiring IFA every year until his ultimate death.

If 50% of the management fee was 0.5% pa and the other half 1% pa the potential annual income could be £70,875.

Far better than to sell for only £175,000.

His income would also be supplemented by a loyalty payment of 10% of new business commissions received on business written on past clients of the retiring IFA. If £70,000 was generated in each of those first two years then a payment of £14,000 would be made twenty four months after retirement.



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