

# A Fresh Approach to Fees

The best interests of my clients is at the heart of what I do, so at Ontrak that also means having a fair approach to charging for the services provided.

Ontrak differs to most financial advisers who charge a percentage based on how much money you invest with them, where the more you have invested the higher fees you pay. But I believe the percentage model is flawed. It creates a conflict of interest and can prove to be very expensive over time. This is because, over the longer term, global investment markets are likely to go up which means that the ongoing cost to you is going up with the likelihood that no additional service is actually being delivered. Percentage charging can seriously erode your wealth and the damaging consequence of this is rarely shown.

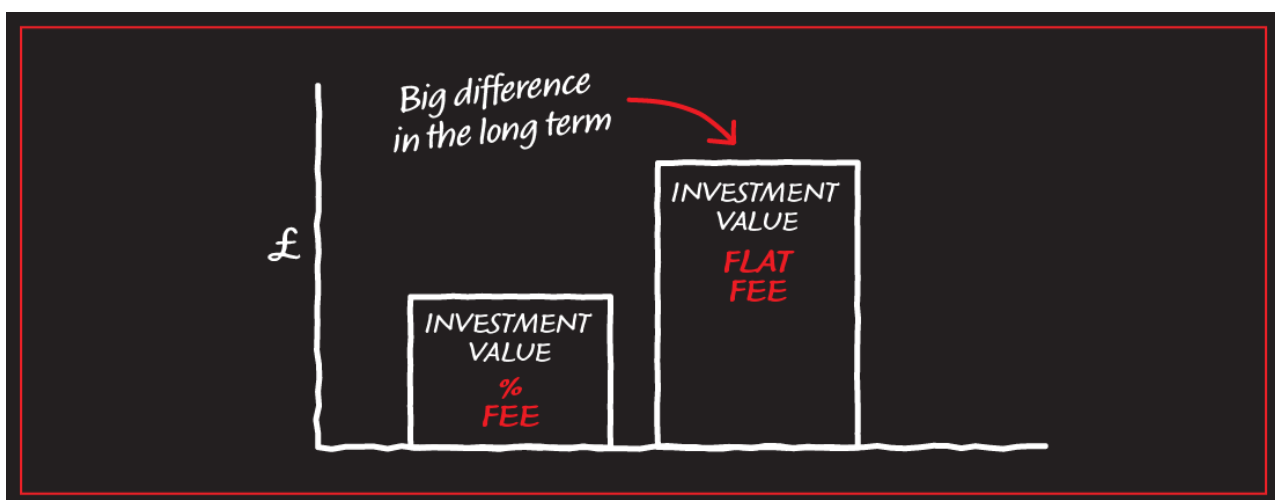
With a percentage-based fee model, the financial adviser may receive an immediate pay cut in their fee income if money is withdrawn from the investment portfolio. So typical lifestyle events such as making gifts to children, buying property or investing in a business may be met with resistance if funded from an investment portfolio. With percentage fees, the focus is on your money rather than your life.

**I don't think any of that's very fair!**

## So how is Ontrak's fee structure different?

All my planning and advisory fees are flat. My fee structure is simple to understand, fair and transparent. The more services you require, the more value you will receive and the more you will pay. It is aligned to the complexity of your situation, the amount of work involved and the expected value you will receive. There are no worrying and wealth damaging percentages.

You will have complete clarity about my fees that are clearly documented and easy to compare. I believe that this removes any potential conflict of interest, and creates a relationship that is 100% focused on helping you achieve what is important to you, and not on your money.



## How flat fees mean more return for you

For ongoing advice, most financial advisers charge a percentage based solely on the amount of money invested, which is typically around the 1%\* level. This looks like a small number but the long term wealth damaging effect on this can be significant. For example, if you were to invest £1 million over a 30 year period, you could end up with £1 million less (£550,000 when adjusted for inflation), due to the damaging effect of a percentage fee structure, compared with an alternative flat fee model (see graph below).

