The Private Office

TPO Direct: Supporting Product and Risk Information

the private office

Contents

Introduction

This document provides important regulatory and product information that should be read in conjunction with your personalised suitability report.

Regulatory Disclosure

Aggregated Costs and Charges

The annual aggregated total charge shown in your personalised report is in monetary terms and is based on the cur) and the plan plus any additional contributions being invested over the course of the next twelve months. It provides an indication of the charges that would be deducted from the plan during the year if there were no investment growth. In reality, the charge in monetary terms will be higher or lower than shown depending on the performance of the underlying investment. The figures may differ from other documents you receive due to slight differences in the calculation methods.

There may be transaction charges that apply within the underlying funds for the sale and purchase of securities. This will be shown in reduced performance figures, as will the ongoing investment management charge of the underlying funds, rather than an explicit fee that you will be able to see. These transaction charges will fluctuate year on year depending on the underlying investments.

A dilution levy may be applied by the fund manager on sales and purchases. This is paid directly back to the fund and does not benefit the fund manager in any way. It is applied solely to protect the interests of existing and continuing investors who would otherwise bear all the dealing costs incurred when investors enter or leave the fund.

If you hold funds on the TPO Invest platform, each year TPO Invest will provide you with a costs and charges statement which will provide full details of the investment transaction charges that have applied. Please note that your enclosed SIPP illustration will show an estimate of what these annual transaction costs might be. We should point out that the TPO Invest platform fee noted will be referred to as an 'Administration and Custody Charge' in your annual statement.

Please note that the 'Platform Service Charge' is the charge paid to TPO Invest for the SIPP, ISA and GIA wrappers and the ongoing administration that is involved. The 'Investment Management Charge' (sometimes referred to as the 'Ongoing Charges Figure') is the charge paid to the fund manager for their skill and experience in managing the underlying investments.

These charges are separate to the annual Adviser Service Charge that you agree to pay TPO.

We will provide you with a report once a year which details the actual total costs and charges you have incurred in relation to all of your assets under advice and the services you have received from The Private Office (TPO).

Pension Illustration

We have enclosed an illustration from the recommended pension to illustrate possible future fund values of the new pension taking into account the charges that apply. The figures may be different from those in the tables in our report because of the different assumptions used.

For example, it assumes that you will buy an annuity at a specified age in the future. You are not required to buy an annuity at any age; this age is selected to demonstrate possible future benefits of your pension.

It is important to note that these figures are based on standard assumptions and projections set by the Financial Conduct Authority (FCA), and are not guaranteed.

Projected Pension Fund Comparison

As with the pension illustration, we have a regulatory obligation to provide you with a projection pension fund comparison.

This compares the projected fund you could receive from your existing pensions and the recommended alternative at a specified age in the future assuming a growth rate set by the FCA.

It is not always easy to compare charges on a like-for-like basis. Although the comparison takes account of charges, it does not take account of the relative investment performance of the existing and proposed alternative plans. It also does not factor in the future income withdrawal strategy. Therefore, it is simply a linear comparison of costs alone.

Financial Services Compensation Scheme Protection

Investing in UK Investment Funds

- The Financial Services Compensation Scheme (FSCS) protects investors when UK-authorised financial services or investment firms fail by paying compensation.
- Your investment is usually guaranteed by the FSCS up to an amount of £85,000 across all accounts held with the failed financial services firm or provider.
- The FSCS does not cover investment losses due to market movements.
- If an investment fund decreases in value due to poor market performance, the FSCS will not compensate for these losses.
- The FSCS is designed to cover claims against firms that are unable to meet their financial obligations, not for losses arising from investment decisions.
- The FSCS might be relevant if there was fraud or mismanagement directly by a UK-authorized firm and the assets were lost due to that firm's failure.

Investing in Offshore Funds

If you invest in our Discretionary portfolios your money may have an allocation to one or more offshore funds, called UCITS (Undertakings for the Collective Investment in Transferable Securities) which are based in EU financial centres in Dublin and Luxembourg.

Because UCITS aren't authorised by the FCA, investors are not necessarily entitled to all the protections that are provided to investors under the FSCS. However, if a UK based financial advice firm has recommended a UCITS fund to you, you may still be eligible to claim in some circumstances.

