Atkins Bland

Investments • Pensions • Financial Planning

Guide to: Wraps and Platforms

Wraps and Platforms

What are they, why are they here and why would I want one?

In the world of investment, both “wraps” and “platforms” are centralised administration services and have nothing whatsoever to do with either convenience foods or stations.

While the names that have stuck to these administration services sadly add to an already daunting amount of jargon used to mystify the world of finance and confuse the layperson, wraps and platforms have become a central part of modern portfolio management.

What do they do?

Put simply, their core objectives are to provide much more flexibility than existed before they came along, with quite a range of other benefits. To give some examples, they:

- Enable someone to hold different types of arrangement, such as a general investment account, an ISA, a life insurance bond, a personal pension or a pension drawdown, in a single account with a single administrator
- Give access to an exceptionally wide range of different investments managed by a very large number of different companies
- Provide access to investment funds with significantly lower initial fees than available directly from the fund manager, often set at zero
- Offer lower cost share classes than those available if going directly to a fund manager
- Allow someone to include, if they wish, direct shareholdings and other investment choices previously less easily accessed through retail investment products
- Provide both an investor and their adviser access to detailed and comprehensive information on an investment or pension portfolio via a website
- Facilitate a cohesive and holistic investment strategy in a way which is much more difficult to achieve without the benefit of a centralised administration facility.

To achieve this, the service needs to handle a range of activities, including, but by no means limited to:

- Holding assets (custody)
- Processing trade instructions (dealing)
- Claiming tax reliefs
- Dealing with HMRC and other regulatory reporting
- Providing record keeping and reporting services.

What is the difference between a Wrap and a Platform?

Traditionally, a “wrap” offered an unrestricted choice of investment options while a “platform” offered access only to a range of collective investment funds selected by the administration company, and no access to direct shareholdings, investment trusts, exchange traded funds or various other types of investment.

However, over time these distinctions have gone, and they no longer apply, with the names now interchangeable. Indeed, some now describe themselves as a “wrap platform”, which is the phraseology we have adopted for the remainder of this guide.

The difference in investment flexibility between one provider and another does persist, but you can no longer use the title they use to identify which is which.

Wraps and Platforms

What are they, why are they here and why would I want one?

Why would I want one of these?

There are many reasons someone might choose to use a wrap platform. Some of the benefits are listed below:

- Reduced paperwork
- Transmission of instructions online
- Comprehensive information on your investments easily available over the internet, from a home PC, tablet or mobile device
- Sophisticated analysis and reporting facilities supporting you and your adviser in achieving a consolidated and cohesive investment strategy
- The ability to spread investments widely and move quickly and easily, and with low cost, between different options
- Access to investment sectors and asset types which may not be readily available otherwise
- Cash management facilities within a portfolio, enabling money to be easily moved to and from a cash deposit account while remaining within the portfolio. This is usually not an option with a pension or stocks and shares ISA held other than through a wrap platform but can be invaluable as part of ongoing asset allocation decisions
- Full control over the frequency and level of income distribution, enabling these to exactly match needs
- The flexibility to retain investment within the portfolio, any income not needed for routine expenditure, and to either periodically reinvest this or use it for ad hoc withdrawal to fund such items as an expensive holiday
- Consolidated yearly tax statements to make tax reporting much easier
- A much simpler way to manage a portfolio of investments across different facilities than can be achieved without a centralised administration service.

Does using one add to costs?

The cost associated with operating an advised investment portfolio break down into these three components:

1. Administration: including regulatory and taxation reporting
2. Fund management: internally with any investment funds being used
3. Advice: typically covering asset allocation and tax planning as well as general financial planning issues related to your investments.

Separating out the advice and administration does not necessarily mean costs go up.

Wrap platform providers are specialists in administration. Since concentrating on just one aspect of the three elements, we have found that standards have increased whilst overall costs have often decreased, when compared with older style structures where one company dealt with both the administration and the fund management.

When the first true wrap platform launched in 2000, it shook up a previously comfortable industry. The new approach forced existing providers (mainly large insurance companies) to either improve their own service quality or to reduce their prices, or both.