Many couples are now experiencing retirements of 30 years or more so percentage fees can create a very costly drag on returns. Furthermore, linking fees to a percentage of the money invested means the financial adviser will only be paid when money is invested and the more money invested the more they will be paid. For this reason, alternatives such as paying off debt or creating a healthy cash buffer may be overlooked.

Ongoing advice is a function of the expertise of the adviser, the level of complexity and the time taken to provide the advice. None of these are necessarily linked to the amount of money being managed. The percentage model is based on simply managing investments and is linked to the value of investments you have rather than the value you receive. The percentage fee surges when markets rise and plunges when markets fall. The need for an advice service does not rise and fall in line with the markets.

I strongly believe that this outdated and broken model (which is clinging on to the old days of commission) is not aligned to your long term interests and the services provided to you. The flat fee model is a much fairer alternative. It is easy to understand, fully transparent and linked much more closely to the service being delivered.

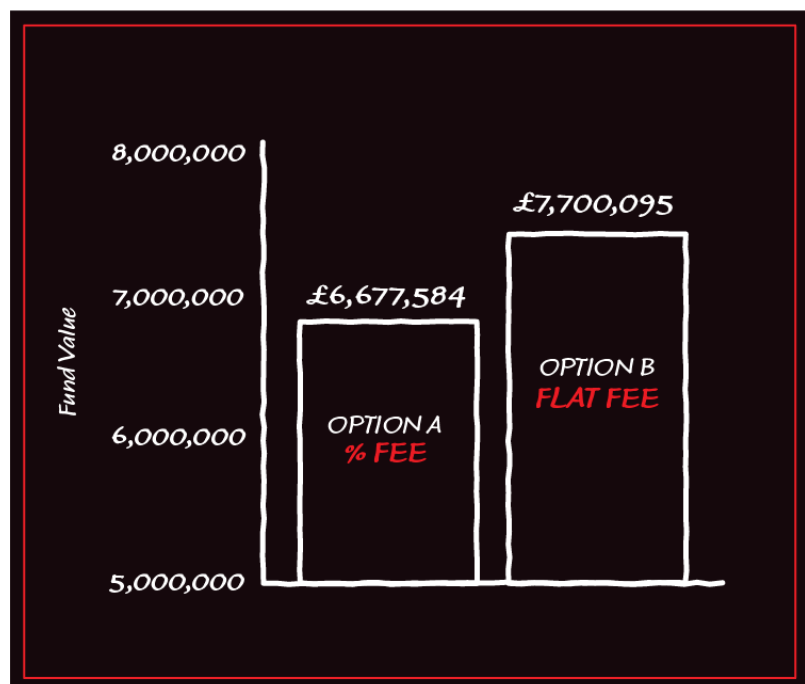
### Percentage vs Flat Fee

On the graph to the right, Option A is the 1% model and option B is the flat-fee service alternative.

Imagine you invest £1m for 30 years with a hypothetical annual growth rate of 7.6%. The percentage fee of 1% starts at £10,000 and moves in line with the portfolio value. The flat fee also starts at £10,000 and increases at the long-term UK inflation target (2%), adjusted every three years.

After 30 years what is the difference in value based on these two charging methods alone?

If you had selected option A, you would have £1,000,000 less than if you had opted for option B. That is clearly a vast sum of money which you have overpaid and transferred from your own family's wealth to that of your wealth manager!



\*According to a survey by the consumer group *Which* on average the annual fee is 1% of the money invested, although rates will vary across firms.

# Services & Fees

## Bespoke services provided along the client journey:

- ✓ **Helping you get financially organized.**
- ✓ **Acting as an impartial sounding board.**
- ✓ **Help make complex issues more understandable.**
- ✓ **Guiding you “off the ledge” from making poor life and investment decisions.**
- ✓ **Financial & behavioural coaching.**
- ✓ **Help with legal & estate planning.**

## 1. Discover & Plan

If you decide to engage the services of Ontrak Financial Planning, you will only be initially committing to the Discover & Plan stage of our service. Although planning is an ongoing process you will have the opportunity to firstly experience the upfront design work that goes into building your plan, without committing to the Ontrak ongoing planning and advisory service.

