Glossary.

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Please be aware *that the information contained within this document should only be used as a guide.*

If you are unsure about anything or have any further questions on any topics contained within this document, please contact your Strategic Solutions' Financial Adviser who will be happy to assist you Contact SSFS.

This document was updated June 2024.

Investments.

Alternative Investment Market (AIM)

This is a UK stock exchange for smaller and growing companies, allowing them to raise capital by issuing shares to the public. It's a platform for investors to buy and sell shares in these companies, offering growth potential but also higher risk due to their smaller size. These types of shares may also qualify for Business Relief (Please see Business Relief for more information).

Active Investing

An investment strategy that involves the ongoing buying and selling of assets by an investment manager, aiming to achieve greater growth. This hands-on approach allows investment managers to take advantage of potential opportunities to 'beat the market'. This can often come at an extra cost.

Annual Management Charge (AMC)

The AMC covers the cost of managing and investing within assets. This annual charge, levied on a monthly or daily basis, is usually a percentage of the value of the investment.

Asset Allocation

This refers to the division of a person's investments among different asset classes such as stocks, property, and cash. The split is decided upon by taking account of an individual's goals, attitude to risk, and how long the monies are to be invested.

Asset Classes:

Cash

Cash includes physical currency and the balances of savings and current accounts, cash ISAs and premium bonds.

Bonds

Unfortunately, the word 'bond' is used to describe various financial terms. In this case, the bonds we are talking about are issued by corporations and governments to raise capital. The bond issuer borrows the capital from the bondholder and makes payments back to them over a specified period. These payments can either be based on fixed or variable interest rates. The amount lent to the issuer is paid back at the end of the term. Gilts and US Treasuries are types of bonds.

Property

There are many types of property investments available, for example residential properties, buy-to-let properties, commercial property funds which may invest in factories, warehouses, and retail space etc. Investing in property offers a wide range of opportunities, however, the funds are far less 'liquid' than cash and might not be easily accessible.

Equity

(Also called stocks and shares) This is where you invest money into a company by purchasing shares, in exchange for part ownership of that company. Shareholders hope the value of the shares increase over time, with the aim of earning more than if holding the monies in cash. Equities can be bought directly or can be held in numerous investment vehicles (for example, ISAs and pensions).

Alternative Investments

Assets that don't fall into one of the conventional asset classes. These investments can include commodities (such as gold and oil), infrastructure (such as roads, water & waste), or something more controversial like art, fine wines and crypto currency.

Asset Class Correlation

A statistical measure of how different assets move in relation to one another. Not having all your assets positively correlated with each other can be seen as beneficial, as this increases diversification in an individual's investment and lowers risk.

Negative Correlation

This is where two assets move in opposite directions. e.g., selling ice creams and selling umbrellas

Positive Correlation

This is where two assets move in similar directions. e.g., selling ice creams and selling sun cream.

Zero Correlation

This is where assets have no impact on one another in any conditions. e.g., selling ice cream and selling bagpipes.

Attitude to Risk

The level of risk someone is willing to take to achieve a financial goal. This should be established before providing advice to find the correct balance between how much a person is prepared to lose and how much they hope to gain. Attitude to risk is a subjective measure and can be influenced by numerous factors. Following discussions with your SSFS adviser and the completion of an 'attitude to risk questionnaire', you will be assigned to one of our defined categories, as listed below:

1	2	3	4	5
Defensive	Cautious	Balanced	Moderately Adventurous	Adventurous

Zero-risk Investor

This refers to someone who prioritises the preservation of their capital above all else and is unwilling to take on any level of investment risk.

Benchmarks

A benchmark is a standard against which something is compared. Benchmarks are used to measure the performance of funds, portfolios, or other financial instruments. In our report we may refer to the following financial benchmarks, amongst others:

Bank of England Base Rate

The interest rate the Bank of England charges on money it lends to other financial institutes (for example other banks).

Consumer Price Index (CPI)

Measures the overall change in consumer prices on goods and services over periods of time. Also one measure of inflation.

FTSE

FTSE is short for 'Financial Times Stock Exchange'. The 'FTSE 100' share index is an average of the shares prices of the 100 largest, and usually most actively traded companies on the London Stock Exchange (LSE).

Within our Suitability Reports we often refer to these as 'recognisable relative performance measures'.

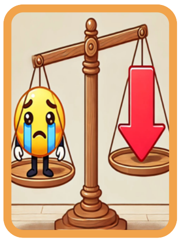
Bespoke Portfolio Service (BPS)

A personalised investment portfolio constructed of a range of investments to reflect their specific individual requirements managed by your named investment manager. These are often managed on a 'discretionary' basis (See Discretionary Fund Management for more information).

Bid-Offer Spread

This is simply the difference between the price at which you can buy a share (Offer), and the price at which you can sell it (Bid). The difference between these two prices are smaller for larger and more liquid companies, but bigger for smaller companies or more niche investments. This is effectively an initial cost of investing in a fund or share.

Capacity for loss



A person's ability to absorb falls in the value of an investment without it affecting their standard of living. A low capacity for loss would mean an individual is more reliant on the value of the investment to sustain their current standard of living and cannot afford large reductions in its value. Capacity for loss is an objective measurement.

Commodity

This is a raw material or agricultural product, often used in the production of other goods or services (for example oil and gold).

Collective investment schemes (CIS)

Sometimes known as 'pooled investments', a Collective Investment Scheme is a fund that usually has numerous investors contributing to it, allowing access to a wider range of investments. Due to its increased size (economies of scale), there should be lower costs and increased access to professional investment managers. Examples of a Collective Investment Scheme is a 'Unit trust', an 'Open Ended Investment Company' or an Investment Trust.

Counterparty

A counterparty is another party or entity with whom you engage in a financial transaction. This could be a person, a company, or a financial institution. Understanding your counterparty is crucial because their financial stability and reliability can impact the success and safety of the transaction.

