

10 THINGS YOUR ADVISER  
MAY NOT BE TELLING YOU ABOUT

# investment bonds / QROPS

We explain how EME solutions save you money!



## INTRODUCTION

In the money management business it's never the headline features you want to be wary of, **it's always what's hidden in the small print** especially when it comes to flexibility or cost.

In the next 12 pages we highlight the 10 worst offences committed by **salesmen** trying to **put themselves first** – how much commission they can earn quickly – rather than consideration for putting you, the client, first.

On the right we have displayed this brochure in numbers, you can immediately see that there is a conflict of interest for any adviser who solely uses insurance or investment Bonds.

There are alternatives!

When someone tells you that you should use a "Bond" wrapper to provide a secure, flexible tax efficient investment then ensure that you read this first; with a bit more understanding you could make yourself a lot more money.

**Read on to find out....** why many investments are only put into bonds for the benefits of the sales firm, either regulation or commission. QROPS products, for example, almost never need a "bond", so why are they so widely utilised?

## HOW EME SAVE YOU MONEY

Cut out the expensive salesman!

Our aim is to maximise the amount of money invested for you from the start.

We can help you avoid, often, most of the initial charges you have to pay through a salesman. Through EME, on lump sums we can ensure more of your money is put to work straight away with unrestricted access to funds – compared with a lot less using salesmen!

We will also provide an outline plan to ensure future success in investments.

## CONTACT US

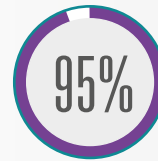


Either e-mail us on  
[enquiries@expatmoneyexpert.com](mailto:enquiries@expatmoneyexpert.com)

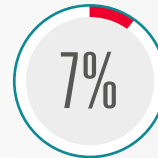


or call us on +44 1225 436 200

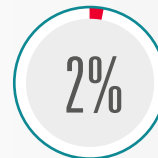
## THIS BROCHURE IN NUMBERS



The number of policies that we have been asked to review that fail at least 5 of the worst case examples in this brochure



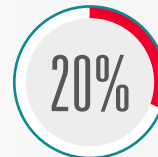
**The typical initial commission taken on bonds**



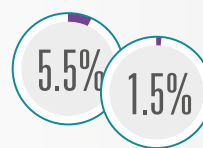
**The typical initial commission that an EME adviser firms take. Generating an additional 9% return (projected) for you over a 5 year period.**



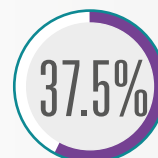
The number of people who did not understand that commission was flexible and their charges could be reduced.



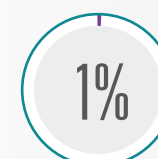
**The number of QROP cases where using a bond is actually justified, rather than alternative and cheaper WRAP or DFM (not to be confused with multimanager DMS)**



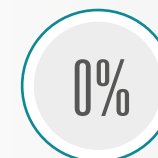
Additional fees imposed by fund managers that are never disclosed – you can pay less!



The amount of additional return over 20 years available by using EME for your investments.



The typical ongoing charge for lifetime in a typical bond structure



The typical ongoing charge after 5 years in a typical bond structure provided by EME advisers

