

# **PFS/CII MEMBER SURVEY**

## **RETAIL DISTRIBUTION REVIEW AND PROFESSIONALISM**

### **VIEWS OF FINANCIAL ADVISERS**

**CONDUCTED BY ERNST & YOUNG**

**OCTOBER 2007**

## SUMMARY

- *A large representative survey of 800 CII/PFS members revealed that the majority of financial advisers want to improve their qualifications in anticipation of the retail distribution review changes (RDR)*
- *More than three-quarters (78%) believe it should be mandatory for advisers to be a member of a professional body*
- *70% were anticipating improving their qualifications, of which 41% are aiming towards the Chartered title.*
- *Two-thirds (66%) of advisers believe that a better qualified adviser delivers higher quality of service.*
- *However there was a widespread negative response as to whether the remuneration structure offered in the RDR will help consumers. Over four-fifths (82%) of advisers do not believe a consumer is better served by advisers who operate solely on a fee basis.*

## SURVEY DETAILS

The Chartered Insurance Institute (CII) and Personal Finance Society (PFS) commissioned Ernst & Young to conduct an on-line survey of its members in PFS and the Life and Pensions Faculty.

Responses were received from over 800 financial advisers (PFS and CII Life and Pensions Faculty members). This is the largest survey yet carried out since the RDR Discussion Paper publication:

- 38% were over 50 years old and 54% between 35 and 50 years old.
- 40% of respondents were small firms of 1-2 authorised individuals and 13% were firms with over 50 authorised individuals.
- all respondents were qualified to at least Certified level: 49% had just the Certificate of Financial Planning or equivalent, 39% either had or were part way to attaining the Diploma or equivalent; and 11% either had or were part way to attaining the Advanced Diploma level.

## KEY FINDINGS

The response to the survey indicated a clear appetite amongst financial advisers for increased standards of professionalism in the sector. Over three quarters (78%) of the respondents believe it should be mandatory for advisers to be a member of a professional body. More than two thirds (70%) of respondents were anticipating improving their qualifications, of which 41% are aiming towards the Chartered title. Finally, two-thirds (66%) believe that a better qualified adviser delivers higher quality of service.

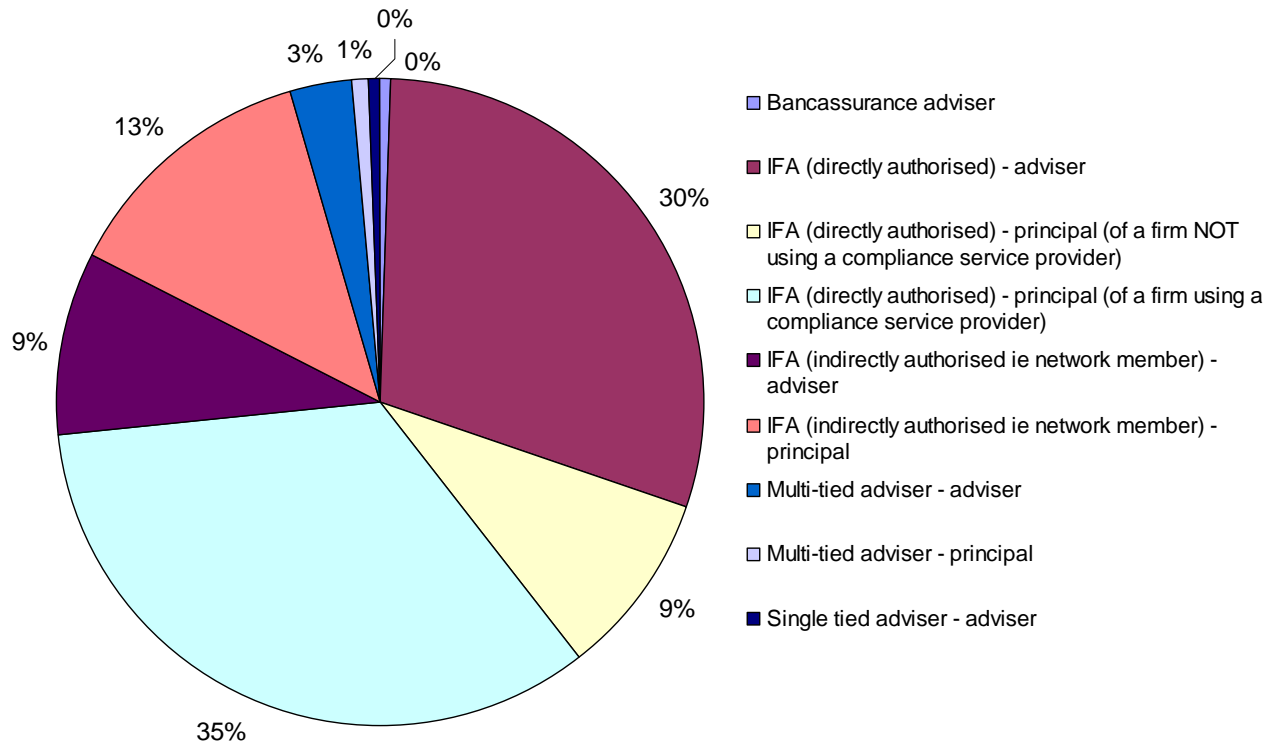
There are mixed views on some of the RDR's recommendations on fee structure. Over four-fifths (82%) of advisers do not believe a consumer is better served by advisers who operate solely on a fee basis (only 15% did believe this would happen); however over half (55%) believe the customer-agreed remuneration model would better serve consumers.

