



Discretionary Fund Management

Adviser guide

Discretionary Fund Management

Introduction

Discretionary Fund Management (DFM) provides a personalised investment approach for clients, giving them a truly bespoke pension investment solution.

In 2002, we were one of the first providers to launch a DFM within a pension for financial advisers, and it's been a key part of our pension proposition ever since.

We provide access to the leading discretionary fund managers in the country, supporting advisers in providing bespoke investment solutions for their pension clients.

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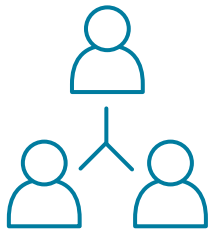
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How DFM works

After an initial meeting, the fund manager will work with you to tailor a bespoke portfolio for each client based on their investment and retirement plans.

You'll be part of a tripartite relationship between yourself, your client and the discretionary fund manager, and it's a relationship that you'll control.



There will be a regular review process once the plan is in place, usually annually, which means as your clients' circumstances and priorities change, their investment plans can change too.

You'll be accessing the skills and experience of a large investment fund manager, providing investment expertise and support services for your clients and your business.

Why choose LV= for DFM

Our market pedigree

We've been active in the DFM market for over 20 years, and have built up a wealth of experience in that time. For advisers wishing to outsource and derisk their pension investment decision making process, we provide access to a panel of eight of the leading discretionary fund managers in the UK.

Our purchasing power means we can often offer discounted fees from fund managers, creating real value for clients.

Investment governance

Our strong investment governance ethos means we have a thorough on-boarding process for our DFM panel members. We also carry out an annual DFM due diligence report on all our panel DFMs – you can find out more about this process below.

Systems and reporting

Our online systems, in particular our automated cashflow system, means that income can be paid to the client without delay – removing an often onerous admin task from your business, and providing peace of mind for the client.

To support your advice process, both we and the DFMs provide robust reporting processes, so you'll always be up to date with the value of a clients' pension fund and the underlying investment performance.

Our pension service was awarded a Defaqto Gold Service Rating for 2022, so you can be sure your clients' pension fund will be in safe hands.

A flexible pension wrapper DFM forms part of the tax efficient LV= pension wrapper that has received a five star rating from Moneyfacts for the past eight years.

This provides the ability to blend investment options and income solutions within the pension wrapper, so DFM can form part of a wider investment and product solution.

DFM can be utilised throughout the accumulation and decumulation process to provide a seamless investment process as clients move through their retirement journey.

DFM Managed Portfolio Service (MPS)

Managed portfolio solutions are also available for clients who don't require a fully bespoke service. We can accommodate MPS with Rathbones, Quilter, Investec, Charles Stanley, Brooks Macdonald and LGT Vestra.

6 good reasons to choose LV= for your DFM clients

- A wealth of market experience
- Leverage DFM relationships to provide competitive charging
- A unique cashflow management system
- Investment within a flexible pension wrapper
- Blended investment and product options
- Five star rated product and service proposition

Due diligence

We carry out an annual due diligence review of our discretionary fund management proposition. This involves meeting with each of the DFMs on our panel and measuring them against three key criteria.

Operational

How well automated processes between the DFM and ourselves are embedded and whether they work well for the benefit of advisers and customers, in addition to delivering operational efficiencies and reducing risk.

Strategy

The extent to which the companies we deal with share our vision of how the markets we operate in are developing and their strategies to deal with future market changes.

Business fit

The relationship between the two businesses (ourselves and the DFM) are aligned in key areas such as distribution, charges and fair treatment of customers.

As well as the formal annual review, we're in regular contact with the DFMs on an on-going basis, both at a national and regional level.

DFM – the benefits for advisers

Using a discretionary fund manager means that you effectively de-risk your investment decision making process by outsourcing it to an experienced fund manager.

This frees up time for you to focus on more productive parts of your business, and can also save the expense of investment research and advice processes.

DFM effectively gives you a virtual investment team to support your clients, as you'll be accessing the research and investment analysis functions of a big fund manager, rather than have to do the work yourself.

The reporting structures of both the DFM and LV= can help reduce your own reporting burden. It also improves the quality of your reporting processes, keeping you in control and up to date with client investments and plans.

Lastly, but possibly most importantly, it gives you a seat at the table with the DFM and the client – and you control the relationship at all times.

DFM – the benefits for your clients

Rather than a one-size-fits-all approach, clients are treated individually with their own bespoke plan. The plan is put together by the DFM after a thorough consultation process in which the client is fully involved.

The client gets their own fund manager, making investment decisions on their behalf. Many will appreciate this level of interaction – there's an element of kudos and reassurance in having this level of engagement that shouldn't be overlooked.

An investment portfolio is put together to match clients' risk rating, capacity for loss and changing plans and circumstances. After the first meeting, there will be annual reviews to ensure the client always knows what's going on and that their plans are on track.

As they move into retirement their investment requirements could become more complex – requiring an element of liquidity alongside continued investment growth – discretionary management can support this process.

As well as the expertise provided by the discretionary fund manager, the client also gets investment and income planning flexibility within the LV= pension wrapper, with seamless access to other investment options, including the LV= Smoothed Managed Pension Funds.

Benefits for clients, benefits for advisers

Clients

- A bespoke investment strategy designed to match their plans and needs
- The LV= cashflow management process, providing the reassurance that income will be paid promptly and efficiently
- Access to their own personal fund manager
- A portfolio that matches their risk rating, capacity for loss and changing needs throughout their retirement journey
- Regular reviews to ensure plans are on track

Advisers

- De-risking of your investment decision process
- An effective cashflow management process providing peace of mind for yourself and your clients
- Saves time for you to focus on more productive activity
- Your own virtual investment team, accessing research, reporting and fund management experience
- A robust reporting process to support your advice process
- A seat at the table – you control the client / adviser / fund manager relationship

What type of clients?

Although some fund managers have a minimum investment of just £100,000, we'd normally anticipate discretionary management as an option for clients with more than £250,000 in their investment portfolio.

Our own records show an average investment size of over £350,000. Clients who are seeking bespoke solutions and are looking for more than simple 'off the shelf' investment recommendations could well be receptive to the discretionary fund management option.

Don't forget that, within the LV= pension wrapper, discretionary management can be blended with other investment options, so choosing this option isn't necessarily an 'all or nothing' decision for clients.

Key issues to consider when choosing a DFM

Once you've decided discretionary management is appropriate for your clients, you'll then need to decide which fund manager to use.

In this process you'll need to consider issues such as

- Service levels
- Range of assets and portfolio options
- Transparency of charges
- Ease of doing business
- Reporting process and online facilities
- Recommendation from business associates

Remember, you don't just have to choose one fund manager for your adviser business. You're able to mix and match your clients to different fund managers based on priorities and investment requirements.

Next steps

We have strong relationships with all the DFMs on our panel, at both a national and local level so we're able to facilitate introductions with key individuals within each company. Our expertise with DFMs can support you and your decision making process when it comes to which fund manager to use, and how to manage the on-going relationship.

Talk to your usual LV= sales contact who will give you more information about our proposition, and will help you start the process of selecting DFMs for your clients.

You can get this and other documents from us in Braille or large print by contacting us.



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