



## Who Can Serve The Middle Market?

A growing division of opinion within the UK Financial Services distribution market has become apparent in recent weeks, with a number of high profile organisations unable to agree on the future servicing of customers in the “middle market” following the implementation of RDR in January 2013.

Baroness Greengross will this week challenge the government on how it will avoid a pensions advice gap. She has expressed concerns that the new rules imposed following RDR will alienate millions of people seeking advice on how to get the best income from their pension. It is likely that up to 5 million people could be excluded from the advice process because of the new proposed changes of the retail distribution review.

The discussion centres around the cost of advice and consumers’ willingness to pay for advice going forward on a fee basis, as opposed to commission remuneration currently contained within product or sales recommendations.

On one hand, a recent survey from Deloitte predicted that 5.5 million people will opt out of receiving advice due to being presented with a bill for the advice, after many years of receiving what they have perceived to be “free” advice as a result of a commission based advisory remuneration model. Within this research, 33% of adults with less than £50,000 in savings and 32% of those with more than £50,000 indicated they would cease using advisers for all products if they were charged directly.

Similar surveys from BlackRock, IFAonline and YouGov also conclude that consumers will be disenfranchised due to their unwillingness to pay explicit fees and the difficulty of valuing the cost per hour to construct complex advice recommendations. Conversely, Aviva and Wake up your Wealth have indicated that there are alternate solutions to reach middle market customers.

Wake up your Wealth, an advisory firm which claims to be “built for the digital age” and offers fee-based independent financial advice on pensions at a low cost, is built on the ‘Algorithm Based Advice’ concept already established in the US, providing automated online financial planning services. They offer a solution for people who still need expert independent advice but would otherwise find it prohibitively expensive. The cost of an initial advice report starts at £24. If the customer wants to proceed with implementation, there is a further charge of £49. More complex advice, such as pension transfers, cost between £99 and £499 whilst monitoring and reviews cost between £100 and £300 per year.

We await with interest the outcome of Baroness Greengross’ challenge to see if UK consumers, especially retirees, will have access to advice at retirement or pivotal points in their lives.

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