PFS/CII MEMBER SURVEY

RETAIL DISTRIBUTION REVIEW AND PROFESSIONALISM

VIEWS OF FINANCIAL ADVISERS AND PRACTITIONERS

CONDUCTED BY ERNST & YOUNG

NOVEMBER 2007

Retail Distribution Review

The Personal Finance Society

CII

SUMMARY

- A representative survey of over 1300 CII/PFS members revealed that the majority want to improve their qualifications in anticipation of the retail distribution review changes (RDR)
- Over four-fifths (84%) of members support mandatory professional body membership for advisers. This is up 6% from the first survey.
- Two-thirds (67%) believe that better qualifications mean higher quality of service to clients.
- The vast majority (93%) believe the term “independent” should mean the adviser covers the “whole of the market”.
- An overwhelming majority supported minimum qualifications for each financial advice tier. A strong majority (83%) believe this should be the Diploma level or above for advisers at the Professional Financial Planner (PFP) tier, and 58% it should take at least four years, with another 31% saying it should be five years.

SURVEY DETAILS

The Chartered Insurance Institute (CII) and Personal Finance Society (PFS) commissioned its second on-line survey by Ernst & Young to gauge the views of its members on the RDR. Responses were received from over 1330 members in October, up from 800 in the September poll:

- 1173 (88%) were authorised financial advisers, of which 96% were IFAs (77% directly and 25% indirectly authorised), and the rest single- or multi-ties or bancassurers. The 12% of non-advisers varied evenly across directors, managers, technical, sales force and compliance departments.
- age distribution was similar to the first survey: 41% were over 50, 48% between 35-50 and 11% under 25.
- 37% of respondents were small firms of 1-2 authorised individuals and nearly 15% were firms with over 50 authorised individuals.

KEY FINDINGS

The response to the survey indicated a clear appetite amongst members for increased standards of professionalism in the sector. Over four-fifths (84%) of the respondents support mandatory professional body membership for advisers. Nearly half (45%) said this would increase the sense that financial planning and advice is a profession.

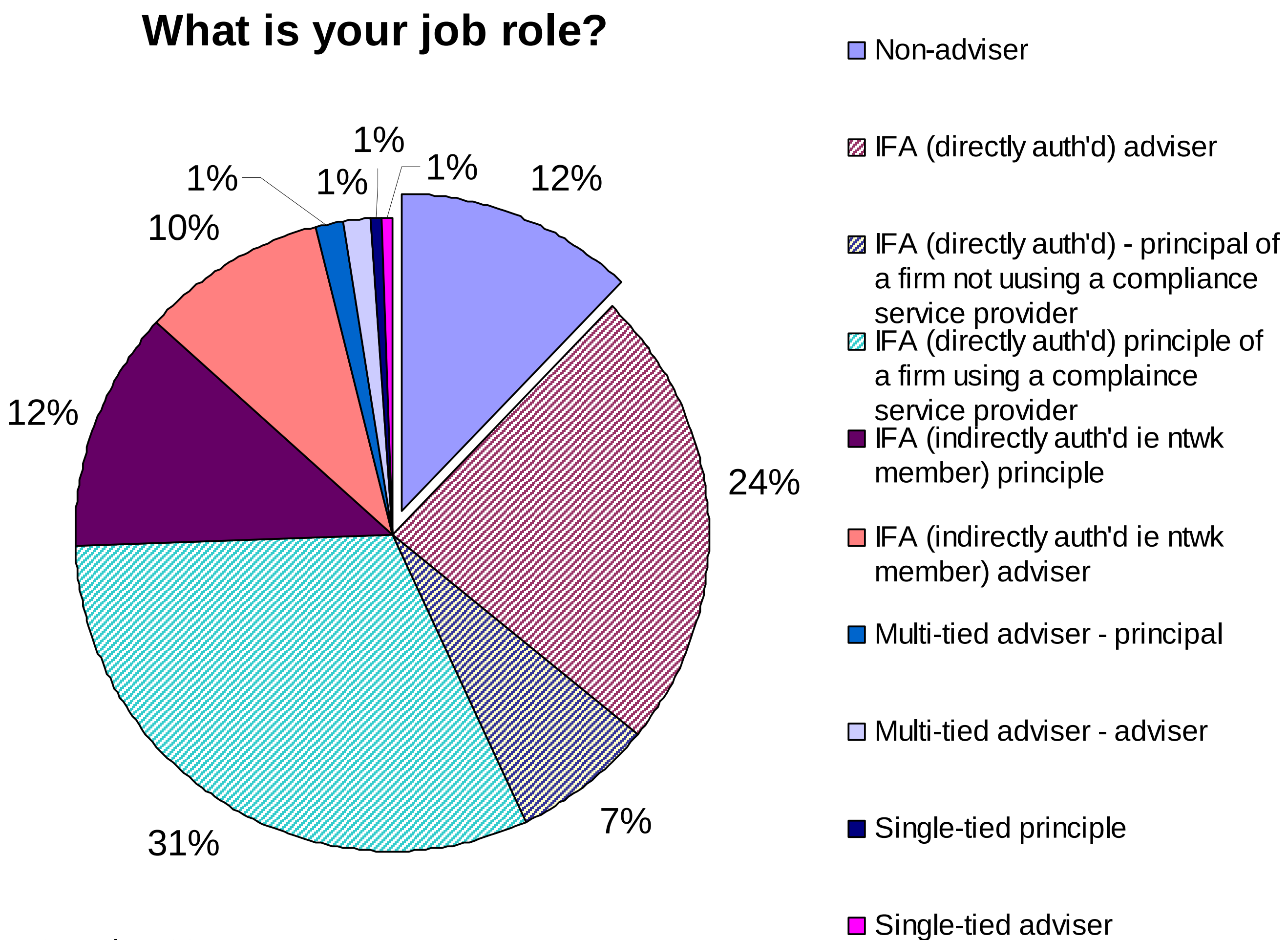
There are mixed views about the RDR’s ability to improve public confidence, however members are keen to advance professionalism anyway. Once again, over two-thirds (69%) did not think the RDR would improve the customer’s perception of the sector, and four-fifths (80%) disagreed that customers would find the description of the proposed adviser tiers meaningful. Nearly two-thirds (63%) of qualified advisers said they would nevertheless be taking higher level qualifications in order to secure their future role as a financial adviser. Once again, over two-thirds (67%) agreed that better qualified advisers deliver a higher quality advice.

