

# Thoughts. Actions. Results.

A review of 2012.



Formed in 2007, True Potential is one of the fastest growing and most innovative financial services organisations in the UK.

Through our group of companies – True Potential Investments LLP, True Potential Wealth Management LLP and True Potential Adviser Services LLP – we currently work with over 22% of the UK IFA market and their clients.

Focused on harnessing the power of technology to drive change, we believe that we can revolutionise the way wealth management is delivered for years to come.



## Thoughts. Actions. Results.

I hope you find the information in this booklet useful.  
It is designed around 3 themes:

**Thoughts:** The problems facing our market, in particular UK savers.

**Actions:** What True Potential is doing to solve these problems.

**Results:** Our progress thus far.

*David*

David Harrison  
Managing Partner  
True Potential LLP.

# Thoughts.

It's a well-known fact that people in the UK are living longer than ever before but saving less. Despite being a leading global financial services centre and an internationally recognised marketplace, the UK is the worst country in the world at saving for retirement<sup>1</sup>. The vast majority are saving much less than they actually need to have a decent standard of living.

As we know, previous governments actually encouraged the opposite of saving - borrowing, and at every level ranging from government, banks, to consumers. The results of those policies make closing any savings gap even harder.

Making the situation worse is the tipping of the regulatory playing field. With high regulation of retail savings - especially advised savings (a channel that introduced more investments than any other) - and little or no regulation at all on the borrowing regime (a disaster), previous regulation has been a key contributor to the misbalance of debt versus investment.

The Retail Distribution Review (RDR) is the latest initiative that at its heart believes the problem lies in the way products are sold, and seeks to address only this narrow area. Separating the cost of advice from the actual product even in theory is something that does not exist anywhere else in the UK retail market, it is unusual, even somewhat unnatural, so it will be interesting to see the outcomes.

Faced with new qualification requirements and new administrative processes, not to mention a higher cost of doing business, it goes without saying that the role of advisers has become much more challenging. Helping people do the one thing that the UK needs to tackle urgently – close the massive gap between what people need to save, versus the amount they aren't saving now – is going to have to change.



---

The average Briton is found to spend 19 years in retirement but with savings that will run out after just 7 years.

# 37%

---

The average Briton's savings only covers 37% of their retirement income.

5.5M

It is estimated that 5.5 million people will fall into the growing 'advice gap'.

We are yet to see the full consumer impact of RDR take effect, but it is estimated that 5.5 million people will fall into the growing 'advice gap'.<sup>2</sup>

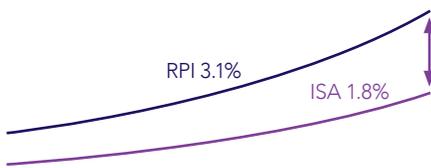
We know that the bulk of people who are saving, are buying cash ISAs. But, with the average interest rate being offered at 1.74% (a drop from 2.55% a year ago)<sup>3</sup>, is this really the best place for investors? We don't think so. We know it is great for Bank's balance sheets, and converts into a very nice margin when they lend it back to us (note, home owners only, business owners need not apply). Therefore an important role for advisers is to tackle this imbalance, to show how saving at below the rate of inflation destroys value, and to renew their attention on bringing new money into investment.

Only by really understanding what stops, and starts, real people saving can we begin to solve this problem. This is why any loss of advisers paid to help people understand why and how to save, must be a bad thing.

With everything I've said here, it's clear that our industry needs to change.

Change favours the bold, the entrepreneur, the agile firm. Recessions and change kill off (and are doing), the status quo, the established, those with vested interests in a system that has not favoured the UK consumer.

**Our thoughts: What a great time to be in business.**



The difference between what your money buys now and how much less it will buy in the future.<sup>4</sup>

<sup>1</sup> Money Marketing/HSBC "The Future of Retirement: A New Reality", 20 February 2013

<sup>2</sup> Deloitte 'Bridging the Advice Gap', Nov 2012

<sup>3</sup> Moneyfacts, 6 Feb 2013

<sup>4</sup> Moneyfacts, 6 Feb 2013



Everything in our group is  
built from the ground up using  
True Potential's award-winning  
in-house technology.