Despite these misgivings, the responses showed that advisers are leaning towards the more professional route that the RDR is proposing. Again, three-quarters of advisers under aged 45 believed they would take higher qualifications to secure their role as financial advisers in this future environment. Although only 42% of advisers think the RDR will lead to a more professional market, 46% of advisers would opt for the professional financial planner title in the post-RDR environment.

Given the potential impact of the RDR on the shape of the financial advice sector for the next decade, the CII is encouraging advisers to engage in the debate from an informed perspective. Only 6% of respondents in the survey said they had actually read the RDR paper, while nearly two-thirds gleaned their knowledge of the discussion paper and its recommendations from second-hand sources, either through press commentary (35%) or in discussion with colleagues (26%).

## Over 800 responses from a fair representation of the intermediary community

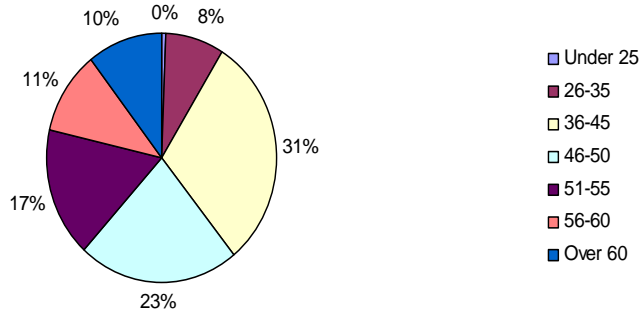
### 3.1.1 As an authorised adviser, what is your job role?



Source: CII, PFS, E&Y Adviser Survey Sept 2007

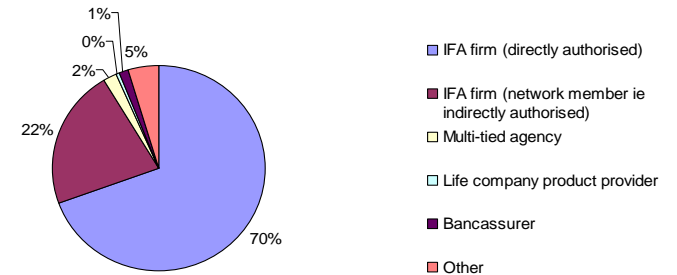
## With a representative split across age ranges, types and size of firm

### 3.6 In which age bracket do you fall?



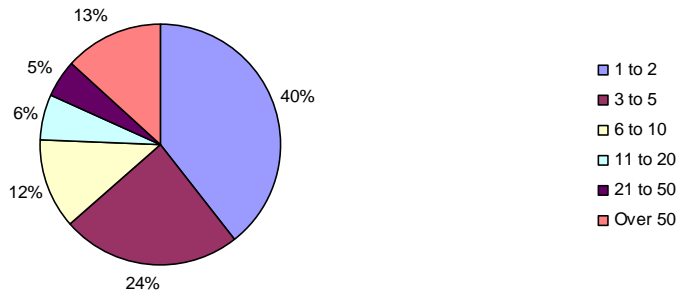
38% > 50 - 54% between 35 & 50 - 8% < 35