UCITS funds based in Dublin and Luxembourg are regulated under a harmonized EU regulatory framework, which provides robust investor protections. The UCITS Directive lays down stringent rules on diversification, liquidity, and risk management to ensure the safety of investors' money.

- UCITS funds are required to segregate their assets from those of the management company. This means that if the management company were to fail, the assets of the UCITS fund are protected and cannot be used to settle the debts of the management company. This segregation ensures that investors' assets are kept separate and protected from the insolvency of the fund manager.
- In addition, UCITS funds must appoint an independent custodian or depositary to safeguard the assets. The custodian holds the assets in a separate account, ensuring that if the fund manager or the custodian becomes insolvent, the assets of the fund remain unaffected.

In summary, the regulations governing overseas UCITS funds provides for a high level of investor protection, which includes regular disclosures, restrictions on eligible assets, and risk-spreading requirements. These measures reduce the risk of a UCITS fund failing due to mismanagement or other issues.

It is important to know that any UCITS funds which are included in our portfolios will have to meet strict regulatory criteria and be recognised by the FCA as being suitable for UK investors as well as being authorised in the country where they are based.

Key Investor Information Document (KIID) and Supplementary Information Document (SID)

The relevant Key Investor Information Documents (KIID) and Supplementary Information Documents (SID) for the funds held within your portfolio model are available here:
www.theprivateoffice.com/key-investor-information/discretionary-portfolios

Corporate actions

A corporate action is a move initiated by an investment house that may have an impact on your investment.
Corporate actions differ from one to the next with some actions unlikely to have a significant impact on your investment, for example; a change in the name of a fund.
www.theprivateoffice.com/key-investor-information/corporate-notifications

Risk Warnings

General

- My advice and recommendations are based on my understanding of current law and taxation, which may be subject to change in the future.
- All statements concerning the tax treatment of products and their benefits are based on my understanding of current tax law and HMRC practice.
- Levels and bases of tax relief are subject to change, which may affect the suitability of the recommended products and could mean that information on taxation contained in this report becomes inaccurate.
- The companies whose products I have recommended are considered secure and able to meet their obligations to customers. My recommendations are based on published information that is provided by ratings agencies. I cannot assume responsibility for the accuracy and completeness of this information or accept any losses if circumstances arise due to the failure of any company whose products I have recommended.

Investment

- Past performance is used as a guide only. It is no guarantee of future returns.
- Your investment can go up and down and you may not get back the full amount invested.
- If you transfer or surrender the plan, especially during the early years, the fund value may be less than you have invested.
- The investment growth rates used by companies in their illustrations are not minimums or maximums and offer no form of guarantee. The returns achieved may be less than those illustrated.
- Certain asset classes and funds will perform better than others and the asset allocation will change unless it is regularly rebalanced.
- The capital value of your investment will be eroded if you make withdrawals in excess of the net growth of the underlying investments.
- Inflation will reduce the real value of your investment and any income over time.
- It may take some time to realise the value of certain underlying assets, such as funds that invest in property and hedge funds.
- An investment in corporate bonds is generally less secure than an investment in Government bonds due to the greater possibility of default.
- Currency exchange rates may cause your investments to fall as well as rise in value.
- An exchange traded product (ETP) is a type of security that is derivatively-priced and which trades intra-day on a national securities exchange. This means that they are not priced once a day. The price will change throughout the day in the same manner of a traded equity;
- Investment Trusts can gear or borrow to invest. This can magnify capital appreciation in good investment conditions, but increases the risk of capital loss in poor investment conditions.
- Unusually high levels of buying and selling may increase the fund's dealing costs and affect the value of its assets. In this situation, to protect the interests of existing investors the fund manager may apply a 'dilution levy' which increases the cost of buying and selling. This is typically between 0.5% and 2% of the trade, and the proceeds are held within the fund.

Income Related

- Income generated from investments could be variable and not guaranteed.
- The capital value of the investment will be eroded if income exceeds growth after charges.
- The level of income provided / required may not be sustainable.

Investment Switch

- There could be a brief time when money being switched between investments is not invested. During this time you will not benefit from any increase in the value of these investments, but nor will you suffer from any reduction in their value.
- There is no guarantee that the recommended new investment strategy will perform better than the current investment strategy.
- The transfer value may differ from that illustrated due to the time taken to transfer the fund.