Cryptocurrency

A digital currency used as an alternative payment method or as an investment. It can be bought and sold (traded) securely without the need for a central authority, such as a government or financial institution. Cryptocurrencies are supported by a technology known as 'Blockchain' which maintains a record of transactions and who owns them. Whilst Bitcoin is the first and most famous, more than 22,000 different cryptocurrencies exist. As there is generally no underlying value of any cryptocurrencies, we would regard them as more speculative. Please be aware that cryptocurrencies are not currently regulated in the UK.

Custodian

Custodians are responsible for the holding and safeguarding of assets belonging to clients. For further information please check FCA - Custodian.

Derivative

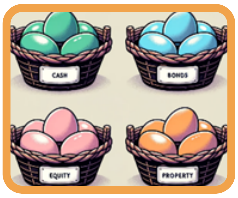
A financial contract between two or more parties. The value and price is derived from underlying assets, group of assets, or benchmark.

Discretionary Management

This is a service provided by professional investment managers or firms, where you delegate the responsibility of managing your investment portfolio to these experts. They make investment decisions on your behalf, taking into account your financial goals, risk tolerance, and investment preferences.

Discretionary Fund Managers (DFM)

A Discretionary Fund Manager is an investment professional that builds and manages an investment portfolio on a client's behalf. As the name suggests, they have complete discretion over the allocation of funds and can make changes as they see fit (usually within your agreed level of risk).



Diversification

The process of splitting your capital across multiple asset classes, reducing the exposure to any particular investment or risk by purchasing a variety of different assets. This process of spreading your investment around can help reduce asset correlation and therefore lower the volatility of your investment portfolio.

Enterprise Investment Schemes (EIS)

A Government scheme designed to encourage investments in small unquoted companies carrying on a qualifying trade. Due to the high risk nature of these investments, there are tax reliefs to promote investment.

- Investors can claim up to 30% income tax reducer on EIS investments of up to £1 million (£2million for knowledge intensive), which gives an incentive for some of the risk normally associated with funding small companies. This tax benefit is withdrawn if EIS shares are not held for three years.
- Investors can benefit from this relief during the tax year that money is invested into an underlying portfolio company. This might be different to the year the investment is made into an EIS fund because the time taken to make investments can straddle different tax years.
- When investors sell EIS shares, any growth in value from an investment is 100% free of Capital Gains Tax, providing shares have been held for three years.
- Capital gains can be deferred into the EIS.
- Business Relief if held for two years.

Environmental, Social and Governance (ESG)

Often historically referred to as 'green' or 'ethical' investing. This refers to a set of criteria for a company's behaviour used by socially conscious investors to screen potential investments. These criteria evaluate how a company; safeguards the environment (Environmental); manages relationships with their employees, suppliers, customers, and the community (Social); and conducts its business and its leadership (Governance). The FCA has recently issued the following definitions:

Sustainability Focus

For this category 'at least 70% of the product's assets would need to meet a credible standard of environmental and/or social sustainability, or to align with a specified environmental and/or social sustainability theme.

Sustainability Improvers

A label for products investing in assets that may not be sustainable now, with an aim to improve their sustainability for people and/or planet over time, including in response to the stewardship influence of the firm.

Sustainability Impact

A label for products investing in solutions to problems affecting people or the planet (often in underserved markets or to address observed market failures) to achieve real-world impact. These products would have an explicit objective to achieve a positive, measurable contribution to sustainable outcomes.

Sustainability Mixed Goals

This category is 'applicable to funds investing across different sustainability objectives and strategies aligned with the other three categories.

You can find out more here: FCA - Sustainability Policy Statement

The United Nations issued its Sustainable Development Goals in 2020 which many ESG funds refer to for guidance. UN Sustainable Development Goals

Equity Content

The percentage of a portfolio held in equities. Equity is the term for listed shares and traditionally a higher equity portfolio takes more investment risk.

Exchange-Traded Fund (ETF)

An exchange-traded fund is a type of pooled investment that track a particular index, sector, commodity, or other asset. ETF's can be purchased or sold on a stock exchange in the same way that regular stock can, however the fees can be lower than buying the stocks individually. Be mindful of high bid-offer spreads, particularly when dealing with unusual investments.

Friendly Society Plans

Because of the unique legal status of Friendly Societies they are able to offer this regular contribution tax-exempt savings product albeit with limits on the contributions (currently £25 per month). Friendly Societies do not have any shareholders, therefore any profits made are distributed amongst its members. Generally, these plans run from 10 to 25 years.

Fund Factsheets

A document prepared by a fund manager that can help you decide whether a fund is right for you. It typically includes the fund's investment objectives, top 10 holdings, and data about past performance.

Fund Switches

When monies that are already invested are moved into different funds within a product. This usually occurs when the investor is seeking improved growth, has had a change in their investment goals, or simply wishes to rebalance their portfolio. There may be costs involved in this process, however most modern providers can allow at least a limited number of switches per year free of charge.

General Investment Account (GIA)

An account which allows you to hold investments with no tax-reliefs. Therefore, there is no limit to how much you can invest into a GIA, which is ideal for those who have used up their more tax-efficient allowances. Also known as an 'unwrapped investment', as funds are held outside of a tax wrapper.

Individual Savings Account (ISA)

A tax-free savings or investment account that allows individuals to maximise the potential returns they make on their money, by shielding it from income tax, dividend tax and capital gains tax. The ISA allowance is £20,000 for the 2024/25 tax year

Investment Bond

(Sometimes referred to as 'bonds', hence why these are often confused with the asset class) An Investment Bond is a policy that allows customers to invest lump sums, and pay additional premiums, into a variety of available funds, in a tax-efficient manner. They allow individuals to control who the benefits are paid to and when they are encashed for taxation purposes. A popular choice for investments held in Trust. Typically, an investor would hope to benefit from capital growth whilst saving on income tax, capital gains tax (CGT), and inheritance tax (IHT). There are two options available:

Life Assurance Bonds

A form of life assurance that is paid for with a one-off lump sum at the outset of the policy and held by the 'Life Assured'. The life assurance element of the policy is only small and primarily this is seen as a tax efficient investment.

Capital Redemption

Although similar to the above, a Capital Redemption Bond does not require any lives assured. This feature can make this policy useful when an investor aims to pass the benefits to another person(s) as part of their will and/or Inheritance Tax planning, especially when unsure who they may wish to leave the benefit to and the time of arranging the investment.

