



# **Pension Performance Review<sup>®</sup>**

AN INTRODUCTION TO THE KEY CONCEPTS  
BY MARK WILKIN

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## The Pension Performance Review: An Introduction To The Key Concepts

FROM OUR EXPERIENCE, working with hundreds of clients, we have discovered that most people who invest their hard-earned money in a pension plan are frustrated by its performance. They are also worried that their pension plan will not generate enough income to fund their retirement.

Our research shows that investors have a right to be worried. Many pension plans under-perform because they are not given the attention they deserve. The danger is that if your pension plan is not managed properly, you may not achieve financial security in the future.

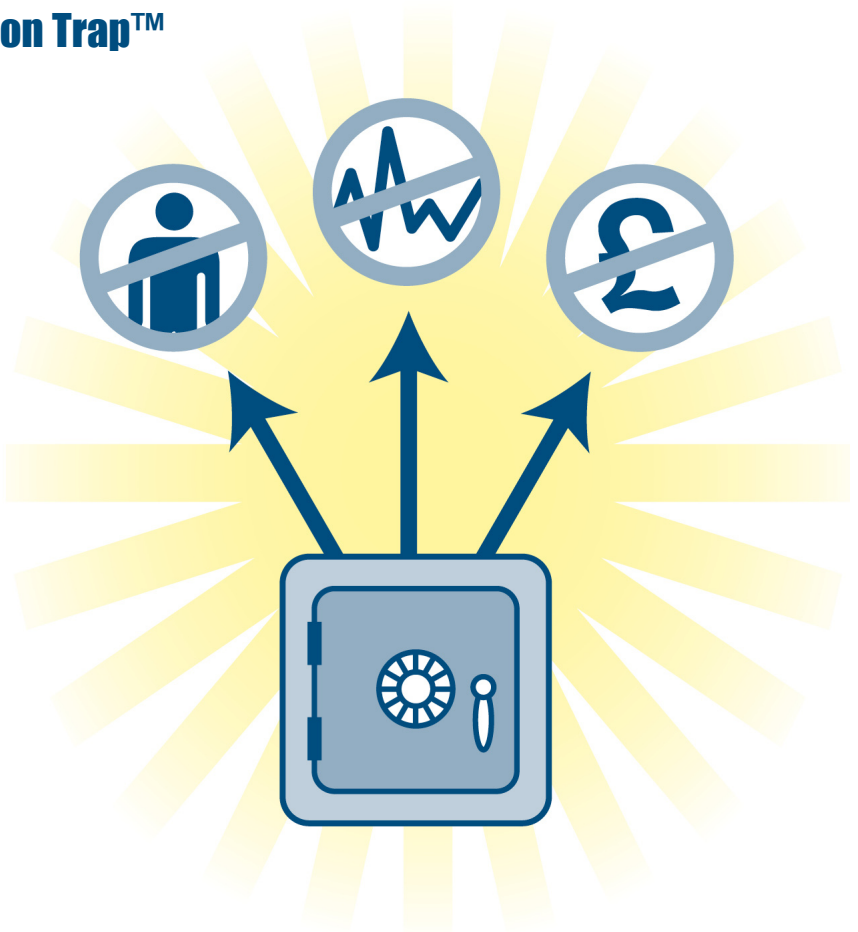
That is why we created this information package. To help you understand the extent of the problem – which we call **The Under-Performing Pension Trap<sup>™</sup>** – and to show you what can be done to potentially enhance the performance of your plan so you can strive for financial security.

## The Under-Performing Pension Trap<sup>™</sup>

FROM OUR EXPERIENCE, there are three major reasons why many pension plans under-perform:

- 1.** The funds in most pension plans are not actively monitored by a financial adviser;
- 2.** Most pension plans are not managed in line with a suitable asset allocation and risk profile;
- 3.** Many people are not getting value for money because they are paying higher charges than necessary for the administration of their pension plan.

*Let us look at each of these problems in more detail.*





# Pension Performance Review®



## 1. MANY PENSION ADVISERS DO NOT REVIEW THEIR CLIENT'S PENSION PLANS ON A REGULAR BASIS.

Once a pension plan has been sold, many pension advisers – who usually only get commission for the initial sale of the plan

– move on to other new prospects, and focus less on their existing clients.

stresses the importance of asset allocation over market timing and investment selection. Over subsequent decades, his theories were tested and proved valid, which led to his Nobel Prize – along with two associates – for economics in 1990.

