

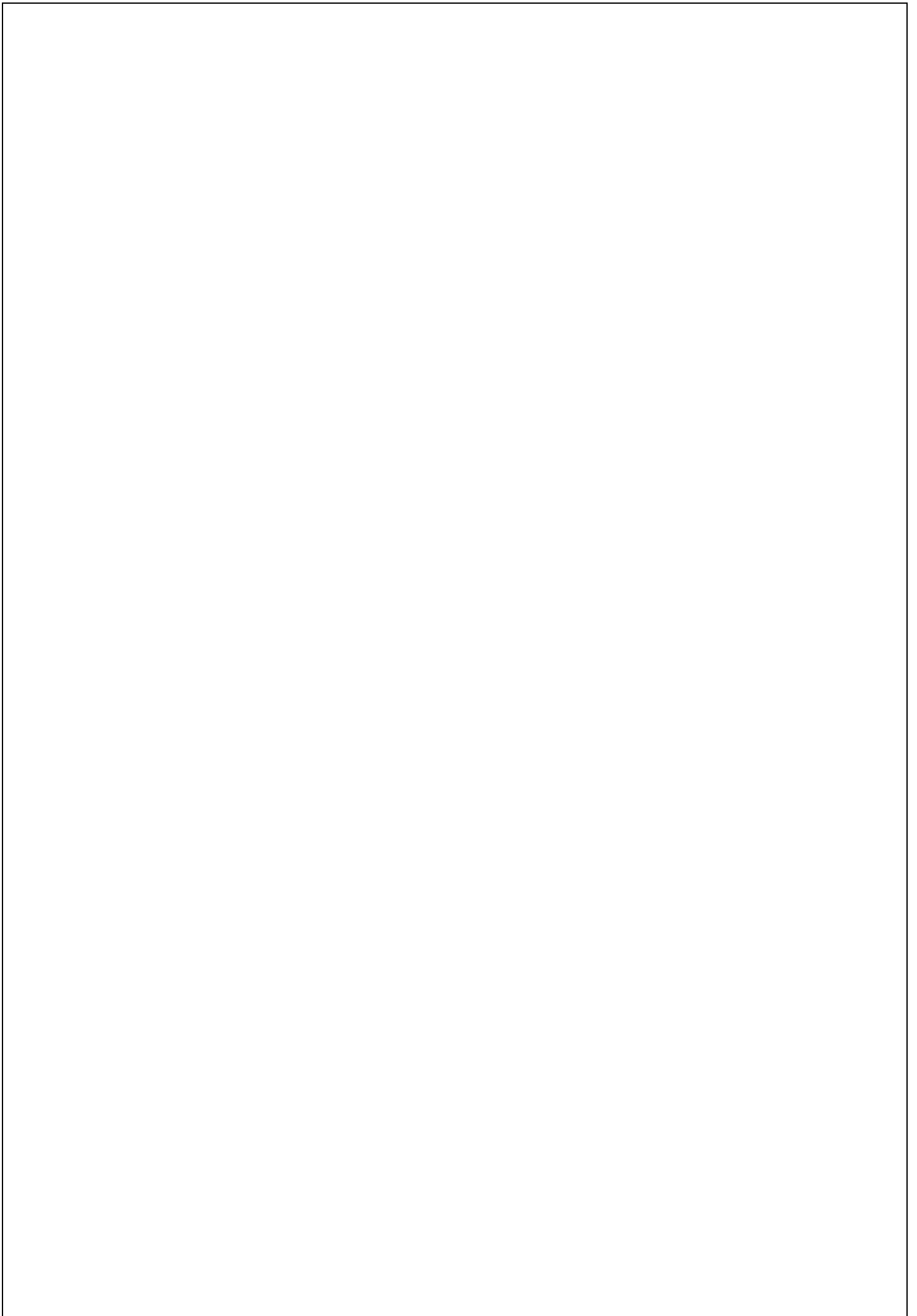


**SECURITIES & INVESTMENT INSTITUTE
MASTERS PROGRAMME
IN WEALTH MANAGEMENT**

**UNIT 3
APPLIED WEALTH MANAGEMENT**

Effective for examination June 2009

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UNIT SUMMARY

The purpose and aim of this unit is to enable candidates to:

identify the requirements of a client from the relevant information available;
match the products in the market to the needs of the client;
structure and manage a suitable portfolio of financial assets and communicate their recommendations to the client.

ASSESSMENT STRUCTURE

This is a 3-hour examination of 100 marks comprising three sections:

SECTION A worth 20 marks

– candidates answer **FOUR** questions from **SIX**, worth **5 marks** each.

SECTION B worth 40 marks

– candidates answer **BOTH** questions in this section worth **20 marks** each.

SECTION C worth 40 marks

– candidates answer **ALL** parts of the case study-based questions in this section.

SYLLABUS STRUCTURE

The syllabus is divided into **learning objectives**. These are broken down into a series of **assessment criteria**.