The taxation of an Investment Bond depends on whether it is held 'Onshore' or 'Offshore'.

Onshore Bond

Are Investment Bonds set up by a UK life insurance company and is within the United Kingdom's jurisdiction. Returns are received on a net of basic rate income tax (currently 20%) basis.

Offshore Bond

Are Investment Bonds set up by a non-UK life insurance company and are not within the United Kingdom's jurisdiction. Returns are received on a gross (of tax) basis, meaning it is taxed at standard income tax rates.

Investment Funds

Please see Collective Investment Schemes & OEICs (Open-Ended Investment Companies).

Investment Platform

(often just referred to as a 'platform'). This is essentially an online service which allows you to buy, sell and hold funds in various tax wrappers. This allows you to consolidate all your investments into one place, simplifying administration and investment processes.

Investment Portfolio

An Investment Portfolio is one of the most basic concepts in investing and finance. It is a term that can have a variety of meanings, depending upon the context.The simplest definition of a 'Portfolio' is a collection of assets (stocks, bonds, property, or other assets) owned by one person or entity usually with the aim of diversifying the risk exposure.

Investment Strategy

This is an approach to selecting funds or assets tailored to an investor's needs and goals, in addition to their risk appetite, specific objectives, and time horizon.

Investment Trusts

A form of investment designed to generate profits for its shareholders by investing in the shares of other companies. They have access to a wider range of investments compared to many other funds and provide liquidity to otherwise illiquid markets. Investment trusts are traded on a stock exchange.

Investment Vehicle

This refers to investment products, schemes, and policies etc, in which investors place their monies to create returns and manage their finances.

Key Investment Information Document (KIID)

Before you invest in a fund, you should read its important documents. These include the KIID, which includes information about the fund's charges, risk rating and investment profile.

Liquidity

An asset's ability to be converted into cash without causing drastic changes in its price. 'Liquid' assets can be converted very quickly, such as current accounts, whilst 'illiquid' assets may take time to redeem, such as property.

Market Capitalisation

Market Capitalisation (or Market Cap) is the total value of all of a company's shares that are traded on the stock market. Knowing a company's 'market cap' can help when comparing the relative size of one company versus another.

Maximum Drawdown

Highlights the largest fall, over a selected date range, from peak to trough in periods of market stress. This is indicative of how severe a fund, or asset, may react to declining markets.

Model Portfolio Service (MPS)

A cost-effective way of accessing a diversified and actively managed portfolio of investments. These portfolios are designed to help individuals achieve their investment objectives, usually linked to your selected risk profile and managed on a discretionary basis.

Multi-Asset investment

A type of investment strategy that contains a combination of asset classes (such as cash, equity, fixed-interest or property) to improve diversification again, usually linked to your selected risk profile.

Non-mainstream pooled investments (NMPI)

These are high-risk investments and typically used to purchase alternative investments, which include illiquid assets such as forestry, property, or loans. Investors are not protected by the Financial Services Compensation Scheme. NMPIs are designed for High-Net-Worth individuals and Sophisticated Investors.

OEICs (Open-Ended Investment Company)

This is a type of Collective Investment Scheme domiciled (based) in the United Kingdom that is structured to invest in stocks and other securities.

Offshore FCA Recognised Funds

These funds operate outside the UK but may still face FCA oversight when marketed in the UK. They attract a global investor base, use various currencies, and include structures like SICAVs in Luxembourg and Cayman Islands Mutual Funds.

Onshore FCA Recognised Funds

These funds are UK-based and regulated by the FCA, primarily for UK investors, denominated in GBP, and used for UK market investments (e.g., Unit Trusts, OEICs).

Ongoing Charge Figure (OCF)

The OCF represents the ongoing costs to the funds, which includes the annual management charge (AMC) and other charges for services such as keeping a register of investors, calculating the price of the fund's units or shares and keeping the fund's assets safe. The OCF must be displayed in the KIID.

Passive Funds

Sometimes referred to as “Tracker funds”. An investment which aims to track a specific index. (i.e., FTSE 100) This strategy relies on the notion it is difficult to outperform the market, as such, the investment vehicle is not actively managed by an investment adviser which gives it a longer-term time horizon and is usually cheaper to invest in.

Pooled Investments

This refers to a group of investors investing money into one large portfolio (‘pool’) to buy shares of the investment in order to benefit from ‘economies of scale’.

Portfolio Turnover Rate

Is a measure of how often securities in a fund are either bought or sold by the fund's managers, over a given period. This measure usually reflects how active a fund is managed.

Premium Bonds

These are government-backed investment products issued by National Savings and Investment (NS&I), guaranteed to return your initial investment. Instead of receiving interest like other investments, Premium Bond holders are entered into a monthly prize draw where they can win between £25 and £1 million paid gross (tax-free). The maximum holding is £50,000 per person.

Quoted & Unquoted Shares

A quoted company has its equity share capital officially listed on a particular stock exchange, while an unquoted company does not.

Rebalancing

As individual stock values go up and down in a portfolio, the original asset allocation can be distorted. Rebalancing refers to the process of returning the values of a portfolio's asset allocations to the levels originally planned. Those levels are intended to match an investor's tolerance for risk and desire for reward.

Risk mapping

The process of matching an investment solution / risk to your own attitude to investment risk.

Risk-Rated Funds

A Risk-Rated Fund has been assessed by an independent risk-profiling firm, in a bid to determine how risky it is. A 'profiler' will assign the fund with a rating, normally between 1 and 10 (1 being the least risky). It is then possible to select funds with the appropriate level of risk.

Risk-Targeted Funds

A type of investment fund with a mix of stock, bonds, and other investments which create a desired risk profile. They aim to control the level of risk investors are exposed to and will take on a more specific level of risk to deliver a particular level of return. Typically Multi-Asset funds.

Seed Enterprise Investment Scheme (SEIS)

A government scheme designed to help start-up companies raise money when it's starting to trade. It does this by offering tax reliefs to individual investors who buy new shares in specified companies.