There was overwhelming support that each financial advice tier should have minimum educational qualifications. The vast majority (83%) of respondents felt those at PFP level should be Diploma or above. Members felt there should be a embedding process for this, and 58% felt this should take up to four years, with a further 31% suggesting five years.

Views towards remuneration revealed support towards the Customer Agreed Remuneration (CAR) model. Two-thirds (66%) of members agreed or agreed strongly that CAR better serves the customer, and a roughly similar proportion (63%) believed that a fully disclosed fee (either deducted or added) was an appropriate remuneration model for Professional Financial Planners. The vast majority (93%) believed the term “independent” should mean covering “whole of market”.

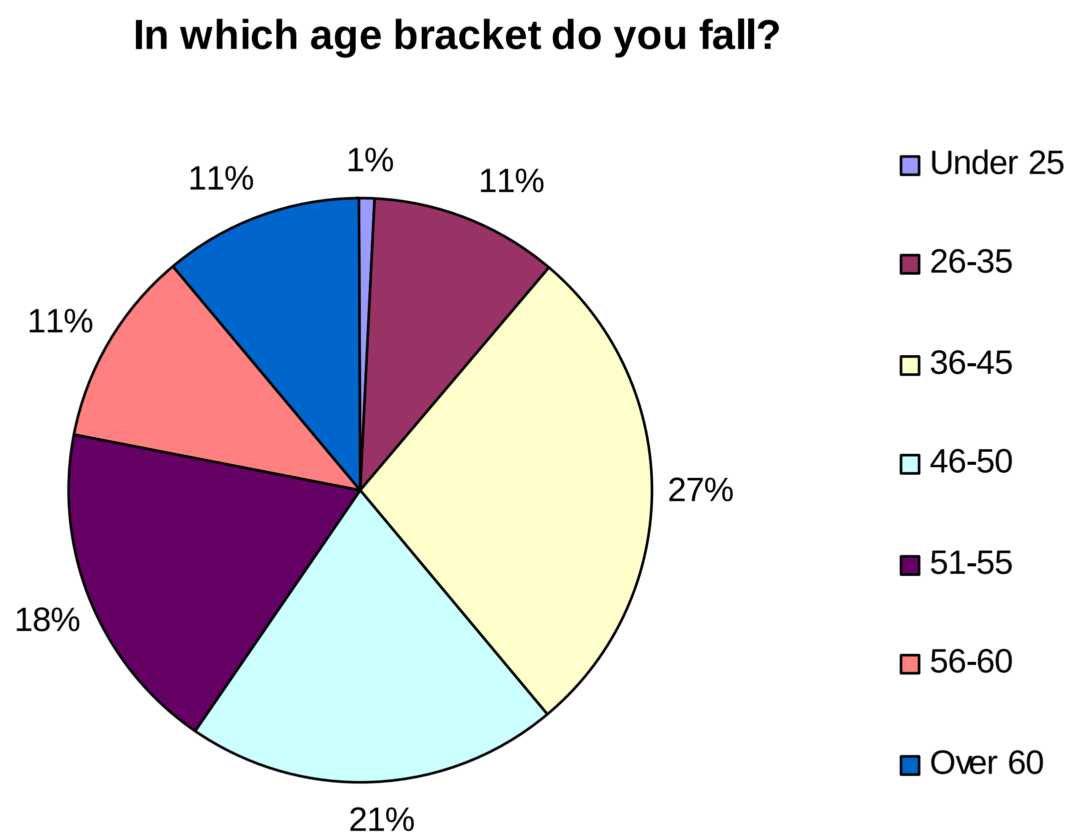
Once again on RDR knowledge, a very small proportion (16%) said they actually read the discussion paper, whereas many have relied on summaries, press comment and colleague discussion for information.

Over 1300 members responded, of which 88% were authorised financial advisers. Of these, 70% were directly authorised IFAs, 26% indirectly authorised and the rest single- and multi-ties and bancassurers