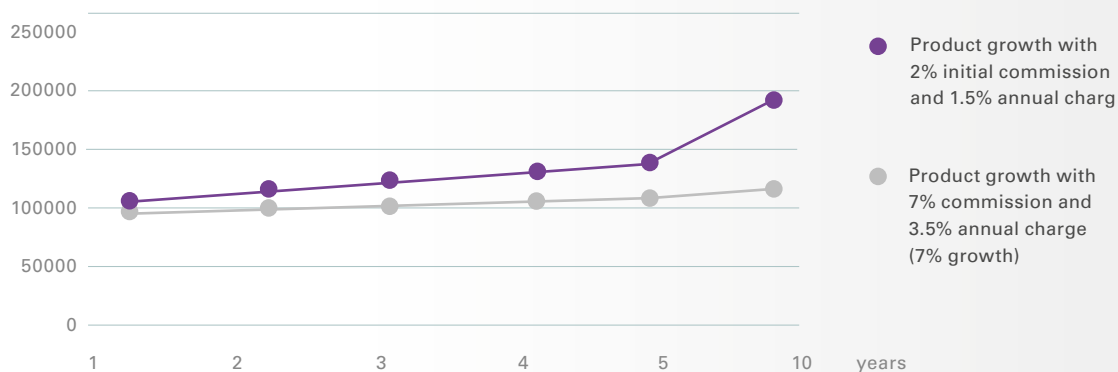
## WHAT ADVISERS SAY

**YOU PAY US NOTHING AS THE PRODUCT PROVIDER PAYS US COMMISSION THROUGH AN EXTRA ADMIN FEE. THIS BENEFITS YOU AND YOUR INVESTMENT "BECAUSE YOU HAVE ALL YOUR MONEY INVESTED WITH EXTRA ALLOCATION".**

## WHAT ADVISERS DO NOT TELL YOU

**If you want your money early you have a big surrender penalty. In fact, the adviser has a flexible menu of fees available and can take less commissions thus reducing your charges, and improving your investment return.**

Most adviser firms take full commission available (7-8%), and this imposes the most heinous charges onto the product for its lifetime (not just for 5-8 years as clients are told).



## HOW ARE COMMISSIONS ACTUALLY PAID FOR?

It varies per bond provider, but typically you will have the commission deducted over the first few years in the form of additional fees.

**If your investment reduces in value, the fees are based still on the starting investment value, thus actually increasing them in percentage terms.**

**It gets worse!** When salesman take maximum commissions, many bond providers add on a further fee, sometimes for the lifetime of the bond of up to 1% per annum.

Therefore, even in year 10 you, the client, are still paying up to 1% per annum all because your "salesman" took maximum commission up front. Typical annual charges we have seen are 3.2 - 4.3% per annum.

## THE EXPAT MONEY EXPERT SOLUTION

**The truth is the charges in the product are directly linked to the commission taken.** How can you know if anything is fairly priced or not? Although it never seems like much, an extra 1% for eight years or 1% for lifetime can wreak major havoc on investment return. **EME avoid this completely by using non-commission based products or reducing the commission taken.**

# 2

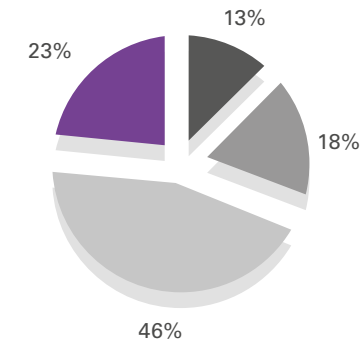
## WHAT ADVISERS SAY

**DUE TO YOU LIVING OFFSHORE, WE CAN PROVIDE TAX EFFICIENT PRODUCTS. THEREFORE, WE PROVIDE PROJECTIONS AT 12% PER ANNUM AND ALSO TARGET A RETURN AT THIS RATE, WHICH IS HIGHER THAN YOU CAN OBTAIN ELSEWHERE.**

## WHAT ADVISERS DO NOT TELL YOU

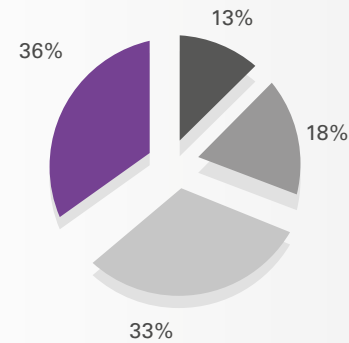
**These so-called tax efficient products also pay the highest commissions and have the highest charges. Additionally, salesmen often use funds that pay additional commission. With all these charges, the returns you actually receive will reduce dramatically. Even if the funds grow at 12%, the actual return in year 1 would be less than a quarter of this.**

**YEAR 1 - PERCENTAGE OF 12% GROWTH REMAINING**



- Commission charge (pro-rata)
- Bond Charges
- Fund Bid/Offer Spread
- Fund Growth remaining

**YEAR 5 SURRENDER OR ENCASHMENT OF BOND**



- Commission charge (pro-rata)
- Bond Charges
- Fund Bid/Offer Spread
- Fund Growth remaining

**WHERE YOUR GROWTH GOES ON A BOND**

All charges are based on an investment bond with full initial commission which is surrendered or encashed after 5 years.