- Investors can claim up to 50% income tax reducer on investments up to £100,000 per tax year.
- The maximum investment that investors can claim relief on in a single tax year is £100,000, which amounts to £50,000 of income tax relief.
- Any gain is Capital Gains Tax (CGT) free if the investment is held for at least three years.
- If the shares are disposed of at a loss, you can elect that the loss be set against any income tax of that year or of the previous year.

Shareholders

A person, company, or institution that owns at least one share of a company's stock.Shareholders essentially own the company, which comes with certain rights. This type of ownership allows shareholders to benefit from a business's success. The rewards may come in the form of increased stock valuations or financial profits distributed as dividends. Conversely, when a company loses money, the share price invariably drops, which can cause shareholders to lose money or suffer declines in their portfolios. Potentially a 100% loss of capital invested however, it would be limited to that amount.

Shares

Share of company represents a unit of equity ownership in the company which entitles investor holding it to proportional amount of profits made.

Share Index

A Share Index (or Market Index) tracks the ups and downs of a chosen group of stocks, for example FTSE 100, or other assets.Watching the performance of such an index provides a quick way to see the health of the stock market and gauge the performance of investments.

Stock Exchange

An institution where 'stockbrokers' & 'traders' can buy and sell securities, such as shares of stock, bonds, commodities, and other financial instruments. Historically, we think of a Stock Exchange as a physical place, for example the London Stock Exchange, or the New York Stock Exchange, however due to technology, trading electronically can be achieved almost anywhere.

Strategic Asset Allocation

An investment strategy where the investment manager sets a target long-term asset allocation and rebalance them on a regular basis. The target allocations are based on factors such as the investor's risk tolerance, time horizon, and investment objectives.

Structured Products

Investments which provide a return based on the performance of an asset. This asset can cover the equity, index, fund, interest rate, currency, commodity, or property markets. Counterparty risk is important to be aware of.

Tactical Asset Allocation

An actively managed investment strategy rebalances the asset allocations in a portfolio to take advantage of short-term market trends or economic conditions. Often, a strategic asset allocation will have a 'tactical' overlay.

Tax Deferred Allowance (TDA)

This allows investors to withdraw up to 5% of their initial investment into an investment bond, each policy year without incurring an immediate tax charge, until a minimum of 100% of the original investment amount is returned.

Tax Wrapper

A tax wrapper is simply a product that can be wrapped around a portfolio of assets in order to utilise certain tax-reliefs to pay little or no tax (i.e ISAs, Pensions, and Investment Bonds).

Time Horizon

The length of time where one expects to hold an investment in order to achieve a specific goal.

Unit Linked Savings Plans

A regular contribution savings plan, offering you a choice of different investments, which generally does not have a fixed term. It allows you to save on a regular basis and to invest a lump sum at any time in the future.

Unit Trusts

A Unit Trust is a form of pooled investment. Using 'pooled' money, a fund manager will invest in a portfolio of assets on the client's behalf. They will consider the potential risk and return on the investment. Unit trusts invest in a wide variety of different industries and products and typically provide a diverse portfolio (see 'Diversification').

Unregulated Collective Investment Scheme (UCIS)

An unregulated or unauthorised version of a Collective Investment Scheme. These schemes do not have to adhere to the UK requirements and are therefore likely to invest in higher risk assets. Due to this nature, UCIS's may not fall under the Financial Services Compensation Scheme (FSCS).

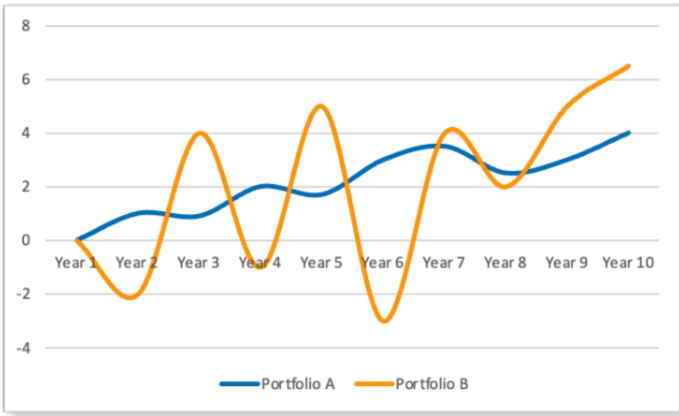
Venture Capital Trusts (VCTs)

A government scheme designed to provide venture capital for small expanding companies that are listed on the London Stock Exchange. This collective investment scheme offers tax benefits to encourage investment.

- You can claim up to 30% upfront income tax reducer on the amount you invest, provided you keep your VCT shares for at least five years.
- The maximum investment that investors can claim relief on in a single tax year is £200,000, which amounts up to £60,000 of income tax relief.
- Tax-free capital gains – If you decide to sell your VCT shares and you make a profit, the proceeds won't be liable for capital gains tax.
- Dividends received by investors from qualifying ordinary VCT shares are exempt from income tax.

Volatility

A statistical measure showing the degree of variation an assets price has from its average value. A highly volatile asset would have more frequent large changes in price than low volatility assets, where its price would rarely deviate as much.



As you can see in this example, portfolio B is far more volatile than portfolio A.

Volatility Managed

A fund that aims to achieve the maximum return whilst maintaining a specific level of volatility within the portfolio over time. Multi-Asset / risk targeted funds are often volatility managed.

With Profits

A specific type of 'pooled' investment, which means you pay into the fund along with many other investors, regarded as an opaque and not transparent investment. Tends to be an older style policy and not widely available any more. The following features are usually associated with a with-profits investment:

Annual / Reversionary Bonus

These are bonuses that may be added every year based upon the performance of the fund. These are normally declared once a year.

Terminal Bonus

'Terminal bonus' (sometimes known as a 'Final Bonus') may be added at maturity, surrender, or when money is moved out of the With-Profits Fund, for example when money is switched to another fund. This is designed to reflect each policy share of the growth in the underlying investments.