A little bit of history

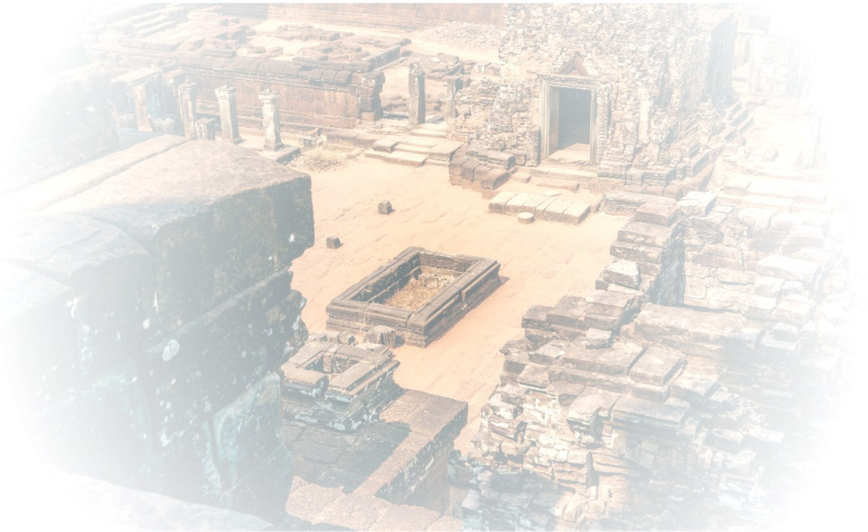
A brief background to wraps and platforms services

The UK's first full wrap platform, Transact, launched its services in 2000. Despite this being a time of dial-up modems and slow loading web pages, Atkins Bland were one of the very first Independent Financial Adviser (IFA) firms to make use of Transact's new specialist administration service.

Unlike any portfolio administration service available in the UK up to that point, Transact offered investors using an IFA a truly unrestricted and independent service.

The investment choice included not only the same unit trust funds as were available with less flexible services already on the market, but more or less every other collective investment fund as well as such important options as investment trusts and direct shareholdings.

Unit trust investors no longer needed to complete forms for each different fund management company they wished to use, sending instructions by post and waiting to hear that the money had been invested, while those wanting shares and investment trusts no longer needed to trade through their own stockbroker.



In addition, the ability to review portfolios and compare performance of funds improved leaps and bounds thanks to all the research and analysis facilities the service provided.

High-speed broadband connections were instrumental in Transact's growth, as they continued to enhance their own technology and service quality.

Their success led to the development of competitors, although not all have been successful. Some have undercut Transact in terms of charges, but all of these have, in our judgement, done so by offering lower standards in one way or another, and many have subsequently become more expensive than Transact, since they have not passed on economies of scale in the way Transact has.

However, the competition has proven healthy. It has helped force down charges, encouraged ever better administration standards and given the end user the choice of which criteria to prioritise when selecting a company to administer their portfolio.

In today's arena, wrap platform services are an indispensable part of the investment management process.

A little bit of history

A brief background to wraps and platforms services

Forcing down fund management fees

On top of creating highly competitive administration charges and substantially enhancing the services an IFA can provide to its clients, the development of wrap platforms has also caused fund management fees to fall.

This has been collective bargaining for the good of all - unless you are a fund management company. With such large sums at stake, fund managers were happy to offer discounts to wrap platforms, which could then be passed on to the investor, enhancing the motivation to use a wrap platform rather than go directly to a fund manager to buy an investment.

While this has varied from one company to another, as an example, many funds which did have a fee of 1% pa, excluding the commission element, have reduced these to 0.75% or less, so a truly significant benefit to investors created by the wrap platform providers.

Turning opacity to clarity

In the bad old days, before wrap platforms came along, fund management fees were used to cover ongoing payments to advisers in the form of commission and many products also used complex structures to fund up front commission payments, especially where regular investments were involved.

The end result made it very difficult to clearly understand the total you were paying for something, let alone which part of that was for which of the three elements: administration, fund management or advice.

Wrap platforms offered investors a genuine opportunity to compare on a like for like basis and to know what they were paying, ultimately bringing about the end of the old regime through empowering the consumer.

When wrap platforms first started, the commission payments built into fund management costs continued but the commissions were paid to the wrap provider and added back into the clients account, while adviser fees were agreed directly with the client.

Over time, this rather daft structure caused most fund managers to offer what became known as “clean shares”, without the extra bit to cover commission, further adding to the transparency wrap platforms could deliver to their users.

