



RDR – Will it Work?

Next Generation Advice- using technology to transform the advice process

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Agenda

1. The challenge we accepted from the RDR
2. Slow change: powering face to face
 - New Model Advice- now a requirement
 - Platforms: what's important, what's not
 - Controlling the cost to clients, taking more margin?
 - Updating the advice process
3. Transformation: new delivery methods
 - Next Generation Advice
 - End to end digital processes: fact-find to platform
 - Profitable and satisfied clients from a range of backgrounds
 - The 'direct' market



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Key challenges in the lead up to 2012

1. Early alignment to the Retail Distribution Review papers.

- Fee charging for all services
- Retained independence,
- Demonstrable ongoing service delivery,
- Realistic and manageable client lists per adviser,
- Movement away from ad hoc investment advice provision
- Consistency of advice provided
- Control of administration and support staff costs/processes

2. Improved service to ALL of our clients, with each client being profitable to the business.

- Is face to face always what the client wants?
- What is the cut off point for profitability?
- Can they/should they pay for such a service?
- Is the end cost to client not enough/too much already?
- Platforms may help our processes and reporting, but do they help clients or even advisers?

Key challenges in the lead up to 2012 - *cont'd*

3. Providing choice and radically changing the advice proposition

- The provision of face to face advice as a premium service
- Controlling the cost of advice, and addressing the lack of choice in how advice is taken and therefore charged.

4. Direct to client services.

- Does a new regime bring new opportunities to the Direct space?
- Are these services only for the self directed?
- Is information provision and data access what a majority of financial service consumers want?
- Has anyone used technology effectively to provide Direct services

Conclusion: clear strategy and powerful platform and technology development could 'enable' a way forward in all areas...

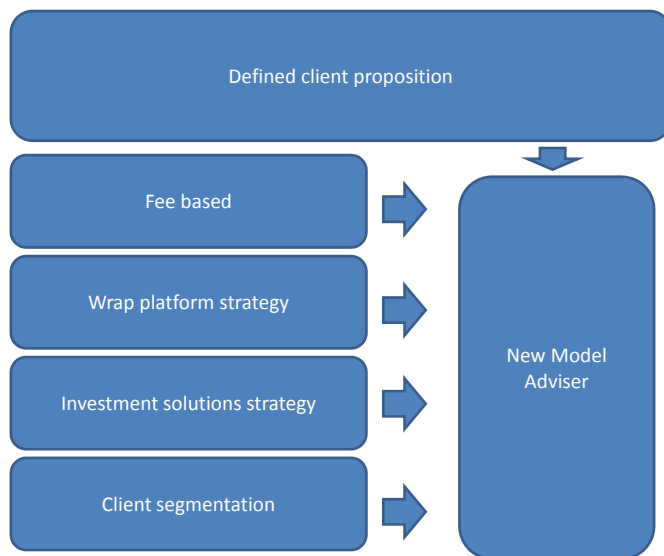


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Stage One - 'New Model' Advice The immediate challenge of the post RDR model



What is New Model Advice?

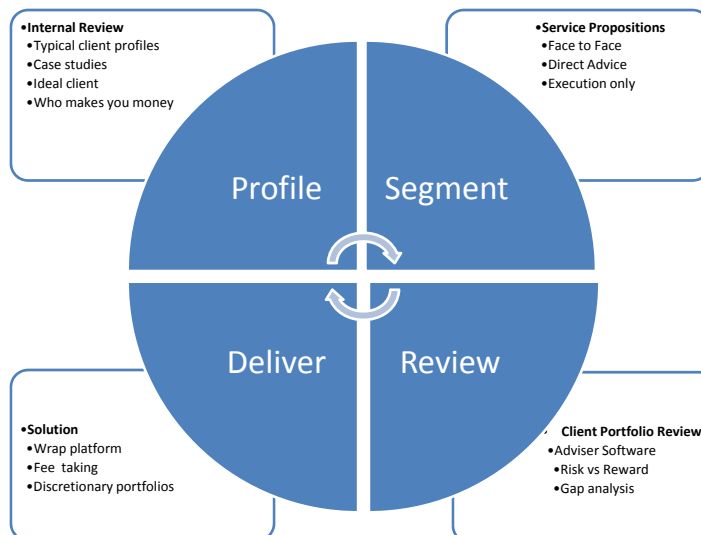


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Powering up the ‘new model’: requirements


1. Clarity on platform strategy.
 - Best for the business, best for clients.
 - Excellent commercial terms still available especially if following a single platform strategy.
 - Minimise extra cost of platform!
 - Focus on the core services, not the front end gloss.
 - A centralised hub for custodial, dealing, administration and nominee services
2. The Investment Solution: using digital technology
 - Risk profiling tools and software
 - Source/outsource asset allocation modelling and fund selection
 - Re-assessment of existing portfolios
 - Model Portfolio solutions with touch of button rebalancing across all tax wrappers- ISA, SIPP, Unwrapped, Bond.
 - Maintain TERs at circa 2% for active stockmarket focused funds
3. Segmentation and cost control. 80% of clients less than £1000 income p.a.?
 - Unbundling and fee charging is a margin opportunity, clients need not be paying more.
 - Segmentation should be about suitability of service provision, as well as cost
 - Which clients need my regular attention and will benefit from more of my time and an annual cost to reflect this (75b-100bps?)

Summary




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Stage Two: a next generation advice service



The advice process...

How much of this can be digitised? Could this power an office based advice service for the 'mass affluent' market?



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