## THE WORST CASE WE HAVE COME ACROSS

A lump sum plan targeted at 12% actually returned around 3% per annum after charges, even though the underlying investments had grown at around 13%. The higher risk taken had just paid for the charges.

## THE EXPAT MONEY EXPERT SOLUTION

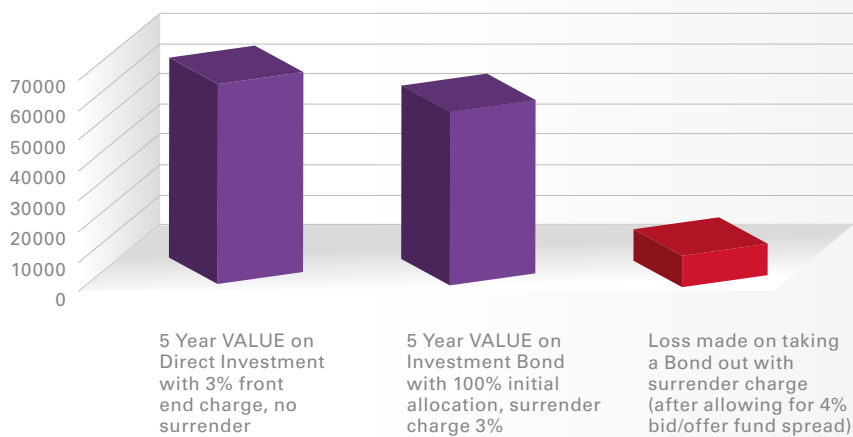
**Do not be suckered in with promises of tax efficiency and growth. Understand that not all charges are on the illustrations! Work with an adviser that is qualified and explains the options to you, as with lower charges you will make more money!**

## WHAT ADVISERS SAY

**QROPS - WE SET UP YOUR PORTFOLIOS STRUCTURED FOR A 5 YEAR TERM TO PROVIDE FLEXIBILITY AND ACCESS USING THE BOND WRAPPER. IF YOU LEAVE IT FOR A LONGER TERM YOUR CHARGES WILL REDUCE.**

## WHAT ADVISERS DO NOT TELL YOU

**This graph compares the value at 5 years for two policies. The only difference is that one is a typical bond wrapper, and the other a flexible WRAP.**



## THE WORST CASE WE HAVE COME ACROSS

**In approximately 90% of cases, advisers have convinced clients to take Bonds inside a QROP for investment, DMS, multimanager and flexibility reasons. In only around of 20% of cases is the Bond the right option!**

## THE EXPAT MONEY EXPERT SOLUTION

**Consider the use of UK platforms like WRAPS and passive as well as active strategies. Use low cost ETF funds with a servicing proposition or true DFM (Discretionary Fund Managers).**

## WHAT ADVISERS SAY

**4** YOU CAN TRUST ME AND MY COMPANY. WE BOAST OFFICES IN MANY COUNTRIES, ARE ONE OF THE LARGEST IN THIS AREA AND WE HAVE A STRONG REGULATED CULTURE.

## WHAT ADVISERS DO NOT TELL YOU

**Most "advisers" you are speaking with are salesmen, with NO financial qualifications and are actually unregulated (even though their company may indeed be).**

Salesmen work from a script and are not to be confused with advisers. They both call themselves IFA though.

This is a complex area and regulation comes in many forms. In general, the advice offered in one country is NOT covered by the regulator or ombudsmen of another country. Additionally, the products being sold may not be licensed. Either way, this means no redress for you!

## THE WORST CASE WE HAVE COME ACROSS

**A Bond was sold via a "EU regulated" company in Moscow as licensed. In reality the product was not licensed in that country, and the "adviser" (nee salesman) was gone within 4 months and never seen again. This happens all the time!**

An "IFA" who previously was UK trained and regulated told someone in Portugal that their advice was regulated and came under the Financial Ombudsman Service in the UK. This was incorrect. Any highly regulated environment, such as the UK, has a website which allows you to verify statements of fact regarding regulation.



## THE EXPAT MONEY EXPERT SOLUTION & EXPLANATION

Look for advisers with "real" qualifications, and genuine awards. Check out the website of the regulated country, and be aware that Ombudsmen have no power outside of their own country of jurisdiction, even in Europe. Regulators only apply regulation on their own countries standards in their own country.