In many cases, the typical financial adviser does not understand or use *Modern Portfolio Theory* in their work with clients. In many cases, the typical financial adviser is just trying to sell financial products.



## 2. MOST PEOPLE HAVE NOT HAD THEIR RISK PROFILE THOROUGHLY ASSESSED,

and this may result in clients taking unintended investment risk with their pension portfolio or not maximising the potential

gains available. Also, most people when asked, believe that market timing is a critical aspect of investment performance. But extensive research shows that only 1.7% of investment performance is determined by market timing.\*

On the other hand, the same studies show that 92% of performance is actually determined by the allocation of assets in a portfolio\*. That's why it's important to review your asset allocation on a regular basis.

The importance of asset allocation was emphasized by economist and Nobel laureate Harry M. Markowitz, the father of *Modern Portfolio Theory*.

In 1952, Markowitz published a paper called *Portfolio Selection* which appeared in a publication of the *Journal of Finance*. The landmark paper established the foundation for a theory of portfolio management that

## 3. MANY PEOPLE ARE NOT GETTING VALUE FOR MONEY

because they are paying higher charges than necessary for the administration of their pension plan, and receiving poor service. One reason is

because most people started their pension plan before pressure from the government and the buying public forced in more competitive and better value charging structures.

Unfortunately, many people do not address this problem because they are too busy, or do not understand the extent of this issue. They think their pension salesperson is taking care of their affairs, and would make changes to their plan if necessary.

That is why it is important for you to take charge of your pension plan now, before it is too late. Acting now could make a huge difference to your future financial security. It could enhance the performance of the investments in your pension, and lower your management fees. That is why we urge you to consider *The Pension Performance Review*.

\*Determinants of Portfolio Performance™, published in the *Financial Analysts Journal* in July/August 1986 and updated May/June 1991, Gary P. Brinson, L. Randolph Hood, and Gilbert Beebower.



# Pension Performance Review®

*The Pension Performance Review* is a fee-based, objective analysis of your risk profile, your investment objectives, your expectations, and the performance of your pension investments. Simply put, we assess the current status of your pension plans, and make detailed recommendations to overhaul your investment performance.

We begin by helping you establish and put in writing your risk profile, your investment objectives, and expectations. Then we look at your pension plans and determine if the asset allocation is right for your situation. If the structure of your pension plan is appropriate, we will recommend not changing anything. But if analysis shows that you can optimise the investment returns of your pension plans, or lower your pension administration costs, we will say so.

The key is objectivity: because we charge for this service, we have no other vested interest other than to see your pension investments

grow. We simply give our advice.

*The Pension Performance Review* offers multiple benefits to investors concerned about the investment climate, and their future.

You have the potential to:

- Enhance the performance of your assets;
- Build a portfolio that will empower your future; and
- Lower your pension administration charges.

Once you have completed the review, you will be in a position to make an informed choice therefore potentially giving you greater peace of mind. You will know what investments you hold and why. And, you will feel clearer about your goals, and have greater confidence about achieving them.

## The Pension Performance Review: The 8 Steps

To fully understand the benefits of *The Pension Performance Review*, it is useful to understand the steps undertaken during the process. The purpose of the program is to ensure that:

- Your pension is being managed properly;
- You are in the right funds; and
- You have the right asset allocation to match your risk profile.

1. **Assess Your Current Situation**

2. **Establish Your Vision**

3. **Identify Obstacles To Your Vision**

4. **Develop Strategies To Overcome Obstacles**

5. **Review Your Options**

6. **Develop Your Plan**

7. **Implement Your Plan**

8. **Review Your Pension Plan Regularly**



# Pension Performance Review<sup>®</sup>



## 1. Assess Your Current Situation

The first step of *The Pension Performance Review* is a detailed look at your pension

plans. We look at your asset allocation, the investments in the portfolio, and the level of risk. Each existing investment is measured for its flexibility, the range of available funds, and its past performance. This analysis gives you an accurate review of how your plan has performed up to the present time.



## 2. Establish Your Vision

To enhance the potential of your pension plan\*, it is important first to establish your

risk profile, your investment objectives, and your expectations. With this information, we are more able to give you appropriate recommendations on your pension, and help you enhance the performance of your investments.



