The Affordable Advice Gap

How affordable and clear pricing can help more consumers access paid-for financial advice

citizens advice

Contents

Executive Summary

Choosing how to withdraw pension savings is the most important financial decision of many consumers' lives. For the new pension freedoms to be successful, consumers need to understand their options and feel empowered to make the right decisions for their own circumstances.

The government has launched the Financial Advice Market Review to address concerns that many consumers are not accessing free and paid-for advice even when they need it. We recently published research outlining the four 'advice gaps'.[1] This report focuses on the highest profile of those gaps, the affordable advice gap, which affects consumers who want more help than free guidance offers but don't feel able to pay current prices for advice. We explore this gap through the pensions sector, using primary research to understand how consumers access help from Independent FInancial Advisers (financial advisers).

We have found that more than half (53%) of consumers with Defined Contribution (DC) pensions want expert help with how to withdraw their savings. They can seek free help in the form of guidance such as Pension Wise, paid-for advice such as from a financial adviser, or both. Many consumers are interested in *both* free and paid for support when accessing their pensions. More than two in five (44%) people who plan to pay a financial adviser also plan to take free Pension Wise guidance.

Our research suggests that consumers with medium-sized pots can access paid-for financial advice: 80% of financial advisers on the Money Advice Service's retirement adviser directory would take on a client with £61,000 in pension savings.[2] We also found that almost all (97%) financial advisers offer a free initial meeting, which allows them to agree charges with customers before giving advice.

However, we have identified a significant affordability gap on the demand side. On average it is likely to cost £1,490 to secure a flexible income from a £61,000 pension.[3] This equates to almost exactly a month's net salary for a median earner in the UK.[4] Although this investment is likely to be beneficial in the long run, just 2% of consumers say they would pay between £1,000 and £2,000 for one-off advice in this situation.

Financial advisers currently offer a high quality service to their customers but they may not appeal to the broader market. More consumers would consider taking different forms of advice if they were available at lower price levels. The current

[1] Citizens Advice, The Four Advice Gaps, October 2015.
[2] It is worth noting that this directory is not representative of the whole market - other commercial directories are likely to have fewer advisers who take on clients with medium-sized pots.
[3] We chose £61,000 as it is large enough to warrant paying for financial advisers but small enough that consumers may not be certain. This figure is larger than the savings of around one in three DC pension-holders aged 50+.
[4] The median earner takes home £1,489 per month after tax based on median salary for all earners of £21,730 from ONS Annual Survey of Hours and Earnings, 2014.

guidance and advice markets could be seen as analogous to giving consumers the option to take a free driving lesson or to pay for a chauffeur-driven Rolls-Royce. While both of these options should be protected, consumers should also have access to a mass market middle ground - the equivalent of driving a mid-priced family estate.

Our evidence shows significant untapped demand for cheaper advice. Although just one in fifty adults would pay over £1,000 for advice on a £61,000 pension, nearly half (47%) would be willing to pay some fee for advice. This includes 16% who would be willing to pay between £200 and £1,000.

We have also found considerable variability in the customer journey. Many firms were able to give a clear account of their pricing during an initial call, but others were unwilling or unable to give even a basic idea of prices. This creates a risk that clients will give up searching for advice before being able to attend a free initial meeting.

From our research, we recommend that:

- **Advice firms should make price guides publically available** and should try to communicate fee structures as simply as possible on the phone and online. This will improve consumer confidence and make customer journeys smoother.
- **The government should use the Financial Market Review to explore how to radically reduce the costs of advice options.** This could help reduce costs for financial advisers and encourage new mid-market options for new consumers.
- **Guidance organisations should offer better information and referral about paid-for financial advice services**. They can do more to help consumers understand the differences between particular advisers and advice options so they can decide what advice to seek.
- **The government should work with financial adviser directories to explore whether they could include TripAdvisor-style customer feedback.** This should ideally accompany simple price structures to improve transparency.
- **Financial advisers and guidance providers should take action to further publicise the benefits of advice** and to communicate the standards and protections that now exist following the Retail Distribution Review (RDR).
- **The government and regulators should explore what can be done to clarify and facilitate options around independent and restricted advice**. This includes clarifying the difference between specialist advisers and tied or non-whole-of-market advisers, while protecting the current definition of independent financial advice.

