

AIFA "Manifesto for Advice" – 28 January 2008

I very much welcome the "Manifesto for advice" which you publish today.

This is really good stuff from AIFA.

It represents an important step in advice provision.

It aims to:

... build confidence.

... raise standards.

... and spread good practice

I thank AIFA for challenging and reinvigorating the financial advice market.

This manifesto represents an important step in the debate, setting out the future of financial advice.

And I look forward to seeing the progress the IFA community make over the coming months and years as they put this manifesto into practice.

Finance is complex

The financial world is one of the most complex areas of modern life.

Many people often don't understand the jargon. And so are ill equipped to make informed decisions.

It is important that when advice is given it helps the customer. As your manifesto states, "the guiding light is do well by the client".

I welcome this focus on the customer.

Because, the most valuable advice is given in the interests of the client.

The customer needs to know when they are being advised and when they are being sold to.

So there must always be a strong segregation between sales and advice.

And your call for all advisers to subscribe to a code of ethics will help encourage this increased transparency.

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We all recognise that meaningful and consistent advice is delivered by those with the right skills.

So I welcome the call for a minimum qualification threshold.

It is, perhaps, unusual to hear AIFA call more rules, not less – but this is a mature step to take.

It shows real a willingness to engage with the regulator to create a better market place.

I am also pleased to see a focus on *pro bono* work.

From my own experience, offering *pro bono* advice can be a very worthwhile activity.

It allows society to benefit from your talents and in many ways gives the adviser a stronger link into their local community.

Advice does not work in a vacuum.

It is vital that there is a shared sense of purpose between firms, trade bodies, regulators and consumer groups.

So that all can engage in a mature debate about the future.

The financial world changes quickly – we only have to look at the volatility of the stock markets over the last week to recognise this.

But it is essential that there is a consistency and continuity in advice provision.

That the advice community has a “can do attitude” to take these proposals forward.

And that we all recognise the important role advisers play in our economy and our society.

So I call on all of you here to heed the words of John Gummer and “join a coalition of the willing to deliver a better market for all – firms, regulators and consumers.”

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Financial capability

The Government shares many of the aims in this manifesto.

We want to ensure people are better able to understand their finances.

... To know where to go for information and advice

... That the information and advice is impartial and honest.

... And that they understand the information or advice they are given.

That way people can make better decisions about their money.

We know there are already many good sources of trusted information and advice. Not least from many AIFA members.

And the Government is committed to taking this further.

Our aim is to raise the financial capability in the UK.

This initiative is led by the Treasury.

And we keenly await the final report of Otto Thoresen's review on Generic Financial Advice and I thank Otto [who is here today] for the work he has done to date on developing the concept of a national approach to generic advice.

But financial capability touches all areas of Government, not least my own.

As Pensions Minister, I want to see more people saving in a pension.

I want everyone can enjoy a better and more secure income in retirement.

And I know that better informed people are more likely to make the right judgements to plan for the future.

So your work will help us build towards that objective.

Challenges

Saving is crucial, because as a nation we face some long-term challenges.

Put simply, we are, on average living longer... but we need to pay for that.

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Some of the statistics bear repeating: In 1909 when the first State Pension was paid, there were 10 workers to every pensioner, today there are 4 and by 2050, there will be just 2.

Coupled with increasing longevity, too few people are saving for their retirement.

Only 40 per cent of those who have not yet retired are saving in a pension.

Yet around three quarters say they will need more than the State Pension to live on in retirement.

Rising to the challenge

The Government recognise these challenges.

We are determined to provide everyone with a way to save for a pension

So we are taking action.

I am currently taking the Pensions Bill through committee stage.

It will ensure everyone has the opportunity to get the benefits of a workplace pension scheme.

Addressing savings inertia and lack of provision.

Importantly, there is a broad and very real consensus for this reform across the spectrum ... from the TUC to the CBI

AIFA are a significant part of this consensus.

And I'd like to take this opportunity to thank you for your support.

Your support will help us to achieve our goals:

9 million people saving for the first time or saving more.

£10 billion more being saved in pensions.

A transformation of the pensions market.

Delivering a step change in saving.

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Conclusion

So let me, again, pay tribute to the new strategy AIFA are launching today.

It heralds a new confidence in financial advice.

So that you can deliver a professional advice community that all can be proud of.