Howe Maxted Group

GLOSSARY OF TERMS

To help our clients with some of the phrases, abbreviations and acronyms used within the Financial Services and Pensions industry, this short guide will provide additional details.

The guide is for generic use only and is not advice specific to any individual situation. We always recommend that advice is sought by a suitably qualified adviser who is registered with the FCA.

June 2023

Glossary of Terms

A

Accrual of Interest
Interest / Income that builds up over time (especially in a savings account) but has not yet been paid out.

Accumulation Unit
Type of Unit within a Collective Investment Scheme (CIS) where all income is re-invested rather than paid out periodically, so adding to the capital value of the unit.

Advice
Advice given to a person in their capacity as an investor or potential investor. This is given, based on the circumstances and objectives of the investor. Advice is normally to buy, sell or hold an investment or Financial Services product (including saving / contributing more or may include reducing debt).

Adviser Charging
The fee paid for Professional advisory services on matters relating to money, finances, investments & pensions.

Advisory Management
An agreement where the client receives advice and ongoing review of the portfolio, but where the manager can make no change without the client's authority, that is, the final decisions on individual purchases and sales reside with the client.

Advisory Services
An advisory broker provides advice (and may execute) on buy and sell decisions to a client. The final decision to buy and sell always rests with the client. The nature of the service offered by firms will vary but normally an advisory service creates a carefully designed brief which sets out, amongst other things, your investment objectives and affords the investment manager an insight into the type of advice you will need. Your investment manager will manage your portfolio by consulting you and suggesting courses of action which you may or may not choose to take. As well as verbal or written advice, you may receive regular newsletters which review the market. Depending upon the nature of the service provided you may be sent detailed reports regularly. This service can also allow you to call your professional to discuss and ask if they share your view on whether you should buy or sell a particular share.

Alternative Investment Market (AIM)
A market of the London Stock Exchange developed for smaller and growing companies to raise equity capital. Many AIM investments can be high risk for standard UK private investors.

AMC – Annual Management Charge (in respect of investment or pension funds)
Annual management charges (AMC) are generally applied as a percentage of the assets of the fund, for example 0.5% of fund assets per year. Charges could also include a fixed monetary portfolio management fee. Annual management charges are normally automatically taken from the assets of the pension fund on a regular basis.

Annual allowance (linked to pensions)
This is the limit on how much money you can contribute to your pension in any one tax year while still benefiting from tax relief. For most people, the annual allowance is currently £60,000 (2023/24). It's not the maximum pension contributions you can make. You could still make more, but you would not get tax relief on contributions over the annual allowance (always seek advice). How pension contributions are measured against the annual allowance depends on the type of pension scheme.

Annual General Meeting (AGM)
An annual meeting which is called by the directors of an organisation that allows stakeholders to stay informed and be involved with company decisions and workings.

Annuity
An annuity converts your pension fund or savings into an annual pension, giving you a guaranteed income for life, or a specified period. There are several different types:

- **Level annuities -** A level annuity will pay you the same income each year. They have a higher starting income than an escalating annuity, but they can leave you vulnerable to inflation, which might make your annuity income worth less over time. Even low levels of inflation can significantly reduce your standard of living.
- **Escalating annuities -** An escalating annuity will rise each year at a fixed rate. It may start lower than a level annuity, but the amount it pays you will increase at a fixed rate (e.g., 3%) each year.
- **Inflation-linked annuities -** An inflation-linked annuity will rise each year in line with the retail price index. This protects your annuity against inflation, but it will start at a much lower rate, that is, the level of income received.
- **Impaired or enhanced annuities -** These pay out a higher income if your health or lifestyle may shorten your lifespan, for example, if you have an existing health condition or you smoke or are overweight. It's important to make sure that any provider you speak to asks you your health so they can properly consider whether you are eligible for an impaired or enhanced annuity, as the income rates may be considerably better than other types of annuity.
- **Lifetime annuities -** These will pay you an income for the rest of your life, unlike a short-term or fixed-term annuity (see below).
- **Joint life annuities -** These will pay an income to your spouse or partner after your death, but this is usually at a lower rate.
- **Short-term or fixed-term annuities -** You can use part of your pension pot to buy an annuity that provides a short-term income. The rest of your pot is left invested, and you can still choose to buy a lifetime annuity when your short-term one expires. You might choose a short-term annuity if you don't want to commit your pension fund to a life annuity as you believe rates might get better in the future.

You will need to consider your particular circumstances, such as your health, whether you want to receive an annuity income over a short or long term, and whether you want to leave an income to a spouse or partner after your death, and any guarantees of income or lump sums you may wish to have.

Anti-Money Laundering Checks (AML)
A set of procedures, laws or regulations designed to stop the practice of generating income through illegal actions. In most cases money launderers hide their actions through a series of steps that make it look like money coming from illegal or unethical sources was earned legitimately.

Appropriateness Test
The appropriateness test applies to non-advised (execution only) transactions in what are termed complex investments and is designed to ensure the client or potential client has the knowledge and experience to understand the risks involved in the transaction.

Asset Allocation
The relative amounts of your portfolio that are in cash, bonds, equities, foreign stocks, property etc.

Asset Management
The term usually given to describe companies which run collective investment funds. Sometimes investment management (that is the managing of investments for private clients) is interchanged with asset management as a term.

Attitude to Risk (ATR)
In the context of financial planning this is the level of risk you are prepared to take with your investments. Your attitude to risk is partly down to what you're like as a person, whether you're a natural risk-taker or if you tend to be more cautious. But understanding what risk means when investing – and how to manage it – can help you decide the level you are prepared to tolerate.

Financial advisers explore this with you through asking you questions about previous experience, your understanding of how different types of investment work and how you feel about the value of your savings going up and down (volatility).

B

Base rate
The prevailing standard interest rate in UK, set by the Monetary Policy Committee of the Bank of England.

Basis Point
0.01%, or a hundredth of one percent.

Bear
Investor who is pessimistic (and so expects prices to fall), hence "Bear Market" (for a market with reducing share values).

Beneficial owner
The ultimate owner of a financial instrument (as opposed to Legal Owner). For example, if an individual places their shares with a nominee, the nominee is the legal owner, but the individual is deemed to be the beneficial owner of the shares. Similarly, the beneficiaries of a trust are the beneficial owners of the investment or property under trust, whilst the trustees are the legal owners.