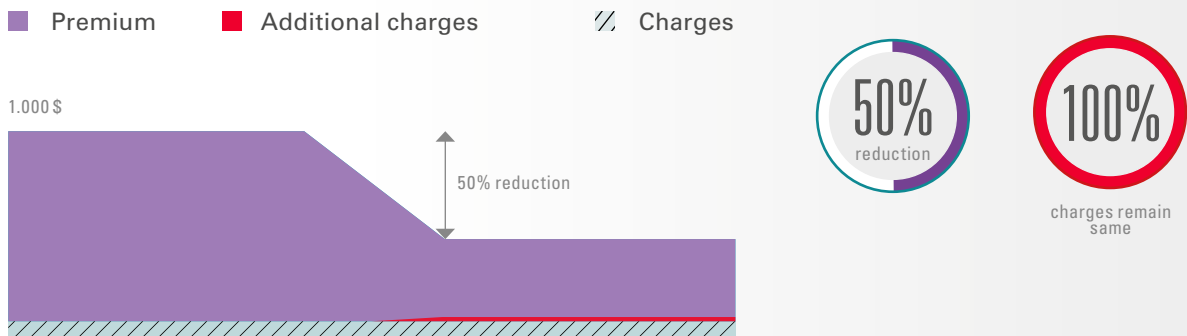
## WHAT ADVISERS SAY

**WE WILL STRUCTURE YOUR PORTFOLIO USING A BOND. BONDS ARE FLEXIBLE PRODUCTS THAT ALLOW YOU TO EXTRACT INCOME AND LUMP SUMS UP TO A MAXIMUM AMOUNT AS YOU WISH.**

## WHAT ADVISERS DO NOT TELL YOU

The charges on most Investment Bond wrappers are based around the original investment amount as a minimum. When you extract part of the investment, your bond charges do not reduce, thus making them a higher percentage of the investment and SEVERELY impacting on future growth.

## CHARGES ON REDUCING PREMIUM



## THE WORST CASE WE HAVE COME ACROSS

An individual had a lump sum Bond policy for 8 years, and had been extracting 5% withdrawals per year, and additionally taken an extra 10% in the last 6 months. Due to poor servicing the investment, with its various funds, had never been altered since inception; we analysed it and the original funds had performed badly. The investment was now worth 45% less than what had been originally invested. However the charges were still being taken based on the original investment amount and represented a 4.6% reduction in growth in the previous year!

## THE EXPAT MONEY EXPERT SOLUTION

If you are going to use a Bond (and there are some reasons why they can be good) do not utilise it for income or withdrawals. Put money aside for income if required (we offer guidance on best ways to do this – contact us).

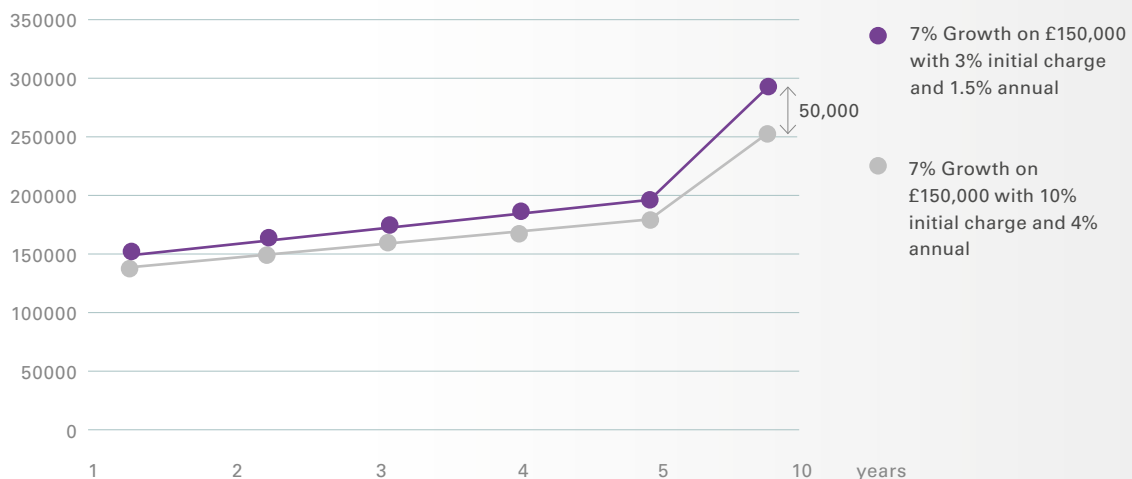
## QROPS

### WHAT ADVISERS SAY

**PORTFOLIOS CAN BE STRUCTURED TO PROVIDE TAX EFFICIENCY AND WE CAN UTILISE DMS, INVESTING THROUGH "MULTI-MANAGER" METHODS WHICH CAN ADD REAL VALUE AND SPREAD RISK.**