## 3. Identify Obstacles To Your Vision

Before we make any

recommendations to potentially improve investment performance, it is important first to examine any obstacles. For example, we need to find out if your pension plan provides the following:

- Do you have a wide range of funds available to you?
- Are these funds performing well?
- How easy is it to get information about how your funds are performing?
- Do you have online tools that allow your professional adviser (after consultation with you) to switch between funds instantly and at no cost, or do you rely on an inefficient and costly paper trail system?
- Do you have access to a wide range of proven fund management companies?



## 4. Develop Strategies To Overcome Obstacles

At this stage, having determined your personal parameters, we are able to advise the best investment strategies for your situation. We put each of your pension plans under a microscope to determine whether or not it fits into your strategy.

The key is control. Experience shows most investors want to be in control of their investments.

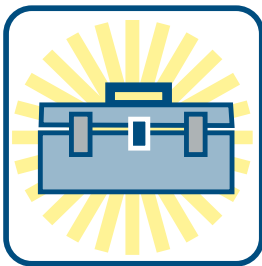
\* Please note that past performance is not a guide to the future and may not be repeated. The value of investments may fall as well as rise and you may not get back the amount you originally invested.



# Pension Performance Review®

- They want to know what they have invested;
- Where it is;
- Why it is there rather than somewhere else; and
- How well it is doing.

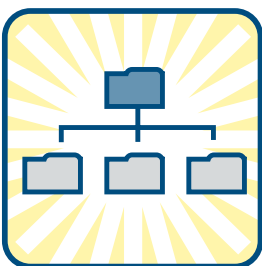
They also want to know that they can adjust their portfolio easily and economically when they choose. That's why putting you in control is one of the key principles of *The Pension Performance Review*.



## 5. Review Your Options

With your goals and strategies in place, it is now time to review all of your options and alternatives. We

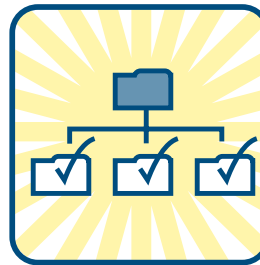
explain your current situation, and give you a selection of possible strategies based on different levels of risk tolerance. We look at different investment options, and help you select the funds that suit your personal situation. At the completion of this stage, you will feel fully informed and empowered to make the right decisions.



## 6. Develop Your Plan

To increase the performance of your pension plan, it may be

necessary to change some of the investments in your portfolio. We analyse the effects of transferring each of these investments, giving you a full report detailing the implications, and advising whether or not such a transfer would be in your best interests. At this stage, you decide what changes you want to make to your pension plan portfolio.



## 7. Implement Your Plan

Dealing with investment providers can often be time consuming and frustrating. If you desire, we can take charge by

project managing any changes you wish to make. You are still in control and make all of the decisions, but we handle all of the details.



## 8. Review Your Pension Plan Regularly

To maintain control over your pension investments, it is necessary to review your pension plan regularly. During these regular sessions, we review your objectives, identify any new obstacles, and determine if you should make any changes to your plan.



# Pension Performance Review<sup>®</sup>



## Summary

It may be possible to enhance the performance of your pension by:

- Having a professional review your plan on a regular basis;
- Developing your investment strategies based on the asset allocation models used by *Modern Portfolio Theory*; and
- Ensuring the charges for the administration of your pension plans remains competitive and appropriate.

If you adhere to these three strategies, you should have a much better chance of improving the performance of your pension plans, helping you break out of *The Under-Performing Pension Trap*<sup>™</sup>.



## Next Steps

If you are interested in an objective analysis of your pension plans, we will meet with you for the first stage of *The Pension Performance Review*.

This initial session is provided free of charge, and without obligation.

Please note that past performance is not a guide to the future and may not be repeated. The value of investments may fall as well as rise and you may not get back the amount you originally invested. This brochure is intended solely to provide information about *The Pension Performance Review* and should not be construed as advice.

### FOR MORE INFORMATION CONTACT:

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## Mark Wilkin

SENIOR PARTNER  
ALEXANDER ROWAN LLP

**Mark Wilkin** is the senior partner in Alexander Rowan llp and has been successfully advising clients since 1985, prior to which he was with a well known international bank.

His career since, includes working with financial corporations, tied agents, and latterly within his own company, Alexander Rowan. He has concentrated principally on advising controlling shareholders of limited companies and other wealthy individuals.

Alexander Rowan works closely with two other locally based IFA practices who collectively operate an open partnership to provide locum services and back up for one another. Whilst compliance services, ongoing coaching and technical input are provided from national organisations including Simply Biz, Adviser Breakthrough and Defacto, allowing Alexander Rowan to provide a bespoke service to their clients.

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