Benefit Crystallisation Event (BCE)
A Benefit Crystallisation Event (BCE) is when the pension scheme administrator (or in certain circumstances, the pension scheme member's personal representatives) must test the value of the benefits in a member's pension scheme that are being crystallised, or deemed to be crystallised, against the member's lifetime allowance.

Benefits are tested not only when benefits come into payment before their 75th birthday but also after their

75th birthday. Even if the value of a member's pension fund was within the lifetime allowance when benefits were first drawn, subsequent investment growth, or the failure to draw income at least equal to the investment growth, could result in a lifetime allowance tax charge at age 75.

Best Execution
Obtaining the best possible result of a trade for a client, taking into consideration not only price but also costs, speed, likelihood of execution and settlement, size, and other considerations.

Bearer Stock
Stock where physical possession of the certificate itself confers proof of ownership i.e. the owner’s name is not registered with the company (like money in the form of notes).

Bid Price
The price at which an investor (via a broker) can sell a security.

Blue Chip
A term to describe large, liquid, and established companies (which generally means their shares are more liquid i.e., more easily available to buy and sell).

Boiler Rooms
A boiler room is the practice of selling goods which are often highly questionable as to their worth. It typically refers to a situation where salespeople use pressurised, dishonest sales tactics (mostly via the telephone) to sell such things as penny stock or commit outright stock fraud. Often linked to scams – be very aware.

Bonds
A bond is a formal contract to repay borrowed money with interest at fixed intervals.
Thus a bond is like a loan: the holder of the bond is the lender (creditor), the issuer of the bond is the borrower (debtor), and the coupon is the interest. Not to be confused with an Investment Bond.

Bonus Issue
Additional shares or stock in a company given by the company to existing shareholders in proportion to their existing holding.

Brokerage Commission
The payment (brokerage commission) made by an investor to a stockbroker for effecting a stock market bargain (transaction) and made reference to on the client’s contract with the broker.

Bull
Investor who is positive and optimistic, hence “Bull market” (for a rising market).

Business Property Relief (BPR)
Business Relief reduces the value of a business or its assets when working out how much Inheritance Tax has to be paid, as any ownership of a business, or share of a business, is included in the estate for Inheritance Tax purposes.

You can get Business Relief of either 50% or 100% on some of an estate’s business assets, which can be passed on either while the owner is still alive or as part of a will.

If the assets or property are gifted during the donor’s lifetime the recipient must keep them as a going concern until the death of the donor if they want to keep the relief. The recipient may replace the property or assets - like machinery - with something of equal value if it’s for use in the business, however they will only get relief if the donor owned the business or asset for at least 2 years before the date it was given.

If the property or assets are given as part of a will, the executor of the will or administrator of the estate, can claim Business Relief when they value the estate, this is done using the market value of the business or asset at the time. Many BPR investments can be categorised as higher risk for standard UK private investors.

You can claim relief on:

- property and buildings
- unlisted shares
- machinery

Buy-Back
When a company purchases its own shares in the market for cancellation. Provided that the price is sufficiently cheap, this should improve both the net asset value and earnings for each remaining share.

C

Call (Option)
An option that gives the buyer the right to buy an underlying asset at a future date at a specified price.

Capital Gains Tax (CGT)
The tax payable on realised capital gains which accrue in a given year. The CGT allowance (under which no tax is payable on gains) normally changes each tax year. CGT can only potentially arise when an asset is sold. Tax advice is always recommended.

Cancellation price
The lowest redemption price a unit trust manager can apply in poor market conditions.

Cashflow Modelling
A cash flow model is a detailed picture of your assets, investments, debts, income and expenditure, which are projected forward, year by year, using assumed rates of growth, income, inflation, wage rises and interest rates.

There are two main approaches:

- **Deterministic** – this type of model allows you to calculate a future event exactly, without the involvement of randomness in the assumptions on which it is based.
- **Stochastic** - this type of model has the capacity to handle uncertainties in the inputs applied. Stochastic models possess some inherent randomness - the same set of parameter values and initial conditions will lead to an ensemble of different outputs.

Capacity for Loss (CFL)
'Capacity for loss' refers to an individual's ability to absorb falls in the value of their investment. If any loss of capital would have a materially detrimental effect on their standard of living, this should be considered in assessing the risk that they are able to take.

Child Trust Fund
Tax-free savings account launched in January 2005 for children born between 1st September 2002 and 2nd January 2011. Creation of new accounts and Government payments into them ended in January 2011. The next generation of such accounts is called a Junior ISA (JISA).

Closed ended fund
An investment trust, or a collective investment scheme which has a fixed number of shares or units when

formed and which does not issue further shares or units. So, to obtain shares in an investment trust in the open secondary market there would need to be a seller of the units. These are traded the same as company (equity) shares.

Contract for Difference (CFD)
A CFD is an agreement between two parties to exchange the difference in value of a particular share between when the contract opens and when it closes. A trading 'position' can be opened on margin, which is much cheaper than the outlay of the full cash amount for cash dealing, while the CFD does not confer share ownership so the final transaction at contract close is not subject to stamp duty. CFD's can be high-risk for standard UK private investors. Advice is always recommended as your money may not be protected by the Financial Services Compensation Scheme (FSCS).

Corporate Governance
The set of processes, customs, policies, laws, and regulations affecting the way a corporation (or company) is directed, administered, or controlled.

Consumer Price Index (CPI)
The Consumer Prices Index (CPI) is one of the consumer price indices used as the domestic measure of inflation in the UK (see also Retail Prices Index (RPI)). The CPI is published by the Office for National Statistics. It measures the average change from month to month in the prices of goods and services purchased by most households in the UK.

The CPI uses the same basic price data as the RPI, but there are some differences. For example, the CPI:

- Does not include many housing costs nor savings and investments and charges for credit.
- Covers a broader population than the RPI.
- Adopts different mathematical formulae to calculate price changes.
- Has different classifications for goods and services.

Conventional Gilts
These pay a fixed rate of interest which is maintained until the Government repurchases the stock on a predetermined redemption date and at a predetermined price. They offer a completely predictable return of income, fixed throughout their life and if held until their redemption date the Government repays the current holder. The price of gilts can rise or fall in the market as the outlook for interest rates and inflation changes, providing possible opportunities to sell at a profit or loss before redemption.

Collective investment scheme (CIS)
Term covering schemes where investors participate in returns from pooled investments, e.g. Unit Trusts, UCITS and OEICs.

Contract note
A document with information confirming a transaction.

