



fowlerdrew

.....
RETAIL DISTRIBUTION REVIEW

**REFORMING
THE FINANCIAL
ADVICE MARKET**

BRIDGING THE GAP – OR WIDENING THE CHASM?

Report by Stuart Fowler, Fowler Drew Limited

Contents

	Page
About the author	
Foreword	3
Summary	5
Key features of RDR	7
Needs and awareness of need	9
Costs and access	11
Raising the quality of advice	20
Conclusions	26
Contacts	28

About the author



Stuart Fowler: Financial Author, Founder and Director of Investment at Fowler Drew Limited

Stuart is the founder and Director of Investment Management of Fowler Drew Limited (formerly known as No Monkey Business). He has worked in the investment industry for 40 years. As an institutional fund manager with Touche Remnant in the 1970s and Hill Samuel in the 1980s, he managed money for a wide range of clients, from overseas governments and pension funds to wealthy families and foundations.

In 1990 he set up Valu-Trac Investment Management to develop an innovative approach to investing, combining dynamic, computer-based asset allocation with the use of index-tracking funds. It was a very competitive international manager of US pension funds, thanks to good performance and large cost savings.

Six years later, he formed a business strategy consultancy in financial services. This led to the formation of a business with Chris Drew in 1999, to develop a radically new concept in private client portfolio planning and management for delivery to investors directly through the Internet and indirectly through IFAs. Though this venture was never funded, it gave a new focus to their consulting, as innovators in applying quantitative techniques within retail services ranging from financial advice to portfolio management.

In 2004, Stuart started Fowler Drew as a wealth management advisory firm embodying the thinking, principles and techniques drawn from his earlier career as an institutional money manager and business consultant.

As well as writing the book **No Monkey Business, What Investors Need to Know and Why**, Stuart has contributed articles to the Financial Times, wealth management publications and journals of his own professional body, The CFA Institute. He is also one of very few 'bloggers' in this field. He is a graduate of Oxford University.

Reforming the financial advice market: Bridging the gap or widening the chasm?

Foreword

In 2002 I wrote a paper published by the Centre for the Study of Financial Innovation (CSFI), with financial support from Accenture, titled 'The future of financial advice in a post-polarisation marketplace'. For that paper, written at the time of another attempt to reform the advice market, CSFI put together a working group from professional bodies, consumer groups, business consultants and practitioners.

Although the group did not reach a consensus about solutions, it came closest when setting out the objectives for public policy in this area. Five objectives were identified:

- 1 Spread awareness of the need to save
- 2 Cut the need for specific advice
- 3 Lower the cost of all financial advice
- 4 Increase ease of access to advice
- 5 Improve its quality.

Nearly a decade later, the Retail Distribution Review (RDR) is a much more far-reaching set of regulatory changes than any seen since self-regulation ended, itself testimony to the failure to meet reasonable demands for more effective consumer protection and a more efficient advice market.

This paper sets out to review the RDR **against the public policy objectives determined by that earlier CSFI group**, with the same practical focus on economically-sustainable models. It is not solely an assessment of the FSA, as the powers delegated to it originate from the Treasury and, via the Treasury, the Government of the day has had opportunities to take initiatives that promote any of these objectives that lie outside the remit of the FSA, as arguably the first two do.

As a financial writer drawing on professional investment experience, I have for a long time argued that the distribution model for UK financial products is flawed, leading to a lack of competition, frustrating innovative business models, raising costs unnecessarily, encouraging biased advice and unsuitable product sales. I have also argued that the retail distribution model was a major reason for the gap between the skill base in retail finance and its institutional cousins. These opinions informed every aspect of the wealth management and advisory business I formed in 2004. Not surprisingly, I therefore welcomed the FSA's initiative in RDR to force through changes in the business model and to raise standards.

As a fan of RDR but assessing it against the broader and more balanced public policy objectives we defined in 2002, I have surprised myself at my progression from fan to critic. But I believe the logic holds up and it is the logic that has merit.

Reforming the financial advice market: Bridging the gap or widening the chasm?

RDR is an experiment in market intervention whose consequences are far less clear than the FSA has argued. Though reform of perverse incentives in retail finance was long overdue, the overarching strategy assumptions of RDR and the detailed implementation appear to be less than optimal. It is unfortunate therefore that the Treasury and Parliament did not take more interest at an early stage. This would not have guaranteed better decision making but would have given the changes more authority.

This assessment is mine alone, except where other opinions are attributed.

July 2011

Summary

Never again'

The Retail Distribution Review (RDR) is unusual in the FSA's brief history as a fundamental and far-reaching intervention in the workings of markets, affecting each of business organisation, revenue models and employee qualifications. The burden of proof of costs and benefits from market intervention ought therefore to be much higher than for the typical, incremental changes in regulation that the FSA makes. The strategic case should be strong. Evidence should be quantitative and robust. The implementation detail should be smart and practical.

Four years into the process, there are very strong feelings in the market that the FSA set the bar too low for justification of its intervention and, even then, did not even manage to clear it. These are criticisms of process. But responsibility lies not just with the FSA, which operates under powers delegated to it by the Treasury, but with Parliament for not making sure it, not the FSA, determined where the bar was set for deciding whether to intervene on this scale.

The Treasury Select Committee got involved late in 2010, heard evidence and gathered written submissions. At the time of writing this paper, the TSC is about to report its findings. We have to be realistic about its ability and willingness to influence events at this late stage.

- It is hard to imagine the TSC proposing delay or large changes now: it would exasperate the industry and be misunderstood by its customers.
- I very much hope to see constructive criticism of process and a clear warning: *never again*. But I am not holding my breath.
- There should be an analysis of the weaknesses in the strategic thinking which led to poor trade offs from the outset, but this is not what committees are good at.

This is not written as 'the alternative TSC report'. I have no axe to grind. When I think about what an RDR-complaint business looks like, from the narrow angle of my business and its high-end customers, I have no issues. But when I put on my public policy hat and think about the issues for the market as a whole and about the needs of consumers, I find serious flaws in both concept and delivery. These flaws mean that RDR will almost certainly disappoint expectations (which by now are already pretty low) and may even do more harm than good.

Key conclusions

- 1 RDR is not designed to meet the public-policy objective (defined by the CSFI working group in 2002) of lowering the cost of advice and increasing public access to advice. It will accelerate a widening of the 'advice gap' that stems from its difficult underlying economics.
- 2 The RDR initiative started at the right point: poor ethics and bias in agency businesses reflect incentives – in this case, commissions in the independent advice market and remuneration in the tied sector. Not only were these legitimate forms of intervention but the FSA could even be criticized for dragging its feet dealing with both, following reviews conducted some five years before.

