



## Distributor Funds – Defining the Principles for Good Consumer Outcomes

# The Personal Finance Society



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*Standards Professionalism Trust* **The Personal Finance Society** 

**Ensuring good consumer outcomes and the effects of unintended consequences**

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## Distributor Funds – Defining the Principles for Good Consumer Outcomes

### Agenda

- About the PFS
- What constitutes good consumer outcomes
- Unintended consequences

### The Personal Finance Society

- **The PFS is part of the CII group**
  - Largest professional body for Insurance and Financial Services in the world
  - Over 105,000 members worldwide
  - Operates in over 150 countries worldwide



## Distributor Funds – Defining the Principles for Good Consumer Outcomes

### The Personal Finance Society

- **The PFS is the leading body for financial planners, advisers and those in supporting roles**
  - Over 29,000 members
  - Over 2,600 are Chartered Financial Planners

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### We are a Professional Body

Constituted under a Royal Charter

#### OUR MISSION

- To lead the financial advice community towards higher levels of professionalism
- Provide advocacy, guidance, publications and related tools, training and educational events
- Set ethical and behavioural standards
- Help members develop interpersonal and business skills and acquire technical knowledge

For the ultimate benefit of the profession and consumer alike

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### What we do

- Fully engage with the FSA & Government on all matters related to professional standards
- Lobby for a level playing field within the advisory sector
- Support the need for consumer access to professional advice
- Promote the benefit and value of professional advice to the public
- Work hard to enhance the standing and reputation of the profession

**A Professional Body is there to protect the public  
by guiding the profession**

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### What does this mean?

**Protecting the public.....**

Good consumer outcomes are at the heart of  
what we do.....

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### Protecting the Public.....

#### What constitutes good consumer outcomes?

- Advice
- Product
- Adviser

### Advice

- Suitable for needs
- Appropriate to risk profile
- In line with TCF/ clients' best interests
- Clear and transparent



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### Product

- Pricing
  - Value for money
  - Competitively priced
  - Transparent
- Easy to understand
  - Non complex
  - Straightforward key features
  - Terminology

### Product

- Branding
  - Clear to consumer re ownership
  - Costs monitored
  - Free from conflicts of interest



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### Product

- Comparability
  - Investment approach/objective well known in market
  - Fund performance compared to relevant benchmark
  - Disclosure of fees

*“Many consumers have become more risk averse”<sup>1</sup>*

*“14% of consumers agree that if they had money to invest they would look for more unusual investment options such as artwork or collectable cars rather than share-based options”<sup>2</sup>*

<sup>1&2</sup> AXA's Big Money Report Q1, 2011

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### Adviser

- Training & Competence
  - Knowledge
  - Adequate training
  - Client suitability
  - Skills
  - Experience
- Ethics
  - Intent

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### Adviser

- Communications
  - Full disclosure
  - Clearly understood by consumers
- Free from conflicts of interest
  - Act in best interest of consumer
  - Assessment of fund performance
  - Ability/willingness to switch funds if necessary

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### Attitude to advisers

- Attitude to advisers is good

*“after having advice 95% reported feeling less confused and that they had benefited from advice. Many said they felt more confident about managing money and making right decisions”<sup>3</sup>*

3: Aviva's The value of financial advice ,June 2011

**Advice is therefore important and valuable**

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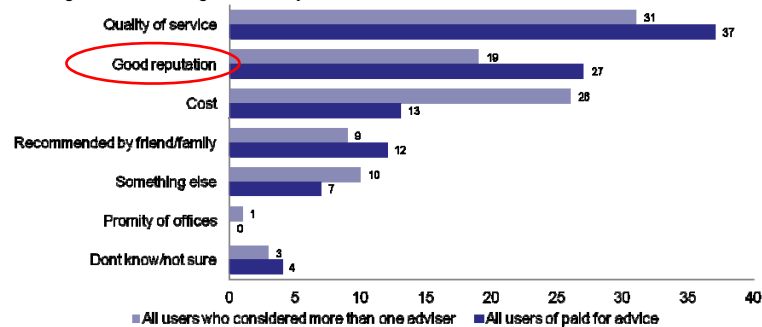
### Advice/Product/Adviser

- Investment advice process
- Use of risk profiling tools
- Managing client expectations
- Honest and realistic

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### The customer perspective

*Consumers' Deciding Factor When Choosing a Financial Adviser*  
JP Morgan Asset Management, May 2011



Question: When comparing advisory firms, all other things being equal, what would be the deciding factor in your choice?  
(Base: 108 users of financial advice; 43 users of financial advice who considered more than one adviser)

Source: "Adviser Charging: Putting a Price on Financial Advice, JP Morgan," May 2011

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### Unintended consequences

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### Reputational damage

- Mis-selling scandal
- Mistrust in advisers
- Mistrust in our profession
- Lack of professional standards
- Reinforces negative perception of advice and products

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### Consumer confidence

- Reinforces negative perception of advisers
- Lack of trust and confidence in advisers
- Negative attitude to advisers
- Consumers may 'go it alone'

### The future

- The Retail Distribution Review (RDR) is moving us to a better place with the aim of restoring
  - consumer confidence
  - value of advice
  - transparency of costs

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### The market opportunity

#### Receptive Consumers

- Consumers could be more confident of the industry
- 11 million customers who have not received advice would consider it if they knew about the RDR changes (CII research)
- Need for Money Advice Service campaign to raise public awareness of the new advice market.



### Good consumer outcomes in the distributor funds market

- An industry that engages with consumers
- A market which allows **consumers** to have needs/wants addressed
- **We think both these points can be met in part through raised standards of professionalism**



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### What good looks like – the new world!

- Confident and trusting consumers
- Clients drawn to seek advice
- Clients clearly understanding the nature of service and products on offer
- Clarity and transparency of products and advice
- Knowledgeable advisers making recommendations suitable for client needs
- Stronger, longer term client relationships
- **A trusted and respected profession**