Convertible loan
A corporate bond with an option to convert to ordinary shares at a predetermined price and time.

Corporate bond
Bond issued by a company.

Coupon (1)
The percentage interest rate applied to a corporate or government bond.

Coupon (2)
A detachable part of a bearer stock which confers entitlement to interest or other rights.

Creation price
The lowest price for which units of a CIS may be bought, literally the cost price of creating the units.

CREST
CREST is Euroclear UK & Ireland's real-time settlement system for UK and Irish shares. CRESTCo was the company that ran CREST before it was acquired by Euroclear in 2002 to become Euroclear UK & Ireland.

Critical Illness Cover

Critical illness insurance, otherwise known as critical illness cover or a dreaded disease policy, is an insurance product in which the insurer is contracted to typically make a lump sum cash payment if the policyholder is diagnosed with one of the specific illnesses on a predetermined list as part of an insurance policy.

Partial payments may also be made on diagnosis of certain diseases, such as certain cancers or undergoing a surgical procedure, for example, having a heart bypass operation.

Custody Services
A very general term to refer to the safe-keeping and processing of the securities trades worldwide and servicing the associated portfolios.

D

Debenture
A corporate bond (debt instrument) that is secured against a specific asset or pool of assets.

Defined Benefit (or final salary) pensions scheme
For a Defined Benefit (DB) pension scheme, the amount you are paid in retirement is normally based on how many years you were a member of that employer's scheme and the salary you've earned at the time you leave that employer or retire. The benefits are usually increased each year by RPI, or CPI. Some schemes pay an 'average' salary. For the majority of UK consumers, such a benefit is normally very much worthwhile, valuable and should be retained.

Defined Benefit Transfer (DB Transfer)
Moving away from a form of a secure Retirement plan (typically based on a final or career averaged salary) into a plan with no guarantees. A very complex area. In most cases it is questionable whether such a 'transfer out' is the most suitable route. We recommend that advice is always sought by a suitably qualified adviser who is registered with the FCA.

Defined Contribution pension scheme
If you have a Defined Contribution pension (also called money purchase) you are looking to build up a pot of money that can be used to provide an income in retirement. Unlike Defined Benefit schemes (see above), which look to pay a specific income, the benefits you get from a Defined Contribution scheme depend on factors including the amount you pay in, the fund's investment performance and the options made at retirement.

Derivatives
Financial instruments whose price is derived from the pricing of something else. The main types are futures, options, and swaps. These were originally developed for agricultural commodities and precious metals, to enable producers and 'end users' to lock in the price of a commodity at a future date. Now adapted to the securities markets they enable investors to protect themselves against unexpected price movements. Derivatives can be high-risk for standard UK private investors.

Deterministic Cashflow Modelling

A cash flow model is a detailed picture of your assets, investments, debts, income and expenditure, which are projected forward, year by year, using assumed rates of growth, income, inflation, wage rises and interest rates.

A 'Deterministic Cashflow Model' allows you to calculate a future event exactly, without the involvement of randomness in the assumptions on which it is based.

Discretionary Services
These services require clients to sign up to detailed agreements with their investment manager and once all the necessary agreements are in place, they provide for your investment manager the complete authority to administer your investment management affairs according to guidelines you will have agreed with the investment manage. This includes buying and selling investments for you without obtaining your prior approval at each transaction level. This will be in the context of a carefully designed brief, a clear framework for your portfolio manager to use when making transactions on your behalf, often referred to as 'the mandate'. One possible main advantage is that your manager can therefore act instantly on changes in the market, rather than spending valuable time trying to contact you. One possible disadvantage is the expected additional fees & costs linked to such a service. Detailed reports will be sent to you regularly and this is a highly regulated service.

Discount
Typically, the difference between net asset value and the market price of a security. Also used as a comparative measure for dividend yields.

Dividend
A sum of money paid regularly (typically annually) by a company to its shareholders out of its profits (or reserves).

Dividend cover
The extent to which a company's earnings exceed the dividend it pays.

Dividend growth
The amount by which a company's dividend rises over a period of time.

Dividend yield
A percentage calculation of the return that the historic dividend would provide as a percentage of current market price of the stock.

Drawdown
Otherwise known as 'pension drawdown' or 'income drawdown', is a way of taking money out of your pension to live on in retirement. You have to be aged 55 or over (*rising to 57 from 2028) and have a defined contribution pension to access your money in this way.

With pension income drawdown, you keep your pension savings invested when you reach retirement and take money out of, or 'drawdown' from, your pension pot.

Since your money stays invested, and it's usually in the stock market, there is the risk that your fund may fall in value. The upside is that investment growth can provide higher returns and see your pot continue to increase in value. One main drawback is the possibility of 'running out of money'.

E

Earnings Per Share (EPS)
The net earnings a company makes, divided by the number of ordinary shares in issue.

Emerging markets
A term used to describe a new, non-traditional investment market, usually in a country which is developing in a worldwide market sense. Generally, higher risk than many established markets.

Enterprise Investment Scheme
The Enterprise Investment Scheme (EIS) is a government incentive that provides a valuable source of funding to early-stage companies, while offering tax benefits to investors. It's important to know that EIS investments tend to be classified as 'high risk'.

Emergency Fund / savings
An emergency fund is a sum of money set aside as a financial safety net for future mishaps or unexpected expenses. It is a critical part of your financial planning. Its function is to ensure your personal finances are ready for any financial emergency so that the risks of becoming dependent on credit, falling into debt, or running out of money in general are reduced if such a situation were to occur.

Emergency funds may be used in the case of job loss, health emergencies, car repairs, home appliance repairs/replacements and unplanned travel expenses.

The recommended amount of money to be allocated into an emergency fund depends on your personal financial or economic circumstances, however generally an adequate minimum fund tends to cover three to six months' worth of expenses or more.

Ethical / Sustainable Investing
Ethical investing is an umbrella term for all approaches to investing that consider values as well as returns.

The term also covers issues including, but not limited to, climate change, employment rights, gender equality, arms, tobacco, and gambling when selecting companies and other assets.

There are several approaches to ethical investing, with labels, that you may find on investment materials. These include:

- Ethical (where applied to the funds) where negative and/or positive ethical or 'values-based' screening is applied to help sift investments.
- Sustainable and Responsible Investment (SRI) which involves a wide range of investment strategies focusing on ethical, social, and environmental issues.
- Environmental, Social and Governance (ESG) investing with investment strategies that consider environmental, social and governance related risks and opportunities, often to help reduce risk.
- Impact investing where you invest in a way that delivers measurable social and/or societal effects and benefits as well as financial returns.
- Sustainable investing where the focus is on environmental and social sustainability issues to help deliver strong investment returns and address issues such as climate change.