- 3 The improvements in the quality of outcomes stemming from a commission ban are worth having but there is still a risk they will not be obtained as the implementation proposals (still – amazingly - to be finalised) threaten too much leakage.
- 4 The FSA has (naively and in good company) exaggerated the benefits to be obtained from higher technical skills and so there will be no significant benefit to offset against the costs of imposing a 'professional' structure on the industry. It was not necessary in order to achieve the behavioural changes it wanted to see because these were being addressed by its actions on incentives.
- 5 Squaring the public policy circle of cheaper, better and more accessible advice in the mass market required insights into the importance of hierarchical business organisation, using technology to disseminate skills developed and held at a high level down to multiple point of contact with customers. The professional model is vastly less efficient, mandating equivalent skills at every level and driving up costs. There is no evidence the nation can afford such a luxury. The professional model allowed the FSA to outsource supervision to newly-accredited professional bodies but this is too narrow an interest to be good public policy.
- 6 It should have been obvious that making an efficient trade off between quality of consumer outcomes and affordability or access meant focusing not on the independent sector but on the banks, where foot dragging had (on the evidence of upheld FOS complaints) done the most consumer harm. From an early stage, RDR seemed designed actively to disengage the banks. The decision by Barclays to withdraw from providing advice in its branches and by Lloyds (apparently) to move upmarket point to a failure to get this right.
- 7 Reacting very late in the day to industry warnings about an increased 'advice gap', the FSA has challenged the industry to come up with 'simplified', low-cost methods of needs analysis and product matching. Looking more like the hierarchical industrial model, this solution is handicapped by FSA insistence it must meet the same suitability tests as full advice. With consultation on Simplified Advice not yet off the ground, it may be too late to rely on this to plug the advice gap.
- 8 The FSA's new distinction between 'independent' and 'restricted' is counter-intuitive and confusing for consumers and alters the competitive position of firms in a way that cannot be justified. This is one change the TSC could call for that will not entail wasted effort or cost by firms in preparation.

1. Key features of the RDR

Combining two cures

As a set of regulatory initiatives, the Retail Distribution Review (RDR) has two main strands:

- 1 Dealing with claimed commission bias, where earlier initiatives had failed, by forcing changes in the way customers pay for advice, explicitly instead of bundled in the cost of products
- 2 Improving the outcomes of that advice by raising and broadening exam requirements for all advisers working directly with retail clients and by outsourcing policing of personal standards of professionalism to approved professional bodies.

The first strand treats poor consumer outcomes when dealing with the industry as the product of market failures that stem from a particular and dominant way of charging. The importance of this cannot be overstated. Why else did reforms of the advice market carry the word 'distribution' in their name from day one, and not the word 'advice'? It is a matter of debate whether a commission-fuelled method for packaged-product manufacturers to deliver products to market does lead to biases in advice about what products to buy but the FSA has *always* believed that it leads to harmful biases and had evidence to satisfy itself.

If it believed this was the main source of detriment to consumers, explaining all of excessive costs, unsuitably risky products and poor persistency of long-term savings contracts, then it did not need to make any other changes immediately that would bear on the quality of outcomes. It could have waited to see whether business model changes altered behaviours in the way it wanted. However, the notion of professionalism that runs throughout the RDR publications has another motive, which is to enjoin professional bodies in the policing of behaviours. Whether or not this was the intention, this has the effect of reducing the burden on the regulator and disbursing the costs of regulation more widely.

Business organisation

It is significant that the first of the two strands has a bearing directly on the way businesses organise their affairs whereas the second works directly on individuals. There is only no tension between them if a modern advice business is (or should be) made up of lots of people with broadly the same qualifications and functions delivering the same holistic service, like GPs for instance. If the FSA has got the 'professional' model for financial advice wrong, the second strand risks interfering with the first by preventing more efficient and sustainable ways of organising the same skills within a business. In that case, tension between these strands represents a potentially fatal flaw.

If we try to identify the businesses that already look most like the FSA's professional model, they are the practitioner-owned firms that are most fragmented, least well capitalised, least able to adopt technology and most handicapped in extending their services into lower-wealth households.

A corollary of creating an advice 'profession' with particular common attributes was that the FSA discovered after it launched the RDR initiative that it needed to extend the reach of the new rules beyond IFAs to all other intermediaries distributing packaged investment products, including private banks, and to all private client firms using either packaged products or individual securities to build portfolios, including stockbrokers and discretionary managers. This effect held even though the FSA apparently had never suggested that the commission model as applied in stockbroking caused consumer detriment.

The effect of imposing the same qualifications on staff working in these areas is to raise costs and possibly cause redundancy but without the same chance of achieving benefits in improved consumer outcomes.

Other RDR initiatives

There are two other strands of the RDR that will have an impact for better or worse on the way the future advice market works but I expect them to be less important.

- Small investment firms will now have to hold more capital
- All firms will have to disclose their status under a new definition of 'independence' which emphasises the holistic breadth of their opportunity set – if the opportunity set is restricted (eg excluding life funds or pension products) it cannot be called 'independent'.

Higher capital requirements are of very limited impact as they mainly bear on small practitioner-owned firms that are already not economically sustainable and would for the most part have been sold or wound up in time without the RDR initiative. The FSA may be happy to see this consolidation process speeded up, both because it make supervision easier and because it sees the bottom of the food chain as most vulnerable to conflicts of interest in the triangular relationship between intermediaries, weak consumers and strong product manufacturers. It would be entirely consistent with its view of the professional practitioner business model that it might expect these problems to be eased by greater economies of scale in the same type of business. This is not obviously the case, however.

From a customer perspective, the new status distinction between 'independent' and 'restricted' is far from intuitive. It is certainly less so that distinctions more obviously associated with agenda differences or agency/principal conflicts, such as ownership of the firm or contractual agreements to distribute only the products of particular manufacturers. In terms of signals to weak consumers, the change is likely to do more harm than good.

2. Need and awareness of need

Context but not scope

Spreading awareness of the need for advice was never a direct objective of RDR so it would be unfair to assess it on this basis. The CSFI's views on the policy objective of simplification (to cut the requirement for specific, customized advice) are relevant for assessing government policy in these areas but not the FSA and not RDR.

However, awareness is an important part of the context for RDR, as an aspect of the FSA's consumer protection remit.

