



28 January 2008

Vibrant advice community vital to the financial wealth of UK consumers

The Association of Independent Financial Advisers (AIFA) is today (28 January 2008) launching its vision for the professional financial advice community – the Manifesto for Advice. The Manifesto is being launched at a Parliamentary event with Pensions Minister, Mike O’Brien QC MP. At the event, attended by leading advisory firms, consumer groups, regulators and politicians, AIFA will explain how a vibrant professional advice community is vital to the future financial well being of consumers across the UK.

Given an appropriate regulatory regime, the financial advice community can significantly improve consumer savings and investment levels and help reduce indebtedness – all key policy objectives for the Government. For example, access to professional advice for the UK’s 24 million households could see a national personal debt reduction of almost £30 billion.

Chris Cummings, Director General of AIFA, said:

“Whether planning for retirement, reviewing investments or cutting credit card debt, independent research shows that consumers are financially better off once they’ve been advised by a professional financial adviser. As the most trusted source of financial information, Independent Financial Advisers (IFAs) are in a unique position to improve the financial wealth of the nation.

”But, as an industry, we need to raise standards across the financial advice community to ensure we continue to serve consumers effectively. There is an appetite to change things for the better – as evidenced by the debate surrounding the Retail Distribution Review – but we need to ensure that we develop a regulatory regime that ensures the maximum number of people have access to good financial advice.

“We are calling on the Government to give their full support to professional advice and provide the regulatory framework, within which we can flourish, to the benefit of consumers.”

Mike O’Brien Q.C. M.P Said:

"I very much welcome the Manifesto for Advice. This is really good stuff from AIFA. It represents an important step in the debate, setting a vision for IFAs giving advice in the future, and I look forward to seeing the progress IFA's make over the coming years as they put this manifesto into practice."

Statistics compiled by independent research agency NMG show the value of advice and the use of advisers by consumers of all ages and social demographics:

- Within four years of the low to medium income population group receiving financial advice and only one in ten acting on it, young lower earners would have credit card balances averaging £800 – but this figure would be £1900 without advice. Overall credit card debt would fall from £2.5 billion to £830 million
- It has been estimated that within 10 years of delivering advice to people in the low to medium income groups, public expenditure savings in Pensions Credit could reach £100 million per annum. Furthermore these savings could rise to £400 million per annum by 2055
- Within four years of the low to medium income population group receiving financial advice and only one in ten acting on it contributions to pensions would increase by £560 million. Furthermore, on the same basis, annuity premiums would increase by £58 million (but would increase by £300 million by 2060 as more people retire with larger pensions pots)
- It has been estimated that within four years of the low to medium income population group receiving financial advice and only one in ten acting on it new contributions to medium term savings plans would increase by £1.5 billion net

Chris Cummings added:

"At the moment, IFAs tend to be used for pensions and investments. But given the impact that professional advice can have on consumers' wealth, we're calling on consumers to use financial advisers for all their financial needs including health protection, debt reduction and savings. It should be remembered that approximately one-third of consumers who receive advice from IFAs then take positive action to improve their financial situation without purchasing a product."

The manifesto has been launched during the FSA's Retail Distribution Review, which could lead to wholesale change in the way consumers buy retail financial products. The Manifesto calls for:

- Firms to move to remuneration models that prize on-going client service, recurring income, and reduce dependency on upfront initial commissions
- Transparency between product costs and advice fees – to help consumers better understand the value of advice
- Any aspect of an adviser's remuneration that might introduce possible bias or the possibility of conflict to be disclosed to the client in a way that is open, transparent and clear

- All professional advisers to belong to a professional body, and subscribe to a Code of Ethics
- A new minimum qualifications threshold for current practitioners to be set at “Diploma” level and a five year timetable with clear milestones along the way
- All advisers to recognise the value of pro bono work in advising on financial services

The Manifesto for Advice and the Value of Advice are available to view at <http://www.aifa.net/news/aifa-in-parliament/resource.php>.

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Notes to Editors

The Association of Independent Financial Advisers was launched in September 1999. Our role is to effectively lobby the Treasury, FSA, government, the EU and other opinion formers and policymakers to ensure the regulatory and business environment is positive toward members. It is AIFA's objective to play a critical but constructive role within the regulation process - offering insights from the "front line" of the market. AIFA is a non-commercial, not-for-profit trade body. We exist solely to campaign for light touch and proportionate regulation and work for a positive market for members.