



# Practical Strategies for a new decade

## Flexible Fees Solutions





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## Flexible Fees Solutions

1. Payment Options
2. Financial Aspects of Fees In Advance
3. Accounting Aspects of Fees In Advance
4. Risk Transfer Through Insurance



## Flexible Fees Solutions

### Payment Options

- Setting the Scene
- Making use of the Deposit
- Payment Methods
- Instalment Arrangements
- Payments by Third Parties
- Fees in Advance – Legal aspects



## Setting the Scene

- Custom and practice
- The scene during the “Noughties”
- The new decade



# The Deposit

## Functions

- Consideration for the Contract
- Caution against default
- General funds
- Parents in receipt of a Bursary



## Payment Methods

### Termly in Advance

- Direct Debit
- Cheque
- Cash
- Credit Card



# Payment Methods

## Instalment Arrangements

- Consumer Credit Act 1974
- Exemptions
- Changes for 2010



## Payment Methods

### Payments by Third Parties

- Usually grand-parents, employer, family trust
- Separate agreement
- Parents to remain liable for payment



## Payment Methods

### Fees in Advance – Legal Aspects

- Separate agreement with the Payer
- Ownership of funds
- General funds -v- designated account/trust
- Deposit taking and the FSA
- Presumption of Advancement
- HMRC and tax avoidance



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# Brooks Macdonald Asset Management

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# Agenda

- \* An introduction to Brooks Macdonald Asset Management
- \* Our role in Independent Schools Fees In Advance Scheme ( ISFIAS)
- \* How we use Gilts in ISFIAS
- \* The outlook for Gilts

# Introducing Brooks Macdonald Asset Management

- \* Specialist Independent Private Client Portfolio Managers
- \* Listed on AiM March 2005
- \* Ownership controlled by founding directors and management
- \* Funds under management £2.186 billion @ 30<sup>th</sup> June 2010
- \* Private portfolios, Pension funds, Trusts and Charities
- \* School sports sponsorship



# The role of BMAM in ISFIAS

- \* Approached by ISBA via SFS
- \* To produce an illustration that offers a discount for a parent to pay fees in advance
- \* The discount takes into consideration the gross yields on a basket of short and medium dated gilts and the interest on fixed term deposit accounts
- \* To invest over the agreed time frame
- \* To sell the assets to pay fees as they fall due
  - the gilts at maturity
  - the cash at the end of the fixed term

# How we use Gilts in ISFIAS ?

- \* 7 year school fee horizon
- \* Gilts ( or Cash ) maturing in 2011 – 2017
- \* TR4.75 % 2015
  - Current price 113.92 – above par
  - Current yield 1.82 %
  - Gross Redemption Yield 4.75 %

# The outlook for Gilts / Cash

- \* Current position
  - 10 year gilt yield 2.98 % ( 9<sup>th</sup> September 2010 )
  - 5 year gilt yield 1.82 % (9<sup>th</sup> September 2010 )
  - Yields low as UK AAA rating – safe haven
  - Debt levels high and growing
- \* Outlook
  - Coalition reassurance and fiscal stimuli
  - Low interest rates
  - Slow GDP growth leading to higher yields
  - Impact on current and future discounts
- \* Bank Base Rates – Fixed Term Deposits

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MD – SFS Group Ltd



## My last Audience





- Accounting Aspects of Fees in Advance
- Risk Transfer through Insurance
- Background
  - Qualified Accountant, MA in Finance
  - Governor of Prior's Field School
  - MD of SFS Group Ltd since 1995



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# The Matching Principle





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# Ring-fence





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## Add to School Investments





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# Inflation – ‘no worries’