ISA

- The favourable tax treatment of ISAs may change over the period of investment. This could affect the benefits you receive.
- If you leave the UK and are no longer a UK resident, you can keep the ISA investment with its tax advantages but you cannot make any new contributions.
- ISA investments are potentially liable to Inheritance Tax on death (except those eligible for Business Relief).
- Income tax deducted at source on foreign dividends may not be recoverable. There is no further income tax to be paid on investments held within an ISA.

ISA Transfer

- The transfer value may differ from that illustrated due to the time taken to transfer the fund.
- Your fund will not be invested for a few days while the transfer is taking place. During this time, it will not benefit from any uplift in market values. Conversely, it will not be affected by any decline in values.
- There is no guarantee that the new ISA will perform better than your existing ISA.

Pension recommendations

- It is important to periodically review your pension against expectations, particularly if you are close to taking benefits when it is advisable to transfer into low-risk investments to minimise the effects of short-term market volatility.
- The benefits you receive may be lower than illustrated if:
    - You stop or reduce your contributions.
    - Investment performance is lower than illustrated.
    - You take your benefits earlier than your chosen retirement date.
    - Tax rules change.
    - Charges increase above those illustrated.
- Currently, if HMRC believes an individual has deliberately used their pension to shelter money from inheritance tax they could still include the pension fund within the individual's estate for inheritance tax purposes.
- In the October 2024 Autumn Budget it was confirmed that most Pensions will be included in an individuals Estate for inheritance tax.

Pension Switching

- The transfer value may differ from that illustrated due to the time taken to transfer the fund.
- Your fund will not be invested for a few days while the transfer is taking place. During this time, it will not benefit from any uplift in market values. Conversely, it will not be affected by any decline in values.
- There is no guarantee that the new plan will perform better than your existing plan.
- Currently, if HMRC believes an individual has deliberately used their pension to shelter money from inheritance tax they could still include the pension fund within the individuals estate for Inheritance Tax purposes. From April 2027, the position will change and most pensions will automatically form part of an individuals estate for inheritance tax.

Protection Recommendations

- If you stop paying premiums the cover will cease.
- Protection policies are subject to underwriting. There is no guarantee that the provider will offer the level of cover being applied for. They may also exclude certain circumstances or increase the premium as a result of this process.
- Failure to disclose all relevant information truthfully and completely could result in the policy becoming void and the insurer not paying a claim.

Term assurance

- At no time during, or at the end of the term will this policy provide a surrender or cash-in value.
- At the end of the term selected, cover will cease and no further benefit will be payable.
- During the term of the policy you may suffer an illness which affects your future insurability. If you survive the policy's full term, you may not be able to obtain further cover at acceptable rates.

Income protection

- If your occupation or salary changes in the future you should contact the insurance company as this may affect the terms of the policy.
- In the event of a claim your pay-out will be reduced if your income does not support your chosen cover. No premiums will be refunded if this happens.
- In the event of a claim your pay-out may be reduced if you continue to receive payments from your employment or other benefit payments. No premiums will be refunded if this happens.
- The benefits paid under this plan may affect your eligibility to claim some means-tested state benefits, or claim benefits from other income protection policies.
- Failure to notify the provider within weeks of incapacity may result in an extension to the deferred period and in turn delay payment of any claim.
- You will not be entitled to any pay-out from this plan if you are not engaged in a full-time remunerative occupation immediately prior to a period of disability. No premiums will be refunded if this happens.

Whole of Life Insurance

- Premiums continue throughout your life. If you are unsure that you can afford premiums at any time, this policy is unlikely to be suitable for you.
- Your policy will be reviewed at regular intervals and the premium may need to rise, or the cover reduced significantly depending on investment performance, market returns and charges.

Product Information

Self-invested Personal Pension (SIPP)

A self-invested personal pension (SIPP) is a type of money purchase pension plan that provides a tax efficient way for individuals to save for their retirement. They work in a similar way to a stakeholder or personal pension plan but provide access to a wider and more sophisticated range of investments that the individual can manage themselves. For these reasons, SIPPs may have higher charges and tend to be more suitable for experienced investors with a larger pension fund. Most SIPPs allow the individual to invest in a range of assets, including:

- Stocks and shares quoted on a recognised UK or overseas stock exchange.
- Collective investments such as unit trusts and investment trusts.
- Government securities.
- Insurance company funds.
- Some National Savings and Investment products.
- Deposit accounts with banks and building societies.
- Commercial property (such as offices, shops or factory premises).