### WHAT ADVISERS DO NOT TELL YOU

**If this involves using a Bond then it may not be necessary, and is simply adding ANOTHER tier of charges to the probably already high charges used to generate a high commission.**



### THE WORST CASE WE HAVE COME ACROSS

An individual lost 15% of his pension value within the first 18 months when the underlying fund growth had been positive. The charges from a product sold by one of the "largest IFA's in the world" were multilayered and complex. They amounted to paying the salesman commission of over 11% in total.

### THE EXPAT MONEY EXPERT SOLUTION

**If you want a portfolio or DMS service then look at Discretionary Fund Managers(DFM) or at UK WRAP products that will charge a fraction of the costs. Look at using ETF's on a passive strategy alongside an active strategy (which has not been proven statistically to work).**



## WHAT ADVISERS SAY

**7** **PORTFOLIOS CAN BE PLACED INTO OFFSHORE DESIGNATED TERRITORIES TO ENSURE SECURITY. SOME INVESTMENTS THEREFORE ARE THEN “GUARANTEED” OR “PROTECTED” INVESTMENTS UNDER THE COMPENSATION SCHEME OF (PICK ONE FROM UK, SWITZERLAND, ISLE OF MAN, GUERNSEY, JERSEY, DUBLIN ETC).**

## WHAT ADVISERS DO NOT TELL YOU

**The only sure guarantee we know of is “death and taxes”. Whilst protection of life companies in SOME jurisdictions is important, it should not be confused with cover or protection for underlying investments.**

**EXAMPLE:** “Offshore IFA’s” speak of the Isle of Man scheme which is often explained as additional “protection” providing fund security. However, this is incorrect, as underlying external funds (which the same IFA’s are putting your money in) are NOT covered.

**FACT:** The Isle of Man has a statutory compensation scheme, for policies issued by an authorised life assurance company based on the island. Policyholders will be compensated if any life assurance company is unable to meet liabilities. It is intended that the policyholders of any Company in default would continue their contracts with another Isle of Man Company under the terms of this scheme. The underlying external investment funds are not covered. If you have a deposit based investment (like cash) then it is covered as per this link:  
[http://www.gov.im/fsc/investor/dep\\_comp.xml](http://www.gov.im/fsc/investor/dep_comp.xml)

## THE WORST CASE WE HAVE COME ACROSS

An adviser sold a bond stating that it had a “guaranteed” return and the funds are protected up to 90% under the IOM scheme. The funds sold were in high risk external funds. The bond was now worth 50% of what had been invested as one of the external funds went bust, and the investor was asking for his “guarantee” to kick in as he wanted some money! The IOM protection had been mis-sold and, in reality, the investor had lost the money.

## THE EXPAT MONEY EXPERT SOLUTION

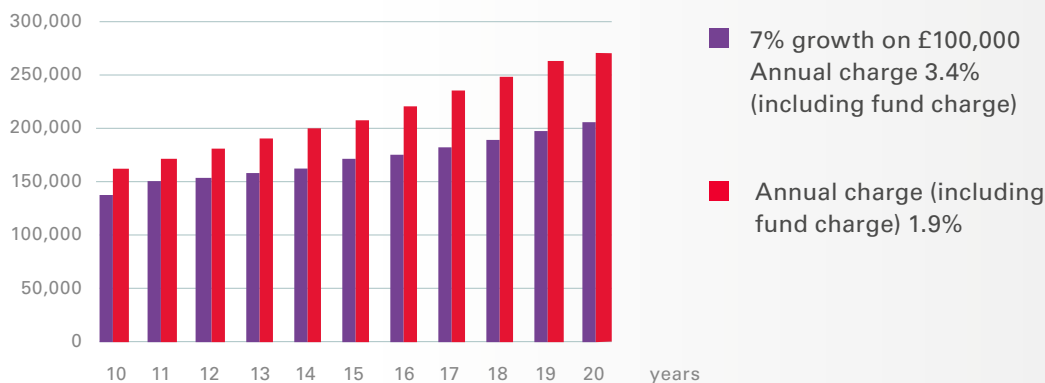
**If you are investing in equity based funds that carry risk, whether in a bond or not, there is a 99% chance that there is no guarantee and no protection if you are living offshore. We offer some products with limited “counterparty” protection that we conduct full due diligence on. Talk to us!**