Market Value Reduction (MVR)

This is an effectively an exit charge designed to protect remaining policyholders within the With-Profits Fund, from the actions of others who decide to withdraw their investment. The value of your investment in the With-Profits Fund may be reduced to reflect market conditions on full or partial withdrawal. There may be certain times where this charge is guaranteed to not be applied, however, these varies between different products and providers. If you would like to discuss this area further, please contact your Strategic Solutions' Financial Adviser who will be happy to assist you Contact SSFS.

Smoothing

This feature aims to smooth out some peaks and troughs of investment returns withholding some of the profits from the good years to pay it in the years of underperformance. Smoothing may not stop the value of your plan reducing in times of poor investment performance, due to MVRs mentioned above.

Guarantees

Some older With-Profit investments offer guarantees at certain points during the life of the investment, however, these vary between different products and providers.

The FCA has written a 'Thematic Review' of the fair treatment of with-profits customers.

Pensions.

Annual Allowance

This is the limit on how much money you can contribute to your pension in any one tax year while still benefiting from tax relief. The Standard Annual Allowance is set at £60,000 for the current tax year (2024/25). This is a complex area with many factors that will impact this allowance - If you would like to discuss this area further, please contact your Strategic Solutions' Financial Adviser who will be happy to assist you Contact SSFS.

Annuity

This is a contract between you and a pension company in which you make a lump-sum payment or series of payments and, in return, provides you an income for the remainder of your life (beginning either immediately or at some point in the future). This will be a one-off, irreversible decision if purchased, and cannot be cancelled, so care is needed. Various options are available which allows the annuity to be designed to best suit a person's needs.

Capped Drawdown

This is a form of income withdrawal from a pension whereby there is a maximum income that an individual can take which can be varied year to year but cannot exceed the Government Actuary's Department (GAD) limits. Since 6 April 2015 it is no longer possible to take out a new capped drawdown plan.

Carry Forward

This refers to the ability to make use of any unused annual pension allowances from the three previous tax years. However, there are certain conditions that need to be met.

Contract-based pensions

These are individual contracts between the member and the pension provider. Although there are also several independent providers, the pension provider is often an insurance company or an investment platform. (Self-Invested Personal Pensions / Personal Pensions / Stakeholder pensions are all examples of contract-based pensions).

Critical Yield (A&B)

These are the investment growth rates required when you are in income drawdown to provide an income equal to that available under an annuity and also one to show how much growth is needed to maintain the actual level of income being withdrawn- found on pension illustrations.

Death Benefit Nomination/Expression of Wish

This allows the pension scheme member to tell the pension scheme Trustee / Administrator who they would like to benefit on their death. Although, this is not a binding nomination, it does help to guide the pension scheme with their decision making. Please be aware that if your pension does have a 'binding nomination' this could affect the IHT position of your pension. If you would like to discuss this area further, please contact your Strategic Solutions' Financial Adviser who will be happy to assist you Contact SSFS.

Defined Benefit (DB) Pension / Final Salary Pension

Instead of typically building up a pension pot (Defined Contribution pension), this type of pension guarantees to pay you an annual income for life. The amount of which is dependent on the final, or average, salary when you retire.

Defined Contribution (DC) Pension / Money Purchase Pension

This is a type of pension where the amount you get when you retire depends on how much you pay in and how much this money grows.

Dependants Pension

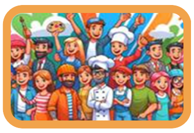
In the event of someone's death, a lump sum and/or pension may be paid to the surviving spouse, registered civil partner, qualifying partner or nominated beneficiary.

Executive Pension Plan (EPP)

A pension plan set up by an employer for key employees to build a tax-efficient fund for use in retirement.

Fixed Term Income Plan

A form of annuity, written under flexi-access drawdown rules, that pays a regular income over a fixed term, lasting anywhere from 1 to 20 years. Unlike a standard lifetime annuity, this provides a level of flexibility to allow for changes in circumstances.



Group Personal Pension (GPP)

A collection of individual pension plans which employers offer to their workers.

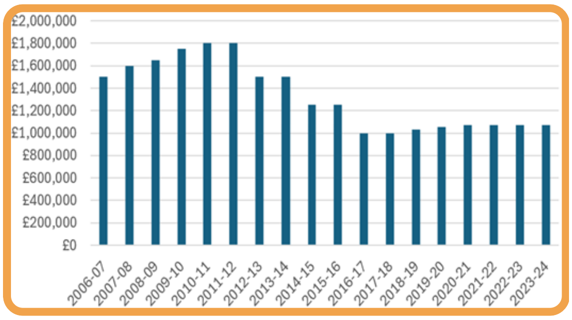
Income Drawdown / Flexi-Access Drawdown (FAD)

A way of taking benefits from a pension, which allows you to take whatever income you need out of your pension, either tax-free cash, taxable income, or both, while keeping any remaining pension invested.

Lifestyling

An investment strategy which provides automatic 'switching' of your pension savings into another fund, or funds which generally have a lower risk profile. This approach aims to align a client's pension to their plans for using them as they near retirement age. It is an older investing style which and is no longer commonly used as it doesn't take into account market conditions and the increased use of drawdown solutions.

Lifetime allowance (LTA)



This is the maximum amount someone can draw from pensions in their lifetime without paying extra tax. This has varied considerably over recent years; the last allowance was £1,073,100, but was abolished in 2023 by the government.

For further information of what the standard lifetime allowance has been over previous years, please check Gov.UK - LTAs. This is a complex area with many factors that will impact this allowance - If you would like to discuss this area further, please contact your Strategic Solutions' Financial Adviser who will be happy to assist you Contact SSFS.

Money Purchase Annual Allowance (MPAA)

When someone starts to take taxable money from a Defined Contribution pension pot, the MPAA is a trigger that reduces the amount that can be contributed into a Defined Contribution pension, to £10,000 per year, whilst still claiming tax relief.

Normal Minimum Pension Age (NMPA)

This is the minimum age that you can access pensions without incurring an unauthorised payments tax charge, unless retiring due to ill-health, serious ill-health or have a protected pension age.

- As of 2014, the minimum age was raised from 50 to 55.
- From 6 April 2028, the NMPA will increase to 57, meaning you will then need to be aged 57 or older before you can start taking money from your pension.