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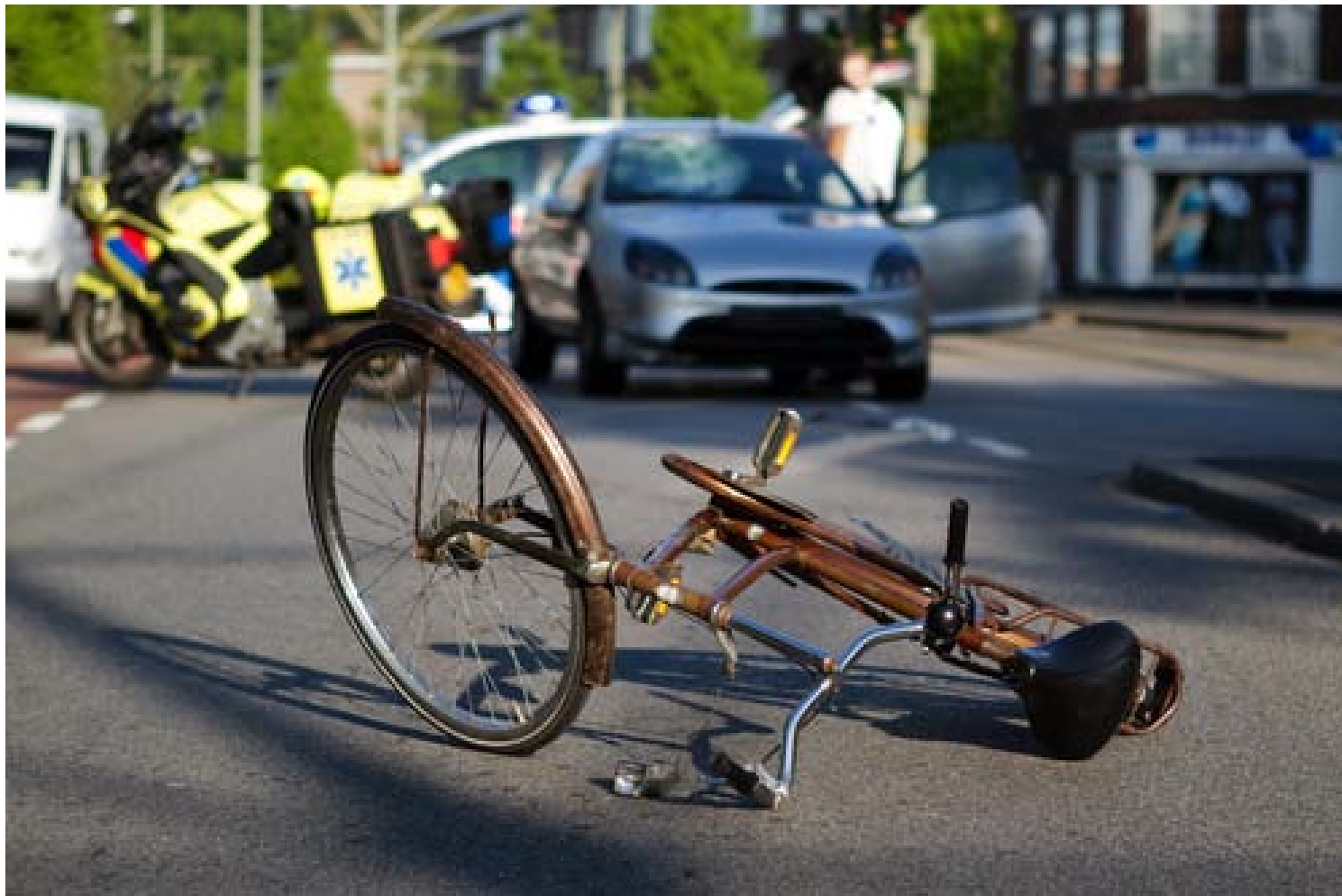
## What Risk?





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## Personal Accident





# Death of a parent



Daily Mail

mac



'I can't go through with this, Fiona - he'll have to go to the comprehensive.'



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## Absence from School





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# Loss of Personal Possessions





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# Multiple Student Deaths







<b>Action</b>	<b>School Risk</b>
Voluntary	Low
Creating a decision point	Medium
School Insures	High



## What would I do?



- Voluntary
  - Absence from School
  - Personal Possessions
- Creating a decision point
  - Death of a parent
- School Insures
  - Personal Accident
  - Multiple Student Death
  - Group Travel and Crisis management



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# Questions

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