Equities
Another term for stocks or shares.

Equity Release
Equity Release is a generic term which refers to a range of products (borrowing) which allow you access to the equity (value) tied up in your home if you are older. You can normally take the money you release as a lump sum or in several smaller amounts or as a combination of both.

Equity Release lets homeowners aged 55 and over release tax-free cash from the value of their home. The amount you can release is normally based on your age and how much your home is worth. Depending on the equity release plan you choose, you can claim your money as one big lump sum or as a series of smaller lump sums. You may use the funds for various reasons – these could include helping your children / funding worldwide trips / repaying loans / home improvements. Also known as a ‘lifetime mortgage’ it is a long-term loan secured against your home. It’s usually repaid when you die or go into long-term care.

Some Equity Release mortgages have ‘interest-roll-up’ – so the interest is added to the loan and is therefore an increasing sum - so your debt will grow. This is because you don't usually make any repayments, although some providers do offer this option, so the interest on the loan is therefore added to your debt on a continual basis. Most lifetime mortgages have a fixed rate of interest. Some providers offer variable-rate lifetime mortgages, but these offer less certainty.

Providers who are members of the Equity Release Council guarantee that you will never repay more than the value of your home. This is called the 'no negative equity guarantee'. Receiving advice in this potentially complex area from a suitable qualified financial adviser is always recommended.
https://www.equityreleasecouncil.com/

Linked to Equity Release –

- **Lifetime mortgage:** For such plans you take out a mortgage secured on your property provided it’s your main residence, while retaining ownership. You might be able to ring-fence some of the value of your property as an inheritance for your family. You can choose to make repayments or let the interest roll-up. The loan amount and any built-up interest is paid back by selling the property when the last borrower dies or when they move into long-term care.

- **RIO – Retirement Interest-Only mortgage** A retirement interest-only mortgage is normally only available on your main residence and is very similar to a standard interest-only mortgage, with two main differences.
  - The loan is usually only paid off when you die, move into long term care or sell the house.
  - You only have to prove you can afford the monthly interest repayments.

  While there’s no strict minimum age requirement, retirement interest-only (RIO) mortgages are generally aimed at older borrowers, such as the over 55s, over 60s and pensioners who might find them easier to qualify for than a typical interest-only mortgage. So, in reality they are very similar to types Lifetime Mortgages, where you pay off your debt when you die or move into long-term care.

- **Home Reversion Plan:** For such plans you sell part (%) or all of your home to a home reversion provider in return for a lump sum or regular payments. You have the right to continue living in the property until you die, but you must agree to maintain and insure it. You may be able to ring-fence a percentage of your property for later use, possibly for inheritance by only selling part of your property. The percentage you retain will always remain the same regardless of the change in property values, unless you decide to take further cash releases. When the last borrower dies or moves into long-term care your property is sold and the sale proceeds are shared according to the remaining proportions of ownership.

  OF THE THREE TYPES DESCRIBED – HOME REVERSION PLANS ARE (IN OUR OPINION) THE MOST COMPLEX AND SHOULD BE CONSIDERED AS A LAST RESORT IN MOST CASES – EXTREME CAUTION IS REQUIRED.

Eurobond
A bond issued (often in a foreign currency) outside the issuer’s domicile.

Ex dividend or “ex”
Describes a share that is sold without rights to an already declared dividend. A person who sells ex dividend retains the right to receive any declared but unpaid dividend.

Exchange Traded Funds (ETFs)
ETFs are a basket of stocks that are bought and sold. ETFs experience price changes throughout the day as they are bought and sold.

Execution Only
Execution only services are services for buying and selling financial instruments which do not require advice or management – you simply tell your broker to buy and sell shares for you. IFAs will normally avoid dealing with execution-only clients.

Extraordinary General Meeting (EGM)
A meeting which is called by the directors of an organisation when an issue arises which requires the input of all stakeholders and is too serious or urgent to wait until the next AGM.

F

Financial Conduct Authority (FCA)
The current UK Financial Regulator. The FCA is responsible for regulating the conduct of business in retail and wholesale markets, and the prudential supervision of most investment and financial advice firms. It operates with the strategic objective of protecting and enhancing confidence in the UK financial system.
www.fca.org.uk

Financial Ombudsman Service (FOS)

The Financial Ombudsman Service is an ombudsman in the United Kingdom. Established in 2000, and given statutory powers in 2001 by the Financial Services and Markets Act 2000, it helps to settle disputes between consumers, small business and small charities, with UK-based businesses providing financial services, such as banks, building societies, insurance companies, investment firms, financial advisers and finance companies.
www.financial-ombudsman.org.uk

Financial Planning
This is a term used to generically define a type of service which takes care of your overall strategy and planning for your entire financial affairs. This includes such areas as advice on the placing of cash deposits, retirement planning, pensions, mortgages, life assurance, school fees, inheritance tax, National Savings and ISAs and anything else which impacts on your finances.

Financial Services Compensation Scheme (FSCS)

The Financial Services Compensation Scheme (FSCS) is the UK's statutory deposit insurance and investors compensation scheme for customers of authorised financial services firms. This means that FSCS can pay compensation if a firm is unable, or likely to be unable, to pay claims against it. The FSCS is an operationally independent body, set up under the Financial Services and Markets Act 2000 (FSMA), and funded by a levy on authorised financial services firms.
www.fscs.org.uk

Fixed Income or Fixed Interest
A term used to describe those investments, such as bonds, which pay interest at a fixed rate throughout the term of the instrument.

Flotation
The offering for the first time of shares on a Stock Exchange (see IPO).

FTSE All Share
A broad index of around 600-700 of the UK's leading companies.

FTSE 100 ("Footsie")
The FT index of the UK's largest 100 listed companies.

FTSE 250
An index reflecting the medium sized UK companies immediately below the top 100 **(ranked by market capital).** So, the 101st to the 350th largest are included.

Fund
Term used generally for a Collective Investment Scheme.

Fund of Funds
An authorised unit trust or OEIC that itself invests in a range of underlying unit trusts or OEICs (i.e. a fund that invests in other funds).