# Actions.

True Potential was formed with a vision that said nothing less than a revolution in the way UK savings take place will solve the problem.

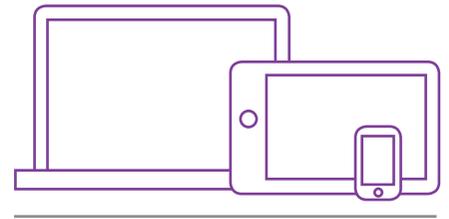
We believe people are intelligent enough to understand a lot more than paternalistic government, and their agents, give them credit for.

People need information about their assets, always, not just every now and then. And, thanks to the Internet this is now possible, both in terms of cost and reach, right to their mobiles, their laptops and even their TVs. True Potential did this, before anyone else.

Information gives people confidence. It helps to quantify their problem. They may want help and advice but they need to understand what it is we're trying to tell them. And that's where transparency and simplification comes in. Simplicity is the result of hard, intellectual work. Complexity is at best the result of stupidity, at worse an attempt to confuse and charge a cost for translation.

Our Wealth Platform and client websites reach right to the heart of the client's world in a **simple, effective and unique** way.

Through our systems, clients can access their personal financial information, at any time and from anywhere, on a range of mobile devices. In 2012, we became the first provider to offer integration of real time investment prices with bank accounts. Being able to provide clients with this type of information in a secure environment and empowering them to engage with their finances, and their adviser, directly through one system, is a major step forward and a truly modern way to do save. We also launched a new Direct ISA portal for our adviser firms. This can be white-labelled and offered as part of the firm's overall value proposition for clients wishing to invest for themselves online.



Clients can assess their personal financial information whenever and wherever they choose via the web and mobile devices.

# 5,800

Mutual Funds

# 315

Investment Trusts and REITS

# 1,100

ETFs

# 5,500

Direct Equities

Number of products available on platform.

**26** regional seminars

**2,000+** delegates

**1** national conference

**32** residential DA courses

**48** support webinars

**5,422** hrs in-house training

**15** hrs structured CPD

For the 807 adviser firms we currently work with, this technology enables them to provide a valuable and differentiated service to more clients than ever before - whilst communicating individually and virtually free of charge. And, apart from having the ability to have their firm's brand in their clients' minds every single day via their mobile device, our systems create efficiencies which can convert into more time with clients helping them understand why, and how to invest.

To get more people saving, we feel it's vitally important to use our technology and buying power to work with a wide range of fund managers, and thus being able to strip out duplicated costs. Efficiencies lead to lower total cost of ownership, because from the consumer point of view it is the entire package that they require – performance, cost, advice when needed, information easily and freely, and convenience. This is only possible through an integrated solution – the opposite is disintegration, nothing in one place, no clear picture, no clear plan, and pointless extra costs.

In 2012, we added over 1,600 new investment solutions to our Wealth Platform, taking the total products to over 12,000. Importantly we continued to expand our range of "Strategy Funds", and we will add significantly to these during 2013.

We remain committed to delivering ongoing training and support to help our adviser firms make the most of what the new market has to offer them and their clients.

In the lead-up to RDR, we also ran a series of focused value proposition workshops and webinars as well as making significant system enhancements to simplify the process of completing the new RMAR returns. For clients who use the True Potential Wealth Platform, this process is now seamless, with the RMAR populated automatically due to the integration with V5.

It's clear this has been another busy year for True Potential. And, contrary to industry trends, we have also helped 529 new firms gain FSA authorisation since 2008.





We not only have the drive, a proven track record and the expertise, we remain committed to our promise of always delivering services that are simple, effective and unique.

# Results.

Rather than drown you with facts, what you see here are a few notable highlights as of 31 December 2012.

We believe our results are substantial, credible, and sustainable, and are as a result of us having a clear mission and strategy.

We are proud of our results so far, but they are simply past performance.

Our belief is it is what you do next that determines you, so we will continue to be thoughtful about the market, the real problems that real people face, and how we then put our thoughts into clear actions.