### What type of firm do you work for?



70% Directly Authorised - 22% Indirectly Authorised

### 4.3 How many authorised individuals are there in your firm?

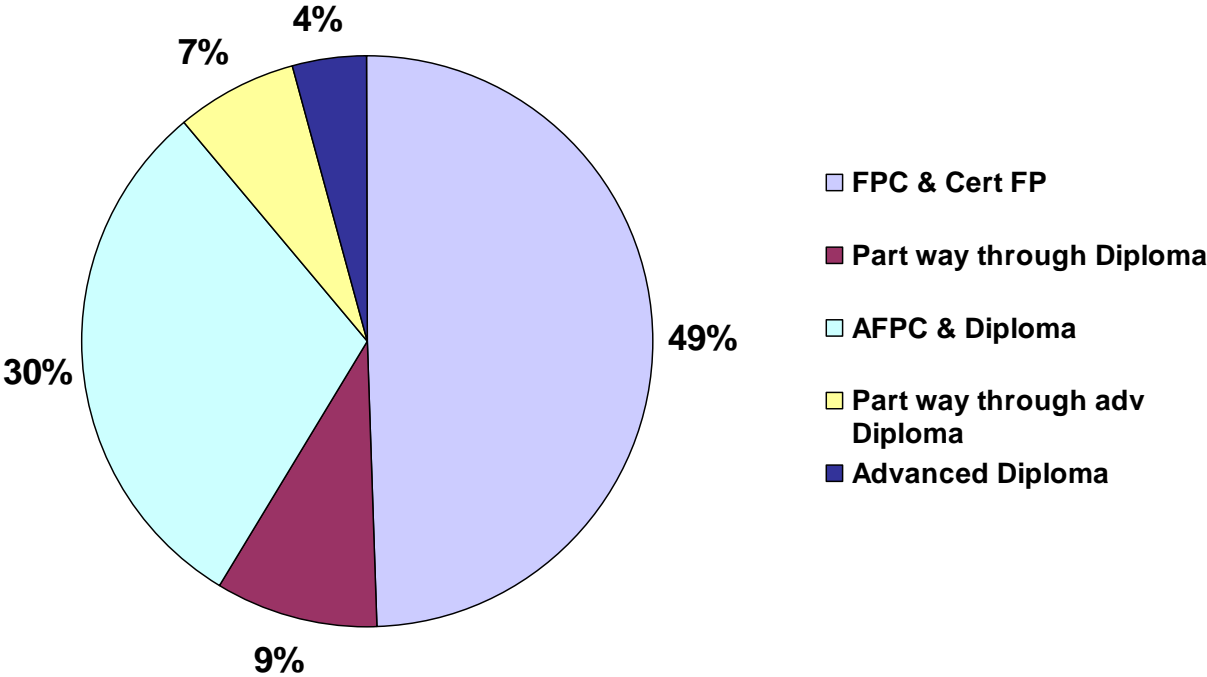


64% < 6 RI's

13% > 50 RI's

# A wide range of CII qualifications with 49% qualified to the minimum standard

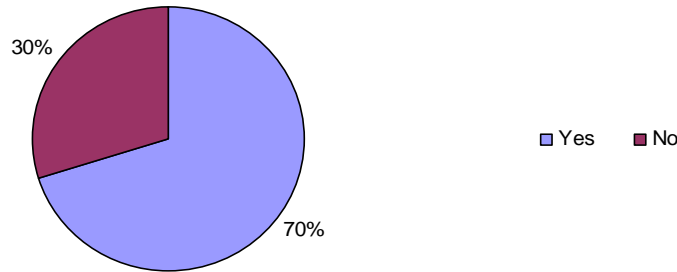
3.2 What CII qualifications do you hold?



Source: CII, PFS, E&Y Advisor Survey Sept 2007

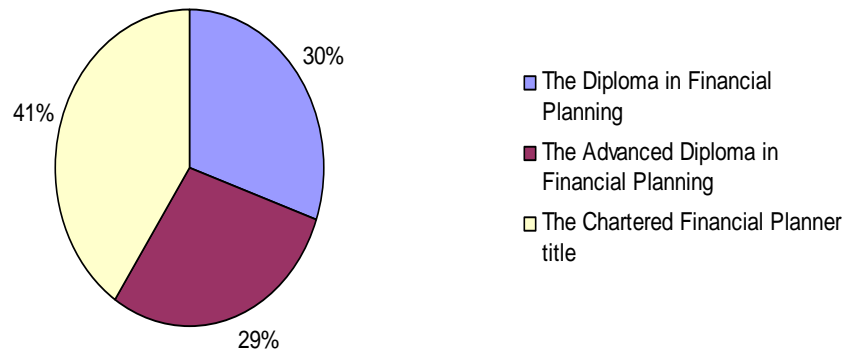
## 70% of respondents anticipate achieving further qualifications