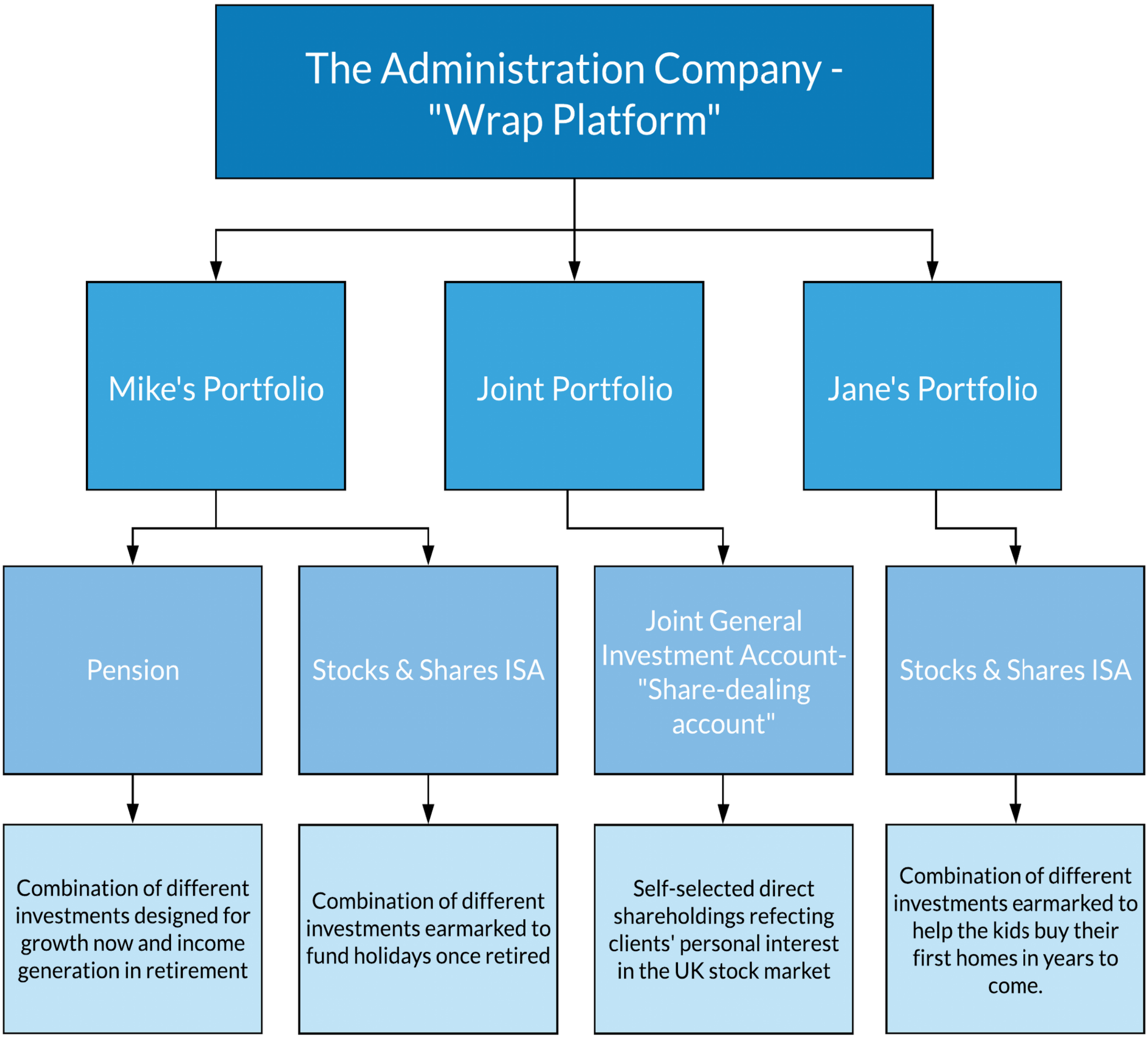
Overall, the development of wrap platforms has been a huge benefit for investors and advisers alike, and made the world of investments a fairer, clearer and more easily accessed place.

An example of how a wrap platform might be used

A visual example

We've provided an example below to illustrate how different portfolios might be managed on a wrap platform.

In the example, Mike and Jane have their overall portfolio split into different components, for tax planning and other reasons.