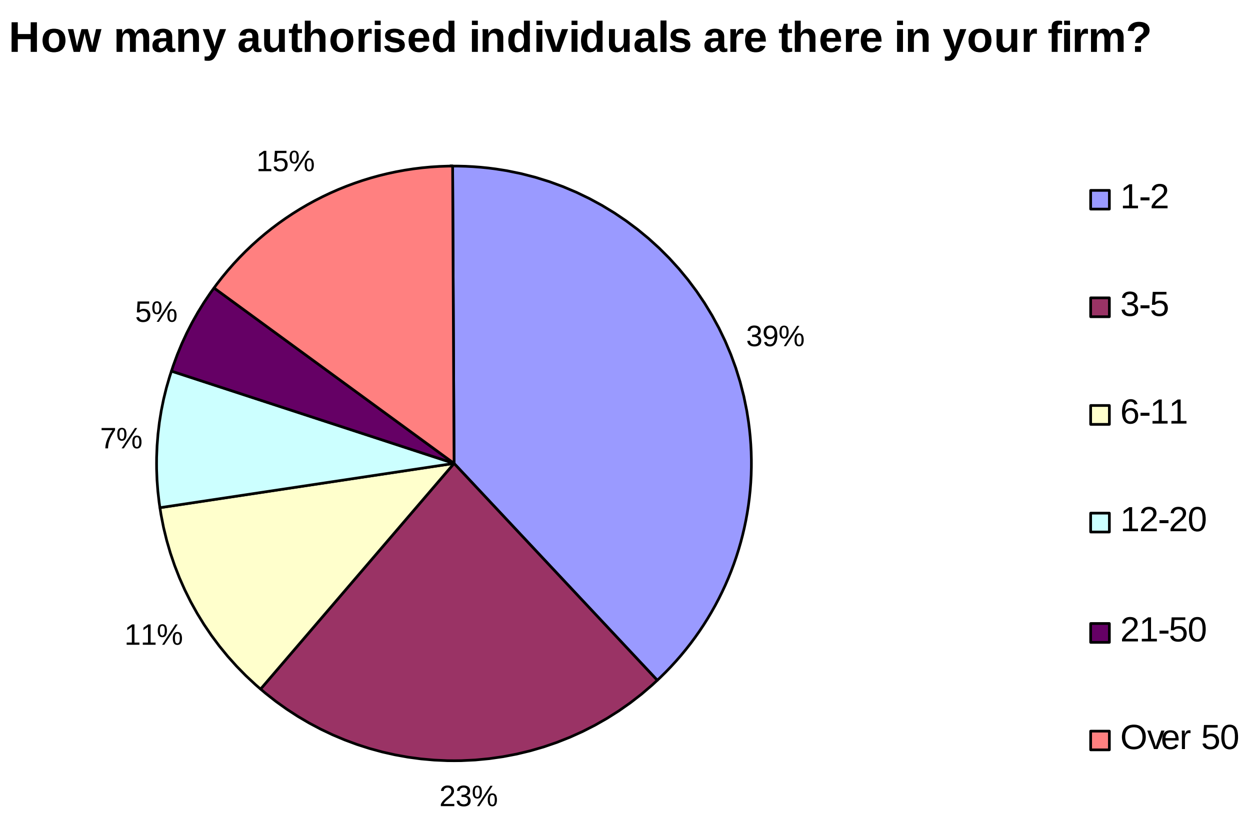


Sample: 1335 responses

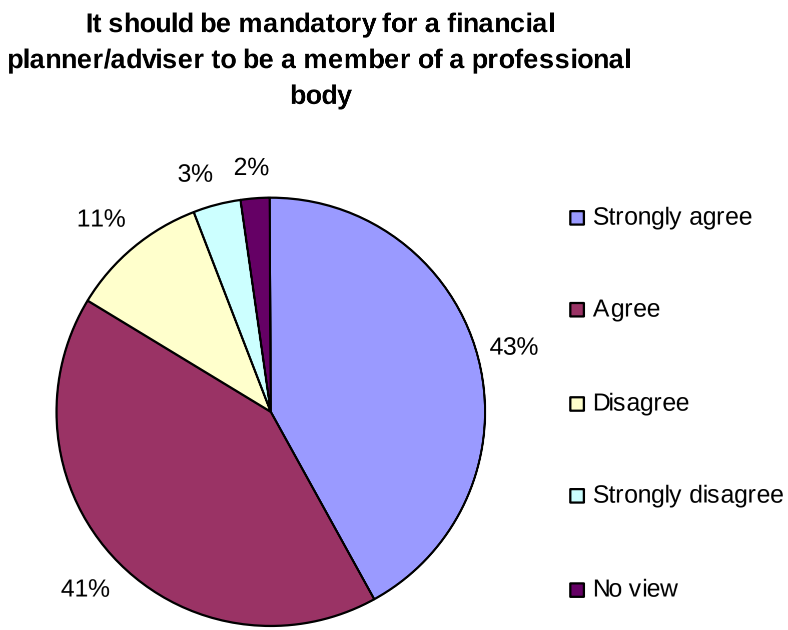
40% of respondents were over 50 years old, 48% between 35 and 50 years old, and 12% under 35