3.3 Do you anticipate achieving further qualifications?



## Of whom 41% are aiming towards the Chartered Financial Planner title

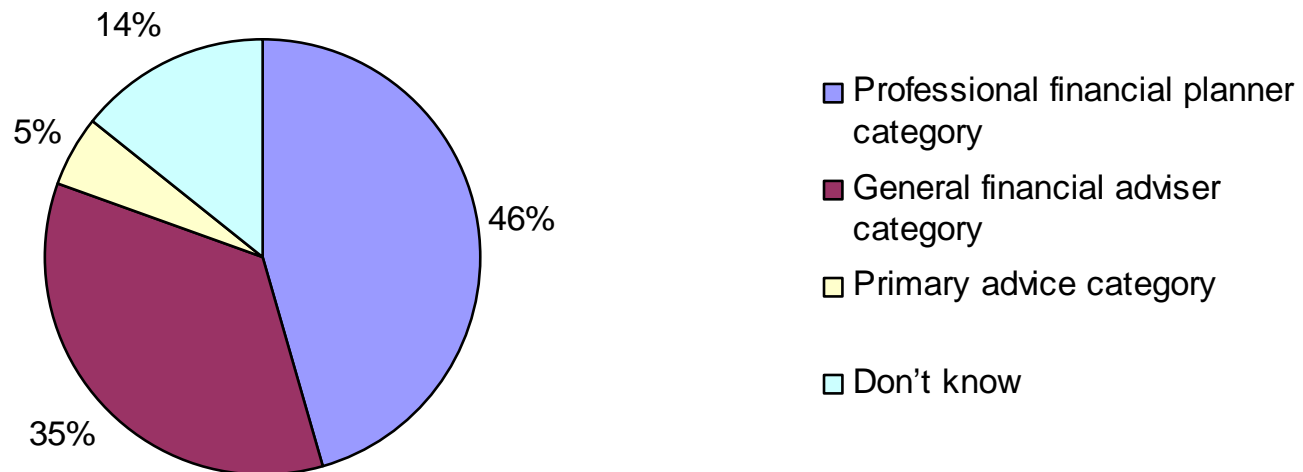
If yes, what CII qualifications/awards do you anticipate achieving in the future?



Source: CII, PFS, E&Y Adviser Survey Sept 2007

## 46% of advisers expect to operate as a PFP with 35% as GFA

My/our firm is likely to operate in the following adviser categories

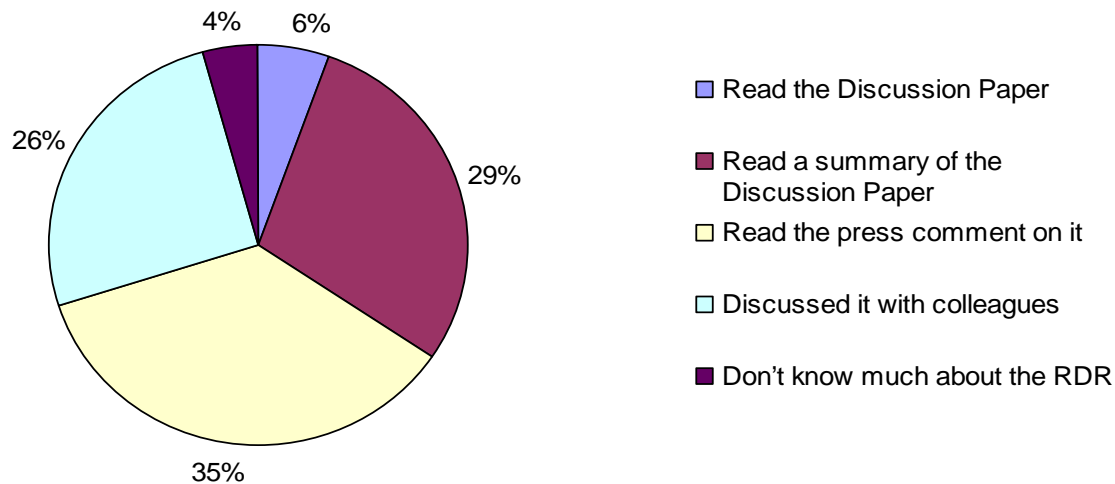


Source: CII, PFS, E&Y Adviser Survey Sept 2007

Only 35% have actually read the RDR Discussion Paper or a summary.