## WHAT ADVISERS SAY

**THE ILLUSTRATIONS SHOW THE REAL COST OF TAKING THIS PRODUCT (QROPS OR BONDS) TAKING INTO ACCOUNT ALL OF THE COSTS OF THE INVESTMENT.**

## WHAT ADVISERS DO NOT TELL YOU

**The illustrations do not include all fund fee charges. These additional charges have a SEVERE impact on the performance of the investments. Although it never seems like much, an extra 1% here or 1.5% per annum can wreak major havoc on investments.**



## AN EXAMPLE OF THE IMPACT OF FUND CHARGES

The graph above ignores the bid/offer spread on fund purchase, and simply allows for an additional 1.5% per annum fund charge. This level of charge is fairly typical and not an exaggeration. For £/€100,000 invested at 7% per annum average, you would see the return after 20 years reduce by almost £/€75,000.

## THE EXPAT MONEY EXPERT SOLUTION

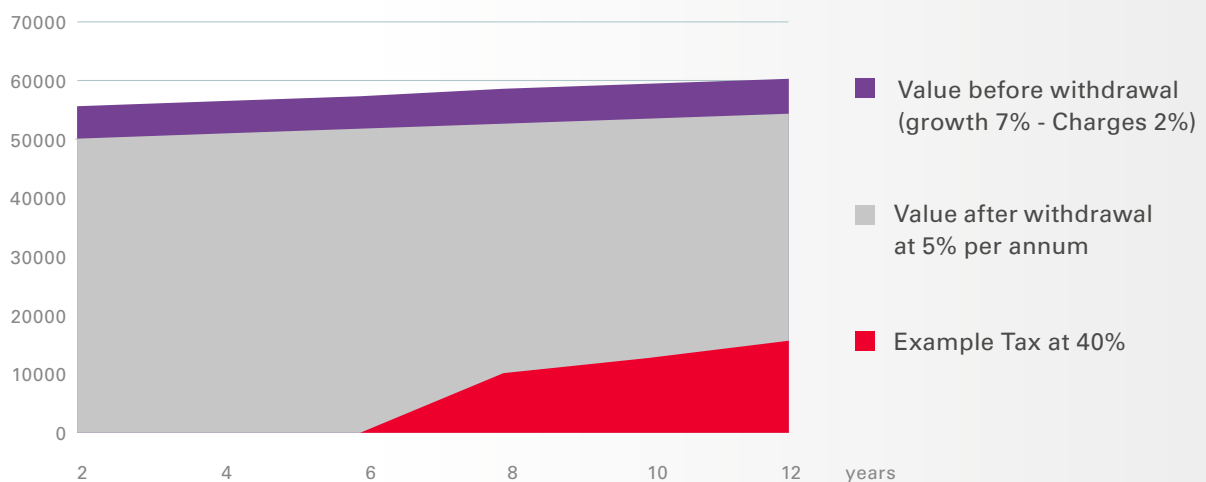
**Utilise cash flow tools and planning to obtain your targets. Use funds and products provided by a qualified IFA that are not managed by that IFA.**

## WHAT ADVISERS SAY

**PORTFOLIOS CAN BE STRUCTURED TO PROVIDE TAX EFFICIENCY, GROWTH OR INCOME PLACED IN OFFSHORE DESIGNATED TERRITORIES TO ENSURE SECURITY. WE UTILISE A BOND STRUCTURE.**

