



What does the RDR mean for you?

On 31 December 2012, the financial planning and advice landscape changed forever. Changes introduced as part of the Retail Distribution Review (RDR) are now in effect, as the Financial Services Authority (FSA) tries to ensure that financial advice is provided in a professional, clear, fair and transparent way.

But what are the changes? And what do they mean for you?

Three main changes have been introduced as part of the RDR.

1. New charging structures

Before the RDR, many financial planners and advisers took payment for their services through commission. This meant that the company providing the product that you invested in would have paid your adviser a percentage of the sum you invested.

However, the FSA felt that payment by commission could lead to some advisers being influenced by how much they could earn from an investment. It was also felt that investors might not know the exact effect this method of charging had on their investment returns.

From 31 December 2012, instead of paying a commission on new investments, you will be asked to pay a fee, which will be explained and agreed up front.

What does this mean for you?

It means that you know exactly what you are paying and that the advice you receive has not been influenced by the amount of commission your adviser would make.

Paying through commission may have felt like you were paying less than a fee but, in reality, a fee is a visible means of payment that you agree with your adviser. This means that you make the decision, rather than the provider of the investment product. There are also different ways of paying the fees; speak to your adviser to find out more.

2. Clarity over the level of advice you will receive

From 31 December 2012 there will be two types of advice: independent and restricted. Independent advice means that your adviser must make a fair and comprehensive analysis of the relevant market in relation to retail investment products. Restricted advice may focus solely on a certain area, such as pensions or specific product providers.

Your adviser will explain the type of advice they offer so that you understand what it means, particularly for restricted advice. Firms that offer restricted advice are still subject to the FSA's suitability requirements, which mean that a product must be suitable for the client's needs.



Investment UPDATE

What does the RDR mean for you?



What does this mean for you?

This means that you will know what you are paying fees for. Your adviser will make it clear which products they can advise you on, and whether there are any restrictions. This should help you to understand more about the advice you are receiving and whether it is right for you.

3. High professional standards

From 31 December 2012 all advisers will need to be qualified to a new, higher level and must subscribe to a code of ethics. Advisers will also need to hold a Statement of Professional Standing (SPS) from an accredited body, which will prove that they meet these new standards.

In order to ensure that advisers' skills and knowledge are up to date, they will also be required to carry out at least 35 hours of continuing professional development (CPD) each year.

What does this mean for you?

It means that you can be assured that the financial advice you are receiving is professional and to a high standard. You can request to see a copy of your adviser's SPS as evidence that they meet these new, higher professional standards.



Summary

The changes that have been introduced as part of the RDR are part of an initiative to protect consumers, particularly after the banking and financial crisis. According to the FSA, the three main initiatives are designed to establish a 'resilient, effective and attractive retail investment market that consumers can have confidence in'.



Please ask for information about the changes that we are making as a result of the RDR. We will be happy to explain our charging structure, the level of advice that we offer and why we provide this type of advice. You can also ask us if you would like to see your adviser's SPS.

Important information

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation. You should not make any investment decisions based upon its content.