Which wrap service is best?

What to consider when choosing a wrap service

There is no one investment or pension fund administration service which is the best choice for all, since needs, priorities and circumstances differ.

We determine the choice of wrap provider based on their ability to provide:

- Administration quality
- Flexibility
- Investment choice
- Value for money
- A durable solution and a high probability of continuing in its current format.

We also pay a lot of attention to openness and clarity. Some wraps and platforms have launched with relatively low headline charges but a plethora of “add-ons” which are hard to quantify and easy for the layman to overlook.

At Atkins Bland we are fans of simplicity and clarity when it comes to the charging structures of administration companies and have a healthy cynicism towards companies which overcomplicate and make fair comparison difficult.

We are very keen on low cost, but only if it genuinely is, and only if it is also value for money. There is little benefit in going for the cheapest of anything if it can’t do the job properly.

Reflecting this, our starting point is to look at the full universe and filter out those which, for one reason or another, don’t pass muster. This may be poor service standards, uncompetitive restrictions, opaque charging models or simply high costs.

This gives us a shortlist of best in class, from which we then select the ones we feel are the absolute best in specific categories.

Armed with this, we can then match what we believe to be the best wrap or platform provider to the specific requirements and priorities of each of our clients.

Factors which determine the final selection we will make are generally:

- Personal preferences regarding the trade-off between cost vs overall administration standards
- The relevance of the features on offer to individual requirements and priorities
- The amount to be invested, which can impact heavily on the competitiveness of one choice against another in terms of costs.

Which wrap service is best?

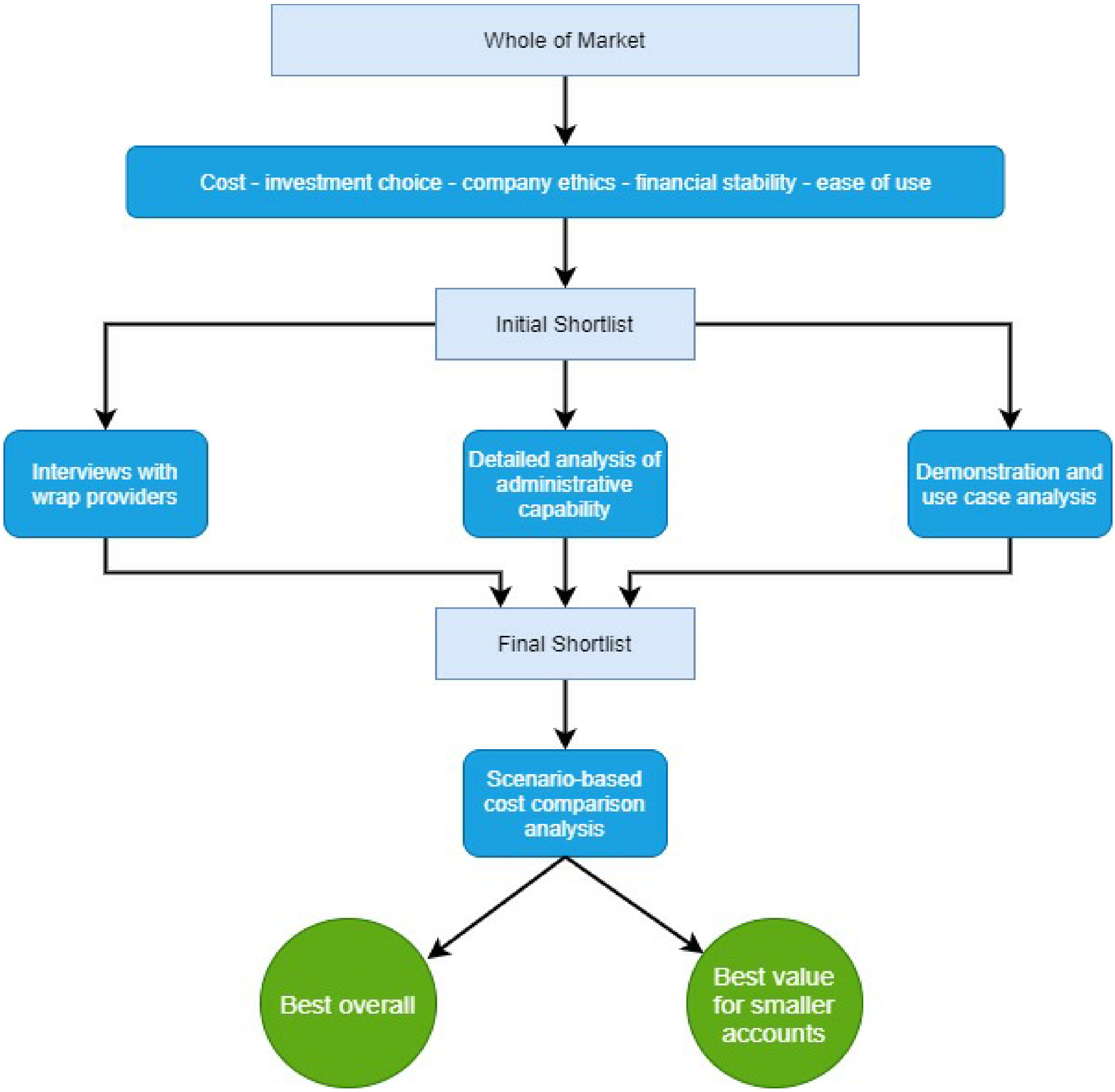
What to consider when choosing a wrap service

