The pricing tail does not wag the investment dog: the true cost of a client investment

TAM Europe Asset Management explains.

In this new MIFID world and in the interest of transparency for the client, all investment fees must now be explained and translated both as a percentage and in monetary value. As a MIFID regulated DFM, we must at least state such charges on every client portfolio at the pre-investment stage, and annually thereafter.

TAM continues to enhance 'value for money' for the client, and that term will become ever more important in the months and years to come, but how is it achieved?

We have reduced our AMCs to 30bp for our mainstream TAM Premier investment portfolios, and 40bp 0.4% on our TAM ESG investment portfolios. More than that, we have cut the underlying fund charges by more than 50% over the past two years. As an example, the underlying fund charges of our TAM Premier Balanced portfolio is currently (as of 30 September 2021) 48bp. This is very much at the lower end of market pricing for a fully active (non-Passive/ETF) managed portfolio and in our opinion, an AMC and underlying fund charge coming in at 78bp is absolutely value for money.

It is imperative that advisers look at the underlying fund charges of a portfolio to ensure they are not paying higher than is necessary to have their money managed. Such charges were historically almost non-negotiable, but this has changed in recent years along with the evolving, more transparent practices in this new MiFID world.

As all European advisers will know, choosing a fund for a client is not just a huge commitment that takes considerable time, it is also a significant regulatory responsibility. It can also be a very expensive process, with many participants only having access to retail class funds costing between 75 and 125 basis points.

We all know where I am going with this… It costs far less, perhaps even 30%+ less, for the client to use a value for money managed portfolio than it is for them to invest in the majority of the multi-asset funds within said portfolio. Ultimately the client has the choice to buy an actively, professionally managed portfolio for less than it would cost to buy a single fund. That is without factoring in the time it takes to monitor such a position, the admin involved in any buy/sell orders, and of course, the regulatory responsibility.

So, how do TAM manage to achieve such competitive underlying fund charges? Well, it is a very simple story combining:

a) Bulk buying and relationship management
b) A dedicated IM team driven by both performance and value for money
c) Support seeding to new share classes of strong existing product

Our hard-working investment team excel in managing the relationships with the funds we invest in, constantly encouraging managers to create "super-institutional" priced classes, which results in some charging TAM as little as 10bp.

TAM has often been at the forefront of innovation in many of the markets in which we work. We solved the Brexit issue very early on with the opening of our locally licenced European office in Spain, bringing with us the many long-standing fund relationships from the UK. We are already seeing significant benefits of this approach in the European market.

With all that being said, the investment team implement a very focused macro view of markets and do not let the underlying charge of a fund sway their view on markets, nor the suitability of said fund. The pricing tail, whilst important, certainly does not wag the investment dog! We all know how important it is to build strong relationships, and it is this approach that lies behind TAM's unrivalled underlying fund charges.

For more information, please contact **Tom Worthington – tom.worthington@tameurope.com** or tel: **+34 688 988 686.**

Continued from page 7

Mr and Mrs Smith – Spanish residents preparing their return to the UK

John's objectives are therefore as follows:

– To hold a wealth and estate planning tool to ensure that the couple's future move takes place in the best possible conditions from a financial and tax point of view.

– To have a unified platform where John would have a complete view on all his assets and could manage his investments.

1.3 OneLife solution

John knows that a tailor-made solution based on a Luxembourg life assurance contract would achieve both objectives. With the help of OneLife experts, the following international solution is offered:

– John applies to a Luxembourg life assurance policy which is fully compliant with Spanish local regulations while still residing in Spain. John is the policyholder and insured person.

– John's listed assets are integrated in one policy (**GBP 2 million**). The assets are managed either on a discretionary basis by an external manager or by John himself in case he restricts himself to a predefined list of investment funds.

– Anne and their two children are named as beneficiaries in the event of his death, so that they can dispose of his assets according to his wishes.

– The local private bank in Spain, or any other reputable custodian bank among OneLife partners, could serve as custodian for John's assets.

1.4. From a tax point of view – relocating to the UK

– Income generated by the underlying investments during the life of the contract will be tax deferred in Spain and hence avoid an ongoing taxation of up to 26% on the yield generated under the Policy. Taxation will only arise in Spain in case of partial or full surrender. That will be the case upon the condition of complying strictly with local Spanish tax rules on life assurance (or "bonds") unit-linked products with respect to the management of the assets and the minimum death cover required in order to qualify as an insurance product locally.

– When relocating to the UK, no "exit tax" will apply in Spain on any latent gain generated under the policy. Such "exit tax" could apply when holding directly financial investments in a personal portfolio, reason for which, life assurance offers a significant advantage.

– When becoming UK tax resident, the policy will serve as a tax deferral instrument as long as it complies strictly with local tax legislation and guidance provided by the UK HRMC. One of the key points of attention lies in the so-called "PPB rules" Under PPB rules, discretionary managed portfolios and investments in collective investment schemes are typically allowed, but other investments where the policyholder could have an influence or management decision over are typically excluded.

1.5 Conclusion

Thanks to the support of OneLife, John applied to a tailor-made solution perfectly suited for him and his family's needs. He benefits from a comprehensive and tax efficient solution for his private wealth, also a compliant bond that evolves according to his country of residence and which ensures that the family is well protected in case of his own death.

For further information on Luxembourg life assurance, more practical cases or what OneLife can do for you, please consult our **white paper** or contact **Marie Salvo**, OneLife Country Manager – **marie.salvo@onelife.eu.com** or tel: **+352 671 886 331**.