### The Discover & Plan Process:

- 1) Understand what is important to you and what you want to achieve.
- 2) Establish your current position.
- 3) Assess the level of risk you are willing, need and are able to take without derailing your plan.
- 4) Together we co-create your plan.
- 5) Agree first steps towards closing the gap between where you are now and where you want to get to.

Following your Exploratory Meeting (and only if I feel I can add value to your situation over and above the fee that is to be charged), the one off planning fee will be confirmed in your personalised ‘One Page Plan’ (Executive Summary) at either Tier 1, 2 or 3. It will be aligned to the complexity of your situation and the expected work involved. There will be no obligation for you to proceed and up to this point the work undertaken will have been at my expense.

### One-Off Planning Fee:

<b>Tier 1</b> <b>£1,975</b>	<b>Tier 2</b> <b>£2,850</b>	<b>Tier 3</b> <b>£4,250</b>
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If you decide to proceed, an invoice for 50% of the fee will be issued before further work is commenced with the balance invoiced on completion. I offer a **Value Guarantee** at the Discover & Plan stage, so that in the unlikely event you feel you have not benefitted from the service I will fully refund your initial 50% and not invoice you any further. This hopefully will give you reassurance if you are unsure at the outset as to how much value this experience will give you.

**Value Added Services available (not exclusive):**

<b>Set up your Wrapper (ISA, Pensions etc.) &amp; Investment Strategy</b>	<b>Set up Regular Pension Contributions up to the Annual Allowance</b>	<b>Investment Planning – incorporating sustainable and impact investing tailored to your risk appetite</b>
<b>Tax based investment planning setting up multiple wrappers and managing your tax efficient strategy across all your assets</b>	<b>Pension Contribution using Carry Forward Allowance</b>	<b>Business Relief Investment Planning</b>
<b>Tax Planning – arranging your savings, income and investments tax efficiently</b>	<b>Withdrawal Planning - designing and managing a bespoke withdrawal strategy via pension drawdown and other wrappers to fund income in retirement</b>	<b>Planning for school fees – building a strategy to fund future education costs</b>
<b>Inheritance Tax Planning – putting your affairs in good order to reduce the effects of IHT</b>	<b>Gifting money through the generations and the careful documentation of this</b>	<b>Business Planning – using your business to create your personal wealth</b>
<b>Working with other advisers</b>	<b>Set up Family Protection Plan and other financial support for children and/or grandchildren such as helping them get a foot on the property ladder</b>	<b>Family Risk Audit – review of insurance &amp; protection needs</b>
<b>Catastrophe Plan – secure storage of passwords &amp; legal documentation</b>	<b>Long Term Care Planning – planning for nursing or care home costs</b>	<b>Non-Core Investment Planning &amp; Philanthropy – incorporating unusual and esoteric assets</b>
<b>Trust Planning – managing the trust investment strategy and documentation</b>	<b>Guidance on debt repayment</b>	<b>Investment Planning for children and/or grandchildren</b>

## 2. Take Action

If you instruct me to implement your strategy (and become an ongoing client of Ontrak), fees are charged on a tiered basis and are aligned to the complexity of the work being undertaken, the required expertise and the expected value to you. The fee is not directly linked to the amount of any money being invested, although from experience there is often more work involved and a higher level of complexity when advising on the investment of larger sums, and where this applies, this will be taken into account when setting the fee.

Many firms typically charge between 1% and 3% of the total amount to be invested. This can prove to be very costly especially for higher investment amounts. For example, an investment amount of £1,000,000 would equate to a fee of £10,000 if applying a 1% charge.