Fund Supermarket
Fund supermarkets offer access to a wide variety of unit trust and open-ended investment companies (OEICS).

G

Gearing (also known as leverage)
The amount of debt a company has as a proportion of its equity capital.

General Investment Account (GIA)
An account which allows you to hold investments outside of certain tax wrappers (such as ISAs and pensions). Unlike ISAs, there is no limit to how much can be invested.

Gilts (also known as Government stocks)
These are sold to the investing public by the Government to help fund the difference between what it spends and what it receives e.g., by way of taxes. There are two main types: conventional and index-linked gilts, both are quoted on the London Stock Exchange.

Gross
Term used to refer income or interest before any deductions (such as tax).

Guaranteed annuity rate (GAR)
In the context of pensions and retirement planning, should your pension plan contain a guaranteed annuity rate, the amount of income you receive could be much higher if you stay with your current plan provider rather than shopping around. Advice is recommended to fully understand any specific terms within the contract.

H

Hedging
Taking a trading position in a security or derivative in order to protect against an unwanted or unexpected price movement in another security or market. A complex area which can be very high-risk for standard UK private investors.

Home Reversion Plan – see **Equity Release**

Hostile takeover
A takeover bid that is opposed by the management of the target company.

I

Income Drawdown – see **Drawdown**.

IFA – Independent Financial Adviser
To be an IFA – an adviser must be able to offer a range of products from across the whole market and provide unbiased and unrestricted advice based on a comprehensive and fair analysis of that market. Other advisers may be referred to as 'restricted' (sometimes called 'tied') – such advisers only recommend certain types of investment products and/or products from a limited number of providers.

Indexation
The linking of a rate to a standard index of prices, interest rates, share prices etc.

Index Fund (also called a Tracker Fund)
A Fund whose composition is designed to replicate the performance of a given stock market Index. Typically, a cheaper option than a fund which is managed.

Index-Linked Gilts
These are a specific type of Gilt whose interest is linked to the rate of inflation. If you buy them on issue and hold them until their redemption date, the Government guarantees to repay you at a price which will give you protection against inflation. The income is indexed and paid six monthly in arrears. Under current legislation, capital gains made on gilts, both conventional and index-linked, are not generally subject to tax.

Individual Savings Accounts (ISA)
A personal tax-efficient savings scheme, the successor to the Private Equity Plan (PEP). Each tax year everyone, aged 16 or over for cash ISAs, or 18 for stocks & shares ISAs, has an allowance which is the maximum that can be saved within the tax-free wrapper in a financial year.

Payments into the ISA are made from after-tax income, then the account is exempt from income tax and capital gains tax on the investment returns, and no tax is payable on money withdrawn from the scheme. Cash and a broad range of investments can be held within the arrangement, and there is no restriction on when or how much money can be withdrawn.

Since 2017, there have been four types of account: cash ISA, stocks & shares ISA, innovative finance ISA (IFISA) and lifetime ISA (LISA). Each taxpayer has an annual investment limit (£20,000 since 2020–21) which can be split among the four types as desired.

Children under 18 may hold a Junior ISA (JISA), with a different annual limit, currently £9.000.

Until the lifetime ISA was introduced in 2017, ISAs were not a specific retirement investment, but any type can be a useful tool for retirement planning alongside pensions.

Impaired Life Annuity
Also called an 'Enhanced Life Annuity'.

Health conditions often mean an increased cost for insurance cover or receiving less cover for an equivalent cost. With annuities the worse your health, the more money you may receive. An impaired life or enhanced life annuity offers higher regular payments due to your medical history or current state of health.

Income Units

When investment funds produce an income (such as dividends) it can be in the form of income funds or accumulation funds. Income funds could provide the 'cash account' with a regular stream of income, whilst accumulation units keep the income within the fund and are reinvested (generally increasing the price of a unit).

Inflation

Inflation is when money loses value over time. For example, most purchased items are generally more expensive than they were several years ago. It is the increase in the general price level of goods and services in an economy. When the general price level rises, each unit of currency buys fewer goods and services; so inflation corresponds to a reduction in the purchasing power of money.

In the UK there are several measures, these are Consumer Price Index (CPI), Retail Price Index (RPI) and Consumer Price Index including Housing costs (CPIH).

Inheritance Tax (IHT) threshold

IHT is a tax on the estate (the money, possessions, property etc..) from someone who has died. In very general terms, in the UK the first £325,000 is below the threshold. Always seek advice. Gifting assets and holding pension funds may be something your IFA considers as part of any IHT advice.

Initial Public Offering (IPO)

The first occasion that a company makes its shares available for sale to the public.

Intermediation or advisory services

These services involve stockbrokers (private client services) and discount brokers. Stockbrokers assist investors in buying or selling shares. Primarily internet-based companies are often referred to as discount brokerages, although many now have branch offices to assist clients. These brokerages serve target individual investors. Full service and private client firms primarily assist and execute trades for clients with large amounts of capital to invest, such as large companies, wealthy individuals, and investment management funds.

International Securities Identification Number (ISIN)

An ISIN is a 12-character alpha-numerical code and uniquely identifies a security regardless of how many different trading venues (or Stock Exchanges) on which it is traded. In the US they often use a Committee on Uniform Securities Identification Procedures identifier (CUSIP).

Investment Bonds

An investment bond is a single-premium life insurance policy that can be used to hold investments in a relatively tax-efficient manner, as the equivalent of basic rate income tax is paid within the fund. As with any investment, the value of the bond may go up or down depending on how well your investments perform and you may not get back the value of your initial investment.

They often have a minimum investment of at least £5,000 and should be considered as a medium to long-term investment.

Investment Grade

Term applied, usually to corporate bonds, with those having a credit rating BBB or above.

Investment Trusts (see Closed End Funds)

An investment trust is a quoted company whose shares deal on the Stock Exchange. Often described as closed end collective investments, they invest and manage a pool of investors' money in a wide range of stocks and shares on behalf of their investors.

Investment trusts are influenced by supply and demand in the market. Their shares can trade either at a discount (if out of favour) or at a premium (if demand is high) to the value of the underlying assets held by the trust.

J

Junior ISAs
Launched on 1st November 2011 to complement the adult ISA and enable parents, grandparents, guardians, and others to save and invest for their children. (See ISAs).

Junk bonds
A non-investment grade bond commonly with both higher return and risk characteristics. These investments are normally avoided by standard UK private investors.

