

**Fourth Quarter 2011 "Education Piece"
All change (for some) in Financial Services
(Updated June 2012)**

All change (for some) in Financial Services...

In just over six months the Financial Services profession will see its biggest changes in over two decades.

The name given to the proposals by the Financial Services Authority (our regulator) is "The Retail Distribution Review".

The new rules are designed to improve the quality of financial advice across the profession as well as the transparency of how consumers pay for the advice they access. The forthcoming improvements date back as far back as June 2006 and in part, began the journey of Wingate in creating what we believed would be the model Financial Planning Practice, in terms of professional standing and transparency of service and cost.

The FSA state three main aims for the changes:

- To improve the clarity on how advisers describe their services.
- To address the potential for the remuneration that an adviser receives to influence the recommendations they make
- To increase the professional standards of investment advisers.

We have provided some further detail on these points in this document, and how we believe our firm meets, and indeed exceeds, these requirements.

Clarifying an advisers 'independence'

Currently advisers can categorise their status as one of the following:

Independent

- Whole of Market
- Multi-tied
- Tied

It is unsurprising that the conclusion has been these categories could be confusing and from 1st January 2013 all advisers will need to either describe their services using only two terms "independent" or "restricted".

There is no clear comparison of these new 'labels' with the current categories and for example an "independent financial adviser" today will not necessarily remain independent in 2013.

Equally, and unlike today the "restricted" label should not be taken as a poor alternative to "independence" as this will cover excellent firms with clear and robust processes who, for perfectly reasonable and just reasons, have chosen to exclude certain types of investments or products when considering the most suitable financial planning solutions for their clients. This category will however also include commission orientated 'sales' advisers which could include institutions such as banks who have a suite of their own products where staff are incentivised to 'push' these solutions.

In many cases, restricted advisers will offer advice in a similar way as independent advisers do today and arguably this could lead to better outcomes for clients than 'independent' advice as this will typically be provided at lower cost.

Wingate Financial Planning's View

Of all the proposals put forward by the Retail Distribution Review, it is this area that we were most unsure about. It is our view that the majority of our clients can be at least as well

served by us with a restricted model. Conversely as the FSA have offered more guidance, clarified and changed some of the rules it has become easier to be independent. Unless something changes radically, we are confident we will remain independent post-2013.

How advisers will be paid

From 1st January 2013 it will not be possible for an adviser to offer advice and receive commission from a provider. In most circumstances that we deal with, this will be the same for both independent and restricted advisers.

The adviser charges will need to be agreed in writing with clients and in advance of any chargeable work being undertaken. Those institutions that offer their own products can continue to opt to take commission, in many cases hiding the cost of advice. This will principally be the banks, but also will include firms such as St James Place that make and sell their own financial products.

Wingate Financial Planning's View

Since its inception in 2008, Wingate Financial Planning has been exclusively fee based, and all our clients are given a clear understanding on the likely costs of work involved before we undertake any chargeable services.

The majority of our clients pay the fees through deductions from their pension or investment products. This can continue under the new rules and for many is a tax efficient way to meet our charges.

Professional Qualifications

It is a disturbing fact that the minimum financial services qualification that is required to be able to provide financial advice is equivalent to GCSE level. This is being addressed in the changes and from 1st January 2013 all advisers will need to have attained a higher minimum standard which will be equivalent to 'A' level. They will also need to provide evidence that continued professional development is being undertaken. These two commitments will be evidenced on a Statement of Professional Standing which all qualifying advisers must have from January 2013 and will be annually renewed.

Wingate Financial Planning's View

As a firm, Wingate Financial Planning has had a strong commitment to qualifications and was one of the first firms to be awarded the prestigious Chartered Financial Planner status. The designation Chartered Financial Planner is equivalent to a "Level 6" qualification which is broadly equivalent to an undergraduate degree, and directly comparable to other professional qualifications such as that of a Solicitor or Chartered Accountant.

Summary

As a progressive Financial Planning practice many of the changes that will be enshrined in legislation from 1st January 2013 already form a core part of our ethos.

There are many advising firms who are either struggling to meet the new requirements or don't have the appetite to meet the challenges and will exit the industry at the end of this year.

In contrast, having been five years ahead of this legislation, Wingate Financial Planning are already building on these foundations to ensure we remain a benchmark in financial planning practice.



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