What the CSFI Working Group said in 2002:

Increasing the participation rate (the number of households saving and the adequacy of their level of saving) requires:

- Convincing people about the reasonableness and sustainability of long-term government policy in this area
- Promoting consumer 'awareness of need'
- Promoting information about an extended range of CAT-marked vehicles
- Joined-up policy making for savings and benefits – at present, serious tax disincentives operate at the income levels politicians are most concerned about
- Provision of both advice and products by frequent-access consumer agents, such as high street banks, supermarkets and the Post Office
- Promoting low-risk savings products as well as higher-risk investment products

The RDR strategy reflected from the outset the FSA's conviction that UK consumers of financial services are weak. It means regulation has to protect consumers against exploitation by strong agents. The FSA view is rightly not one-sided. It believes consumers are more vulnerable, for instance, because of their poor numeracy, lack of engagement and not shopping around. These are things people could do something about. But first they need to be aware of their vulnerability and have some insight into its impact. The FSA has a budget to promote awareness but this is not directly a part of the RDR project.

Market versus institutional solutions

The CSFI group was biased to market-based solutions for promoting awareness. It had this in common with the Sandler Review. But the group did see institutional solutions as necessary at the bottom end of the market, where problems requiring advice are focused on the complex benefits system (and its interaction with taxation and private savings and earnings) and debt management. A parallel project to RDR addressed this: the Thoresen Review of 'generic financial advice'.

Money Advice Service

A key output of the Thoresen Review is the Money Advice Service (MAS). This builds on the work done on the consumer information area of the FSA's own website, which is highly competent yet has had little scope to impact the market because it has not attracted traffic.

The MAS content builds on rules-based, logical systems for outputting answers. Intriguingly, automated advice systems, powered by text logic or mathematical algorithms, were a key focus of the CSFI group, but were then still in their infancy in the UK (albeit developed systems with successful business economics could then be observed in the US). But in the MAS these answers are not actually solutions to problems, only identification of the problems. Though specific to the details about personal circumstances entered by the user into the system, they are also entirely generic in nature. Albeit a good way to highlight the need for advice and its type and possible sources, MAS is not an advice service.

Compared with the CSFI analysis of need, the scope of the MAS is heavily focused on two areas of finance that assume affordability: insurance and savings. Benefits and debt are not well dealt with, perhaps because the benefits rules are so complex that they defy the simplifying logic of decision trees.

The MAS budget comes from the industry. There appears to be a low level of support for it, even though it might be viewed as a channel to the industry. Firms operating in the market for insurance and savings fear it will encourage partially-informed self-determination, as users treat it as a source of advice rather than analysis of the need for consequential, specific advice. They are therefore angry that its working title of 'guidance service' was changed to 'advice service'.

It remains to be seen whether the MAS will make a greater impact than the FSA's own consumer website. It is not much comfort to learn that another institutional marketing campaign, some £4m spend on increasing public awareness of the Financial Services Compensation Scheme, has (according to the most recent annual report) not had an impact: "The key findings are that there was no significant uplift in awareness of a compensation scheme and total awareness of the FSCS is largely unchanged".

Personal Finance Education Group

Another initiative relevant to consumer awareness that is unrelated to RDR is the Personal Finance Education Group, which attracts partly self-interested support from financial services companies, in the form of the development of teaching programmes and provision of volunteers.

In the decade since the CSFI paper, financial education has been on young people's curriculum to an unparalleled extent. But the weaknesses that affect consumers are not so much about the framework of contextual information, such as insurance and investment, as the capacity to process information. Improving capacity is mainly about teaching basic numeracy better and then about anchoring maths in practical contexts, such as 'chance'. It would be better to teach poker than personal finance.

3. Cost and access

Inseparable objectives

Reducing the cost of advice and increasing public access to the advice market were the two most important public policy objectives identified by the CSFI report. They are inevitably linked if the cost of advice can either be unaffordable or irrational relative to the benefit. Both apply to financial advice:

- High cost can reduce access
- Access at high cost can have as bad effects as no access.

What sort of effects are we talking about? The CSFI paper did not do any original research but drew on third-party sources of social costs of both exclusion and access at high costs. The thematic link is 'inefficient choices'. Those identified then appear relevant today.

- Inadequate levels of insurance protection against low-probability, high-impact events
- Inadequate provision for retirement spending
- Low after-charges product of the nation's stock of savings and investments in financial markets
- Irrational risk choices in both borrowing and investments.

Market segments

The paper identified three different market segments where inefficient choices were clustered:

- 1 Low end: economically unattractive to both banks and independent advisers
- 2 Mid-market: attractive to banks and independents but often at irrational cost or risk choices
- 3 High-end: no access problems but wasteful costs damage outputs

The working group did not have the expertise to propose institutional solutions for exclusion at the low end. As noted, neither were they an objective of RDR as it presumed separate institutional arrangements resulting from the Thoresen Review. Our main focus was on the mid-market failings. Not only did we think the market at the high end could look after itself better but we also assumed that solutions leading to lower costs in the mid market would spread to the high-end market, as had other disruptive mass-market service that had already appeared (online banking, offset mortgages, fund supermarkets and discount brokers).

Mid-market failings and the banks

The UK is unusual in having a well-developed advice industry that rivals high-street banks for distribution of investment and protection products.

Other countries share with the UK the decline of direct sales of insurance but that has been balanced in other countries by the emergence of vertically-integrated bancassurance formats in which insurance is a manufacture and banking a retail outlet. This allowed banks to dominate distribution. The bancassurance model has not worked as successfully in the UK and the independent sector is much stronger. Both may have something to do with the regulatory change that led insurance-company sales

staff and 'inspectors' of distribution agents to leave the industry to set up the new IFA businesses spawned by legislative change.

Our conclusion was that lowering the cost of advice and lowering the threshold access level of household income and savings both depended on strategies in the high street banks. We did not see the independent sector as having the industrial organization, economies of scale or access to capital to reach down. It was easy even then to detect an upward drift in the entry level for customers of IFAs.

Where did banks figure in the FSA's thinking?

For whatever reason, the FSA has never openly expressed the opinion that improving public access to financial advice depended, as we suggested in 2002, on the banks. Not only has it not, therefore, worked closely with the banks to consider solutions but the record shows that it has also failed to address the perverse incentives in the banks.

Throughout this period, detailed data published by the Financial Ombudsman Service show high street banks dominating the number of total complaints in life and pensions, and in investment services, which is not surprising given their footfall, but also with a depressingly high proportion of upheld complaints. This coincides with the scandal of mis-selling of PPI policies which was eventually settled only when banks decided to stop using the courts to try to minimise financial loss and instead to compensate to minimise reputation loss.

Both sets of consumer complaints result from perverse sales incentives in the banks. They reflect systematic weaknesses in compliance authority relative to the power of the marketing department but there is no question that they start and end in the boardroom.