Citizens Advice delivers pension guidance on behalf of HM Treasury, under the Pension Wise brand. These recommendations reflect the views of Citizens Advice as a consumer champion in the financial services market, and not the views of Pension Wise or HM Treasury.

Introduction

In April, the government substantially increased the options available to people accessing their DC pensions from the age of 55. This has created great opportunities for consumers to choose the right retirement income options for their circumstances. But it also presents significant risks, including: scams, unexpected tax and benefit implications, investment and longevity risks.

It is important that everyone can get expert help with these decisions if they want it. The government recognises this and introduced the Pension Wise service, which gives free guidance to help people understand their options. Consumers can also access information from the media, on price comparison websites, and from advice organisations and pension companies themselves.

If consumers want more specific help they can take regulated advice which can include recommendations tailored to personal circumstances. It can help consumers achieve higher returns from their savings and also offers recourse to the FInancial Ombudsman Service. Financial advice is tightly regulated and can be expensive for consumers. Some advisers will also only take on clients with high enough savings.

In our previous report we identified four advice gaps[5]: the affordable advice gap, the free advice gap, the awareness and referral gap, and the preventative advice gap. This report focuses on the affordability gap. We are concerned that a gap exists for consumers who want more support than Pension Wise guidance offers, but don't feel they can afford regulated financial advice at current prices.

We have set out our proposals for how Pension Wise could offer a more responsive service,[6] but even if it evolves a gap will still exist between this and paid-for advice. Introducing new models of advice, which could be offered at different price levels between free guidance and advice, could significantly close the affordable advice gap.

We wanted to test how this gap feels for and affects consumers, including whether financial advisers are willing to take on customers with medium-sized pots, what price they charge and what the consumer experience of comparing financial advisers is like.

This report draws on two consumer surveys, 20 depth interviews and a mystery shopping exercise of 323 financial advisers. We commissioned a ComRes survey of 1,386 UK adults aged 50+ who are not yet retired, including including a nationally representative sample of 1,000 UK adults in this age bracket, plus a boost of an additional 350 people with Defined Contribution pensions.[7] We also include one figure from a YouGov survey of 2,041 adults. [8]

---

[5] Citizens Advice, The Four Advice Gaps, October 2015.
[6] These ideas include allowing clients to discuss a broader range of issues, allowing guiders to help clients with basic paperwork queries, sharing online tools and allowing more than one appointment in certain circumstances. Citizens Advice, Consumer risks around pensions: Written evidence, September 2015.
[7] Respondents were all aged 50+ and those with DC pensions had not yet started accessing them. The survey was conducted between 14th and 28th August 2015. Data tables are available at www.comres.co.uk.
[8] This survey was conducted between 2nd and 5th October 2015. This figure relates to how much consumers are willing to pay for advice and is clearly marked as being from a separate survey.

We held depth interviews with 20 people aged 50+ who had DC pension pots but who had not started actively planning how to withdraw their pension savings. These interviews took place in August 2015 and participants were recruited by Acumen Fieldwork to have a range of pension wealth, other assets and general demographics.

Our mystery shopping exercise was conducted from 4th August - 4th September 2015. We asked local Citizens Advice volunteers to call financial advisers in their area using the Money Advice Service (MAS) retirement adviser directory to see whether firms would take on a client with a £61,000 pension.[9] We chose the MAS directory as it is recommended during Pension Wise sessions. We used a pension of £61,000 as this is large enough to warrant financial advice and is larger than median DC pension savings.[10]

We called firms posing as a potential client asking for rough information on how much they would charge to compare prices. We spoke to between 10 and 20 firms in each postcode. Our volunteers had basic background information to use if asked, including that they wanted flexibility in how they accessed their savings.[11] The calls were designed to last around three minutes and we were careful to make sure that advisers were left in no expectation that we would return to them.