# 57%

Increase in pre-tax profits.

# 22%

Market share of UK IFAs using True Potential.



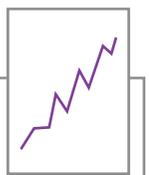
Won 3 major industry awards.

# £72 Billion

Assets under administration across the True Potential Group of Companies.

# 12,000+

Investment products on the True Potential Wealth Platform



# 18,000x

Professional users of True Potential's technology.



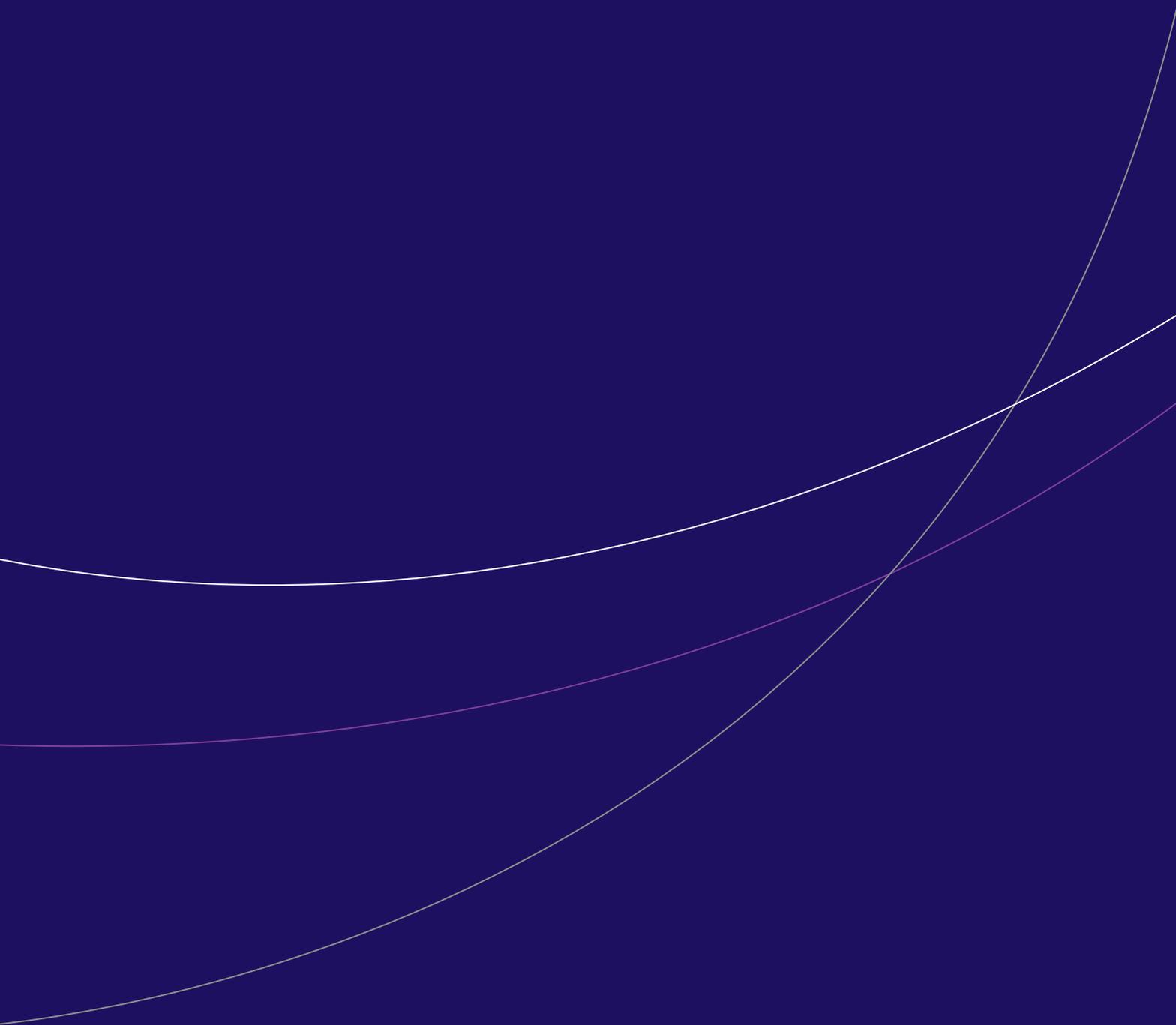
# 308%

Increase in numbers of cases submitted on the True Potential Wealth Platform.

