

TISA

Distribution & Advice in the post RDR World

16th September 2009

“RDR & The Wrap Market”

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AGENDA

- 📍 RDR key points
- 📍 Potential impact on channels
- 📍 What wraps can facilitate
- 📍 Thematic Review/disclosure
- 📍 Are there alternatives to Wrap?
- 📍 Practical implications....

RDR Key Points

- 📍 EU common treatment of all retail investment products
- 📍 Clarity of adviser service to consumers
- 📍 Adviser remuneration and charging
- 📍 Professional Standards
- 📍 Platform regulation – consultation deferred for thematic review

Routes to market

- 📍 Independent
- 📍 Restricted
- 📍 Simplified Advice (Guided)
- 📍 Basic
- 📍 Non Advised

Routes to market

(illustrative)

	2009	2014
📍 Independent	70%	55%
📍 Restricted	20%	20%
📍 Simplified Advice	n.a.	?
📍 Basic	n.a.	?
📍 Non Advised	10%	25%

Independent

- ④ A comprehensive and fair analysis of the relevant market - unrestricted and unbiased
- ④ How can one provide a professional service which reviews on a regular basis:
 - ④ Tax efficiency
 - ④ Product wrapper
 - ④ Risk
 - ④ Investment solution
 - Fund of Funds
 - Model Portfolio (own or DFM)
 - DFM
- ④ And satisfies disclosure requirements?

Platforms should offer:

- ④ Whole market investment choice
- ④ Whole market product choice – still debated
- ④ Adviser charging – initial/annual and %/£
- ④ Disclosure of all charges
- ④ Model portfolio
- ④ Portfolio analysis
- ④ Client reporting
- ④ Standardised proposition
- ④ Client engagement
- ④ Adviser reporting e.g. remuneration

Restricted

- 🕒 Whole market investment choice?
- 🕒 Restricted product choice – a better price?
- 🕒 Adviser charging
- 🕒 Disclosure of all charges
- 🕒 Model portfolio
- 🕒 Portfolio analysis
- 🕒 Client reporting
- 🕒 Client engagement

Direct

- ④ When is a client not able to afford the charges for advice?
- ④ Can clients be persuaded to use the service online?
- ④ Can it be 'independent'?
- ④ Can it be offered by advisers alongside face to face and telephone?
- ④ Could that lead to 'simplified advice'?
- ④ Client engagement

Routes to market

	2009	2014
📍 Independent	70%	40%
📍 Restricted	20%	15%
📍 Simplified Advice	n.a.	20%
📍 Basic	n.a.	?
📍 Non Advised	10%	25%

Thematic Review of Platforms

What Wraps (may) have to do:

- 🕒 Offer access to third party wrappers
- 🕒 Full cost disclosure
- 🕒 Monitor IFA charges
- 🕒 Monitor investment choices?

Example

	Dealing Charge	Initial Charge	Annual Charge
Advisor	0	2.0%	0.5%
Platform	£12.50 £20	0	0.25%
Product	0	£150	£150

Summary of Key Features

Prepared for: Bill Withers

Prepared on: 15/09/09

Adviser Company: Fair Deal IFA Ltd

Adviser Consultant: John Slavin

Ascentric General Investment Account (GIA)

Product Wrapper Initial Charge: £0.00+0.00%

Product Wrapper Annual Charge: £0.00+0.00%

Fund	Amount Invested	Initial Charge	TER	Reduction in yield*	At the End of Year	Amount Invested	Total Deductions to Date	Return*
Standard Life Invs Select Property GB00B0LD3V96	£20,000	2.56%	1.87%	2.25%	1	£120,000	£4,850.15	£121,149.85
Aberdeen Emerging Markets GB0033228197	£20,000	2.06%	1.65%	1.97%	3		£9,960.75	£129,140.85
Invesco Perpetual European Equity GB0033028001	£20,000	2.06%	1.70%	2.02%	5		£16,022.93	£137,799.63
BlackRock UK Absolute Alpha GB00B11V7T69	£20,000	2.06%	2.65%	3.03%	10		£36,347.31	£162,737.46
Jupiter Corporate Bond GB0002691805	£20,000	2.31%	1.81%	2.16%				
Cash	£20,000	2.00%	0.5%	0.70%				
Total	£120,000	2.18%	1.78%	2.10%				

* Return at 6% for funds and 0% for cash

* Based on an assumed growth rate of 6% for funds and 0% for cash

Summary of Key Features

Ascentric Pension Account (APA)

Product Wrapper Initial Charge: £150.00+0.00%

Product Wrapper Annual Charge: £150.00+0.00%

Effect of Deductions Example

Fund	Amount Invested	Initial Charge	TER	Reduction in yield*	At the End of Year	Amount Invested	Total Deductions to Date	Return at 7%
Jupiter Corporate Bond GB0002691805	£25,000	2.49%	2.05%	2.46%	1	£75,000	£3,446.48	£76,803.52
AXA Framlington American Growth GB0003509105	£25,000	2.25%	1.85%	2.23%	3		£7,426.27	£84,451.96
Aberdeen UK Growth GB00B0LG6H52	£25,000	2.25%	1.98%	2.36%	5		£12,280.73	£92,910.65
Total	£75,000	2.33%	1.96%	2.35%	10		£29,348.02	£118,188.33

* Based on an assumed growth rate of 7%

Summary of Portfolio

Product Wrappers & Charges

Product	Amount Invested	Initial Charge	TER	Reduction in yield*
Ascentric General Investment Account (GIA)	£120,000	2.18%	1.78%	2.10%
Ascentric Pension Account (APA)	£75,000	2.33%	1.96%	2.35%
Total	£195,000	2.23%	1.85%	2.20%

* Based on an assumed growth rate of 7% for ISA and pension products, 6% for other products and specific cash percentages as specified.

How the total charges are allocated

	Initial Charge	TER
Adviser	2.00%	0.50%
Fund Manager	0.11%	1.01%
Product Wrapper	0.08%	0.06%
Ascentric Platform	0.00%	0.24%
Ascentric Dealing (including average annual turnover)	0.05%	0.03%
Total	2.23%	1.85%

Are there alternatives?

- ④ Individual products and a back office
 - As now
 - Better links with portals required
 - Still requires a Wrap/Fund Supermarket
- ④ Aggregation platforms and portals
 - Seem to be gaining ground
 - Still requires Wrap/Fund Supermarket

The Key Issue

Transition

- 📍 Client identification
- 📍 Asset identification
- 📍 Data transfer
- 📍 Client agreement/signatures?
- 📍 Asset transfer (re-registration)
- 📍 Training

Conclusions?

- ④ £1.5trn in life companies
- ④ £1.5trn in pensions
- ④ £700bn in cash banks
- ④ £800bn in stock markets

But....

- ④ Only £100bn on platforms
- ④ It's going to take a long time!!