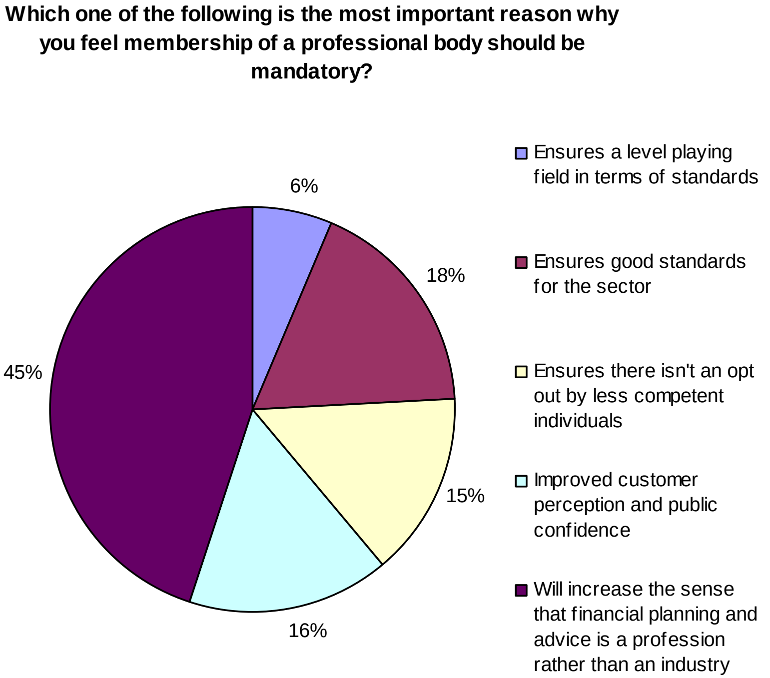


39% of respondents had only 1-2 authorised individuals in their firm



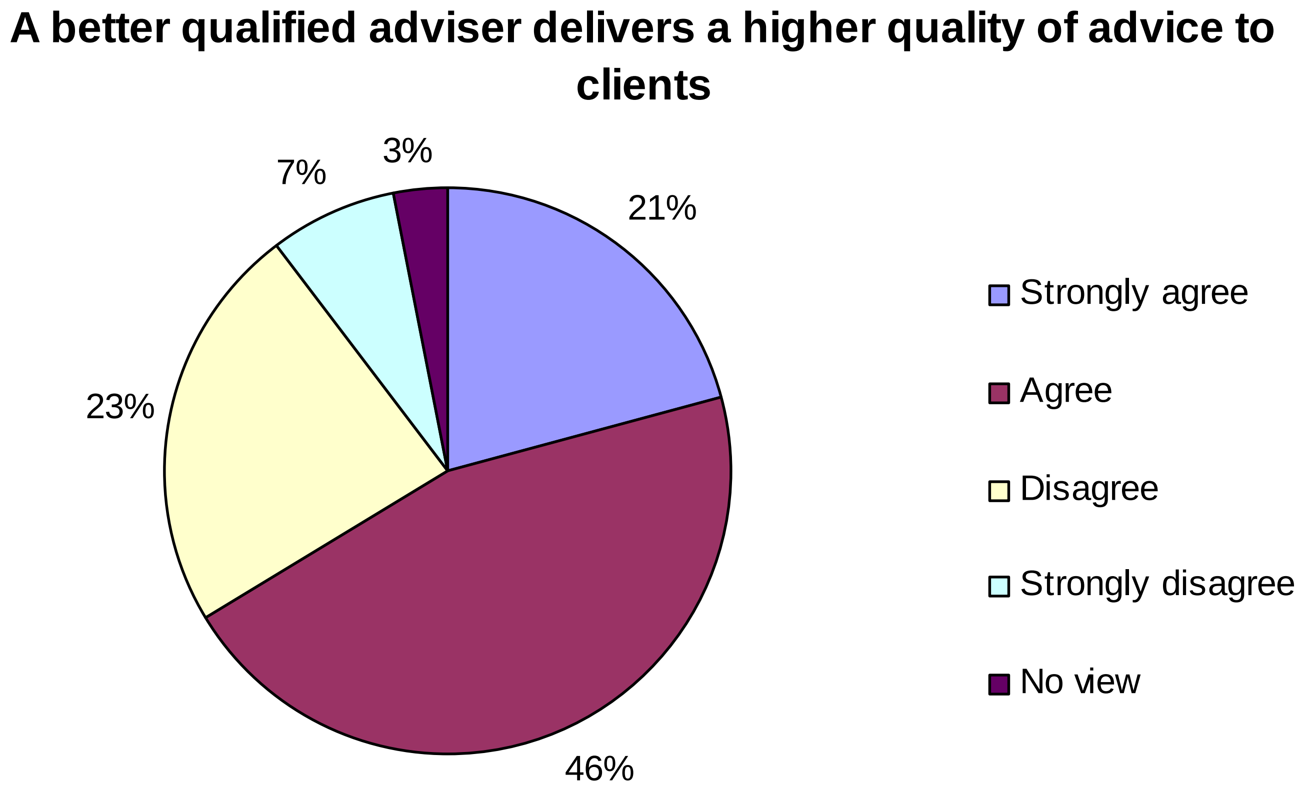
84% believed that it should be mandatory for an adviser to be a member of a professional body