Other firms in this industry are rightly vexed that the FSA has focused so much of its attention on the business models with a good complaints record and failed to deal with the obvious and systematic problems in banks.

It is possible to take the view that the FSA chose not to make the banks critical to improving access because of their poor record: why engage the people who cannot be trusted? Based on what the FSA has said and not said, it is more likely that both the pivotal role of banks and the problem of incentives were separate blind spots in its market analysis.

Whatever the explanation, the effect is that the RDR strategy never appears to have been informed by a particular, let alone vital, need to engage the banks.

How are banks responding to RDR?

Barclays pulls out

In January 2011 Barclays announced it was withdrawing from providing advice in its branches but will continue to service sales it has made in the past. Apart from Barclays Wealth and online services for knowledgeable self-directed investors, it has nothing to offer the mass market. It attributed the decision to cost increases resulting from RDR but that is no to say that it did not in any case need to review the sustainability of a business line which involved high compliance risks.

Lloyds moves up market

In June 2011 the new CEO of Lloyds Banking Group announced, as part of a strategic review, that it was committed to the bancassurance model that validates the retention of Scottish Widows as manufacturer of financial products.

Coming after Barclays' decision this was good news for consumer access – on the surface. But the clear implication of its statement is that this will shift the entry level significantly higher:

'Our goal is to be the primary wealth advisor to our UK mass affluent, affluent and high net worth customers, with a goal to more than triple the number of in-proposition customers, and to increase income per customer by more than 50 per cent by 2014. To deliver this, we will invest in new coverage models to better meet our customers' service needs, electronic capabilities such as an improved on-line channel and an execution-only service, and a new investment platform incorporating Scottish Widows' and third-party products.

The upward march of the entry level

Even before RDR, the notional entry levels of household assets and income at which advice becomes accessible have (by all accounts) risen and the FSA would have been aware of this trend.

It has contributed to it, to the extent regulation costs for financial services firms have increased faster than general costs. However, it is not obvious that regulatory cost increases prior to RDR have been a significant factor raising the entry level, given their relatively low share of total costs. Indirectly, costs may have risen because of increasing awareness of the concern about the possible costs and penalties of not complying with existing regulations.

It is also possible that RDR has had the effect in the independent and tied sectors, and not just in banks, of triggering overdue strategic analysis of existing business models, highlighting inefficiencies in profitability, capital allocation and risk control that existed long before RDR. Given the low level of return on capital and fairly widespread instances of loss, as well as the increase in capital requirements for small firms imposed by RDR, it was a safe assumption that many firms would choose to exit rather than risk putting good money after bad.

There is also anecdotal evidence within the IFA sector that the cross subsidies inherent in the pricing of financial services have attracted more attention because of increasing adoption of segmentation analysis. The Pareto Principle (or 80:20 rule) could have been based on IFA and wealth management firms where revenues are a function of asset values rather than service delivery cost.

Direct RDR effects

Even if the FSA was not attuned to the way its RDR initiative would lead firms to focus (perhaps not before time) on underlying cost and profitability issues, it did at least have to consider the direct incremental impact of RDR itself on costs and hence on access. The potential impact presumably looked very different depending on which of its two main initiatives it was considering.

- 1 An unbundled fee for advice was directly comparable with the bundled cost with commissions
- 2 Higher exam standards and a professional business model would raise industry costs.

An important insight of this analysis is that these two approaches to reforms have fundamentally different implications for cost and access. Whilst both interfere directly in the economics of advice firms,

the first makes no presumptions about the optimal organization of firms, whereas the second imposes a particular form of organisation and in doing so excludes or impedes others that might have different impacts on cost and access. There is no evidence from the consultation process that these effects were considered.

Effects of unbundling on costs

The FSA made it an explicit aim of RDR to reduce customers' total costs of investing as a way of eliminating wasteful expense (because it sees the costs avoided as offering no value) and increasing the product of the nation's savings and investment.

These arguments for intervening in charging methods might even have justified action without arguments based on consumer detriment arising from commission bias. The CSFI paper had made the same arguments for intervention, on competition grounds, based on the effective monopoly of a single distribution model. Commissions had led to dependent relationships that prevented competition working effectively.

For RDR to achieve this aim, the release of competitive forces must lead to lower costs for products and advice separately than when bundled. Is this likely?

First, it is not at all clear yet that product costs will come down by the amount of typical trail commissions, which is 0.5% pa. We do not even have full information about the comprehensiveness of the commission changes:

- existing trail can still be paid (but out of what?)
- the FSA's has blinked on the key question of whether providers can pay trail to platforms, which could be a serious leakage in the planned transfer of pricing power to agents.

In practice, unbundling will for the first time attach VAT to much advice so product costs will need to fall by more than the trail to avoid an increase in total cost.

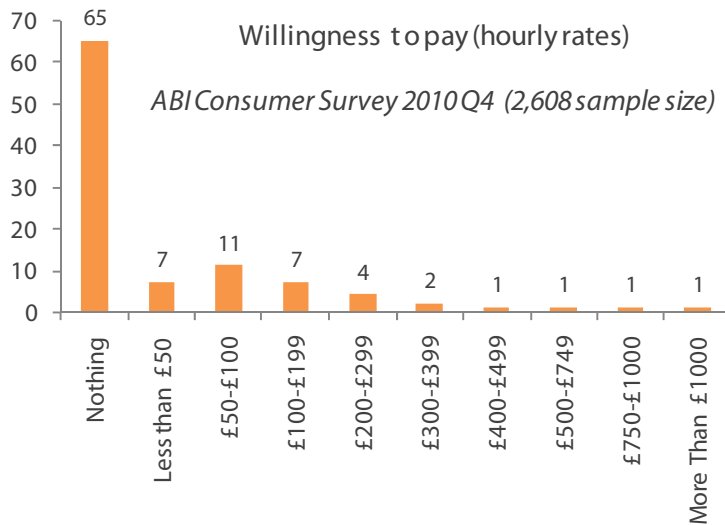
Second, consumer research indicates that the public are not willing to pay the unbundled cost of advice. If true, it is consistent with the FSA's view of weak consumers, since they are presumably unaware of what they are paying already. Agents have themselves to blame, because they connived in the pretence that advice was free.

The cost of pretending advice is free

Of 817 surveyed customers of bank or IFA, % who said the advice was free:	Of 2,608 surveyed, % unwilling to pay for pensions/investment advice:
69%	65%

Sources: ABI, 2010

Recent survey evidence (2010 or later) of what consumers are willing to pay has been conducted by ICM, ABI and KPMG. The proportion not willing to pay anything varies between 50% and 65%. The proportion willing to pay more than £100 per hour varies between 3% and 17%. If the actual cost is around £200 per hour, only 1 to 10% appears willing to pay what it costs. The results of the ABI survey are shown below, as a distribution by fee band.