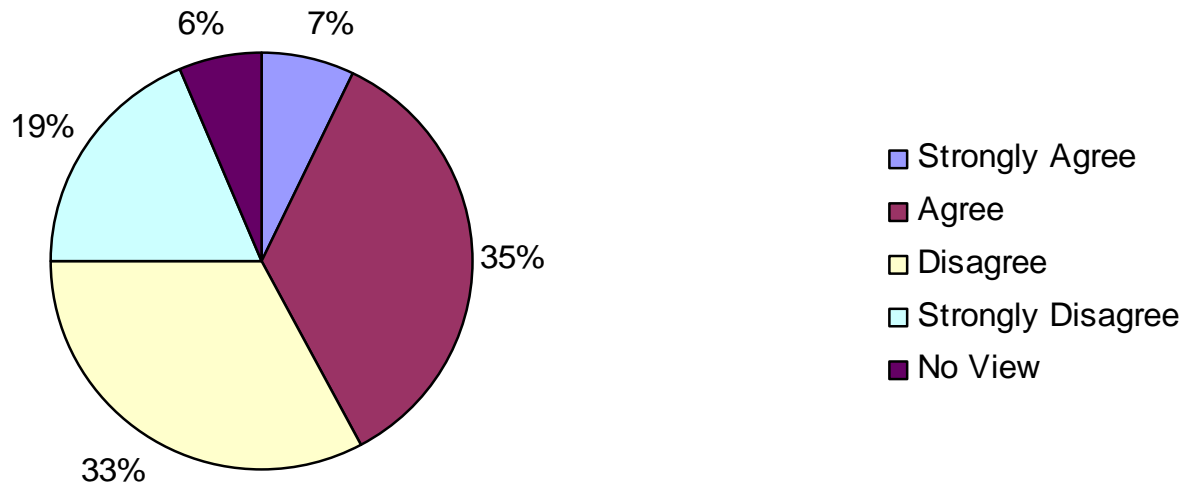
61% have only picked up information on the RDR from colleagues or the press!

1. To what extent do you feel you know about the proposals contained in the FSA Discussion Paper? Have you:



## 42% of respondents believe that the RDR will lead to a more professional retail financial services market

The RDR will lead to a more professional retail financial services market

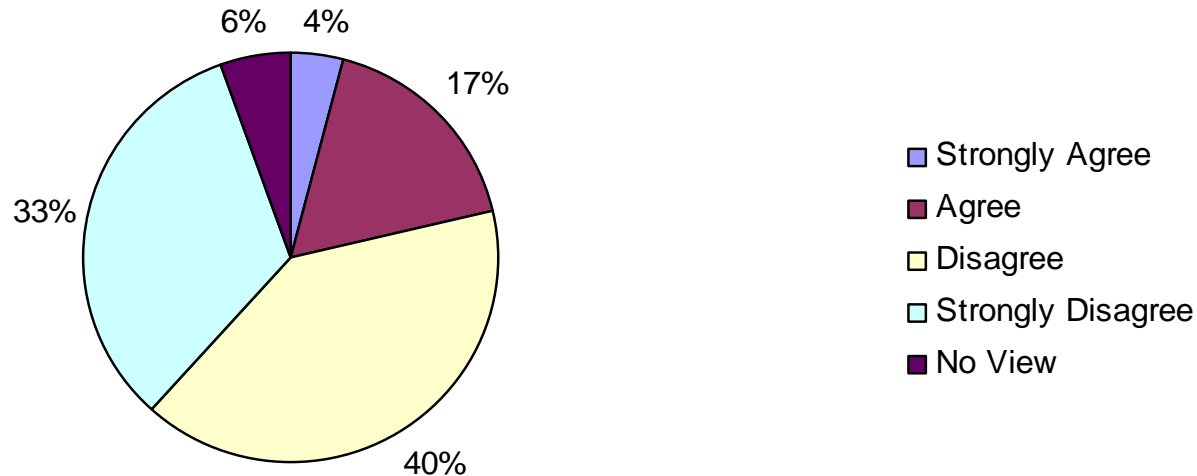


Source: CII, PFS, E&Y Adviser Survey Sept 2007

*But 50% of respondents under 45 years believe there will be a more professional retail financial services market with all “no views” being under 25 years old*