Pension Commencement Lump Sum (PCLS)

Also referred to as 'Tax-free Cash', PCLS is a tax-free payment which most people can receive when they start accessing their pension benefits. This is normally 25% of the value of the pension benefits being accessed with the old Lifetime Allowance, although in some circumstances this can be higher (or enhanced).

Personal Pension Plan (PPP)

This is a self-arranged investment vehicle which aids from tax relief, with the primary purpose of building a capital sum to provide retirement benefits.

Self-Invested Personal Pension (SIPP)

This is a type of personal pension and works in a similar way to a standard personal pension. The main difference is that with a SIPP, you have more flexibility with the investments you can choose. SIPPs often have more complex investment options, such as: commercial property.

Small Pots

A set of rules/provisions which allow individuals to take smaller pensions as one-off lump sums without going through more traditional methods. However, they must adhere to certain requirements.

Small Self-Administered pension Schemes (SSAS)

This is a type of company pension set up to provide retirement benefits for a small number of a company's directors and/or senior or key staff.

Stakeholder Pension

This is a type of Defined Contribution pension, arranged by a contract between an individual and their pension provider and must adhere to strict government conditions.

These pensions are subject to a legal limit on charges – 1.5% a year of the pension value in the first ten years, then 1% a year thereafter (but if an employer is using a stakeholder pension to meet their automatic enrolment duties there will be a charge cap of 0.75%).

Tapered Annual Allowance

The reduced annual limit on which individuals can make pension contributions. The standard Annual Allowance is currently £60,000 but is tapered dependant on certain income criteria. This area is very complex, If you would like to discuss this area further, please contact your Strategic Solutions' Financial Adviser who will be happy to assist you Contact SSFS

Trust-based Pensions

Trust-based pensions are typically employer-sponsored pension schemes, set up by employers to provide retirement benefits for their employees. These pensions are regulated and governed by trust law and pension regulations.

Trustee Investment Plan

A Financial Product which allows pension scheme trustees to invest in a wide range of funds with a straightforward and usually competitive charging structure. If required, plans can be for the specific benefit of a nominated member.

Uncrystallised Funds Pension Lump Sum (UFPLS)

A way of taking benefits from a pension whereby each withdrawal is partly made up of taxable income and tax-free cash. This does trigger the MPAA.

Power of Attorney.

Court of Protection

If you are deemed to be lacking mental capacity to make your own decisions and do not have a Power of Attorney in place, families need to apply to the Court of Protection to apply to become a 'Deputy' instead. This can be time consuming and expensive.

Enduring Power of Attorney

A legal document that allows a person ('Donor') to appoint one or more people ('Attorneys') to help you make decisions or to make decisions on your behalf in regard to your property and financial affairs only.

New Enduring Power of Attorneys can no longer be created as they have been replaced by the Lasting Power of Attorney. However, if a person has an Enduring Power of Attorney made before October 2007 it can still continue to be used.

General Power of Attorney

A legal document that allows a person ('Donor') to appoint one or more people ('Attorneys') rights to deal with their property, or other things, for a certain period of time. This is often used when people are going on holiday or moving abroad for a few years and need someone to handle their property, assets, and financial affairs in the meantime. Unlike a 'Lasting Power of Attorney' (see below), there are limits and restrictions on how the Attorney can deal with the Donor's assets or finances.

Lasting Power of Attorney

A legal document that allows a person ('Donor') to appoint one or more people ('Attorneys') to help you make decisions or to make decisions on your behalf. A Lasting Power of Attorney can be set up on two bases:

Health and Welfare

Gives your Attorney the power to make decisions about your daily routine (washing, dressing, eating), medical care, moving into a care home and life-sustaining medical treatment. This type of Lasting Power of Attorney can only be used if you have lost mental capacity.

Property and Finance

Gives your Attorney the power to make decisions about your general finances i.e., managing a bank or building society account, paying bills, collecting benefits or a pension, selling your home.

Taxation.

Business Relief (BR)

A form of tax relief that allows you to reduce the value of a business or business assets for inheritance tax purposes. Relief is available, depending on the type of business assets you own. However, certain conditions apply.

Business Relief Portfolios

Certain providers offer BR-qualifying portfolios, which are usually either portfolios of unquoted company shares, or AIM-listed share portfolios. These can be used as estate planning tools as they should qualify for business relief if held for at least two years at the time of death.

Capital Gains Tax (CGT)

This is a tax levied on the profit you make when you sell an asset that has increased in value since you acquired it. This tax applies to various assets, such as stocks, property, and valuable personal possessions. The amount of CGT you pay depends on the gain you've realised, your overall income and your available exemptions and allowances. Therefore, it is very important for investors to consider CGT implications when making investment decisions and to plan their financial strategies accordingly.

Corporation Tax

This is a tax imposed on the profits earned by limited companies and some other business entities. It is separate from income tax and is paid by businesses on their annual profits. The rate of Corporation Tax can vary, and it's an important consideration for businesses when calculating their tax liabilities. Understanding and managing Corporation Tax is essential for financial planning and compliance with tax regulations for businesses.

Dividend Tax

This is a tax imposed on the income you receive from owning shares of stock in a company. When the company distributes a portion of its profits to its shareholders, it's typically paid out as dividends. This income is subject to dividend tax, and the rate may vary depending on your overall income. For the 2024/25 tax year individuals are entitled to a tax-free dividend allowance of £500.

Gift Aid

This is a UK tax incentive and an effective method of charitable donations whereby the recipient can claim 25% extra on each donation at no cost to the donor. If you pay tax above the basic rate, you can claim the difference between the rate you pay and basic rate on your donation via a Self-Assessment Tax Return, or by asking the HMRC to change your tax code. Non-tax payers should never elect for gift aid as they will be asked to repay it to HMRC.

Example

You donate £100 to charity - they claim Gift Aid to make your donation £125. You pay 40% tax so you can personally claim back £25.00 (£125 x 20%).

Gross Vs. Net

Gross – Refers to the total amount made as a result of some activity (e.g., total profit or income).
Net – Refers to the amount left over after all deductions are made, for example fees and taxes.