It is beginning to look unfortunate that the FSA does not have a budget for promoting awareness, as advisers will need all the help they can get making up for lost time and charging properly and also exerting unaccustomed force on providers.

Sensitivity to these uncertainties appears greater for access, as low advice charges threaten to shrink supply and high charges to raise the entry level and squeeze demand.

These add up to very large sources of uncertainty for such a significant market intervention.

Effects of exam standards on costs and access

Assessment of the expected effects of the 'raising standards' element of the reforms has typically focused on the short-term effect of driving older IFAs (and small firms without scope to become RDR qualified) out of the market.

Estimates of attrition have been all over the place and do not typically differentiate between the effects of higher qualifications, disruptive changes in revenue models and increased capital requirements. Nor do they differentiate between types of firm. Consistency is not observable between them or over time.

It is interesting that the FSA appeared to view adviser attrition as a tolerable cost for improving consumer outcomes. But no evidence was offered that any particular attrition rate was a price worth paying for improvements in average skill, as though it was self-evident that the trade off was a good one.

How to upset MPs

"We have some suggestions that 10-20% reductions in capacity could flow from the RDR measures, we have obviously deemed that to be acceptable or we wouldn't be going ahead"

*FSA CEO Hector Sants in evidence to TSC
November 2010*

In the absence of evidence, some people have assumed that the FSA's own supervision experience gave it direct experience of a connection between outcomes and qualifications: the 20% contained a disproportionate number of 'cowboys'. If it had such evidence, it should have referred to it.

The incoming CEO of the Association of Independent Financial Advisers, Stephen Gay, is relatively sanguine about the loss of advisers, viewing it as a short-term frictional effect. But

whilst their loss may be made up eventually by new entrants to the industry, that does depend on the longer-term economic effects of the reforms as a whole.

People will not necessarily be attracted to an industry with high professional qualification thresholds if they do not also look likely to enjoy high lifetime employment income or if their income is highly vulnerable to economic and investment cycles. Sustainability depends on the economics of the industry.

Effects of a professional business model

Assessment of the 'raising standards' initiative has not typically focused on the implications of imposing a particular form of business organization at the expense of others. I believe this is an important oversight.

The focus of the CSFI working group was on identifying changes that would support economically-sustainable businesses, as the current distribution model was not only clearly not in consumers' interests but it was not even generating high profits. It was wealth destruction by waste.

This led inevitably to division between the consumer advocates in the group, who tend to see membership of a professional body as a useful externality imposed on for-profit firms, and business managers and management consultants, who expected solutions to come from hierarchical structures for holding and disseminating skills, with technology at their core.

An example of the former is a pure financial planning firm with all its advisers with customer contact similarly qualified and 'chartered'. The second looks more like a bank, with skills concentrated centrally and distributed to multiple points of customer contact using software programmes or decision trees to control the outcomes of processes in a logical, consistent and compliant way.

Even in 2002 it was possible to point to a small number of innovative businesses, notably in the US, that were using technology to distribute professional skills cost-effectively, both B2B and B2C. Today a number of provider platforms and fund supermarkets support either adviser or end-user decision making by interacting with financial models, such as for resource planning for a goal and asset

allocation. Software applications have since proliferated in the advice market for both lifetime cash flow planning and psychometric customer profiling. These are all ways of distributing skills that require user training but do not seek to replicate the skill of their originator.

The FSA chose for us the professional model in which everybody with client contact has broad and deep, and equivalent, skills. The skills are tested by examination and maintained by continuous professional development. It did not necessarily need to go a further step but it did: the supervision of qualifications and CPD is effectively outsourced to a number of approved professional bodies. It is possible this was a major factor influencing the FSA's choice of a professional model.

The FSA's approach will actively discourage the public policy objectives of lowering costs and increasing access.

Can Basic and Simplified Advice plug the advice gap?

Background

The original RDR proposal assumed a two-tier approach to advice, with the pre-existing Basic Advice regime modified to become Primary Advice and acting as an alternative to full advice that might fill the gap left by the upward march of the entry level for full advice. However, the two-tier approach has not continued uniformly throughout the consultation.

- Primary Advice was dropped (in 2008) and Basic Advice revived
- Simplified Advice, which the FSA has always understood to be 'guided' and therefore 'advice' under its conduct of business rules (and MiFID), has not been part of its proposals. Because of industry concern about the RDR impact on access, the FSA has been open to the industry proposing workable solutions for the FSA to approve. But it only has plans to consult with the industry later in 2011.

The effect of not running both together is that it has been impossible during the RDR consultation process for interested parties to identify properly the impact of RDR on access and hence to assess the trade offs RDR involves. This is regrettable.

Simplified Advice, which looks more like the hierarchical and technology-driven processes envisaged in an industrial rather than professional model, appears to offer a means to prevent RDR making bad trade offs. However, it is handicapped by the FSA's concerns about adapting interpretation of its rules – the same problem that has blighted Basic Advice.

Basic Advice

Basic Advice has existed in the market since 2005 following the recommendations of the Sandler Report for a lower-cost sales process for a suite of simple, 'stakeholder' products. The Sandler concept presumed simple products for a simple purpose.

- For a given purpose, the product features of a stakeholder-qualifying products have to be homogenous so selection between them is not required or would not affect outcomes
- Advisers using the Basic Advice option are governed by the FSA rules on assessing suitability but a full Fact Find is not required and there are only a few personal circumstances that would make a sale unsuitable (such as age or debt levels)

- The sales process relies on pre-scripted formats.

The RDR proposals eventually had two effects on Basic Advice.

- Adviser charging would not apply
- It was not necessary for advisers to meet the new exam requirements.

At the time RDR was proposed, the FSA would have been able to assess the market impact of Basic Advice. On the evidence, it could not seriously have expected this to have compensated for the upward march of the entry level prior to RDR or to compensate for further increase after RDR. The Sandler 'suite' concept for different purposes was never adopted and instead Basic Advice is largely confined to stakeholder pensions, which themselves are now likely to be less important with the introduction of auto-enrolment. Advisers appear to lack confidence about the regime for ex-post assessment of suitability either by the FSA or the FOS. They have to trust guidance about how the main rules will be interpreted or adapted to be applicable to a Basic Advice sales process.

Simplified Advice

The British Banking Association (BBA), the Chartered Institute of Insurers (CII) and the Association of British Insurers (ABI) have lobbied the FSA about a Simplified Advice channel for simple solutions for simple needs. A number of providers, including AXA and Aviva, have made proposals to the FSA. So have several national IFA firms.