Our research

Atkins Bland have over 20 years' experience of using various wrap and platform services, so significantly more than most IFAs. This means we have hands on experience of many, which is a lot more valuable than any research and analysis which excludes direct usage of a service.

However, we recognise that the standards of different providers can change over time, in both directions, and new entrants arrive now and then, so ongoing research is vital if we are to be confident in the relative merits of the services we recommend.

The diagram below outlines the process we use in this research, with a short explanation of each step we take.



Which wrap service is best?

What to consider when choosing a wrap service

Our Research Cont..

As a starting point, our research encompasses all providers - from conventional institutional services down to more boutique offerings.

We then apply a series of filters based on cost, simplicity of charging structure, investment choice, company ethics, financial stability and ease of use. Those that do not pass our minimum quality filters are discarded. The remaining administrators form our initial shortlist.

Next, we take a closer look at the administration, reporting services and investment flexibility offered by those in our initial shortlist.

We speak with the providers, and, if there are new entrants to the market that have made our shortlist, we invite them to present their new service, which is followed by a Q & A session.

Thirdly, if a new entry, we engage in an interactive demonstration or trial of the service, ensuring that each service performs as we expect.

Those that successfully pass through each stage will represent our view of “best in class”.

Taking care to really understand costs and charges

Experience has shown that selecting the best administration services is more complex than simply looking at headline charges and comparing these with facilities, flexibility and administration quality.

Although comparing these factors is a good starting point, using headline charging costs as a guide to actual likely total costs is not an acceptable approach.

What may seem a very cheap option based on a low percentage-based fee might really be quite expensive when all the “add-ons”, which are often overlooked or somewhat disregarded, are properly factored in.

For that reason, testing a range of scenarios using our in-house comparison tool is particularly important.

By analysing scenarios that vary the frequency of portfolio changes, the types of investments that might be held, the variety of different tax wrappers that might be used, (e.g. ISAs, pensions or investment bonds), we cut through any complicated price structures to produce an estimated total all-in cost we can directly compare against other wrap providers.

The completion of all this quantitative and qualitative research leads us to...

Our conclusions

What we consider as the best in class

At the present time, our views on the best wrap administration services appropriate for a range of individual preferences, circumstances and objectives, are:

Atkins Bland - Recommended Wrap Shortlist		
Company	**Recommended for**	**Our comments**
Transact	Medium to large portfolios where the quality of administration is the overriding priority.	We have used Transact since 2001 and, in our experience, it offers unparalleled administration, service levels and reporting facilities. Winner of more than 100 industry awards to date, Transact has pro-actively introduced 17 price cuts in as many years, as the business has grown, showing an outstanding level of ethics by passing on economies of scale. The charging structure is simpler than most and very competitive for portfolios over £100,000, with their core fee just 0.26% pa from that point, reducing as larger thresholds are reached, starting at £600,000. For values between £600,000 to £1,200,000 this fee reduces to 0.17% and for values between £1,200,000 and £5,000,000, the fee reduces further to 0.07%. The fee for amounts over £5,000,000 is just 0.05%. For a portfolio under £100,000, the core fee is 0.5% pa on the first £60,000 and 0.26% above that. While not the cheapest, we feel this is still good value when Transact's high standards are factored in. Transact applies "family linking" to combine the values of portfolios owned by different family members to determine the fee discounts based on scale. ISAs involve an extra charge of £3 per quarter, and pensions £20 per quarter, to reflect the cost of HMRC and other reporting requirements. The pension fee is divided between all linked family members who hold a pension, so a couple would pay £20 per quarter in total, rather than £20 per quarter each. The only transaction fees are when buying or selling investments traded on a stock exchange, but the stockbroker fee is very low, at just £3.75 per trade. Very unusually, Transact pays to account holders all the interest earned on client cash balances, and retains none. The above is not comprehensive, and more details are in the Transact product documentation, but the overall structure is simple, clear and transparent, and very competitive in outright terms, and exceptionally so, in our view, when the quality of the service is considered.

Our conclusions

What we consider as the best in class

Atkins Bland - Recommended Wrap Shortlist		
Company	Recommended for	Our comments
Platform One (P1)	Smaller portfolios which do not involve pension withdrawals or sometimes larger accounts where very low cost is a core priority and cash balances are expected to remain low.	Platform One (P1) is a strong competitor to Transact and, while falling short in some respects, it is potentially lower, especially for smaller accounts. The core cost is 0.2% p.a. up to £1,000,000, then scale discounts after that, whereby the fee of values between £1 million and £3 million is 0.09%. Unlike Transact, there is no extra fee for holding an ISA or pension. However, there is a fee of £100 + VAT in any year when money is withdrawn from a pension, including any tax-free cash or drawdown income payments, whether one-off or through regular income payments. There are also no transaction or stockbroker fees levied by P1. A potential issue that counters the benefit of the low core fee rate is that P1 does not pass on all the interest it earns on client cash balances. In May 2025, the interest paid was 1.5% while Transact was paying 4%, a difference of 2.5%. The impact of that will vary over time as the amount of cash held inevitably changes, as will the interest rate gap as it will depend on underlying rates available in the economy. However, based on the implied retained interest at May 2025 of about 2.5% pa, if someone held 2.5% cash in the portfolio, P1s charges move to slightly above the 0.26% pa Transact charges for accounts over £100,000. If cash held was 5% of the portfolio, P1's charges would be about 0.325% pa.

Our conclusions

What we consider as the best in class

It is very difficult to state with any certainty which wrap services should be recommended for any specific criteria - nor would we want to do so.

Our practice is not to prescribe clients with choices based on pre-defined criteria. All recommendations we make are based on an analysis of the individual circumstances, preferences and priorities of each client.

It may be that we recommend a different provider than is indicated by the above table. If we provide a personalised recommendation, this will supersede any general guidance outlined here.

We monitor the wrap market all year round. If changes are announced by existing providers, or a new entrant to the market arrives, it may be that we update our views before we can update this guide. Our research process is continual.

Our mission is to ensure we are providing the best possible advice to our clients and getting the administration service right is a significant factor in this.

Once arranged, an account will still be subjected to appraisal from our ongoing research, and if we conclude that moving to another administration company is a good option at some point in the future, we will say so.

Other options

While the two companies set out above are those we currently feel are “best in class”, we are happy to work with alternatives if someone is already using one of these, or has a particular preference, or if their circumstances suggest another option is more suitable.

Important notes

Any opinions expressed on the merits or disadvantages of any options are intended as a general comment only and not as specific advice to the reader.

This document is intended as a supplement to full independent advice and not as a replacement for it and should be read in conjunction with any personalised recommendations provided by Atkins Bland Ltd and with any product brochures supplied.

The value of investments will fall as well as rise, as can any income generated or produced will fall as well as rise. An investor may, therefore, get back less than the amount invested.

Inflation can reduce the real value of capital and the income it generates.

Past investment performance is not a reliable guide to the future.

Any reference to taxation, regulation or legislation is based on our current understanding and details should be checked before any reliance is placed upon its accuracy.

The impact of taxation and tax planning depends on individual circumstances and may be subject to change, which can be retrospective.

Errors and omission excepted.

Prepared by Atkins Bland Ltd.

August 2025.

Atkins Bland