



Association of British Insurers

Financial Advice is Changing

What it means for you

September 2012



About this guide

Are you considering saving money in a pension or other investment? Do you need help planning your financial future?

You may need to read this information before taking advice on your financial planning.

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Why should you read this guide?

If you are saving for the future, it is important to make the financial decisions that are right for you. Sometimes you might feel confident enough to make these decisions yourself. Or you may wish to get professional financial advice.

If you do take financial advice, you need to be aware of the changes that are happening from **31 December 2012**. Even if you have had financial advice previously, or are currently taking financial advice, these changes will affect you.

What is changing?

The way you will pay for financial advice will change.

The minimum required level of qualification that all financial advisers must hold in order to give financial advice will be raised.

Different types of advisers will offer different types of service and the way in which their services can be explained is also changing.

Why is this changing?

These changes have come about after the regulator for financial services, the Financial Services Authority (FSA) looked at the way advice was delivered and found that customers like you might benefit from these improvements.

Paying for financial advice

Currently, many financial advisers receive commission from product providers to cover the costs of giving you financial advice instead of charging you a fee directly.

This can mean that the charges within your investment could be higher than they would be if you were to pay a fee directly.

After 31 December 2012, you will agree a charge with your adviser for the services that you will get. This charge can be an hourly fee, a one-off charge or a percentage of the amount you invest.

You can pay in a number of ways: by cash/credit card/cheque or your fee may be deducted from your investment. However you pay for your advice, this must be made clear to you.

These changes only affect advice on investments such as pensions and investment bonds. The rules on commission for other financial products, such as life/health insurance, general insurance (e.g. home, car, travel) and mortgages will not change so financial advisers or brokers will still be able to be paid by commission for giving you advice about these products.



Higher qualification requirements for financial advisers

Currently, financial advisers must be qualified to the same standard as an A-level in order to deliver financial advice.

After 31 December 2012, all financial advisers must be qualified to a higher minimum level in order to be able to give financial advice. This is broadly equivalent to the first year of a degree course.

All financial advisers will also need to have a Statement of Professional Standing (SPS), which will tell you that they have achieved this qualification level. The SPS will include other information such as their name, FSA registration number and the accredited body who has given their qualification.

You can ask to see this and an adviser must show it to you.

Some financial advisers will choose to go further with their qualifications. This can include qualifications such as Certified and Chartered, which are broadly equivalent to a Bachelors (first) degree.



Different types of financial advisers

Some financial advisers will continue to be called *Independent Financial Advisers (IFAs)*. This means that they must review all options available to you from every provider to work out what would be the most suitable option to meet your needs.

Other financial advisers will be categorised as *Restricted Advisers*. This means that their advice will be restricted in some way; it may be that they can only offer products from a specific provider or range of providers, or that their advice is restricted to a certain product type. Your adviser will explain what type of advice they are able to give you and this will help you to be clear on the service you will get.

All financial advisers must make all of the changes outlined in this leaflet, whether they are IFAs, advisers in a bank or giving advice on behalf of a product provider.

Some terms you might hear...and what they mean

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| Accredited Body | An organisation that issues the Statement of Professional Standing to advisers to show they are qualified to give advice. |
| Adviser Charge | When your fee is paid from your investment amount to the adviser via the product provider. |
| Certified or Chartered Financial Planner/adviser | A financial adviser who has achieved a qualification higher than the minimum requirement (equivalent to Bachelors (first) degree). |
| Commission | An amount paid to the adviser by the product provider after a product has been sold. |
| Fee | An amount that you pay directly to the financial adviser for the advice you are given. |
| Financial advice | Help that a financial adviser can give you with your financial planning. |
| Financial Services Authority (FSA) | The financial services regulator who oversees all companies that provide financial services. All advisers have to be approved by the FSA before they can give advice. |
| FSA register | A register of all advisers on the FSA website which you can use to check that your financial adviser is allowed to give financial advice. |
| Independent advice | Advice from advisers who will review all products from all providers to find the most suitable solution for you. |
| Level 4 qualified | The minimum qualification a financial adviser must hold. |
| Product provider | A company that provides the investment products that you buy. |
| Retail Distribution Review (RDR) | A term used to describe the rules on financial advice after 31 December 2012. |

RDR compliant

The adviser meets the requirements that the regulator has set out for giving advice on investments after 31 December 2012.

Restricted advice

Advice on a limited range of products or providers. Your adviser will tell you if, and how, the advice they give is restricted.

Statement of Professional Standing

Certificate that advisers are required to hold in order to advise consumers. It shows that advisers are qualified, have kept their knowledge up-to-date and follow a code of ethics.

How can you find the best financial adviser for you?

Shopping around is always a good idea. Most financial advisers will be happy to have an initial chat/meeting with you to determine your financial goals and priorities. They will usually offer this meeting at their own expense and will not charge for their time.

Once the adviser understands how they can help you, they will explain how they charge, what the charge is and what services they will provide in return. You should meet a number of advisers and decide which one you feel most comfortable with and who you feel will deliver the best value for your money.

Further information and useful contacts

To find out more about the changes and to find out more about the different types and costs of advice, please visit the following websites:

www.moneyadvice.service.co.uk

www.which.co.uk

www.unbiased.co.uk

To find out more information about the financial services regulator, please visit www.fsa.gov.uk

A blurred photograph of an office interior. In the foreground, a white desk and a blue office chair are visible. In the background, a large window looks out onto a green landscape. The image is out of focus, creating a soft, bokeh effect.

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