## Just 21% of respondents believe the RDR will improve consumers perception

The RDR will improve the consumer's perception of the retail financial services sector

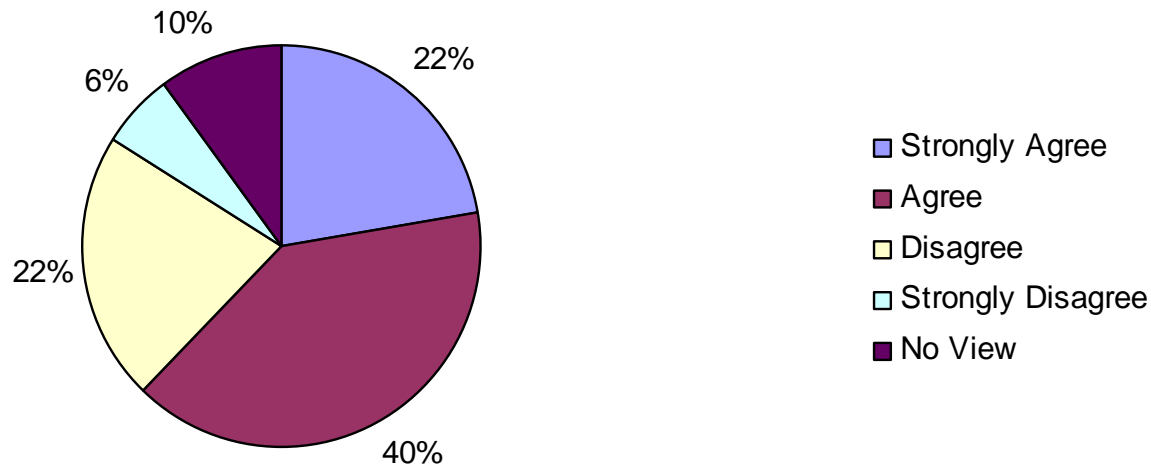


Source: CII, PFS, E&Y Adviser Survey Sept 2007

*28% of under 45 year olds believe customer perception will improve falling to 15% for over 50's*