K

Key Investor Information Document (KIID)
The Key Investor Information Document is used for the unit trust and UCITS world and contains useful information such as a description of the associated risks and benefits of the investment.

Know Your Customer (KYC)
A client information-gathering requirement placed on advisers & investment managers as part of obtaining all relevant data on their clients in respect of their aims, objectives, priorities and ability to bear losses. This term is also used in relation to a firm's anti-money laundering obligations and to assist investor protection.

L

Leveraged
Another term for gearing.

Life Cover
Life cover is a term used to describe life insurance or death cover which can provide a cash lump sum in the event of your death (payable to named beneficiaries or your estate), it may also pay-out if you are diagnosed with a terminal illness (subject to conditions). Life cover may also be purchased with 'Critical Illness Cover' – see above. (You can include critical illness cover as part of your life cover or take it out as a separate policy).

Lifetime Allowance
The lifetime allowance is the limit on how much you can build up in pension benefits over your lifetime while still enjoying the key tax benefits. The lifetime allowance for most people is £1,073,100 in the tax year 2023/24. The allowance applies to the total of all the pensions you have (including defined benefit (final salary or career average) and defined contribution pensions) but it excludes the State Pension.

Lifetime Annuity – see **Annuity**

Lifetime Mortgage – see **Equity Release**

Limit Price
A price fixed by the seller or purchaser of a stock, indicating the maximum or minimum price at which a trade is acceptable.

Listed Company
A company whose shares are traded on an official stock exchange. It must adhere to the listing requirements of that exchange, which may include how many shares are listed and a minimum earnings level.

The London Stock Exchange (LSE)
The primary stock exchange in the UK.
www.londonstockexchange.com

M

Managing Investments
This refers to the management of assets belonging to another person in circumstances which involve the exercise of discretion (see also 'Discretionary Services'). One possible main advantage is that your manager can therefore act instantly on changes in the market, rather than spending valuable time trying to contact you. One possible disadvantage is the expected additional fees & costs linked to such a service. Detailed reports will be sent to you regularly and this is a highly regulated service.

Market capitalisation
The value of a company expressed as its share price multiplied by number of shares in circulation.

Market maker
A broker who makes a two-way price (buying and selling) for a security. The UK retail market utilises market makers as part of a system called the Retail Service Provider (RSP) market. This system provides quotes for shares and facilitates the buying and selling of shares.

Maturity
The stage at which a financial instrument, such as a bond, is due for repayment.

Mid-price
The price half-way between bid and offer price, often used for client valuation purposes.

Model Portfolio
For some individual investors, creating a portfolio of different investment classes can be difficult. Some financial advisors can offer pre-built collections of investments (known as model portfolios), these can assist with investing. Advisors will likely adjust model portfolios based on the clients' goals and risk tolerance. One of the main benefits of model portfolios is diversification. Advisors can create model portfolios that hold many different types of investments and investing strategies. Model portfolios are also effective for hands-off investors that want to invest but don't have time for investment research. The portfolio managers may rebalance portfolios to their original asset allocation, a task some individual investors struggle with. The level of cost may vary and of course investment performance is not guaranteed.

Money laundering
The process of making money obtained illegally appear legitimate.

Money Purchase Annual Allowance

The money purchase annual allowance (MPAA) restricts your pension contributions eligible for tax relief. For most people, the total amount that can be contributed to their pensions each tax year which they'll receive tax-relief on is £40,000. This includes any contributions from your employer. But if you trigger the MPAA by drawing an income from your defined contribution pension this amount is reduced. In 2023/24 the money purchase annual allowance is set at £10,000.

Money Purchase Pot - see **Defined Contribution pension scheme**

N

National Savings and Investments (NSI)

NS&I (National Savings and Investments) is a the state-owned savings bank in the UK, which offers Premium Bonds and a range of other savings and investments, including Direct Saver accounts.
www.nsandi.com

Whilst most UK banks only guarantee your savings up to £85k. NSI are the only provider that secures 100% of your savings, however much you invest. Used by approximately 25 million people.

NSI is backed by HM Treasury and is over 160 years old. In 2023 over a third of UK savers used NSI for holding their money.

Net asset value
The true intrinsic value of a stock, taking account of all assets and liabilities.

New issue
A class of shares or stocks that have just been circulated or floated on the exchange.

Nominee
A company often owned and administered by an investment company, Bank or Broker for the purpose of holding securities on behalf of investors. A nominee company is the legal owner of these securities whilst the beneficial owner remains the underlying investor.

O

Offer price
The price at which a broker offers a share of a stock for sale.

Offshore funds
Any non-UK domiciled Funds. Care is required to understand where the funds are registered and where the money is invested.

The Ongoing Charges Figure (OCF)
The ongoing charges figure is the charge you'll pay over a year for as long as you hold your investment. It is quoted in the 'Key Investor Information' document and relates to the costs of running the fund. The Total Expense Ratio (TER) and OCF are very similar in that they both include the Annual Management Charge (AMC) plus any additional, on-going, variable costs. The only difference being that the TER does not cover any performance fees or one-off charges. For this reason, the OCF gives the most accurate measure of what it actually costs to invest in a fund.

Online dealing services
This is a term typically used to refer to execution-only trading via the Internet. Some firms offer access to research information as part of the service and new additions to services are being developed all the time in an open commercial way.

Open-ended fund
A form of fund, such as a unit trust, where new investors may be allocated new units. The fund thus increases in size. The fund normally has no end date.

Open-ended investment company (OEIC)
An OEIC works in a very similar way to a unit trust except that it is legally constituted as a limited company (Plc). See also Unit Trust.

Option
An option is a derivative financial instrument that specifies a contract between two parties for a future transaction on an asset at a reference price.

Ordinary share
Shares that entitles the holder to a dividend from the company's profits after holders of preference shares have been paid.

P

Par, Par value
The nominal value of a security used initially in the creation of the number of securities issued, in bonds normally 100.

Personal Equity Plan (PEP)
A tax-efficient savings vehicle, now superseded by ISAs, which enjoyed restricted tax benefits. These ended in 1999 with the advent of Individual Savings Accounts (ISAs).

Personal Recommendation
A recommendation that is advice on investments that is presented as suitable for the person to whom it is made or is based on a consideration of the circumstances of that person. IFA firms would always recommend that private individuals seek advice and a personal recommendation.