CANDIDATE UPDATE

Candidates are reminded to check the 'Candidate Update' area of the Institute's website (www.sii.org.uk) on a regular basis for updates that could affect their examination as a result of industry change.

APPLIED WEALTH MANAGEMENT SYLLABUS

LEARNING OUTCOME 01 - Be able to explain the UK Financial Services Regulatory system and its implications for firms and their advisors

- 1.1 Summarise the UK Regulatory system and include:
- FSMA 2000, principles-based regulation and the role of the FSA
 - Cross-border legislation and MiFID
 - Anti-Money Laundering, Anti-Terrorism and Data Protection legislation
- 1.2 Explain FSA regulation of firms and individuals and include:
- principles, authorisation and approval, including the role of the investment manager
 - senior management systems, controls, business standards and ethics
 - Permitted Business and scope of advice
 - complaints and compensation
- 1.3 Identify and apply the FSA Conduct of Business Rules pertaining to the investment management process and include:
- the fiduciary relationship between Advisor and Client
 - analysis of client circumstances and objectives, risk profile and existing arrangements
 - Suitability and Know Your Customer rules
 - comparison of discretionary and non-discretionary portfolio management
 - Treating Customers Fairly

LEARNING OUTCOME 02 - Be able to evaluate the use of cash to meet short and long term funding requirements

- 2.1 Formulate cash flow projections, establishing the objectives and principles for establishing a long-term cash management programme
- 2.2 Assess short and long term funding requirements:
- everyday and emergency liquidity
 - special use accounts
 - use of credit and loan facilities
- 2.3 Determine the size of an appropriate investment reservoir and manage the efficient movement of cash from income to investments

LEARNING OUTCOME 03 - Be able to evaluate and apply suitable protection products to meet clients' circumstances

- 3.1 Evaluate the key features, functions, contexts and tax treatment of the following products:
- Term and Whole of Life Assurance
 - Investment-based policies
 - Income protection insurance
 - Critical illness cover
 - Private Medical Insurance
 - Long Term Care Plans
 - Annuities
 - General Insurance
 - MPPI and ASU insurance

LEARNING OUTCOME 04 - Be able to evaluate and apply suitable indirect savings and investment products for a client's portfolio to meet their requirements

- 4.1 Assess the key features and functions; risk / reward profile; liquidity, cost implications and tax treatment of the following indirect savings and investment products:
- Unit Trusts and OEICs

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- Exchange-Traded Funds
- Offshore funds
- Investment Trust, warrants and asset classes
- Onshore funds
- Individual Savings Accounts
- Insurance bonds (onshore and offshore)

4.2 Apply indirect investment products in a client's portfolio:

- selecting appropriate funds
- assessing suitability for the client
- analysing charges
- reviewing performance and management of funds

LEARNING OUTCOME 05 - Be able to evaluate and apply suitable products to underpin provision for a client's retirement planning

5.1 Summarise:

- the main aims and strategies for retirement planning
- Post-2006 pension legislation
- tax treatment of pensions
- principles and features of Defined Benefit and Defined Contribution schemes

5.2 Explain state pension benefits:

- key functions and features
- impact on retirement planning, including potential impact of future changes to state welfare provision and tax treatment

5.3 Evaluate Occupational, Personal, Self-invested pension schemes (SIPPS and SSASs) and Stakeholder Pensions:

- key functions and features
- suitability / selection criteria including expenses, tax efficiency and options for drawing retirement benefit

5.4 Review and assess key considerations regarding retirement planning and provision: - alternative investments

- age/retirement date, contribution levels, investment options, flexibility, providers and charges, benefits
- impact of pre- vs. post-retirement asset allocation
- significance of job changes
- divorce or dissolution of Civil Partnership

LEARNING OUTCOME 06 - Be able to evaluate and apply direct, derivative and alternative investments in structuring private client portfolios

6.1 Evaluate the use of direct investment in cash, equity and fixed income investments in structuring private client portfolios:

- key features and functions
- risk / return profiles
- asset allocation
- expenses
- trading and settling investment instruments in UK and overseas
- taxation

6.2 Appraise the use of derivatives and structured products in structuring private client portfolios:

- principles, characteristics, operation and risks of options, futures and synthetic instruments
- overview of hedging applications
- main regulatory aspects
- trading, clearing and settling derivative instruments in the UK and overseas
- taxation

6.3 Present a critical case for the use of alternative investments (Property, Hedge Funds, Private Equity, Enterprise Investment Schemes, Venture Capital Trusts, Woodland, Bloodstock, Collectibles, Commodities) in structuring private client portfolios:

- the key functions and features of each
- risk / return profiles
- asset allocation
- expenses and liquidity considerations
- obtaining specialist advice

LEARNING OUTCOME 07 - Be able to explore and explain the implications of ethical investment and its impact on a private client's portfolio