Other features of a SIPP include:

- The ability to lend to a company where members are not directors or shareholders.
- The ability to borrow up to 50% of the pension fund to purchase a commercial property.
- The ability to invest up to 70% of the pension fund in any company if acceptable to the SIPP provider. However, tax charges may apply if the company is controlled by a member or an associated person.

Individual Savings Account (ISA)

An ISA is a flexible tax-free investment wrapper with an annual subscription limit. There are three types of ISA* which have a total annual subscription limit of £20,000 for the current tax year. They are:

- Cash ISA
- Stocks and Shares ISA
- Innovative Finance ISA

**There are other types of ISA including Lifetime ISA and Junior ISA. However, the annual subscription limit and rules governing these ISAs are all slightly different.*

From April 6th 2024, an individual will be able to open and contribute to multiple ISAs of the same type during the same tax year. Assuming the ISA is 'flexible', they can even take money out of the ISA and put it back in later in the tax year without losing any of their tax-free allowance.

Investment gains within an ISA are tax free. There is no tax to pay on any interest or dividends earned within a cash ISA or Innovative Finance ISA, and there is no Income Tax or Capital Gains Tax to pay on profits made within a stocks and shares ISA.

It is possible to transfer an ISA from one provider to another at any time. From April 6th 2024, an individual will be able to fully or partially transfer current tax year subscriptions. They can choose to transfer all, or part of the money they have invested in an ISA in previous years.

ISAs no longer lose their tax-free status on the death of the investor, as the plan becomes a 'continuing ISA' and will remain so for up to three years, until the account is closed, or until the administration of the deceased's estate is completed, whichever comes first. A stocks and shares ISA can be transferred to a surviving spouse's or civil partner's ISA if they have the same ISA provider as the deceased, otherwise they will inherit an increased ISA allowance equal to the value of the deceased's ISAs known as an 'additional permitted subscription'.

Junior ISA

Junior ISAs are long-term tax-free savings accounts available to children who are under 18 and resident in the UK. There are two types of Junior ISA, a Cash Junior ISA and a Stocks and Shares Junior ISA and they work in much the same way as a full, adult ISA.

A Junior ISA can be opened and managed by a parent or guardian. The child can take control of the account when they reach age 16, but they cannot withdraw the money until they reach age 18. Anyone can contribute into a Junior ISA. However, there is a limit on the amount that can be invested in any one tax year - this is £9,000 in the current tax year. A child can only have one active Junior ISA provider per ISA type, rather than being able to use a different provider each year as is the case with adult ISAs.

General Investment Account

A General Investment Account (GIA) is the name given to an investment vehicle which holds assets not allocated to a specific tax wrapper. GIAs can hold a number of different investments including Unit Trusts, OEICs, Investment Trusts, ETFs and Structured Products. The taxation of a GIA is summarised below.

Dividends

From April 6th 2024 the tax-free dividend has reduced and is now £500. Dividends paid above this level are taxed according to an individual's tax bracket at the following rates.

Basic Rate Taxpayer	8.75%
Higher Rate Taxpayer	33.75%
Additional Rate Taxpayer	39.35%

Individuals with dividend income of £501 or more must notify HMRC, even if they remain a basic rate taxpayer.

Interest

The Personal Savings Allowance (PSA) allows basic rate taxpayers to earn up to £1,000 of interest tax-free in a tax year. This falls to £500 for higher rate taxpayers and additional rate taxpayers must pay tax on all interest.

Interest distributions from authorised investment funds are typically paid gross. Any interest earned after the deduction of the PSA is added to the individual's other income and taxed at their marginal rate of Income Tax.

Capital Gains

Capital gains above the annual exemption of £3,000 are taxed according to an individual's tax bracket. For the tax year 2024 to 2025 and subsequent tax years the AEA will be permanently fixed at £3,000.

Effective from 30 October 2024, the rate of capital gains tax payable has been increased as follows:

Non-Taxpayer and **Basic Rate Taxpayer**

18% (assuming total taxable income and gains do not exceed £37,700)

Higher Rate Taxpayer and **Additional Rate Taxpayer**

24%

Level Term Assurance

Level term assurance provides a simple and cost-effective way of obtaining a fixed level of life cover over a specified term.

