

# New Model Adviser®

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For professional financial planners

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## David v Goliath

When IFAs take on the big boys...  
and win

### Davy's deals

SimplyBiz  
boss talks  
acquisitions



# Perfect pitch

Chris Taylor has picked a dream team to drive growth at Taylor & Taylor Financial Services

How to advise sophisticated investors

Will DIY spark a planning revolution?

AIM high: IFAs join float frenzy



## Business

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# Suited to success

Over three decades Chris Taylor has built his financial advice firm Taylor & Taylor into a £500,000 a year business, which he credits to his reputation as a safe pair of hands as well as an ability to communicate effectively





## CHRIS TAYLOR

### Curriculum vitae

#### CAREER

- 1993-present** Taylor & Taylor Financial Services, adviser and managing director
- 1991-1993** Farnworth Thomasson, adviser
- 1989-1991** Astley Pierce Financial Services, adviser and director
- 1977-1989** Hambro Life/Allied Dunbar, direct sales

#### PROFESSIONAL MEMBERSHIPS/ QUALIFICATIONS

DipFA  
Associate of the Institute of Financial Planning



#### TIM COOPER

Despite being an IFA for more than 30 years, Chris Taylor, managing director of Taylor & Taylor Financial Services, says he has only recently started to 'feel safer' after his firm's income reached £500,000 last year.

'I am not complacent, but I am comfortable – it is a nice feeling,' he says. 'In the past, I have had to avoid drawing money out and had sleepless nights because of concerns for the business. But now we have turned that corner.'

He has worked hard to build recurring income, minimise costs and maximise efficiency. But still corrections such as the one in 2011 have been a worry due to his percentage charging model – that market shock contributed to an annual income drop of £30,000.

Despite feeling the pain of these crashes, Taylor says he will not stop percentage charging. 'Clients like that it aligns my interests with theirs,' he says.

Taylor was born in Bolton and has lived there all his life. He has supported Bolton Wanderers since his father first took him to a match

at the age of seven. He also played football himself until he was 41, but now settles for watching The Wanderers and playing golf.

Taylor started working in financial services in 1977 and set up Taylor & Taylor in 1993. Its focus has always been investment and pensions and today 95% of business remains in those areas. In the early days he advised families, but quickly tired of the evening meetings and moved towards advising professionals and business owners.

#### Spreading the word

The client bank grew through word of mouth referrals and some professional connections. But unlike many advisers, Taylor is working with fewer professional connections today – as he found it frustrating.

By contrast, advertising in the *Heaton Magazine* – covering the area of Bolton where he lives and works – has been easy and effective. The adverts have been running for five years and brought in 15 valuable ongoing clients over that time.

'It is a good advert – it's colourful, to the point, and asks questions such as "have you reviewed your investments

## FIVE top tips

- Do it once and do it right.
- 'What does not destroy me, makes me stronger' – Friedrich Nietzsche
- Treat everyone – staff, clients, suppliers – as you would wish to be treated.
- Strive for excellence in all things rather than perfection, as the former is achievable.
- Embrace change and use it as an opportunity for improvement.

## Under the investment bonnet

Taylor & Taylor uses a range of investment solutions. The first is a set of model portfolios from OBSR for which the adviser charge is 1%.

Taylor says he likes OBSR portfolios 'because somebody better qualified than me is doing in-depth research of the whole investment market. They manage those investments on a quarterly basis to avoid drift [away from the risk profile] and it works well.'

He also outsources investment to Seven Investment Management (7IM) or Quilter Cheviot, and charges clients on this service 0.5%.

Taylor says the 1% charge for the OBSR service is justified as he does the rebalancing of the portfolios himself at the annual review meeting, as well as ISA transfers, capital gains tax management, and any other administration throughout the year.

#### Favoured DFM

Taylor has also built up a longstanding relationship with Quilter Cheviot. 'Plus its performance stacks up, and we have good quality meetings with clients,' he says. 'Generally, Quilter is for a client who wants a more in-depth and face-to-face approach. However, it charges marginally more.'

He likes 7IM's emphasis on risk management and calls it a safe option for clients who have a low capacity for or tolerance of loss. 'Its charges are low but performance is

consistently above average and it is user friendly,' he says. 'If I am not here to answer questions, the client has the option to speak to their dedicated manager at 7IM. I also like that they have active and passive portfolios, though I tend to use active.'