7.1 Explain the nature of ethical investment: key features; providers of ethical funds; sources of information

7.2 Explain socially responsible investment

7.3 Analyse investment performance: risks and returns; benchmarks; indices

LEARNING OUTCOME 08 - Be able to explain the scope for private clients to engage in philanthropy effectively

8.1 Evaluate philanthropic objectives and strategy:

- define the scope of philanthropic investment
- sources of information on philanthropic investment
- determine extent of client involvement in scheme

8.2 Consider means to channel money efficiently and measure performance

LEARNING OUTCOME 09 - Be able to apply the main asset allocation and risk management tools and techniques in managing a client's portfolio

9.1 Evaluate the use of derivatives, CFDs, equity options and futures in achieving diversification, risk control and leverage

9.2 Apply leverage strategies using futures and options, stocks and debt

9.3 Appraise the risks and benefits of diversification across asset classes; industries; geographical / regional sectors; fund managers

9.4 Evaluate methods of protecting a portfolio against inflation

9.5 Evaluate hedging strategies to protect the value of a portfolio

LEARNING OUTCOME 10 - Be able to apply the core principles of investment planning to constructing and managing a private client portfolio

10.1 Apply the financial planning process in the planning, construction, measurement, review and maintenance of a client's investment portfolio

10.2 Elicit and evaluate client information:

- eliciting current and future client circumstances: personal and family employment and other sources of wealth; financial details; protection; attitudes to risk and investment
- eliciting the purpose of investment, the client's financial objectives
- utilising client information in the selection of suitable investments

10.3 Appraise client objectives

- establish and rank client objectives and associated risk tolerances

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- ethical preferences
- 10.4 Develop and implement a plan to meet client objectives:
- formulate recommendations to meet client objectives; prioritise needs; establish investment for growth or income; identify time horizons; assess impact of taxation; compare charges; manage diversification and correlation of risk and returns; manage the use of debt and credit; protection against inflation; hedging market volatility; cash management; determine the asset allocation; select financial products and stocks
 - establish the suitability of recommendations: KYC, customer understanding; affordability and accessibility
 - construct / revise the portfolio to meet the client's requirements
- 10.5 Appraise currency management and the handling of associated risks through the use of:
- Forwards
 - Options
 - Futures
- 10.6 Evaluate investment performance of the portfolio using benchmarks and indices
- 10.7 In conjunction with the client, regularly review and revise the portfolio, evaluating
- changes in investor circumstances
 - changes in the environment: economic, regulatory, market
 - changes in the investment products and stocks

READING LIST

Periodicals and Newspapers

1. Financial Times
2. FT Weekend
3. The Economist
4. Financial sections of The Times, The Daily Telegraph, Independent and Evening Standard.
5. Bank of England Quarterly Bulletin
6. Bank of England Inflation Report (Quarterly)
7. Annual Debt and Reserves Management Report – The UK Treasury (Quarterly)
8. DMO Annual Review (The Debt Management Office)
9. Risk Magazine
10. Journal of Derivatives
11. Journal of the Futures Market
12. Investors' Chronicle
13. Securities & Investment Review
14. Investment Week
15. Professional Investor (the quarterly journal of the CFA)
16. Money Management
17. What Investment?
18. Investment Adviser
19. Professional Adviser
20. Money Observer
21. Bloomberg Money

Books

1. Investments: AND S&P; Bodie Z, Kane A, Marcus AJ; McGraw Hill Higher Education; 7th edn 2007
2. Personal Financial Planning: Theory and Practice; Harrison D; FT Prentice-Hall 2004
3. The Intelligent Guide to Stockmarket Investment; Keasey, K; Hudson, R; Little, K; Wiley 1998
4. Investment Management; Lofthouse S; J Wiley 2001
5. An Introduction to Stock Exchange Investment; Rutterford, J; Davison M; 3rd Edn; 2007
6. Introducing Investments – a personal finance approach; Redhead, K; FT Prentice Hall 2003

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7. Zurich Investment and Savings Handbook; Wright, P; Allied Dunbar; 2003
8. Dictionary of Financial & Securities Terms; Wilson, D; SII; 2002
9. Tolley's Tax Guide; Homer A & Burrows, R; Butterworths Law;
10. Allied Dunbar Expatriate Tax Investment Handbook; Well A (ed); Eastway, N; Gamtlett P; FT Prentice Hall; 7th Edn 2000
11. Financial Times Guide to Personal Tax; FT Prentice Hall
12. Zurich Tax Handbook; Foreman, A & Mowles, G; Allied Dunbar

Websites:

1. www.bankofengland.co.uk
2. www.dmo.gov.uk
3. www.euronext.com
4. www.fsa.gov.uk
5. www.ft.com
6. www.ftse.com
7. www.londonstockexchange.com
8. www.nationalsavings.co.uk
9. www.trustnet.com
10. www.hm-treasury.gov.uk