High Income Child Benefit Charge

If someone, or their partner, earns over £60,000, there will be a 1% charge of their child benefit for every £100 over £60,000. The charge equivalent at an income of £80,000 will cancel out any child benefit received. Please note, this is based on an individual's earnings only, not the combined earnings of a couple.

Income Tax

This is a tax imposed on your earnings or income (salary, profits, pensions, or other sources of income) and helps fund various government programs and services. The amount you pay is determined by your total income, with specific tax rates and deductions that vary based on your income level.

Inheritance Tax (IHT)

Generally, this is a Tax on the value of an estate (property, possessions, and money) of someone who has died, or certain gifts made throughout lifetime that exceed the Nil Rate Band (NRB) or Residence Nil Rate Band (RNRB).

Interest

Interest is money you earn when you lend your money to an institution, like a bank, or when you invest it in bonds, savings accounts, or other financial products. Basically it's the compensation you receive for letting others use your money, usually expressed as a percentage of the amount you've lent or invested. Usually paid at a rate below inflation.

National Insurance Contributions (NICs)

These are payments made by individuals and employers in the UK to fund various state benefits and services, such as the National Health Service (NHS), the state pension, and unemployment benefits. The amount you pay depends on your income level and employment status, and it contributes to your entitlement to certain social benefits and retirement pensions. To ensure you have made enough national insurance contributions to secure a full state pension it is advisable to complete a BR19 form or contact your Strategic Solutions' Financial Adviser who will be happy to assist you Contact SSFS.

Net pay arrangement

A method of pension contribution which is taken out of your pay before wages are taxed. Thus, tax relief is received in full instantaneously.

Nil Rate Band (NRB)

Subject to available reliefs and exemptions, the £325,000 NRB is available to all individuals and can be set against all asset types on their death.

Payroll Giving

UK incentive method of charitable donations whereby the donor makes a gift to a charity before paying tax on it. While this is more tax efficient for the individual, the charity cannot claim any further relief on the contribution.

Personal Allowance

This is the amount of money people are allowed to earn each tax year before they start paying Income Tax. For the 2023/24 tax year, the Personal Allowance is £12,570 if you earn under £100,000 per year.

Personal Allowance Taper

An individual's personal allowance reduces £1 for every £2 of adjusted income over £100,000. This means that a personal allowance would be fully eroded if an income exceeds £125,140.

Personal Savings Allowance

This is the total amount of interest individuals can earn each year across all their bank accounts (except ISAs) without paying tax. The rate of tax and allowance available is dependent on the individuals' marginal rate of tax. £1,000 for basic-rate taxpayers, £500 for higher-rate taxpayers and nil for additional-rate taxpayers.

Relevant UK Earnings

This refers to the income on which you can base contributions to a UK pension scheme, including salary, bonuses, and self-employed earnings. This can be a complex area with many factors that could impact it this - If you would like to discuss this area further, please contact your Strategic Solutions' Financial Adviser who will be happy to assist you Contact SSFS

Relief at Source

A method of pension contribution which is made after tax has been applied. The contribution is subsequently grossed up (increased) via basic tax relief which is automatically claimed by the recipient party.

Residence Nil Rate Band (RNRB)

Subject to available reliefs and exemptions, the £175,000 RNRB is available to all individuals who pass their property to 'direct descendants' and can be set against the value of the inherited property on their death. This band reduces if your estate is over £2m and is reduced completely if your estate is above £2.35m.

Salary Sacrifice

This is an agreement with your employer whereby an employee agrees to a reduction in their salary or bonus that is equal to their pension contribution.

Trusts.

Trust

A trust is a legal arrangement where you give cash, property or investments to someone else so they can look after them for the benefit of a third person. For example, you might put some of your savings aside in a trust for your children. There are different types of trusts, and they are taxed differently. Trusts involve:

- The 'Settlor' - the person who puts assets into a trust
- The 'Trustee' - the person who manages the trust
- The 'Beneficiary' - the person who benefits from the trust

Absolute / Bare Trust (Simple Trust)

In a bare trust, the beneficiary has the absolute right to both the income and capital of the trust. The trustees have no discretion and must act according to the beneficiary's instructions once they reach a specified age, often 18.

Charitable Trust

Charitable trusts are established to support charitable causes. They are subject to specific regulations and must be exclusively for charitable purposes. Charitable trusts may provide income to charities or support charitable projects.

Disabled Trust

Disabled trusts are designed to benefit individuals with disabilities. They aim to provide financial support while preserving the beneficiary's eligibility for means-tested benefits and support.

Discounted Gift Trust (DGT)

A Trust that allows the settlor(s) to make a gift whilst retaining a right to fixed regular payments for the remainder of their lifetime. The value of the settlor's gift for Inheritance Tax purposes will be discounted by the estimated value of these future retained payments. A Discounted Gift Trust is medically underwritten.

Discretionary Trust

In a discretionary trust, the trustees have the discretion to decide how and when to distribute the trust income and capital among the beneficiaries. The terms of the trust deed provide guidance on how the trustees should exercise their discretion.

Employee Benefit Trust (EBT)

EBTs are often used by companies to provide employee benefits and incentives. They can hold shares or other assets on behalf of employees.

Family Trust (or Settlement)

Family trusts are often used for estate planning and asset protection. They can help distribute wealth among family members, minimise inheritance tax, and protect family assets.

Life Interest Trust / Interest in Possession Trust (IIP Trust)

A life interest trust, also known as a life interest or interest in possession trust, grants one or more beneficiaries the right to enjoy the income generated by the trust assets during their lifetime. After the beneficiary's death, the trust capital typically passes to other beneficiaries.

Loan Trust

A loan trust allows you, as the lender, to invest or use the money and receive regular repayments of interest on the loan. This reduces the value of your estate for inheritance tax purposes, while the trust's assets can benefit your chosen beneficiaries, often your family, without being subject to immediate inheritance tax.

Personal Injury Trust

Personal injury trusts are established to protect compensation or damages received by individuals as a result of personal injury or medical negligence. These trusts can help ensure that the funds do not impact the beneficiary's eligibility for means-tested benefits.