A common assumption is that the channel will use pre-formatted needs analysis tools (like the Money Advice Service) and, where the requirement matches up with an approved type of need and a homogenous product can be matched to the need, a specific recommendation can be made without a full fact find and without well-developed dialogue about objectives and risk attitudes.

As part of their lobbying, the trade bodies and providers have identified types of need they thought qualified. They are not identical. The broader the scope, the greater the challenge posed by the absence of a fact find and interactive development. For instance, several proposals include equity ISAs but these are only wrappers for holding exposures to risks and those risks are hard enough to deal with satisfactorily even with a full advice process.

A key issue for the FSA will be whether, for any need and product, the data analysis route really does lead to one or other focused solutions, so all other possible needs or solutions can safely be ignored, or whether a more holistic approach is often or usually required.

Amongst providers lobbying, Aviva has highlighted the key problem that if guidance has to be provided by fully-qualified staff this approach will not work. I believe many firms have in the past investigated internet or telephone-based simplified and focused sales channels and concluded that access to personal guidance is critical. This is one of the reasons Basic Advice has not taken off. It is also the reason why the FSA's insistence on identical suitability tests may scupper Simplified Advice.

The attitude of the Financial Ombudsman Service is also important to this project. It has been reasonably constructive, albeit its guidance is necessarily somewhat vague:

"Simplified advice" processes must comply with the same regulatory requirements as those involving full advice – including that the advice has to be "suitable". But in any complaints we might receive, we would

Reforming the financial advice market: Bridging the gap or widening the chasm?

judge the advice in the specific context in which it was given. So we would not expect a "full fact-finding" exercise. But we would look at the questions asked and the options open to the particular consumer concerned. Where the "simplified advice" involves an automated process, we would look – as part of our consideration of any complaint – at whether there was a good record of the information the consumer gave and the choices they made.

4. Raising the quality of advice

Professionalism and incentives

I have described the RDR initiative for improving consumer outcomes as operating on two parallel levels:

- 1 Dealing with the incentives to make suboptimal recommendations that the FSA believes result from the commission model
- 2 Raising skills for all of the 50,000 individuals in financial services who advise clients by imposing a new minimum exam standard and outsourcing oversight of ongoing CPD and personal ethics to approved professional bodies.

Assessing RDR against the objectives set out by the CSFI working group, I have to be strongly supportive of the first.

- The CSFI group agreed that misaligned incentives were fundamental to the appalling history of abuse of consumers' trust by UK financial services firms
- Commissions acted as a monopolistic business model preventing competition by alternative means of distribution – supporting an important and surprising observation of the Sandler Review team
- Commissions generally acted to increase consumer costs even in the presence of growing numbers of competitors
- All previous attempts to reform financial services had failed on the back of the dominance of the commission model.

Applying the group's analysis to the adviser charging stream of RDR, it was likely to

- reduce bias to several general categories (investment bonds, structured products and active management)
- remove bias to specific products within any category paying higher levels of commission
- encourage use of low-cost, homogenous products
- increase persistence, as the incentives to oversell solutions that are not clearly optimal are reduced or removed.

Whilst the adviser charging stream is likely to have important benefits for consumer outcomes, it is not the main source of threat to access, except perhaps on a frictional basis as some firms struggle to adapt.

By contrast, I have suggested that the professional model stream of RDR will have a significant and permanent impact on costs and access. The presumption made by the FSA is that professionalism will improve outcomes over and above changes in incentives, implying that there is a trade off to be had between those gains in quality of advice and the loss in access to advice. We have questioned whether this is a trade off the FSA should have tried to make on its own initiative under its delegated powers. In this section we question whether there is even any evidence of better outcomes arising from raising standards that would not have been enjoyed by dealing with incentives.

What the FSA claimed

In its summary of the first RDR document, a Discussion Paper in 2007, the FSA posited a number of connections between consumers, advisers, markets and products, as follows.

Many retail investment products have complex charging structures and it is often not clear how benefits accrue to consumers. Consumers purchase them relatively infrequently, so have little experience to draw on. They tend to find the risks and commitment involved hard to understand and the 'price' of the product hard to determine. The low level of financial capability among many consumers, together with a lack of interest and engagement, mean that consumers do not act as a strong force in this industry.

Those providing advice can do so with relatively little training and testing when compared to other professions. So one reason why the problems of consumer understanding set out above may be occurring is because the provider of the services cannot explain the benefits, risks and costs of the services sufficiently clearly. And consumers have low levels of trust in those selling and advising on investment products, not least because of past cases of widespread mis-selling.

In suggesting these connections the FSA was reiterating assumptions that had been common currency since the frauds that gave rise to the first Financial Services Act and the subsequent mis-selling scandals of the 1980s. Neither is self-evident.

- 1 *Consumers do not trust the industry:* an alternative explanation of their poor experience at the hands of the industry is that they are lazy, they look for dependent relationships, they look for proxies for selection (such as 'personal chemistry') and do not learn from their mistakes when gullible in the past- all symptoms of being too trusting for their own good. Whilst some customers are genuinely dependent, many more make themselves dependent.
- 2 *Agents are not sufficiently qualified to understand the benefits, risks and costs of services so cannot explain them:* or they understand them all too well but exploit their information advantage (or are required to by their employers) to maximize profits.
- 3 It may be true that *charging structures and product structures have typically been too complex for consumers to assess relative to the benefits* but this is what you would expect to follow from the first two conditions.

If this alternative interpretation is more accurate, the problem is not one of individual skills and business standards but rather of corporate business standards – a problem with owners and managers not with employees. Indeed, if you tried to fix a problem that originates in the boardroom by imposing penalties on employees who follow orders, you simply make their position even more untenable. It might be effective as a means of bringing management into line but it is also unfair.

The FSA has tried to deal directly with senior management to address perverse incentives and problems of management culture, through its Treating Customers Fairly (TCF) initiative. Taking TCF together with the RDR commission changes, we can hardly fault the FSA for not dealing with the main problems appropriately, except perhaps for taking too long.

If the problem is not to do with individual skills, imposing a professional business model with higher tested qualifications even for existing employees is quite a draconian measure.