Phased Drawdown
This is where you do not use all your pension fund to provide benefits immediately; but instead elect to take benefits in stages to form part of your financial planning. It is normally possible to take part of your pension fund in the form of Tax-Free Cash (Pension Commencement Lump Sum (PCLS)) and leave the balance to provide income on either a capped or flexible basis or annuity purchase. With 'phased drawdown' you can crystallise further benefits at a later date, either in part or in full, to suit your circumstances. You can draw your PCLS in instalments at intervals to suit until such time as you have crystallised your entire fund.

Platforms
Platforms are online services, used by intermediaries (and sometimes consumers directly) to view and administer their investment portfolios. As well as providing facilities for investments to be bought and sold, platforms are often used to aggregate, and arrange custody for customers' assets.

Pooled
When several people's assets are collected together. This is where a nominee firm holds client securities and client bank accounts. Investment firms and banks often hold pooled client money.

Portfolio
The term used to describe the collection of all of a person's investments such as when they consist of several different types of investment types or instruments, such as shares, unit trusts, bonds, cash etc.

Preference shares
A class of share that entitles the owner to preference over ordinary shares in the distribution of dividends and the proceeds of liquidation in the event of bankruptcy.

Price Earnings Ratio (P/E; PER)
A share's price divided by its earnings.

Private Investor Indices
The Private Investor Indices are a set of calculations which indicate the return which investors might expect from their portfolios.

Private Medical Insurance (PMI)
PMI is an insurance policy that covers the costs of private healthcare, from diagnosis to treatment. It works alongside the NHS, and often gives you access to shorter wait times, a choice of location, and treatments only offered privately.

You pay a monthly sum to the insurer, then it pays for certain private treatment you may need during the policy, such as consultations or surgery.

Prospectus
A public document which gives full company and transactional details at the time of a new share issue.

Proxy
A person or body (for example a Nominee Company) authorised by a shareholder to vote on his behalf.

Prudential Regulation Authority (PRA)
Part of the regulatory structure which replaced the Financial Services Authority at the end of 2012. The key feature of the PRA is its statutory objective for prudential supervision, which puts a clear emphasis on the promotion of the stability of the UK financial system, thereby supporting the objectives of the Bank of England generally and the Financial Policy Committee in particular. The PRA regulates banks, insurance companies and a small number of very large investment firms for the purposes of prudential supervision, whereas the Financial Conduct Authority (FCA) will regulate banks, insurance companies and most investment firms for the purposes of their conduct of investment business.
https://www.bankofengland.co.uk/prudential-regulation

Put (Option)
An option that gives the buyer the right to sell an underlying asset at a future date as a specified price. A complex area which can be very high-risk for standard UK private investors.

Q

Quoted Company
A company, whose shares can be bought or sold on the Stock Exchange.

R

Redemption date or Maturity
The date at which the security or bond is to be paid back to the current investor, normally at par (the original price of the bond or share).

Redemption Yield or yield to maturity (YTM)
The theoretical yield calculated by allowing mathematically for all income over the life of a bond, and the final return of capital.

Registrar
The institution which maintains the shareholder register of a company, and handles the issue of certificates, dividend payments and company notices.

Retail Prices Index (RPI)
One of the consumer price indices used as the domestic measure of inflation in the UK (see also Consumer Prices Index (CPI)). The RPI is no longer an official statistic but is still published by the Office for National Statistics. It measures the average change from month to month in the prices of goods and services purchased by most households in the UK. The government uses the RPI for the uprating of some tax allowances and index-linked gilts. It is commonly used in private contracts for uprating of maintenance payments and housing rents. It is also used for wage bargaining.

RIO – Retirement Interest-Only mortgage – see **Equity Release**

Rights issue
An issue of new shares to existing holders who have the right to buy them, usually at a discount to the market price.

Running Yield
The simple calculation of income received from a bond as a percentage of the cost or market price of the host bond.

S

Scrip dividend
A dividend that shareholders can accept in the form of shares in the company instead of cash.

Security
A generic term covering shares, stock, bonds and certain other investments, that can be bought and sold on the financial markets.

SEDOL number
SEDOL stands for Stock Exchange Daily Official List, a list of security identifiers used in the United Kingdom and Ireland. SEDOLS are 7 characters in length and forms part of the International Securities Identification Number (ISIN).

Self-Invested Personal Pensions (SIPPs)
A Self-Invested Personal Pension (SIPP) is a type of pension that allows Consumers to invest from a much wider range of investments. This could give you access to more opportunities and greater returns over the long term. Caution is required, as some consumers have lost money by investing in assets they did not fully understand (for example overseas and non-regulated investments). We recommend that advice is always sought by a suitably qualified adviser who is registered with the FCA.

Settlement
The process of transferring stock from seller to buyer and arranging the corresponding movement of money between the two parties.

Shares (also known as equities)
Any of the equal parts into which a company's capital stock is divided, whose owners are entitled to a proportionate share of the company's profits.

Share capital
The amount of capital that a company raises by issuing shares.

Share certificate
A document that provides evidence of ownership of a share in a company. Full ownership rights are reflected by the shareholder's name appearing on the company register and the best way to check a holding (if at all unsure) is to contact the company's Registrar.

Short Selling
Short selling is the selling of a stock that the seller does not own. More specifically, a short sale is the sale of a security that isn't owned by the seller, but that is promised to be delivered. Note: in some systems across the world, if a client sells a stock, they own but there is a delay in settlement, this can appear "in the system" as a short sale. A complex area which can be very high-risk for standard UK private investors.

Spread
The difference between the buying and selling price.

Stag
Term applied to a speculative investor who purchases stock in a new issue, with the intention of making a rapid sale and hopefully a profit.

Stamp Duty
A tax levied in respect of all paper stock purchases made within the UK.

Stamp Duty Reserve Tax (SDRT)
A tax levied in respect of all paperless stock purchases made within the UK.

Standard Settlement
The settlement period that is used for the vast majority of securities. In the UK, standard settlement for equity trades is currently T+3 (trade date plus 3 working days), particularly those executed on the Order Book, that is the list of orders (manual or electronic) that a trading venue (in particular stock exchanges) uses to record the interest of buyers and sellers in a particular financial instrument. Non–standard settlement can apply to trades when both counterparties agree, particularly those trades involving certificates which cannot be settled in such a short time frame. Such transactions usually incur more costs to the client due to the added administration involved.