A fairer approach is to align the fee to the value added services which are to be provided. The more value added services provided, the higher the fee. Depending on the number and type of services provided (see page 4), the expected value delivered and the complexity of your situation, your package will fall into one of the following service level tiers:

### One-Off Implementation Fee

<b>Tier 1</b> <b>£2,250</b>	<b>Tier 2</b> <b>£3,500</b>	<b>Tier 3</b> <b>£4,750</b>	<b>Tier 4</b> <b>£6,000</b>	<b>Tier 5</b> <b>£7,250</b>	<b>Tier 6</b> <b>£8,500</b>	<b>Tier 7</b> <b>£9,750</b>
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## Monitor & Enjoy (ongoing)

The true value you will receive is not derived from the plan, but the process of planning. Shifting the focus from a one-time event, to an ongoing relationship is likely to deliver a high level of value to you potentially over a lifetime. Planning never ends. It is the process of narrowing down the range of potential outcomes over time and being with you every step of your journey.

This in no way diminishes the value of solid upfront planning. However, just designing the plan is not really enough. It is the course corrections which matter. When things go poorly I will be there. When things go well I'll still be there, ready for the moment when a readjustment needs to be made again.

At the core of this service will be an Annual Progress Meeting where small steps will be taken each year, and where course corrections and readjustments are likely to be made to your plan. My door will always be open to you between meeting dates to help you however possible; and for your peace of mind acting as your eyes and ears with regard to your financial affairs.

Before you decide to engage onto our ongoing and planning and advisory service, I will discuss and document your package of ongoing service benefits which will fall within one of the 7 service level tiers below, depending on the number and type of services provided (see page 4), the expected value delivered and the complexity of your situation:

### Monthly Fee:

<b>Tier 1</b> <b>£235</b>	<b>Tier 2</b> <b>£306</b>	<b>Tier 3</b> <b>£377</b>	<b>Tier 4</b> <b>£471</b>	<b>Tier 5</b> <b>£590</b>	<b>Tier 6</b> <b>£711</b>	<b>Tier 7</b> <b>£913</b>
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The lower tiers are designed for clients who have relatively simple affairs and only require a lighter touch service. Moving through the tiers clients will have more complex financial affairs, who are likely to be facing key life decisions and require in-depth personal and professional guidance within a coordinated plan, which may involve wider family members.

Your service level tier will be reviewed annually taking into account your ongoing needs and circumstances. Where appropriate, you can move up or down a service level tier with a corresponding change in the fee charged.

To cover some of the ongoing increases in Ontrak’s business costs, fees will increase by 2% per annum (the government’s target for CPI) and the increase will be applied every three years.

## Delivering Value

My aim is to deliver value, every year, over and above the fee that is charged. For your peace of mind, if you feel you are not receiving sufficient value you can cancel this service at any time. I will always advise you of the fee before you decide to proceed so you will never receive an invoice you are not expecting.

Please note that product/platform and underlying investment fees are in addition to our advisory fees detailed above. Total costs (both advisory and investment) will always be disclosed in £’s and pence before you decide to proceed with any transaction, and thereafter disclosed annually.

## Payment options

Your payment options are flexible. Initial fees can be settled from a bank account or from a product, or a combination of both. The ongoing fee can also be settled from a bank account (personal or business) or by way of a monthly charge from a product, or again and where appropriate, by a combination of both:

<b>Payment options</b>	<b>By a fee invoiced to yourself</b>	<b>*By a fee invoiced to your business (if appropriate)</b>	<b>**By a direct charge against a product (if appropriate)</b>	<b>By a combination of invoice and product charge</b>
<b>Discover &amp; Plan</b>	✓	x	x	x
<b>Taking Action</b>	✓	✓	✓	✓
<b>Monitor &amp; Enjoy (ongoing service)</b>	✓	✓	✓	✓

\*Fees that are settled by a business might represent a benefit in kind raising an income tax liability on you personally.

\*\*If the fee (or part of the fee) is settled from your investment portfolio, this will reduce the growth on your portfolio which over the longer term will become more significant. The effect of this will be illustrated to you so an informed decision can be made as to what is the best payment method for you.

There is currently no VAT on any fees, although this may be subject to change in the future.