## However, 62% of respondents will take higher qualifications

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

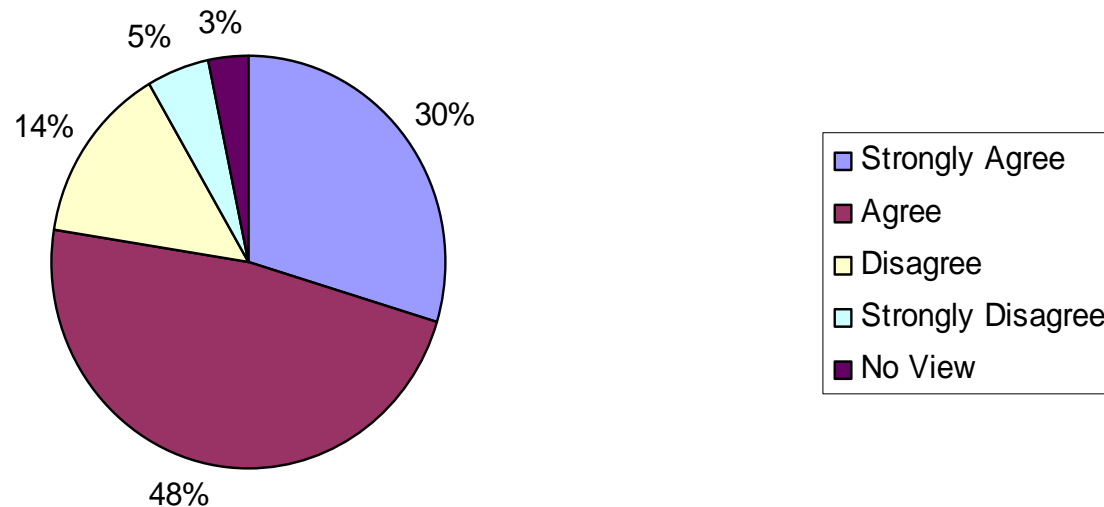


Source: CII, PFS, E&Y Adviser Survey Sept 2007

*Rising to 75% for the under 45 year olds*

## 78% of respondents believe it should be mandatory for advisers to be a member of a professional body

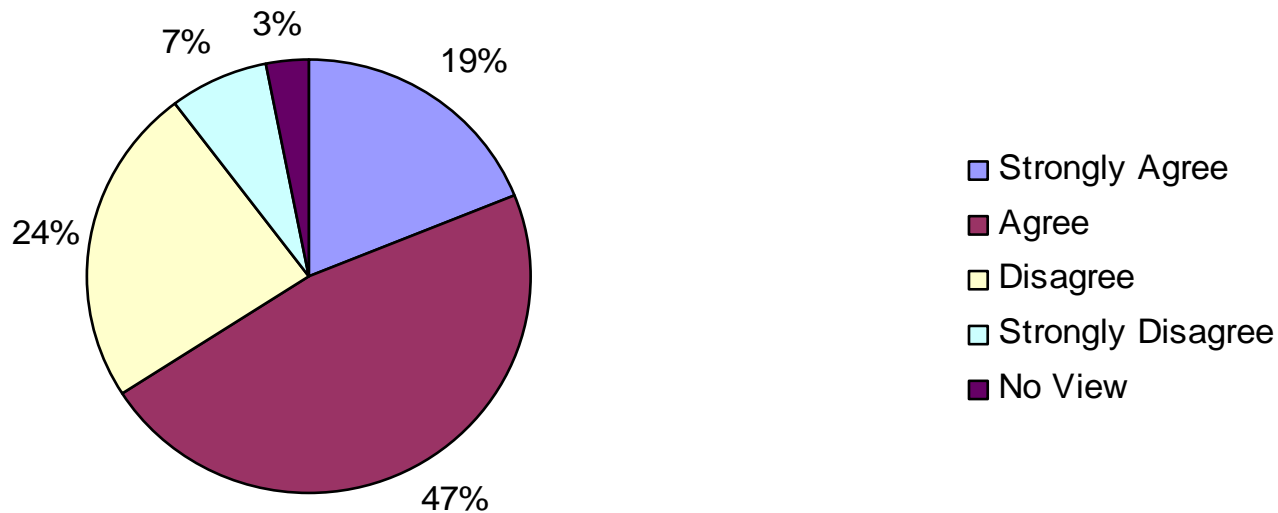
### 2.4 It should be mandatory for a financial planner/adviser to be a member of a professional body



Source: CII, PFS, E&Y Advisor Survey Sept 2007

## 66% of respondents believe that a better qualified adviser delivers higher quality client service

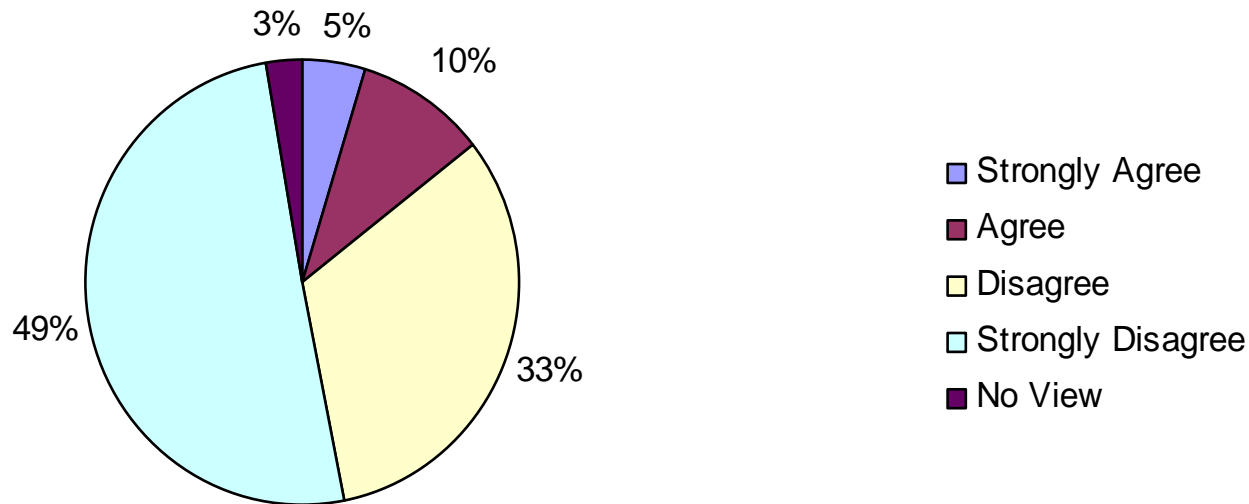
2.5 A better qualified adviser delivers a higher quality of advice to clients