7IM's Balanced portfolio underperformed the IMA mixed 20% to 60% shares benchmark in 2011, but has pulled ahead of it since. Taylor says he rarely analyses the reasons for poor performance if it is for a year or less: 'I believe in investing for the medium to long term.'

7IM says the poor performance was due to 'our tactical asset allocation positioning which worked very much against us in the third quarter of 2011'. It was overweight equities, with a tilt to Europe and Japan, and underweight fixed interest, particularly UK gilts.

'If an investment group got it wrong in one year, I wouldn't ditch them. I sometimes use Standard Life MyFolio and Jupiter Merlin portfolios. Jupiter was flying high for years, but has also gone off the boil recently. They won't always have perfect judgment, but I have confidence that they know what they are doing and will return to first or second quartile performance.'

If none of the above solutions are suitable, Taylor will create a bespoke portfolio with help from Kim Bendall at The Paraplanners, who uses FE Analytics to research funds.

He has recently stopped using OPM Fixed Interest – now merged into City Financial Diversified Fixed Interest – that he had used for clients requiring regular income.

‘I have been directly authorised since day one and also always want to retain my independence. It costs a great deal, but I am prepared to pay those costs and recover them’

Chris Taylor Taylor & Taylor Financial Services

and pensions?’ says Taylor. ‘It appears on the inside front cover every month and the content matches with a topic covered in the magazine. I have a large, loyal client bank that keeps me very busy with repeat business anyway. This advertising supplements that,’ he says.

### Costs of independence

Taylor switched to a fee model before the retail distribution review (RDR) in 2011, and introduced a charging structure based on a maximum of 3% initial plus 0.5% or 1% ongoing, depending on the investment service clients use (see below).

Taylor says the 1% band is justified as ‘it is becoming a more expensive proposition. Costs are forever mounting – servicing, compliance, research, documentation.

‘I have been directly authorised since day one and also always want to retain my independence – it is important to me. It costs a great deal, but I am

prepared to pay those costs and recover them through charges.’

Taylor has been an associate of the Institute of Financial Planning (IFP) since 1990, but has not become fully certified. ‘I respect the certified and the chartered status, but at the age of 60 I don’t want to go down that route,’ he says.

He has been using the IFP’s recommended six steps of financial planning for many years. ‘I have grown up with it,’ he says.

‘It is logical, common sense and it works. Service is a key component of the process. That meant that the RDR did not make a significant difference to the way we ran the business. We have run it on RDR-type principles such as honesty, and ethics, since the beginning.’

Taylor has been happy being the firm’s sole adviser. However, when adviser Rachel Sojka approached him last year he decided to take her on. Sojka brought 15 clients with her, which has helped boost this year’s figures along with a particularly large investment by a

He replaced it with AXA Framlington Managed Income, run by Citywire + rated manager George Luckraft. According to Citywire Discovery Luckraft is rated first in the Sterling Strategic Bond sector over three and five years for risk-adjusted returns.

‘OPM was consistently first and second quartile, but for the last year to 18 months it has been third or fourth quartile, the manager has left, the fund has been taken over by another company and the monthly income payment has been reduced and changed to quarterly,’ says Taylor. ‘AXA’s fund came out top in Kim’s research, which includes criteria around consistent performance, charges and manager longevity. I find her reports extremely good.’

### Sipp ahoy

For pension investments, Taylor outsources to another IFA firm called Strategic Retirement Solutions (SRS). ‘I invite clients with pension funds in excess of £50,000 to attend a presentation with SRS to see if it is worth moving them into a Sipp,’ he says.

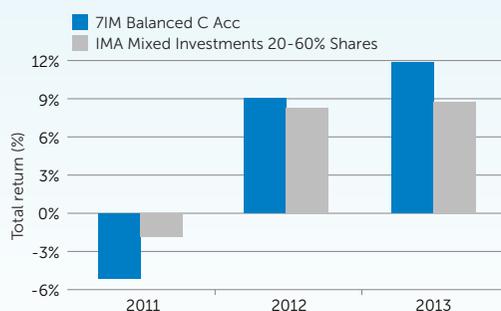
SRS is an IFA that specialises in pension investments, particularly Sipp, and is able to obtain preferential terms with the Sipp provider it uses, he says. ‘The relationship has been going for 15 years and we have about 140 satisfied clients with SRS.’