State Pension Age (SPA)
Your State Pension age is the earliest age you can start receiving your State Pension. It may be different to the age when you can get a workplace or personal pension. Benefits vary depending on the age of the individual and their National Insurance (NI) contribution record. Anyone can make a claim, provided they have a minimum number of qualifying years of contributions (currently 10 years). The current state pension age for both men and women in the UK is 66, but this is rising to 67 by 6 April 2028, with plans for further increases in the future to 68 between 2024 and 2046. The rationale for the age rise is that people will be living longer in the future.

Stochastic Cash Flow Modelling

A cash flow model is a detailed picture of your assets, investments, debts, income, and expenditure, which are projected forward, year by year, using assumed rates of growth, income, inflation, wage rises and interest rates.

A ‘Stochastic Cashflow Model’ has the capacity to handle uncertainties in the inputs applied. Stochastic models possess some inherent randomness - the same set of parameter values and initial conditions will lead to an ensemble of different outputs.

Stock
Another term for share, equity, or bond.

Structured Investment Product

These are generally quite complex investment products where the return is linked to an underlying asset with pre-defined features (maturity date, coupon date, capital protection level …). They belong to the range of products with ‘non-traditional’ investment strategies. A Structured Investment Product normally has three main components (a bond, one or more underlying assets and a financial instrument linked to these underlying assets (the derivative strategy)). Many such products are NOT fully covered by the FSCS in the UK (whereas many of the deposit-based Structured products are covered by the FSCS – be sure to understand such areas).

T

Tax Free Cash (TFC)
This is otherwise known as the pension commencement lump sum (PCLS) and is the amount of money available ‘tax free’ to the member of a pension scheme as a lump sum when they take benefits.

Total Expense Ratio (TER)
The total expense ratio (TER) is a measure of the total cost of a fund to an investor**.** Total costs may include various fees (purchase, redemption, auditing) and other expenses. The TER, calculated by dividing the total annual cost by the fund's total assets averaged over that year, is denoted as a percentage. See also OCF.

Terminal Illness Benefit (TI)
Terminal illness benefit is a feature of some life insurance policies. It pays out the ‘sum insured’ (the amount of cover provided by the policy) when a policyholder is diagnosed with one of a list of terminal illnesses. This benefit is included with or added to ‘term’ life insurance, where the policy lasts for a stated number of years. The benefit may not be available for diagnoses in the last 12 to 18 months of the contract.

Tracker fund
Index funds, also known as tracker funds, have become increasingly popular in recent years. Instead of trying to outperform a particular stock market or index, they aim to closely track its performance, often by simply investing in every stock in the index they’re tracking. This is in contrast to an actively managed fund that will aim to beat the performance of an index. Whilst charges vary, a typical actively-managed may charge 0.90% p.a. and a tracker at 0.10% p.a. (just for the funds – other costs exist).

Touch Price
The highest bid and lowest offer price in a security.

Treasury bill
Term applied to a short-dated Government issued security, normally referring to the USA.

Trail Commission
The payment made by a Product Provider such as an Insurance Company to financial advisers for selling products to customers. Since 2013 this has slowly been phased out and replaced with ‘adviser charging’.

U

Uncrystallised Pension Fund
A pension pot that is yet to be accessed.

Uncrystallised Funds Pension Lump Sum (UFPLS)

Uncrystallised funds pension lump sum (UFPLS) allows pension holders to withdraw some or all of their Uncrystallised funds as a lump sum. Within the limitations of the Lifetime Allowance, 25% of the UFPLS will be paid tax free, with the balance taxed as pension income at the point of withdrawal.

Although the Lifetime Allowance will be abolished from April 2024 it remains as a cap for withdrawals of tax-free cash.

Unlisted security
A stock that is not officially listed on one of the world's principal Stock Exchanges. It may be possible to deal in an unlisted security in the UK, for example through the Alternative Investment Market (AIM). Potentially a complex area which can be very high-risk for standard UK private investors.

Unit Trust
A unit trust is a form of collective investment constituted under a trust deed. Unit trusts are open-ended investments; therefore, the underlying value of the assets is always directly represented by the total number of units issued multiplied by the unit price less the transaction or management fee charged by the fund's product provider and any other associated costs. Each fund has a specified investment objective to determine the management aims and limitations.
A unit trust is not normally a quoted company dealt on the Stock Exchange but can be bought and sold through the trust manager in accordance with a pricing formula laid down by the Financial Conduct Authority.

Unregulated Collective Investment Scheme (UCIS)
A scheme which is not authorised by the Financial Conduct Authority (FCA) where a number of investors pool their money to invest in one or more assets, with the intention of receiving income or a profit. These schemes per se are not covered by the Financial Services Compensation Scheme (FSCS).

THESE ARE GENERALLY NOT SUITABLE FOR CONSUMER IN THE UK – EXTREME CAUTION IS REQUIRED.

V

Venture Capital Trust (VCT)
A company specially structured to pool investors' money for investment in fledgling (often unquoted) companies. This is a closed end fund. Potentially a higher risk for standard UK private investors.

Voting Shares
Shares that give the stockholder the right to vote on matters of corporate policy making e.g., remuneration as well as who will comprise the members of the board of directors.

Volatility
Term applied to the statistical measure of the tendency of a market or a security to rise or fall within a period of time.

W

Wrap
Wraps offer access to a greater variety of products and usually support advisers that want to agree remuneration with clients, instead of receiving commission.

X

X-Ray
In Investment Terms, this is a tool to see 'at a glance' where your funds within your portfolio are invested and which assets are actually owned. This could include a comprehensive analysis of your portfolio, including asset allocation, sector weightings, investment style, regional distribution, bond and equity statistics, and potential stock overlap. Diversifying your portfolio across asset classes is one way of spreading investment risk.

Y

Yield
This is a financial calculation, usually expressed as a percentage, of the return generated by holding a stock (e.g. "Dividend yield" see above.). It is one component of return on an investment, the other component being the change in the market price of the security.

Yield Curve
The graph plotted by expressing yield on bonds in relation to their expected maturity date. In theory, and normal markets, the longer the wait for capital to be returned the higher should be the yield enjoyed by the investor. The principle has tended to give a gentle upward moving curve over time. However, low interest environments worldwide will impact this.

Z

Zero Coupon Bond
A corporate bond which has no coupon and pays no interest to the bondholders during its lifetime but is issued at a discount to par value and then redeems at par value. Any profits on sale are subject to income tax.

ZIDD – Also see **'Drawdown':**
A zero-income Drawdown plan, where the consumer has taken the tax-free cash (TFC) but not accessed any other benefits, such as income.