Source: CII, PFS, E&Y Adviser Survey Sept 2007

## Only 15% believe that a consumer is better served by an adviser who operates solely on a fees basis

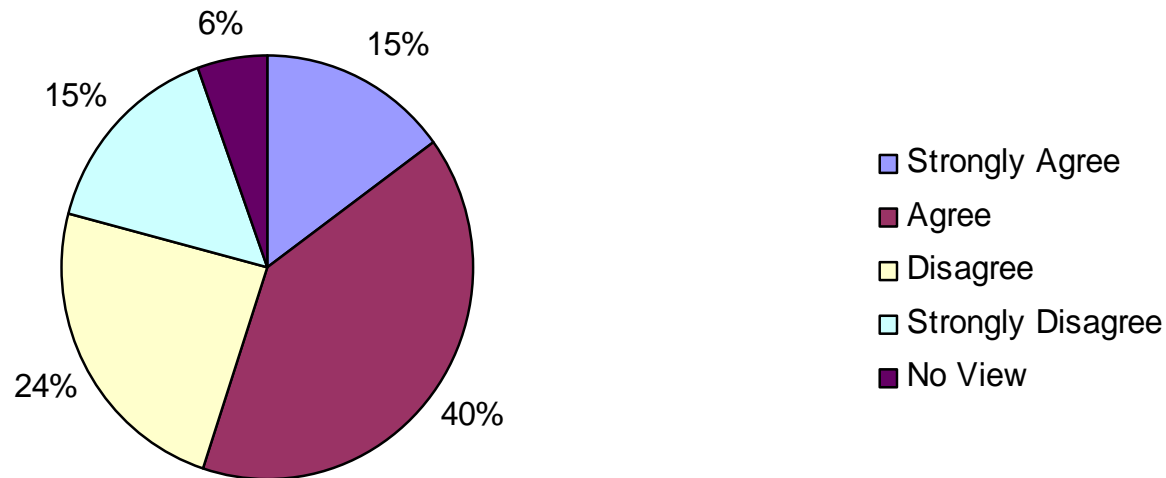
### 2.6 The consumer is better served by an adviser who operates solely on a fees basis



Source: CII, PFS, E&Y Adviser Survey Sept 2007

## Although 55% of respondents believe CAR better serves the consumer

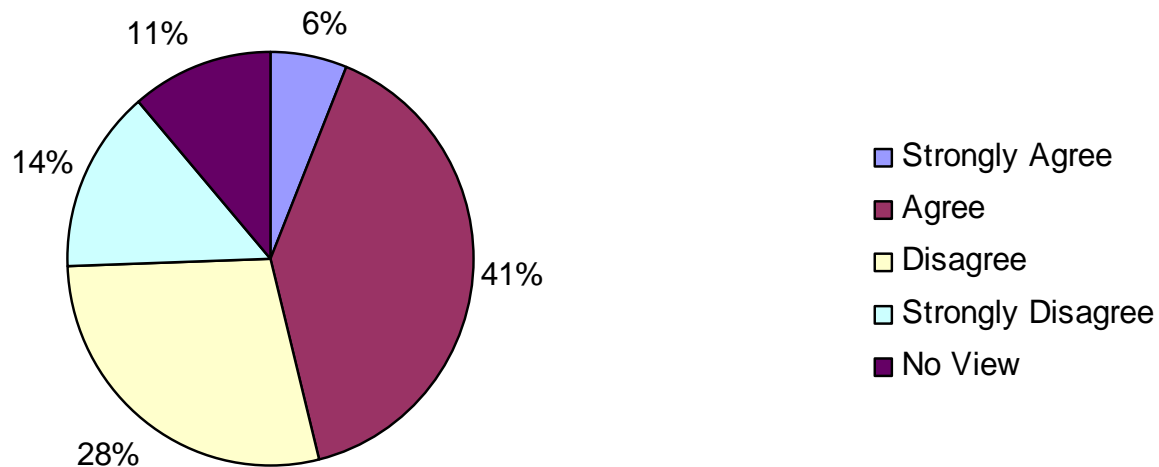
**2.7 Customer Agreed Remuneration (CAR), where payment is agreed up front between an adviser and his/her client, better serves the consumer**



Source: CII, PFS, E&Y Adviser Survey Sept 2007

## With 47% believing CAR will become an industry standard

### 2.8 Over time CAR will become standard across all financial advisory businesses



Source: CII, PFS, E&Y Adviser Survey Sept 2007