Protective Property Trust (PPT)

PPTs are commonly used in wills for married couples and civil partners to protect a share of their home's value from potential long-term care costs. The surviving partner can retain a life interest while protecting the deceased partner's share for their heirs.

Vulnerable Persons Trust

A Vulnerable Persons Trust is a broad description of a trust used to protect and manage the financial assets of a vulnerable individual, such as someone with a disability or lack of capacity. These trusts are designed to ensure that the assets are used for the individual's benefit and are often set up to provide for their care, medical expenses, and quality of life while taking advantage of potential tax benefits.

It's essential to seek professional legal and financial advice when considering the use of trusts, as the type of trust chosen should align with your specific goals and circumstances, and trust laws and regulations can change over time. Trusts can have complex legal and tax implications, so proper guidance is crucial. If you would like to discuss this area further, please contact your Strategic Solutions' Financial Adviser who will be happy to assist you Contact SSFS.

Compliance, Legal & Regulation.

Complaints Process

If you are unhappy with our advice or any aspect of our services, we encourage you to contact us as soon as possible. We will do our best to resolve your concerns.

- Telephone: 0800 160 1800
- Email: compliance@ssfs.co.uk
- In writing: Kevin Forbes, Strategic Solutions Financial Services, Suite 2, First Floor Hamilton Court, House, 1-3 Alum Chine Road, Bournemouth, Dorset, BH4 8DT.

We have a complaints procedure, information on which can be provided on your request. If we have been unable to resolve your concerns the Financial Ombudsman Service (FOS) may be able to help.

Compliance Officer

A Compliance Officer ensures that a company complies with its outside regulatory, legal requirements, internal policies, and bylaws. Compliance officers have a duty to their employer to work with management and staff to identify and manage regulatory risk. Strategic Solutions' compliance officer is Kevin Forbes.

Financial Conduct Authority (FCA)

An organisation that regulates the conduct of around 50,000 firms in the UK to ensure our financial markets are honest, competitive, and fair. Firms and individuals must be authorised by the FCA to carry out regulated financial service activities or to offer credit to consumers. To ensure that the firm you are dealing with is authorised please check FCA Register.

Our FCA authorisation number is 525733, a link to our authorisation is SSFS - FCA Authorisation

Financial Ombudsman Service (FOS)

The FOS settles disputes between financial services businesses and their clients. For further information please check Financial Ombudsman. In the first instance you should raise any complaints you have directly to the financial business in question. If you are not happy with the outcome of your complaint, you will still have the ability to raise it to the FOS.

Financial Services Compensation Scheme (FSCS)

An independent compensation scheme set up by the government to compensate individuals where a financial firm e.g. bank or investment company, has gone out of business and cannot pay an individual's claim, details of which can be found at FSCS Protection.

The current limit is generally £85,000 per person (per banking licence). Please be aware that some banks share the banking licence (i.e., Lloyds, Halifax, and Royal Bank of Scotland).

High Net-Worth Investor

You may meet the FCA's definition of a 'high net-worth investor' if you have an annual income of over £100,000 and throughout the financial year held net liquid assets over £250,000.

Please be aware that certain rules apply – for further information please check FCA - High Net Worth Investor.

Retail Client

Strategic Solutions deal with most clients under retail client rules. "A retail client is a client who is not a professional client or even more unlikely, treated as an eligible counterparty".

Sophisticated Investor

You may meet the FCA's definition of a 'sophisticated investor' if you have a written certificate signed in the last 36 months confirming that you have sufficient knowledge to understand the risks associated with engaging in investment activity in non-mainstream pooled investments - for further information please check FCA - Sophisticated Investor.

Vulnerable Customer

By the FCA definition, "A vulnerable customer is someone who, due to their personal circumstances, is especially susceptible to harm." Part of our process is to identify those affected and make sure we make extra allowances to help them. For further information please check FCA - Vulnerable Customer.
Based on our interpretation of these rules, SSFS have developed our own Vulnerable Customer process.

Web links

- ***Contact SSFS*** - https://ssfs.co.uk/contact/
- ***FCA Custodian*** - https://www.fca.org.uk/firms/authorisation/wholesale-markets/custodians#:~:text=Custodians%20are%20responsible,of%20client%20assets
- ***FCA Sustainability Policy Statement*** - https://www.fca.org.uk/publication/policy/ ps23-16.pdf
- ***UN Sustainable Development Goals*** - https://sdgs.un.org/goals
- ***Thematic Review*** - https://www.fca.org.uk/publication/thematic-reviews/tr19-03.pdf
- ***Gov.UK LTAs*** - https://www.gov.uk/government/publications/rates-and-allowances-pension-schemes/pension-schemes-rates#:~:text=Print%20this%20page-,Standard%20lifetime%20allowance,%C2%A31%2C800%2C000,-If%20you%20hold
- ***Court of Protection*** - https://www.gov.uk/courts-tribunals/court-of-protection
- ***FCA Register*** - https://register.fca.org.uk/s/
- ***SSFS FCA Authorisation*** - https://register.fca.org.uk/s/firm?id=001b000000NMThLAAX
- ***Financial Ombudsman*** - http://www.financial-ombudsman.org.uk/
- ***FSCS Protection*** - https://www.fscs.org.uk/what-we-cover/
- ***FCA High Net Worth Investor*** - https://www.handbook.fca.org.uk/handbook/COBS/4/12.html?date=2021-08-06#DES582:~:text=A%20certified%20high,Date%3A%20%E2%80%9D
- ***Eligible couterparty*** - https://www.handbook.fca.org.uk/handbook/COBS/3/6.html
- ***FCA Sophisticated Investor*** - https://www.handbook.fca.org.uk/handbook/COBS/4/12.html?date=2021-08-06#DES582:~:text=A%20certified%20sophisticated,Date%3A%20%E2%80%9D
- ***FCA Vulnerable Customer*** - https://www.fca.org.uk/publications/finalised-guidance/guidance-firms-fair-treatment-vulnerable-customers#:~:text=Businesses%20(Principles).%E2%80%AF-,Who%20are%20vulnerable%20customers%3F,appropriate%20for%20these%20consumers%20may%20be%20different%20from%20that%20for%20others.,-Complying%20with%20our