What we mean by "Financial Adviser"

Since December 2012 financial advisers have not been able to receive commission when advising customers on their pension choices. This is a positive step that should allow consumers to trust that they are impartial.

The label of 'Independent Financial Adviser' refers to an adviser who will look at the whole of the market. Restricted advisers offer different services. A tied adviser does not consider the whole market, while a restricted whole of market adviser looks at all companies but only focusses on particular specialisms.

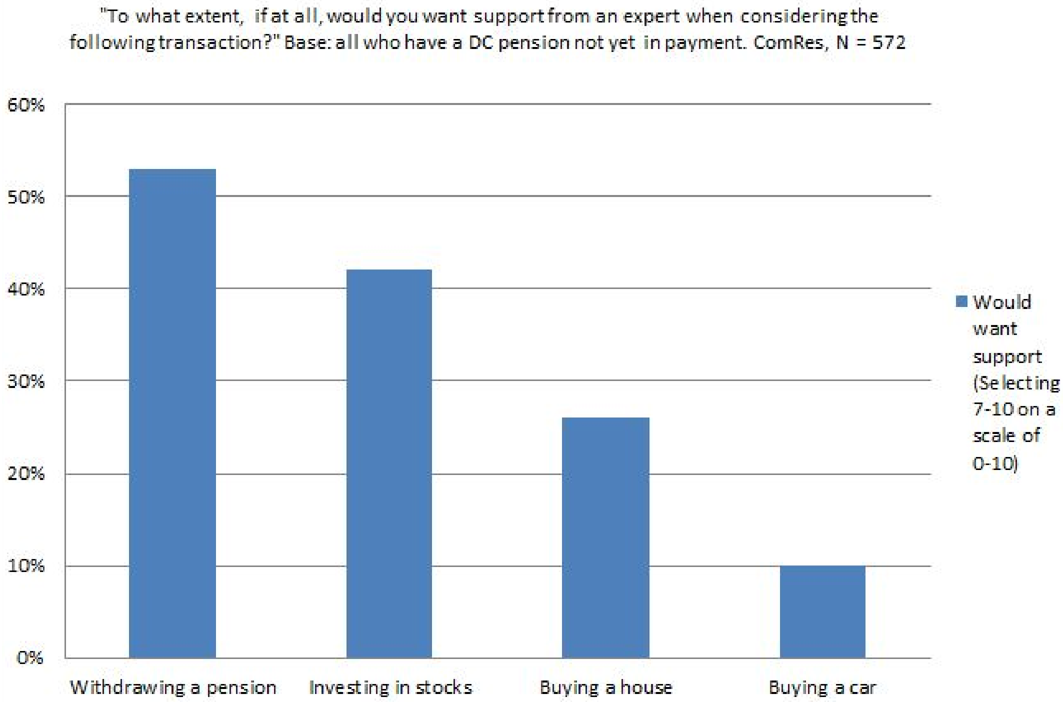
This vocabulary is cumbersome and potentially confusing for consumers.[12] We use the term 'financial adviser' here to refer to all financial advisers except those who are tied to particular companies.

[9] The Money Advice Service's retirement advice directory, https://directory.moneyadviceservice.org.uk.
[10] This is from the English Longitudinal Survey of Ageing. Pensions Policy Institute analysis shows that 80% of savers aged 50 to State Pension Age have DC pension pots worth less than £65,100. See Pensions Policy Institute, How complex are the decisions that pension savers need to make at retirement?, November 2014.
[11] The example we used had a single DC pension pot worth £61,000. They had paid off their mortgage, didn't have any debts and had a cash ISA with £10,000 savings. They worked as a shop manager and were planning to retire in a year with no health concerns.
[12] Paul Lewis, FCA must rethink 'restricted' advice rules, Money Marketing,10th September 2015.