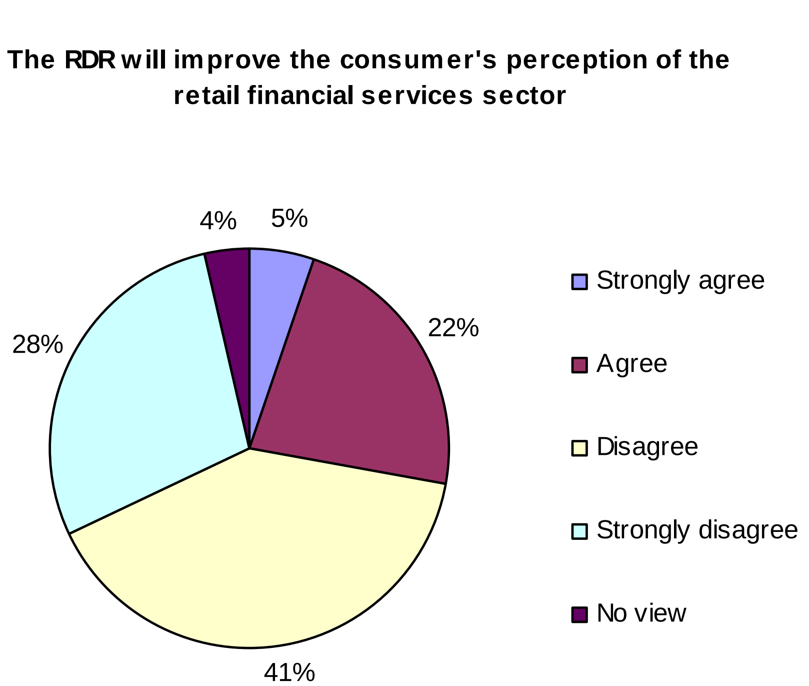


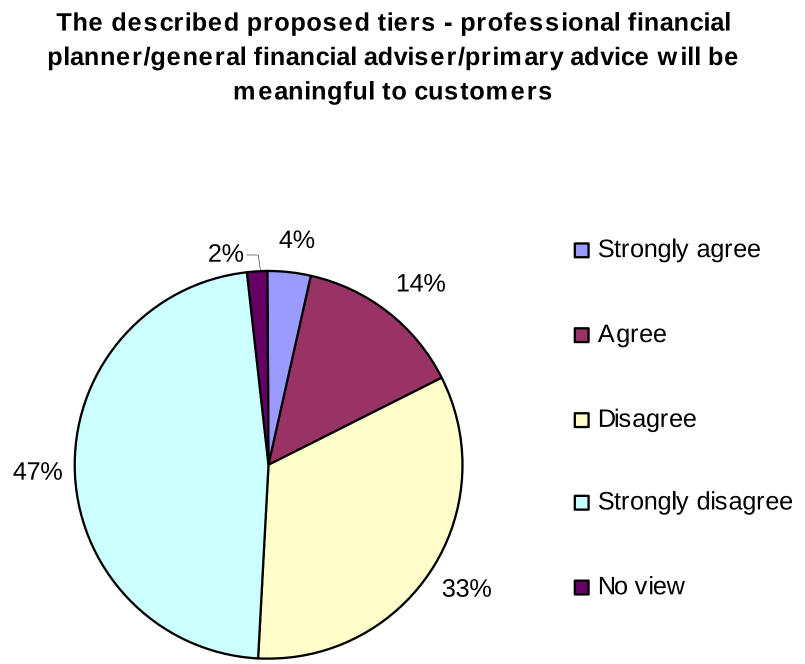
‘Increasing the sense of profession’ was the reason cited as most important for this with a 45% response

The majority (67%) believe that better qualifications mean higher quality service to clients



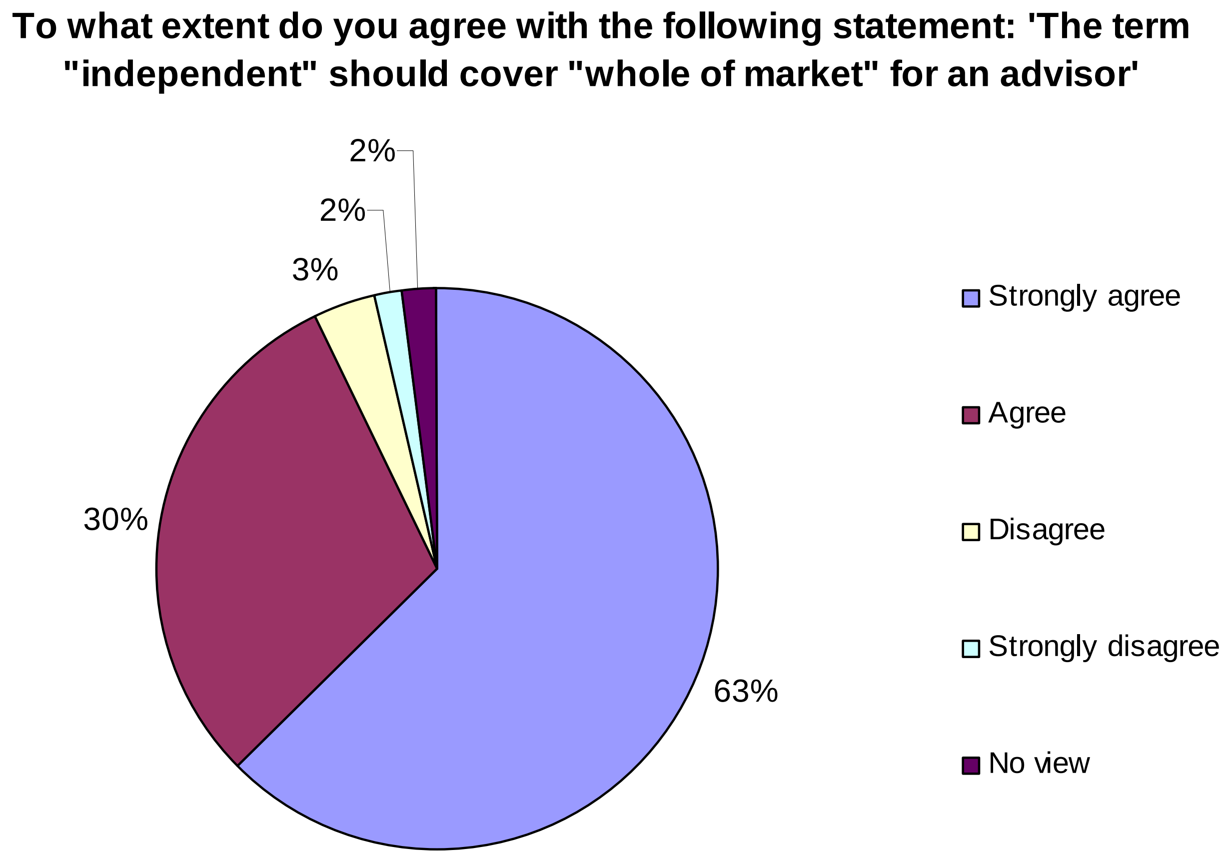
The majority (69%) did not think that the RDR would improve customer perception of the sector