It did not just come from the FSA, as RDR established five working groups with industry representatives one of which, the Professionalism and Reputation Group, proposed raising exam standards. I have not

considered whether there was any bias in the group to higher standards, such as through the vested interests of examining bodies. Quoting again from the first Discussion Paper:

We are told that the retail investment and in particular the financial advice sector suffers from a poor reputation among consumers and other financial firms. One reason for this is the perceived lack of professionalism in the sector. The Professionalism and Reputation Group believed this has arisen as a consequence of related factors such as low academic entry criteria, weak benchmark entry examinations and

Survey evidence about qualifications

"In the RDR, strong emphasis was placed on raising the perceived professionalism of financial advisers by among other things, raising their level of qualifications, strengthening the role and membership requirements for professional bodies and correlating prudential requirements to a firm's professionalism and resources. Yet among the consumers surveyed, these considerations play a minor role when selecting an adviser. Only 19% of respondents say evidence of professional qualifications and experience would encourage them to use financial advisers more, and only 10% say they are concerned about an adviser's lack of knowledge or expertise."

JP Morgan Asset Management - November 2008

a sales-led culture. So if we want to improve outcomes for consumers, we need to address these concerns. To do so would mean raising the professionalism of all those giving financial advice, so that they might begin to meet the expectations of consumers, building their trust and enhancing the market's reputation.

Leaving aside for a moment the issue of trust on which this statement rests, is it realistic to assume that the economic importance and value of financial advice, as required by the majority of consumers, is worth and can support economically particular levels of academic achievement and entry-level exam knowledge? I am not sure that it can. That is what the advice gap is all about.

In fairness to the FSA, at this early stage in the consultation, the risk of a gap was addressed by the second tier, of Primary Advice. As noted, only in late 2008 was this dropped but without modification to the professionalism agenda.

As far as we can tell, there was no groundswell of concern during the early stages of the consultation that the 'profession' of advising in financial services was being cracked up to be more important than is economically sustainable. But even if there had been, the FSA appeared in that first paper to have already seized on the attractions of outsourcing the maintenance of standards to professional bodies.

Evidence of poor skills

We might expect the FSA to have provided some rigorous, quantitative evidence from its supervision of the industry of the prevalence of minimum qualifications in the adviser population and of any link between entry-level skills and poor consumer outcomes. I believe it is a serious error that it did not.

No evidence was offered until 2010, in the Consultation Paper 'Delivering the RDR', by which stage strategic decisions had already been taken.

- A report from Australia, entirely specific to a very different market structure, was referred to
- Findings from the FSA's thematic review of platform advice were referred to as follows: *The advice of advisers with a diploma was suitable in 43% of cases, 'unclear' in 32% and unsuitable in the*

remaining 25% of cases. Finally, for advisers at a certificate level, the figures were 11%, 60% and 29% respectively

- Reference to 'an internal review carried out by a major banking group' (unnamed): *The average 'Risk Score' (a blend of Key Performance Indicators including quality of advice, persistency of business by the adviser and any complaints received), for level 4 qualified advisers was 10% lower than for those qualified to level 3 only.*

Can the FSA assess quality of advice?

I have major reservations about the FSA's capacity to assess suitability from desk analysis of client files. The high proportion categorised as 'unclear' in its platform review reflects the absence of clearly-documented links between data gathering and recommendations but these are not likely to be aspects of individual competency so much as internal procedures within firms, and may be prejudiced by the information requested by the FSA. These factors are not controlled for.

Contradictions

"Surprisingly, we find no relationship between the share of advisers who passed the qualification exam or the share of competent advisers".

FSA Report: Firm-level Predictors of Consumer Loss Through Poor Financial Advice – April 2008

Unsuitable advice also means less than it sounds as it does not distinguish by consumer impact: it is more of an assessment of process than quality of outcome.

For instance, failure to refer to a need for regular reviews of a product is easy for a supervisor to check for; but absence of reference to review does not prove absence of an intention to review; and even if an oversight, it tell us nothing about the potential for harm arising from it.

I believe we can attach no significance to the difference of 4% between the two ratios of unsuitable advice, which is in any event very small.

Similarly the unnamed bank research referred to is not obviously controlled for factors we would expect to affect the findings, since individual freedom is constrained by internal processes but not necessarily in a consistent way across all advisers (eg in different locales or with different incentives at work).

In any event, the 10% difference in scores between the two levels of competency is not very compelling evidence of likely consumer impact.

The FSA's approach in both these limited UK exercises is that individual cases reflect individual competence, rather than collective or collaborative processes, and so is consistent with its assumptions about a professional model. In an industrial model we could expect internal processes and incentives to explain outcomes more than how individuals exercise skill and judgement.

To try to identify each factor as an explanation of the high level of FOS complaints upheld for banks, I recently analysed one of the largest bank's internal procedures for assessing suitability. It follows the industrial model and so individual discretion is severely limited. The process relies heavily on a combination of logic and quantification. I found a number of flaws and biases in the design of their process, particularly in the area of scoring, aggregating scores and checking for inconsistencies. Though the biases might easily have had a profit-maximising motive, the fact remains that the outcomes would result more from the skills in product and systems design than those of the individual advisers.

It is worth noting that the higher professionalism of RDR will not necessarily touch these industrial hierarchies as there are no tested threshold skills for the people designing these internal procedures or business formats.

Hope for better outcomes from higher skills

At the prompting of the FSA, I accepted an invitation to join a working group set up to help the Financial Services Skill Council devise the new Level 4 exam standards. I chose the packaged-product stream as it seemed more relevant to the mass market and I was mentally assigning this time to consumer advocacy.

The assumption the public might be expected to make is that

- technical knowledge is a key difference between good and bad outcomes
- technical knowledge will be greater after RDR.

In fact, the main difference is not scope of knowledge (though the new standards address some gaps that ought also to be plugged at Level 3) but application of knowledge. When considering both changes in scope and what learning outcomes to test for, we were very rarely able to relate any of these changes to better outcomes, because we did not have in our minds a large number of skill gaps at Level 3 that explained poor outcomes. However enthusiastic we were about the changes, I think that is quite revealing.

Moreover, when I suggested improvements in basic skills, such as financial maths and probabilities, which would make a difference in the form of stronger foundations for advice, more realistic assumptions and greater respect for inherent uncertainties, I was told these were not entry-level requirements. I think that is also revealing.

I have asked a number of senior people in the industry to come up with examples of specific measureable improvements in consumer outcomes resulting from higher entry-level exam standards. I was given a few suggestions that were really more about incentives (such as better persistence rates) and a lot of flannel about culture and philosophy but not a single specific instance.

Private wealth management and broking

The professional model called for not just tied advisers and independent advisers to meet new standards but also the smaller number (perhaps 5,000 or so) who work with private clients in discretionary fund managers and stockbrokers.

They feel they got swept up in an initiative that was never designed with them in mind. They have never been singled out by the FSA for poor skills although they may have been affected by perverse incentives like other advisory businesses. To make matters worse, they also feel the FSA does not understand the differences in business models in private wealth.