What consumers want

Our research shows that consumers are more likely to want expert help with their pension choices than with other key financial decisions. This is partly because pension choices are complex and people only encounter them later in life. Over half (53%) of people we surveyed with DC pensions said they would want expert support with withdrawing their pension. This was more than other major financial decisions such as investing in the stock market (42%) and buying a house (26%).[13]

Figure 1: When consumers want support from an expert



We found significant demand for paid-for and free expert support. As Figure 2 shows, the two most common places people said they would seek help were Pension Wise (40%) and an IFA (39%). These were more common than other options such as pension providers (34%), family and friends (13%) and doing research independently (10%)

Our evidence suggests that many people would like to take both free guidance and paid for financial advice when making pension choices. We found that 44% of consumers who would consider using a financial adviser would also consider using Pension Wise, showing the relationship between guidance and advice.

[13] The Financial Advice Market review reports that 30% of people want professional advice on their pensions in future, 30% might want it for savings and investments while 26% might want it for mortgages. HM Treasury and FCA, FAMR Call for input, pages 8-9.

Figure 2: Where consumers would go for help when making pension choices

"Which of the following, if any, do you think that you will approach for advice when you make a decision about how to withdraw your pension savings?" Base: All with DC pension not yet in payment. Comres, N = 572.

Pension Wise	40%
IFA	39%
Pension provider	34%
Advice organisation	24%
Family and friends	13%
Employer	13%
Bank	10%
Don't know	8%
I will do my own research	10%
I know enough already	5%
Other	1%

Many consumers we spoke to in our depth interviews did not know the definitions of 'guidance' and 'advice', but our survey showed what components of these options people want with their choices. Some needs are met by guidance, some by advice, and many can be met by both. The most popular support consumers want is clear information about basic options (57%). Almost as many (56%) said they would like personalised projections of how taking money in different ways could affect their income. Around half (51%) would like help with finding the best value product, and the same proportion would be interested in advice on products that would be good for someone in their position.

Figure 3: What consumers value when taking expert support

"What would you value most if you were getting support from a specialist about DC pensions?" Rank 3. Base: All who have a DC pension not yet in payment. Comres, N = 572.

	Ranked 1st	Ranked 2nd	Ranked 3rd	Ranked in top 3
Clear information about basic options	27%	18%	13%	**57%**
Personalised projections	25%	17%	13%	**56%**
Help finding the best value product	13%	17%	21%	**51%**
Advice on the products that would be good for someone in my position	12%	20%	20%	**51%**
Check my plans with an expert	10%	10%	10%	**31%**
Help with admin	2%	6%	8%	**16%**
None	10%	13%	15%	**10%**
Other	1%	0%	0%	**1%**

Some types of support can be provided completely by guidance (such as clear information about basic options), some can only be provided by regulated advisers (such as advice on specific products) while others can be offered by both (such as checking plans for any potential risks).

This dual demand for some aspects of guidance and advice was reflected in our depth interviews. Some consumers want both guidance and advice, saying they would feel more comfortable about accessing advice once they have already been given an overview of their options.

> “I think guidance might be a good start and then in-depth advice be the natural progression from that.”

> “I think the guidance sounds initially better and then to go more in depth you’d want advice. I’d use the guidance first, because if you’ve already had somebody say to you what your options are you’ve got a bit more knowledge.”

While some consumers can have their needs met entirely by guidance, others we spoke to wanted specific help that can only be offered by regulated advisers.

> “I’d want someone to recommend what exactly to get, and in easy terms.”

> “I would need to go and get some advice because I’d like to know exactly what I’m getting – what are the loopholes, what are the consequences? If I die will my wife be comfortable? Is all that money I’ve put aside going to go to waste?...some peace of mind”.