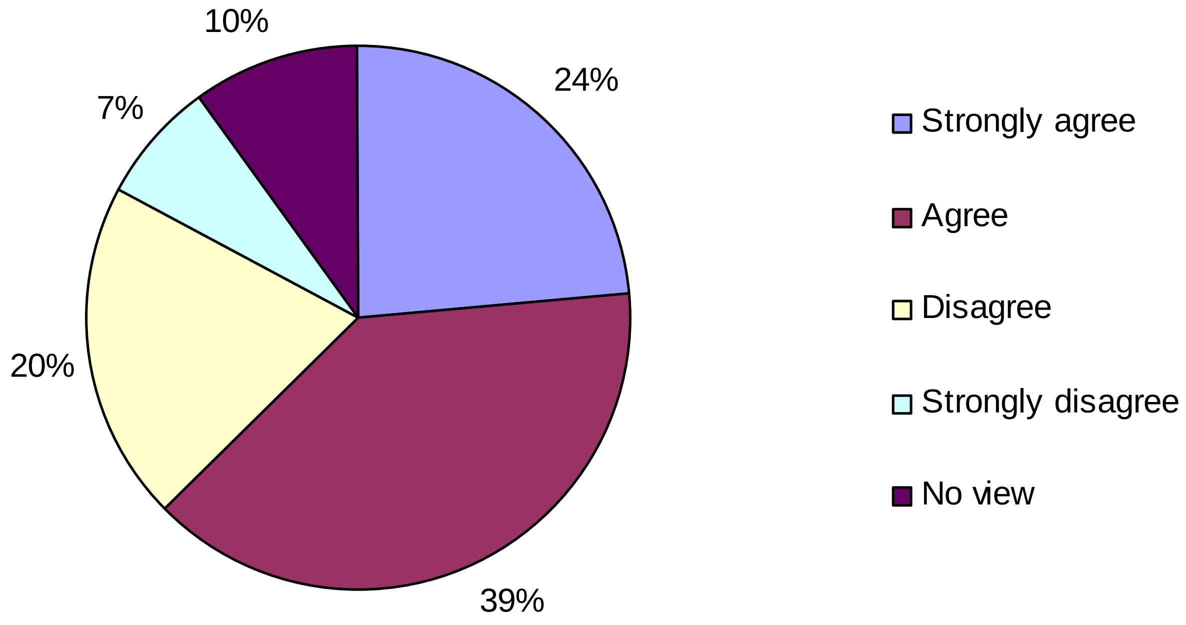
80% felt that the descriptions of the proposed tiers would not be meaningful to customers

As many as 93% believe the term ‘independent’ should cover ‘whole of market’ for an adviser

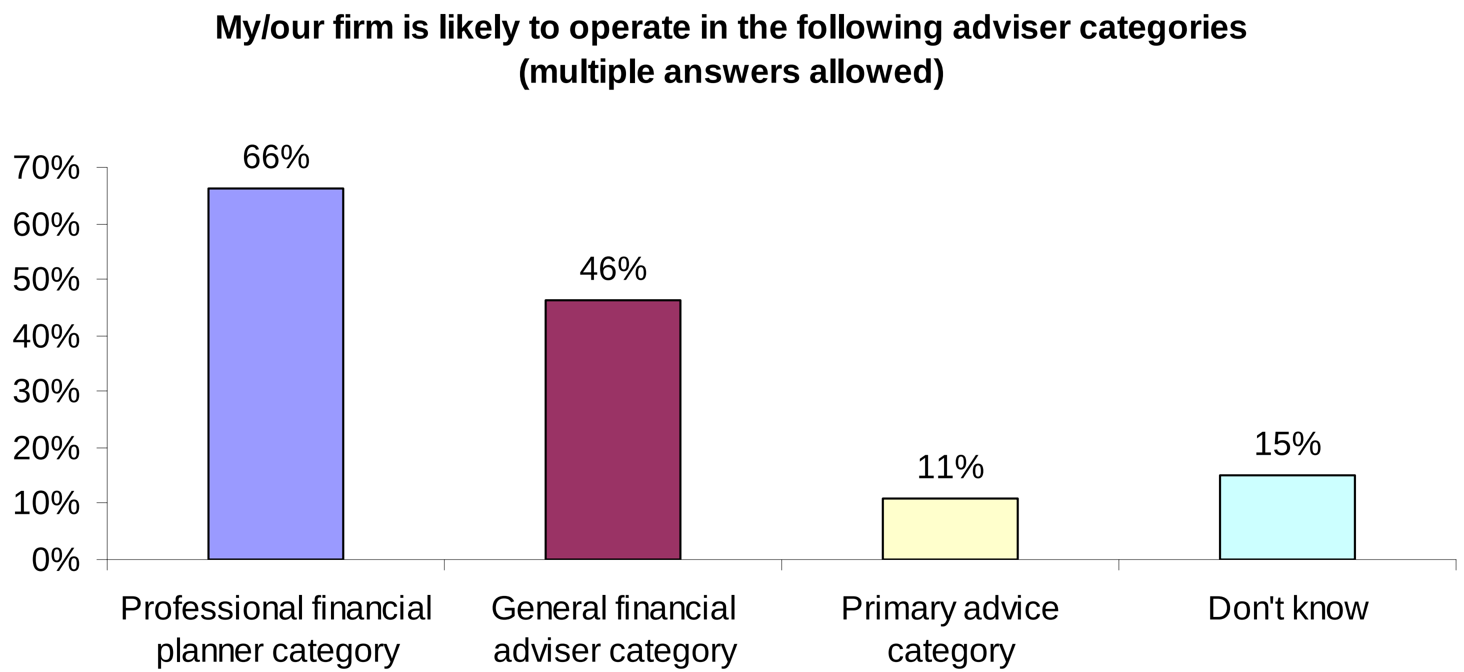


63% of respondents are likely to take higher level qualifications to help secure their future

I will be taking higher level qualifications in order to secure my future role as a financial adviser