## WHAT ADVISERS DO NOT TELL YOU

**Bonds do not provide income – they are tax deferred withdrawals. Tax efficiency is a misunderstood concept and used incorrectly by many advisers. Many countries are already tax efficient! Others do NOT all recognise insurance Bond wrappers. Other countries have far better products! For real tax efficiency, seek a qualified adviser!**



## THE WORST CASE WE HAVE COME ACROSS

A couple previously based in Moscow & UAE took out an investment bond for US\$50,000 two years before they returned to the UK, and they were told that it was a recognised tax avoidance vehicle. They started taking some withdrawals at 5%. They contacted one of adviser firms some 10 years later, after being hit with a 40% tax charge when they encashed the Bond. The adviser firm was able to mitigate some of the tax, but only a limited amount.

## THE EXPAT MONEY EXPERT SOLUTION

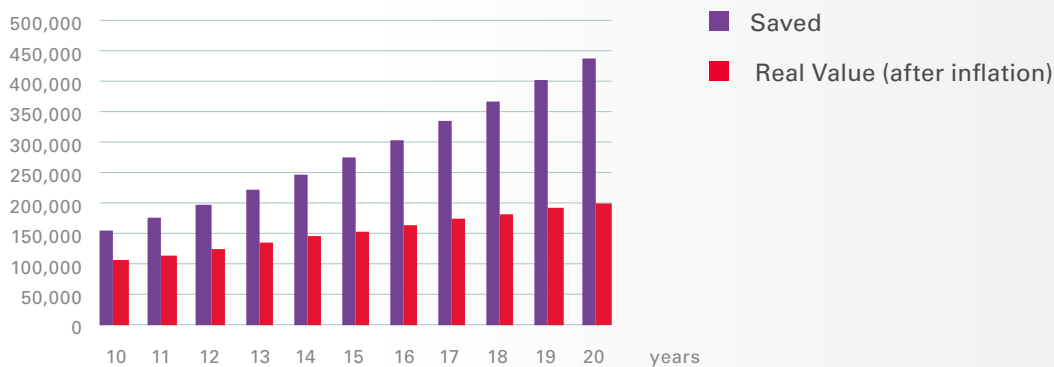
**Use the age old adage, "Do not let the tax tail wag the investment dog". Work with an adviser that is qualified and understands how tax truly applies to your money in different countries.**

## WHAT ADVISERS SAY

# 10 THE PORTFOLIO BOND PROJECTIONS ARE STRUCTURED TO PROVIDE GROWTH OR INCOME TAKING INTO ACCOUNT INFLATION.

## WHAT ADVISERS DO NOT TELL YOU

**They do not all understand how or if the illustrations take inflation into account. The truth is the bond projections do not and nor do they include fund charges.**



## THE WORST CASE WE HAVE COME ACROSS

This myth has been exposed in several cases that we have dealt with, and clients have been exposed to the hard truth. The illustrations used by bond providers do not take inflation into account, or fund charges!

## THE EXPAT MONEY EXPERT SOLUTION

**The projected amount you desire would need to go up at least in line with inflation, so target the price at inflation, not the current price. Use an inflation calculator provided by a decent IFA.**

## SUMMARY

In essence EME have analysed well in excess of 50 bond and QROPS savings plans sold over the last 5 years. We have been stunned with the mass miss-selling that has gone on with bonds forming a majority of QROPS underlying investment vehicles, and generalist lump sum investments. Often these bonds have been set up on full initial commission of 7%. On large cases we feel this is unjustified.

Whilst it is true that standards of advice are improving as regulation starts to bite, we have recently witnessed some of that largest IFA's in Europe and other areas of the world (or so they claim) continue to offer advice which is every bit as bad now as it was 15 years ago.

EME gives you the opportunity to deal with one of several reputable IFA's who will give you good advice, or, if you feel your knowledge and understanding is good, you can come direct and cut out the salesman to save charges!

**PUT A SMILE BACK  
ON YOUR FACE, AND  
MORE MONEY IN YOUR  
POCKET. CONTACT EME**

### CONTACT US



Either e-mail us on  
[enquiries@expatmoneyexpert.com](mailto:enquiries@expatmoneyexpert.com)



or call us on +44 1225 436 200



or complete the enquiry form on our website  
[www.expatmoneyexpert.com](http://www.expatmoneyexpert.com)  
and we will do all we can to assist.

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