Taylor is not concerned about pension clients in this situation questioning what they need him for. ‘A lot of clients require advice in other areas – for

example, I will recommend an accountant, a solicitor or an investment specialist. They are still my client, and I will pull everything together. They come to me because I have been recommended or I am a safe pair of hands. I am not an investment manager. SRS has its own investment manager with a good track record and access to low charging funds, which he monitors monthly.’

Average portfolio total expense ratios are 1.44% excluding wrap and adviser charge.

### Performance



**ACTIVE FUNDS** **PASSIVE FUNDS**  
**50%** **50%**

## BUSINESS FIGURES TAYLOR & TAYLOR FINANCIAL SERVICES





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Chris Taylor Taylor & Taylor Financial Services

single client and the general surge in markets.

Before that, growth was slightly more erratic. Assets under advice grew gradually, except in 2012 when they stayed the same. Active client numbers and income actually shrank slightly between 2011 and 2012. Income is expected to shrink again this year because of a one-off investment in 2013. Other than that, Taylor says these movements are just a reflection of natural changes in the client bank of a small business.

‘I had expected income to come down a lot more from £530,000 to £360,000 this year, but it is £500,000 which is fantastic and extremely profitable,’ he says. ‘Of that £500,000, nearly £400,000 is recurring. I don’t feel the need to chase further growth.’

#### Superlative service

Taylor says he has achieved a recurring income level of 80% simply by selecting the right kind of long-term clients and providing a high level of service. ‘I am a safe pair of hands. People tell me they enjoy the experience, and that I am an effective communicator,’ he adds.

Taylor went to Bolton School which is only a short distance from his office, a smartly renovated 19th century house, full of modern decorative touches and framed pictures of his family.

Taylor says he controls costs by outsourcing

everything possible to those who can do it better and more efficiently, including: investment to various providers (see box on previous page); compliance to Karen Malin of The GI Consultant and paraplanning to The Paraplanners.

‘We also use Iress back-office software and consultant Sue Nuttall of Jacana comes in every six weeks to make sure the data we put on the system is clean,’ he says.

He has been on courses with Brett Davidson of FP Advance in 2006/07 and again in 2011. ‘Myself, my PA Jackie Robinson, and Sue went on the courses to help us position for RDR,’ says Taylor. ‘As a result, we categorised some of our clients into three levels, plus a fourth reactive service – and created a menu of services.’

In the future, Taylor plans to continue focusing on recurring income by being even more selective about clients. ‘In the old days, if they had a pulse, they were a potential client. Now they have to be a certain calibre and personality. They have to trust me, respect my judgement, and it helps if we like each other.’

‘I enjoy what I do and expect to be around for another 10 years. Then I will either sell up, the least preferred option, pass it on to my sons, or reverse it into [referral partner] Glasgow-based Strategic Retirement Solutions.’

#### Passing the baton

He talks a lot about his two sons Richard, 30, who is a chartered financial planner living in Dubai and Ross, 28, training to become a chartered accountant in

Manchester. For them to take over would mean a lot. ‘That would be my preferred option – but I don’t have any control over that at this stage,’ he says.

In May, Taylor cut his working hours from 55 a week to 40. ‘I could do that [time] in my 50s but now I don’t want to,’ he says. ‘It won’t affect my income because I have a good team, including Jackie, and client service managers Bhavna Mistry and Keely Walker.’

He is looking forward to using the time to take some long breaks with his wife: ‘Family will always come first, but I get an enormous kick out of this business, for example, when you explain complex scenarios and see the penny drop.’

‘People trust and respect me. I am considerate and conscientious. My parents brought me and my brother up with good family values – knowing right from wrong and not expecting something for nothing. I have always carried those principles with me.’

Although it has been a struggle at times, he says that following these principles over many years – while keeping a keen eye on costs and pricing – has finally led to a successful and financially rewarding business.



**TAYLOR & TAYLOR FINANCIAL SERVICES:** (L-R) Bhavna Mistry, client service manager; Jackie Robinson, office manager; Chris Taylor, managing director; Rachel Sojka, adviser



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