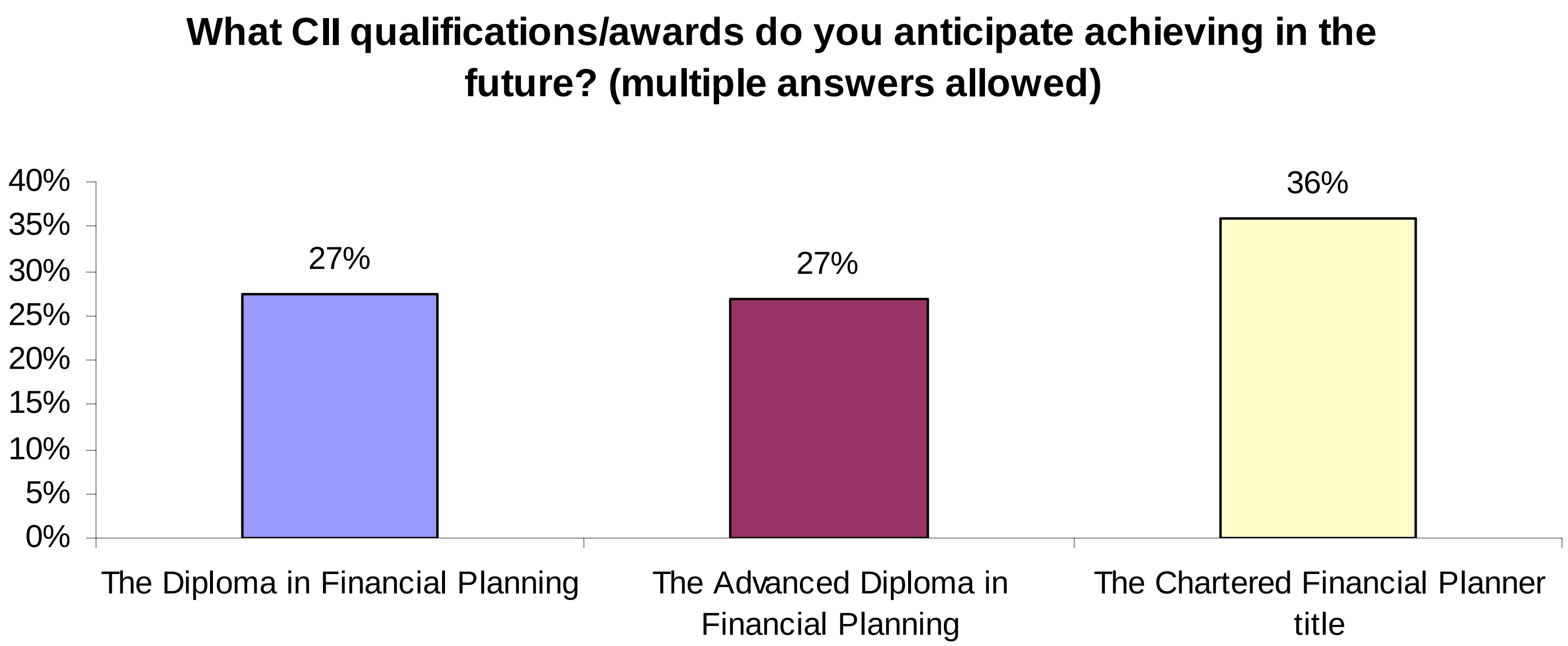


66% believed their firms would be likely to operate in the professional financial planner category



Only 11% thought their firms would be likely to operate in the primary financial advice category

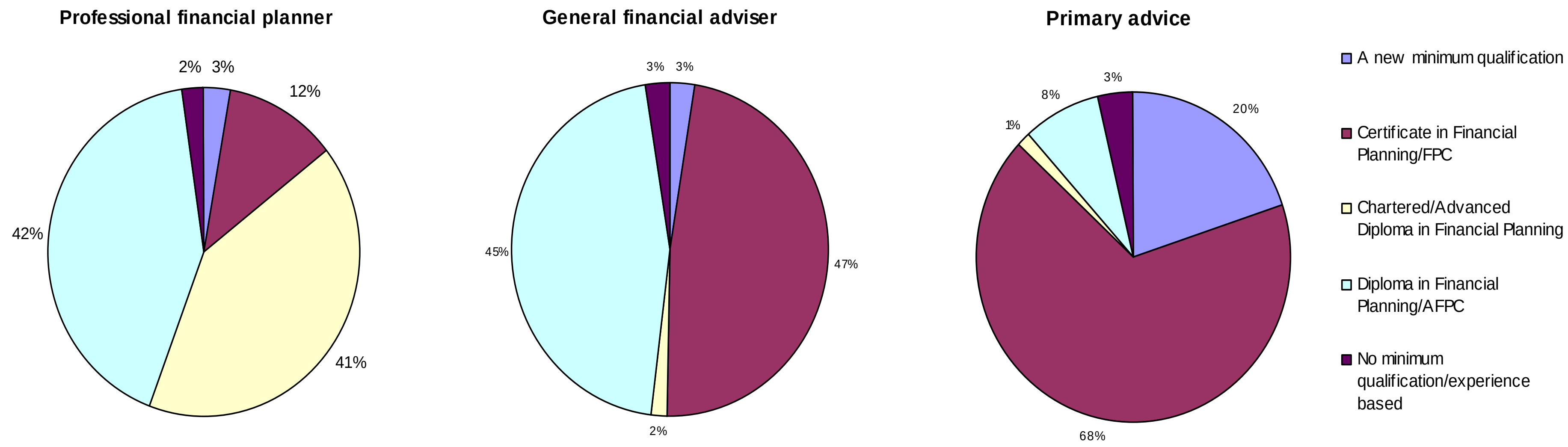
69% of respondents anticipate achieving further qualifications