## **True Potential LLP Results**

for the year ended 31 December 2012

Detailed financials are available upon request or via Companies House.



## **Members for the year ended 31 December 2012.**

### **Managing Board members**

David Harrison (Managing Partner)

Earl Glasgow

Daniel Harrison

Mark Henderson

Neil Johnson

George Peebles (Non-executive)

Mike Edwards (Non-executive)

### **Bankers**

The Royal Bank of Scotland plc

31 Grey Street

Newcastle upon Tyne

NE1 6ES

### **Registered office**

Newburn House

Gateway West

Newburn Riverside

Newcastle upon Tyne

NE15 8NX

## Review of business.

These results reflect the performance of the True Potential Group of companies: True Potential Investments LLP; True Potential Wealth Management LLP; and True Potential Adviser Services LLP.

In addition to our own national advisory firm, True Potential Wealth Management, our strategy has been to build large-scale distribution capacity in True Potential Adviser Services. Because all these firms use the same in-house business technology platform, we can leverage the power of technology as well as scale and buying power to produce a market-leading proposition in True Potential Investments LLP - a "whole of market" wrap platform that also has its own range of risk rated Strategy Funds. This strategy has proven successful. We are now seeing not only a rise in firms contracted to us, but also substantial flows of funds being placed into True Potential Investments, and the consequential significant increases in profits across all three firms.

Fees and commissions collected on behalf of our clients by the group have increased by 22% from £180m to £220m.

Our share of that, our turnover, has risen by 55% from £8.4m to £13m, whilst profits have grown 57% (from £2.3m to £3.6m).

Firms using Adviser Services provide advice to clients, who have between them £72bn of investible assets.

In total, 22% of all UK IFAs use our services, these are the firms that have decided to compete in the new markets. This percentage of users has been steadily increasing.

We believe that 2013 will be a pivotal year for the UK retail market. The FSA has indicated a loss of 12% of UK retail investment advisers in the run up to RDR and it is predicted there are many more to follow. This trend is contrary to the manpower in True Potential Wealth Management LLP, which alone increased from 30 wealth managers to 223 over the past year.

A further 88 IFA firms joined True Potential Adviser Services, bringing the year-end total to 807.

## Review of business. (cont'd)

It is clear that the banning of commissions and marketing payments to adviser firms has led to the withdrawal of bank advisory arms, and will create problems for many adviser firms who do not have a clear value proposition, or lack a partnership with a firm with economies of scale and integrated technology processes. As a result of a loss of advisers, it is estimated that 5.5m people will fall into a growing "advice gap".

We believe the FSA runs the risk of producing real consumer detriment, as the main problem for the UK is not solved, at all, by RDR. The core problem is that too few people are saving too little money, a result of years of strong regulation of savings, and weak or often nil regulation of borrowing. This social time bomb could possibly be made much worse by RDR, and the government needs to scrutinise the value of the role of this type of micro regulation of discrete sectors, especially the spasmodic and heavy regulation of advisers versus the correct regulatory intervention at product level. If all products behaved as described, and were monitored accordingly, then heavy regulation of essentially sales events would be less important, and of course more easily and accurately monitored.

The True Potential group of companies is ideally, in fact uniquely set to help solve the problems posed by the demographic and political trends in society. We have a belief, that can be seen instantly in our strategy, that all clients need information, when they want it, and that information present simply gives them greater understanding, confidence and helps motivate them to save more.

Additionally, we believe there is a strong and growing need for the right kind of advice - delivered using qualified and empathetic individuals using the very latest technology - not only to assist in the advice process, but to deliver on-going information about the resulting investments right into the clients mobile, laptop, or Internet TV. All of which has been available through True Potential for some time, and we believe this trend has only just begun.

