HYMANS ROBERTSON

Understanding value for money in your Fiduciary Management arrangement

To understand if you're getting value for money you need to know what you own. If you'd gone and bought yourself a two-seater sports car, you couldn't rightly be disappointed when you can't squeeze that mattress into the back when your kids ask for help moving house. You'd also surely expect to feel more of the bumps on the road than if you'd bought that comfy looking estate car. It's the same principle when assessing the value of your fiduciary manager arrangements.

Firstly, it's important to know what type of manager you have. Different managers have different specialities - some managers focus on manager research, while others focus on making dynamic changes to asset allocation (e.g. switching from equities to credit at the right point in the market). Knowing what you bought and why you bought it helps you judge whether or not it's doing the right job.

The second part of understanding the value you're really getting is to understand what you're actually paying. So, while the fees you pay have two parts – for the underlying investment funds and the fiduciary service on top – there are other costs that can be many and varied (like custody fees, platform fees, "administration" or other "expenses"). Understanding the full cost helps you assess whether you are getting value overall from the service.

Once you know what type of manager you have and what you're really paying, you can move onto the interesting bit: are you getting value for money?

There are three things you should be thinking about:

1. **Re-consider your fundamental investment beliefs.** For example, do you believe that active management will add a premium return over time? How important is diversification? How about flexibility?

2. **Identify what you value from fiduciary management.** Is it easy implementation and less paperwork? Are you looking to minimise cost, or perhaps you're looking to access asset classes which you would struggle to access through an advisory arrangement?

3. **Understand how far progressed are you in your journey plan.** Fiduciary managers can be good at managing growth assets and automatically de-risking schemes when they see funding level improvements, but once a scheme gets closer to a low-risk steady state then there can be less for a fiduciary manager to do and less scope to add value.

Once your mind is clear on these points, you can test whether your manager's approach matches your beliefs and if you really are getting good value for what you're paying for.

Where has your manager actually generated returns? Is this where your manager expected added value to come from? Does this match with your beliefs and the areas you're expecting value from?

What are the standard 'rack rate' fees for the underlying funds you have and what rate is the manager actually paying? Through bulk purchasing, your fiduciary should be able to secure underlying fund fees which are significantly below standard rates. If you have a significant value of assets in your portfolio then the best comparator might actually be the preferential rates you would be able to secure without a fiduciary manager.

What services do you actually receive? Are they the same as when you agreed the fee, or have they changed? Do you have a new lower-risk/lower-return target now?

After going through these steps you'll be a long way down the road to understanding what value for money means for you and whether you're really getting good value from your fiduciary management arrangements.

Now, I really should stop browsing through the Autotrader site – I've made a decision. The two-seater was fun to dream about but in the real world I think I'll stick with my comfy, reliable and value for money estate.

Want to know more?

Contact Mark to discuss how we can help you assess and maximise value in your own Fiduciary Management arrangement.

Mark Baker
Head of Fiduciary Oversight, Hymans Robertson
E: mark.baker@hymans.co.uk
T: 020 7082 6340

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