

IPSWICH FEE BASED ADVISERS GROUP (IFBAG)



The IFBAG

Local independent financial advisers who believe in fee based financial advice

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INTRODUCTION

What is a Financial Adviser?

Someone who helps individuals, families, trustees and businesses make the right financial decisions for themselves.

What is an Independent Financial Adviser?

Someone who can recommend financial products from the whole market place and is not restricted to a single product provider (tied agent) or a restricted product range (multi tied agent).

What is a Fee-Based Independent Financial Adviser?

Someone who charges for their services independently from selling financial products to earn commission income. The alternative is a commission based independent financial adviser who only earns a living by selling financial products which pay commission income,

What is the Ipswich Fee-Based IFA Group?

It is a group of Ipswich based IFAs who operate solely on a fee basis.

IFBAG OBJECTIVES

What are the Group's Objectives?

1. To promote fee based independent financial advice to the professional introducers in the Ipswich area
2. To promote fee-based independent financial advice to those individuals, families, Trustees and businesses who would most benefit from the services of a fee-based independent financial adviser (in the Ipswich area).
3. To encourage good practice within fee-based IFAs.
4. To encourage more independent financial advisers to become solely fee based.
5. To provide continuity of service to clients of fee based IFAs after retirement/departure of their IFA. (Improved transferability of clients from firm to firm.)

How does the Group intend to meet its Objectives?

1. Hold technical sessions for professional introducers in the Ipswich area promoting the unique services of fee based IFAs.
2. Promote fee based independent financial advice in the media and via the Group's website.
3. Hold regular meetings for member firms to discuss best practice ideas
4. Hold seminars for appropriate commission based IFAs/hybrid IFAs to explain the benefits of working solely on a fee basis
5. Provide mechanisms that allow fee-based IFA's clients to continue to receive on-going service after their adviser has retired/left their business.

THE FINANCIAL ADVICE MARKETPLACE

How is the Financial Advice Marketplace currently segmented?

1. Tied agents – mainly banks and building societies since the demise of the direct sales forces of large insurance companies.
2. Multi-tied agents – not yet fully operational until polarisation (expected 2005). Expected to be dominated by the National Networks.
3. Commission based IFAs – this segment is dominated by the large National/Regional firms with large sales forces selling high volumes of commission generating financial products.
4. Fee-based IFAs – nearly always small to medium sized local IFA businesses on most town high streets and professional districts.

THE PROS AND CONS OF FEE-BASED FINANCIAL ADVICE

The 'Pros' of fee-based advice are:

1. **IMPARTIALITY** – your adviser is not trying to sell you a financial product to earn a living. There is no potential conflict of interest. For example if the advice is to do nothing for 12 months a fee based adviser could say this but a commission based IFA would not earn anything for 12 months and may be tempted to advise acting now.
2. **DISTORTION REMOVED** – the distorting influence of commission is taken out of the client/adviser relationship. Sadly many of the recent mis-selling scandals have highlighted that commission based advisers have recommended solutions which involved selling higher commission paying products than alternative solutions. i.e. endowment mortgages instead of repayment mortgages, pension transfer plans instead of staying a member of an occupational pension scheme. With commission removed from the client/adviser relationship this distorting influence is taken out of the equation.
3. **VALUE** – for larger investors/high net-worth individuals the cost of arranging financial products is very often on better terms than alternative forms of advice.
4. **ON-GOING RELATIONSHIP** – a professional relationship built around arranging financial products in return for commission is only ever going to work when there is money available for product purchase. A fee-based IFA will want to build into the relationship an on-going advice service with periodic review meetings, irrespective of whether financial product transactions take place.
5. **SCOPE OF ADVICE** – a fee-based IFA will have considerably wider scope to his services than simply trying to sell a financial product. Examples are cash management, tax planning, financial planning, cash flow forecasts etc.

The 'Cons' for fee-based financial advice are:

1. **IT IS NOT CHEAP** – giving financial advice is a regulated activity and the rules created to protect the consumer of financial services are very onerous to comply with. This means that the costs of taking on a new client are high just to comply with the regulations. Fee-based IFA clients need either to be used to paying for professional advice and/or have reasonable financial wealth/income to contemplate using a fee-based adviser.
2. **POOR VALUE FOR CERTAIN CLIENTS** – for individuals/families/trustees/businesses with a low net-worth the cost of fee-based advice could possibly negate the benefits. No financial adviser will ever knowingly take on work which adds little or no value to the clients' financial position
3. **IN SHORT SUPPLY** – currently demand for fee-based independent financial advice is exceeding supply but the barriers to entry created by regulation are so enormous that the number of fee-based independent financial advisers is not growing to meet demand. This is one of the reasons why the Ipswich Group has been informed to encourage new blood into the marketplace.

IFBAG STATEMENT OF PRINCIPLE

The Group was formed with two main principles in mind. These are standards which clients and professionals can expect of the member firms and also provide guidelines for those firms that may wish to join the group in the future.