If the life assured dies within the term, the policy will pay out a lump sum. If the life assured survives the term, there will be no pay out and the premiums are lost. Premiums are based on age and health, the amount of cover and the policy term.

The cover can remain level or increase by a fixed rate - at regular intervals - throughout the term of the plan. Critical illness cover can be incorporated within some policies. If critical illness cover is included and a claim is made, it will not pay out on any subsequent death claim, unless a 'buy back' option is selected.

Family Income Benefit

A family income benefit plan provides a simple and cost-effective means of obtaining a set level of life insurance cover over a specified term. The cover can remain level or increase by a fixed rate, at regular intervals, throughout the term of the plan.

If the life assured dies during the term, the policy will pay out an income for the remainder of the term. If the life assured survives the term, there will be no pay out and the premiums are lost. Premiums are based on age and health, the amount of cover and the policy term.

Critical illness cover can be incorporated within some family income benefit policies. If critical illness cover is included and a claim is made, it will not pay out on any subsequent death claim unless a 'buy back' option is selected.

Whole of Life

Whole of life insurance provides continuous cover throughout the life assured's life and pays out a lump sum on death whenever that may occur, provided premiums are maintained. Premiums are usually payable for the duration of the life assured's life and are substantially more expensive than an equivalent term assurance policy.

A proportion of the monthly premium is invested and as a result the policy may build up a surrender value over time. However, the premium and / or the sum assured may need to change in the future if the investment returns required to support the initial amount of cover are not achieved.

Whole of life insurance is typically set up on one of the following three bases.

Maximum cover

This provides the highest initial amount of cover for the premium paid. The initial premium and level of cover are usually guaranteed not to change for a set period (usually five or ten years). Following this initial period, the plan is reviewed and it is likely that either the premium will increase or the cover will reduce.

Balanced cover

The premiums will be higher for the same level cover. However, a greater proportion of the premium is invested to subsidise future premium increases, therefore, the premium is less likely to increase at future reviews.

Guaranteed cover

There is no investment element and the premium and cover are fixed from outset.

Some policies provide the option to insure against certain critical illnesses or becoming disabled. If critical illness cover is included, and a claim is made, it will not pay out on any subsequent death claim, unless the 'buy-back' option is selected.

Mortgage Protection Assurance

Mortgage protection assurance is cheaper than level term assurance and is commonly used to insure the outstanding loan amount on a repayment mortgage. The level of cover provided is based on an assumed interest rate. It decreases slowly during the early part of the plan term, but more quickly towards the end of the plan term to approximately track the remaining mortgage balance.

If the life assured dies within the term, the policy will pay out a lump sum. If the life assured survives the term, there will be no pay out and the premiums are lost. Premiums are based on age and health, the amount of cover and the policy term.

Critical illness cover can be incorporated within some mortgage protection assurance policies. If critical illness cover is included and a claim is made, it will not pay out on any subsequent death claim, unless a 'buy back' option is selected.

Decreasing Term Assurance

Decreasing term assurance is cheaper than level term assurance and is commonly used to insure against a reducing liability or where the requirement for cover reduces during the term. It provides an amount of life cover that decreases at a constant rate over a specified term.

If the life assured dies within the term, the policy will pay out a lump sum. If the life assured survives the term, there will be no pay out and the premiums are lost. Premiums are based on age and health, the amount of cover and the policy term.

Income Protection

Income protection provides a replacement tax-free income if the life assured is unable to work due to accident or ill health. Typically, up to 75% of the life assured's income (less any state benefits they would be entitled to) can be insured. In the event of a claim the policy will pay out after a deferred period which can range from a month up to two years.

Benefits will continue to be paid until the end of the policy term, death or retirement, or the life assured no longer meets the definition of incapacity detailed in the policy schedule - whichever comes sooner.

The cover is permanent, which means cover will never be cancelled, no matter how many claims are made. The level of cover provided prior to a claim and the benefits provided following a claim can remain level or increase in line with a fixed rate or index. Premiums are dependent on the income required as well as the life assured's age, health and occupation. The deferment period also affects the premium, with a shorter period resulting in higher premiums. Premiums may be guaranteed throughout the term of the policy or reviewable each year.

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