Of these, 'The Chartered Financial Planner' title was the most anticipated with 36%

41% felt that the Chartered/Advanced Diploma in Financial Planning should be a minimum for the professional financial planner

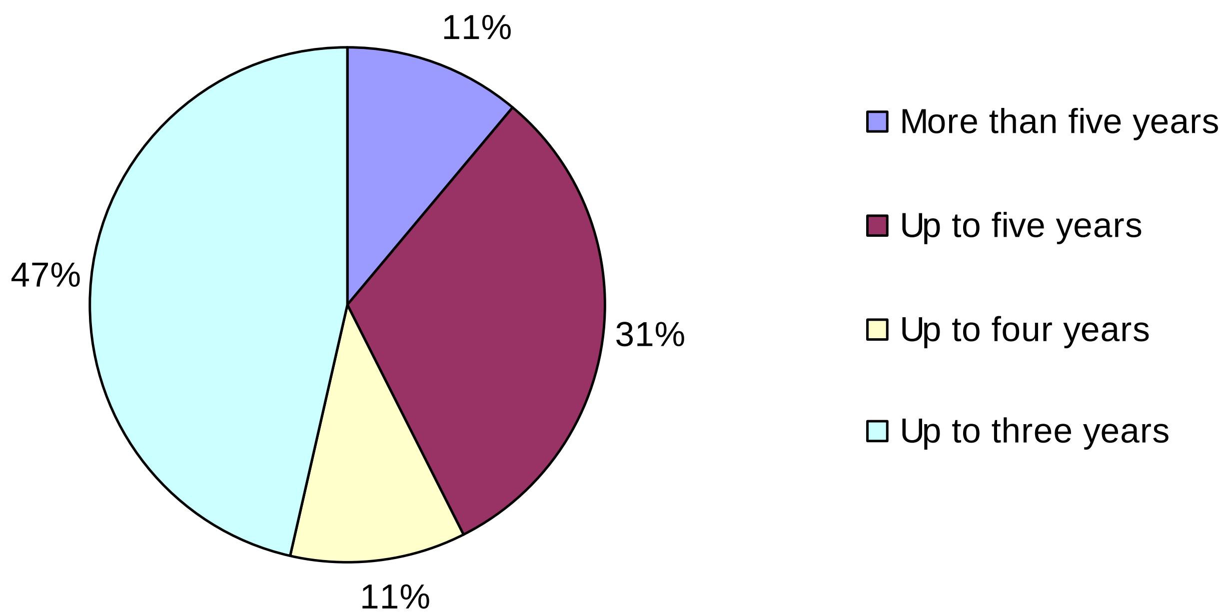
What do you believe should be the appropriate minimum CII qualification under the new proposals for the following proposed advice tiers?



68% believed the Certificate in Financial Planning should be the minimum for primary advice – with 20% believing a new qualification would be needed

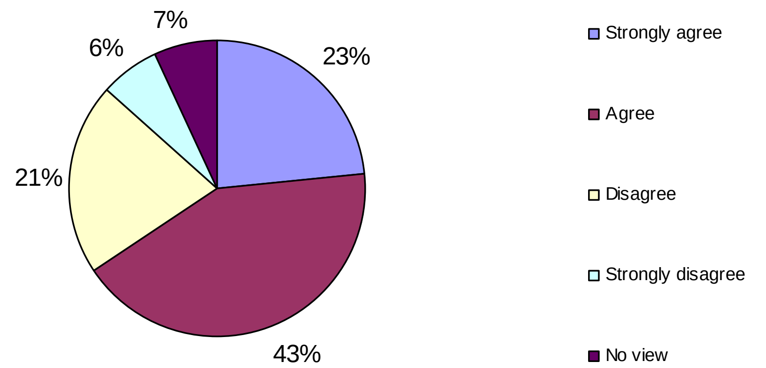
47% felt advisers should be given up to three years to achieve new minimum qualifications; 31% felt it should be up to five years

How long do you think advisers should be given to achieve any new minimum qualification requirements?



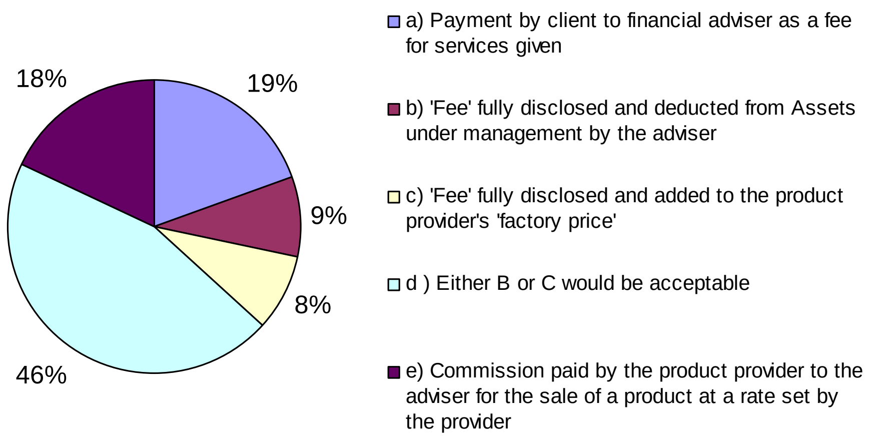
CAR was still seen as the payment that best serves the customer with 66% agreeing or strongly agreeing

Customer Agreed Remuneration (CAR), where payment is agreed up front between an adviser and his/her client, better serves the consumer



63% believe that the remuneration model should be ‘fully disclosed’ and either deducted from assets or added to the factory price

What do you believe the appropriate remuneration model should be for Professional Financial Planners?



Only 16% had read the RDR, while 59% had read a summary of the report