We are therefore pleased and proud of the results of our journey so far, and would like to thank all of our clients for their support for our business and the many awards we have won during 2012.

A handwritten signature in black ink that reads "David". The signature is written in a cursive style with a small mark above the 'i' and a long, sweeping underline that ends in an arrowhead pointing to the right.

David Harrison  
Managing Partner  
True Potential LLP.

## Profit and loss account for the year ended 31 December 2012.

	2012 £	2011 £
Turnover	12,983,621	8,382,930
Cost of sales	(3,860,827)	(2,366,100)
Gross Profit	9,122,794	6,016,830
Administrative expenses	(5,277,395)	(3,489,166)
Operating profit	3,845,399	2,527,664
Interest payable and similar charges	(233,311)	(214,648)
Interest receivable and similar income	2,605	568
Profit for the financial year before members' remuneration and profit shares available for discretionary division among members	3,614,693	2,313,584

## Balance sheet as at 31 December 2012.

	2012 £	2011 £
<b>Fixed assets</b>		
Tangible assets	1,259,614	760,954
Intangible assets	33,468	44,283
<b>Current assets</b>		
Debtors	1,467,914	1,150,599
Cash at bank and in hand	922,372	302,843
	2,390,286	1,453,442
<b>Creditors: amounts falling due within one year</b>	<b>(4,540,583)</b>	<b>(231,133)</b>
<b>Net current assets</b>	<b>(2,150,297)</b>	<b>1,222,309</b>
<b>Total assets less current liabilities</b>	<b>(857,215)</b>	<b>2,027,546</b>
<b>Creditors: amounts falling due after more than one year</b>	<b>-</b>	<b>(6,321,090)</b>
<b>Net liabilities</b>	<b>(857,215)</b>	<b>(4,293,545)</b>
<b>Total members' interests</b>		
Members' capital	2,080,234	135,122
Other reserves	(2,937,449)	(4,428,667)
<b>Total members' deficit</b>	<b>(857,215)</b>	<b>(4,293,545)</b>

## Our companies.

---

 **true potential**  
adviser services

For UK advisers wishing to work in a modern and differentiated way, we design and build services that allow them to increase the value in their business and offer the best level of advice to their clients.

Along with our back office, administration and compliance services, awarded 'Best Support Service' at the 2012 Money Marketing awards), advisers have access to True Potential's integrated Wealth Platform to enable them to do business in a simple, effective and unique way.

---

 **true potential**  
investments

For UK advisers and clients looking to maximise investment opportunities, True Potential Investments is Structured for Growth.

Setting us apart is our integrated Wealth Platform, named 'Best New Platform' at the Aberdeen UK Platform Awards 2012.

Built from the ground up using True Potential's award-winning in-house technology, the Wealth Platform is engineered with the future in mind - delivering innovation, choice, control and value.

With over 12,000 investment options available, including a complete range of risk-rated strategies from leading fund managers, and a fully-integrated system that streamlines the investment process, we can offer a truly revolutionary way to conduct financial affairs

---

 **true potential**  
wealth management

For private clients throughout the UK who seek to be better informed and empowered to reach their financial goals, we offer a unique approach to wealth management.

Unlike other financial advisory firms, we take technology further. Through the use of True Potential's award-winning systems, we can provide our clients with straightforward and transparent advice in a simple and convenient way.

We make no compromise.

We are Beyond Wealth Management.





**True Potential LLP**

Registered Head Office: Newburn House, Gateway West, Newburn Riverside, Newcastle upon Tyne, NE15 8NX  
London Office: 42-44 Grosvenor Gardens, Belgravia, London, SW1W 0EB

T: 0871 700 0007 E: [discover@tpllp.com](mailto:discover@tpllp.com) [www.tpllp.com](http://www.tpllp.com)

The information provided in this document is for information purposes only and does not constitute advice.  
For financial advice, please consult a professional adviser.

True Potential LLP is registered in England and Wales as a Limited Liability Partnership No. OC380771