TISAtalks…RDR

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INDUSTRY WORKS TO FILL THE POST-RDR MIDDLE MARKET ADVICE GAP

In previous Tisatalks…RDR posts, I have commented on the growing division of opinion within UK Financial Services distribution, where a number of high profile organisations are unable to agree on the future servicing of customers in the "middle market" and how this can be achieved in a post- RDR world.

The core issue is around the cost of advice and consumers' willingness to pay for advice going forward on a fee basis, rather than the commission remuneration-based cost previously contained within a product. What is often overlooked in many presentations on client segmentation that I've seen is that consumer behaviour can be difficult to define and often does not conform to type. Many make the mistake of segmenting by asset size without regard to the fact that very wealthy and asset rich clients will want to dip in and out of advice, and probably self-serve a lot of the time.

New models of advice distribution need to address this and it is certainly something we at TISA are focusing our attention on, on behalf of our members, within both the Wrap & Platform and Distribution Advisory Councils, particularly as D2C and Guided Advice/Non-advised are areas where we need to work closely with the regulators to agree how we can get this to work effectively and legally.

There are a number of interesting alternate models emerging to address this space, including 'My Money Wallet' and 'Wake up your Wealth', the latter being an advisory firm which claims to be "built for the digital age", and offers fee-based independent financial advice on pensions online and at a low cost. The service is built on the 'Algorithm Based Advice' concept, which is already established in the US and offers 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 then wants to proceed with implementation, there is a further charge of £49. More complex advice, such as pension transfers, cost between £99 and £499. Monitoring and reviews cost between £100 and £300 a year.

Another interesting development comes from Skandia with the launch of its 'Find an Adviser' tool on its customer-facing website in an effort to reconnect orphan clients with advice. The tool aims to encourage people to use a financial adviser who can advise them on Skandia products, although the site will also refer clients to another website which will help them find an adviser independently of Skandia. This addresses a common problem for all providers and fund groups, not just Skandia, and it means they are addressing the position where an existing customer has lost contact with their financial adviser. I know Peter Mann at Skandia hopes the tool would dispel any myths that the company was building a 'direct to consumer' platform and show they are committed to financial advisers. Mann said: "The fact that we are building new digital services for our customers to use directly had led some people to assume we are building a direct to consumer platform. I hope that this first launch shows our true intention, which is to promote financial advice and help people engage with their investments in a more interactive way".

It is clear that post-RDR advisers have to accept there will be more 'direct to consumer' platforms and services as it becomes part of the financial services universe for distribution. However, Skandia's initiative is to be applauded in addressing the needs of the consumer to self-select or seek appropriate support of a financial adviser, particularly if that has been disconnected either directly or indirectly because of the requirements of our new regulatory regime.

This whole area is destined to see rapid development over the next few years, with some surprising new entrants offering various new style models to service consumers and TISA will be commenting accordingly.

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