- First, members agree that our services are engaged by clients only on a fee basis. Many IFAs purport to offer fee-based advice, but in fact offer this only as an option where commission is likely to be unprofitable. Some will charge a fee, based on the predicted commission that would otherwise be earned. In either case, commission can distort the advice. The adviser's priority may be to sell a product which will generate the largest commission.

Member firms will always establish a fee agreement at outset with the client and this will clearly state the level and style of fees that will be charged. It is only through this method that commission becomes irrelevant to the process of providing the correct advice.

- The second core principle recognises the importance of education, training, professional development and qualifications. Although there are statutory requirements for basic qualifications to be achieved, member firms believe that these are only the beginning of the education process for financial advisers.

There are a range of qualifications available to financial advisers, but the two most prominent and widely accepted are:

- Society of Financial Advisers. SOFA is the financial services arm of the Chartered Insurance Institute. The CII's Financial Planning Certificate is the entry level which enables advisers to practice. Progression through the advanced qualifications enables advisers to become members, associates and fellows of SOFA and use the designatory initials, MSFA, ASFA and FSFA.
- Institute of Financial Planning. As its title suggests, the IFP is geared towards the advancement of financial planning. Through an examination process members may gain associateship and fellowship of the Institute and use the designatory initials AIFP and FIFP. Fellowship status leads to the international qualification Certified Financial Planner (CFP).

Both bodies demand a high level of commitment to examination success and continuing professional development (CPD). Members would expect any practicing adviser within the group to have achieved at least MSFA and to be pursuing further qualifications in the discipline of his choice.

The group is keen to encourage other advisers to develop their own professional standards and through regular contact will provide appropriate support.

- In addition to these core principles, our professional colleagues and prospective clients can expect other minimum standards from members of the group. These will include the provision of an initial client meeting, without further obligation. Complete transparency of fee basis and commission treatment will be provided at outset. All member firms seek to build long-term relationships with their clients, and therefore the highest of professional standards can be expected.

MEMBER PROFILES

Who are the members of The Ipswich Fee-Based Independent Financial Adviser Group?

Scrutton Bland Ltd

Sanderson House
17-19 Museum Street
Ipswich, Suffolk, IP1 1HE
Tel: 01473 288004 Fax: 01473 281779
www.scruttonblandltd.co.uk
Advisers:
Nigel Hutchinson, BSc(Tech), FSFA, FIFP, CFP
Neil Hewitt, MSFA, AIFP, CFP
Gary Riches, ASFA, AIFP, CFP, ACII

Williams Farrall Woodward

5 Friars Courtyard
Princes Street, Ipswich, Suffolk, IP1 1RJ
Tel: 01473 231644 Fax: 01473 213111
Advisers:
Steven Farrall
David Williams, BSc, MSFA

Swallow Financial Planning LLP 25 St Helens Street

Ipswich Suffolk, IP4 1HH
Tel: 01473 384858 Fax: 01473 384844
www.swallow-financial.co.uk
Advisers:
Marc Ruse, ASFA, FIFP, CFP, MAQ
Andrew Swallow, ASFA, AIFP, FLIA(dip), MAQ
Jane Summerfield, MSFA, MAQ

Financial Sector Alphabet Soup:

MSFA, ASFA, FSFA
Advisers
FIFP, AIFP
MAQ
CFP
FLIA (dip)

Member, Associate, Fellow of Society of Financial
Fellow, Associate of Institute of Financial Planning
Mortgage Advice Qualification
Certified Financial Planner
Fellow of Life Insurance Association by diploma

HOW TO CHOOSE A FEE-BASED IFA

1. Shop around – go to the fee based IFA's office and interview several IFAs. Initial meetings are usually free if they are less than an hour long
2. Ask lots of generic questions - examples:
 - a) What relevant qualifications does the Adviser have
 - b) How long have they been a fee-based IFA
 - c) What are the Terms of Business – how will you be charged
 - d) What are the Adviser's areas of expertise
 - e) Are there any areas of advice they do not cover
 - f) What is the advice process
3. Explain the sort of advice you are looking for and provide basic background personal information. (Do not get into too much detail at this stage.)
4. From the information provided, is the Adviser interested in being appointed. If yes, ask for an estimate of the likely cost and timescale. If no, thank the Adviser for their time and ask if they know who may be able to advise them.
5. Leave the meeting without making a decision until you have seen a number of alternative Advisers.
6. After seeing several Advisers ask yourself:
 - a) Can I trust the Adviser?
 - b) Do I feel comfortable with the Adviser?
 - c) Is the estimate of professional cost and timescale what I am prepared to pay for the work needing to be done?
7. Having seen at least 3 different fee based advisers decide which you wish to appoint and complete their Terms of Business letter and make arrangements to meet to commence the advice process.