I see no reason to assume that the professional model applied to these firms will make any difference to outcomes.

Independent versus restricted advice

It is to be hoped that the TSC will judge the FSA's planned changes in adviser status unwarranted as this is one change that, even at this late stage, would not cause confusion for firms.

Clarity is important for consumers and one of the good things to come out of past FSA rules governing the disclosure to clients of a firm's status was the distinction between 'independent' and 'tied'. Competition law had earlier prevented independence being a term reserved for firms unconnected by ownership to product manufacturers. But at least the distinction between *tied contractually* (or by ownership) to offer the products of a particular firm and being *able to offer products from anyone in the market* was fairly intuitive for customers.

It was therefore extremely odd that the FSA should decide to disturb this position and create another, more complicated level of difference, between independent and restricted, specific to each type of regulated activity, where the factor that made the difference was scope of service rather than contractual freedom.

Under the RDR, a firm can only claim to offer independent advice if it advises on all types of retail investment product. It will have to refer to its advice as 'restricted'. A firm that chooses to restrict itself (though unfettered in its choice by ownership or contractual ties) will no longer be differentiated from a firm that is fettered by ties. This will send the wrong signals to consumers.

It is a form of market intervention that has significant economic impacts, particularly in wealth management and stockbroking, where life and pensions wrappers, for instance, may be irrelevant to what the customer wants. It looks like a mistake borne of planning RDR for the IFA and tied advice sectors and only later realising that it had to bring other advisers into the same set of regulations.

Firms who self-restrict but value independence (if only because they wish to avoid being lumped together with tied firms), should be able to demonstrate that they undertake ongoing research activity that justifies what they are already doing. But there is a cost for this research activity that somebody will have to bear.

Conclusions

- RDR promises better consumer outcomes but for fewer people. It passes the quality test but at the cost of access. This looks like being a poor trade off.
- The improvement to outcomes comes from the commission changes rather than the FSA's separate decision to force service providers to fit a 'professional' business model. The access consequences are the reverse, being mainly driven by the professional model, because it requires personal access to individuals with both broad and deep skills. This is a luxury which is not obviously economically sustainable except at the high end of the market. It may have been motivated by the desire to outsource elements of supervision to professional bodies.
- The approach recommended by the CSFI paper as more likely to be sustainable was a more conventional, hierarchical business structure relying on technology to distribute narrowly-held but high and consistent skills downwards and outwards across a broad front of consumer access points. Such structures are more scalable and would have a better chance of dealing with the excessive fragmentation and under-capitalisation of most advice businesses. They are easier to regulate if the main source of consumer detriment is perverse incentives as these are also hierarchical in nature.
- Reacting to industry warnings about an increased 'advice gap', the FSA has challenged the industry to come up with 'simplified', low-cost methods of needs analysis and product matching. Looking more like the hierarchical industrial model, this is handicapped by FSA insistence it must meet the same suitability tests as full advice. With consultation on Simplified Advice not yet off the ground, it may be too late to rely on this to plug the advice gap.
- For the RDR to meet the objectives of better outcomes and easier access it was critical to engage the banks who in most other countries are the backbone of the advice market. It needed to deal with perverse remuneration incentives without driving banks out of the market. The decision by Barclays Bank to withdraw advice services in its branches is a sign the FSA has not managed this priority well. Early indications are that a strategic review at Lloyds has led to a shift upmarket.
- Dealing with perverse incentives from commissions and remuneration structures will improve consumer outcomes, by removing biases and increasing persistence. We will never know whether this could have been achieved by the business model changes alone, without the drive to a professional business model. Seeking examples of better outcomes resulting exclusively from improving individual adviser skills, I have been struck how few my peers in the industry have been able to come up with. As a member of one of the working groups helping the Financial Services Skills Council to draft the new exam standards, I was not overwhelmed by the likely consumer benefits of the higher and broader learning outcomes we decided on.
- The impact of RDR on combined advice and product costs is not at all clear. The CSFI paper had sought to demonstrate that a monopolistic distribution model, based on commissions, had kept combined costs of advice and products at a level that made it irrational for many smaller investors. Whilst there is some evidence that unbundling is already leading to a shift to cheaper products (by removing biases), it is too soon to see whether most product costs will fall by more than the charge typically made for advice.

- There is strong evidence that consumers do not value advice appropriately and so there is a real risk that RDR will lead to less reliance on the industry and more DIY, drawing on free sources of information and opinion. The FSA has no budget for promoting the advice proposition to try to balance initial consumer resistance. This carries a risk of contributing to the advice gap in the short term. The industry faced a requirement even without RDR to develop a proposition that shifted perception of value from products to planning. This was always likely to take time.
- The FSA's plans to differentiate between independent and restricted advice are an unwarranted interference with competitive forces and will only serve to confuse customers, after many years of trying to help people make a distinction between free and tied agents.
- If these conclusions are sound, and poor trade offs have been made, an implication is that the FSA did not meet adequately its requirement to assess the costs and benefits of the RDR experiment. I do not mean just the numerical estimates, which are bound to be highly uncertain, if not guesswork, but the broad policy issues raised by it.

Contacts :

For further information, please contact :

Stuart Fowler
Fowler Drew Limited
Telephone: 020 7736 2434
Email :stuart@fowlerdrew.co.uk

Beverley Harvey
Parkside Public Relations
Telephone: 020 8464 0909
Email :Beverley@parkside-financialpr.co.uk

Notes to Editors

Fowler Drew Limited, which is authorised by the Financial Services Authority, offers high net worth individuals goal-based financial planning integrated with discretionary portfolio management. The company is independent, owned by its management and charges flat fees for both planning and management.

Fowler Drew is the acknowledged leader in UK private wealth management in applying the principles of Liability Driven Investing (LDI) to private wealth. LDI has transformed the management of occupational pension scheme assets and is widely expected to make similar inroads in private wealth. £100m of assets are managed 'quantitatively' in separate accounts, uniquely customised to meet personally-planned target real outcomes at planned dates. The most popular application is for drawdown in retirement.

In the 2010 unbiased.co.uk Media IFA of the Year Awards, Stuart Fowler was awarded 'Best Media IFA Individual' and runner up for 'Best Investment Adviser'. The firm was awarded runner up for 'Best IFA Firm'.

Fowler Drew staff members were individually voted 'Best Investment Planner' and 'Best Retirement Planner' at the FT Business *New Breed Adviser Awards* in October 2010.

To contact Fowler Drew Limited, visit www.fowlerdrew.co.uk, where you can read Stuart Fowler's regular blogs, or telephone 020 7736 2434. Or follow Stuart Fowler on Twitter at <http://twitter.com/fowlerdrew>.