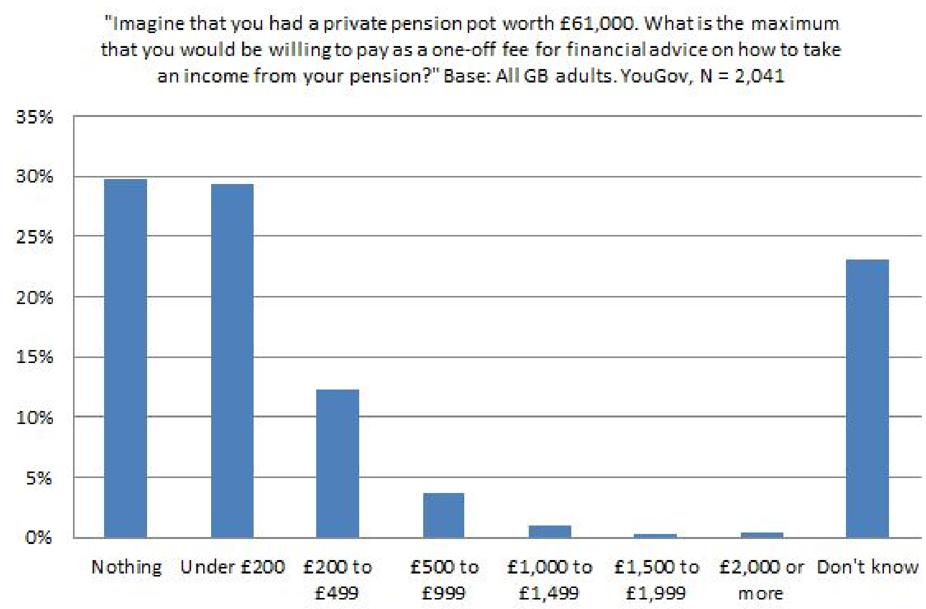
Affordable Advice

Price level

Our research has found that current costs deter even people who are willing to pay some fee for advice. By calling advisers we found that it costs an average of £1,490 to take financial advice based on initial quotes for taking a flexible income from a pension pot of £61,000.[14] The quotations were generally presented as a percentage of the pension's value. Some advisers applied a percentage fee to the whole pension, whereas others only applied it to the value left after withdrawing a tax-free lump sum. A common charge was 3% after a tax free lump sum had been taken, although firms quoted between 1% at the lower end and up to 5% at the higher end. This meant that the cheapest rough quote we got was £600 while the most expensive was £3,050.

Many consumers are willing to pay for advice in principle. Our YouGov survey found that overall 47% of people would be willing to pay for advice on how to withdraw a £61,000 pension pot. However, the vast majority of these people fell into the affordable advice gap as just 2% were willing to pay £1,000 or more. By contrast, 16% would be willing to pay between £200 and £999 for advice. This shows that there is a significant unmet demand - if new advice models can be developed that offer different services at lower costs then many more consumers are likely to move beyond guidance. This suggests that the Financial Advice Market Review should consider radical options to close the affordable advice gap for pensions.

Figure 4: Consumer willingness to pay for advice on a £61,000 pension



[14] This was both the median and mean. Other studies have found similar results, though varying scenarios used makes these hard to immediately compare. Which ? found it costs an average of £1,452 to get advice on £60,000 investments in research published on 24th October 2015. 'Unbiased, an online directory of financial advisers, has published research into average prices: https://www.unbiased.co.uk/cost-of-advice.

Our qualitative work supports the finding that some people want advice but don't feel that they can afford it. One person said they were "terrified" about making a decision that would shape their retirement without specialist help but felt they simply could not manage to pay the fees:

> "I ought to have some professional advice but I can't afford to pay for it."

High costs may encourage consumers to turn to non-independent or limited sources of information. Some people seek informal help or use the media, while others speak to their provider even though they would rather have independent support.

> "They [the pension provider] are not going to give me free, impartial advice unless there is an angle on it, which is me bringing money to them...That might be what I end up doing but that wouldn't be my ideal starting point. I would want a much more broad advice and options."
>
> "Financial advice has a charge at the end of it, so a lot of people just go with what they see on the television or in the letters they get. But a lot of the letters they get are the company's view not an overall view".

Accessing price information

In broader terms, the affordable advice gap is also affected by the *accessibility* of price information in at least two ways. First, some consumers are concerned that inaccessible prices conceal hidden charges. Even if they are willing to pay a quoted price, some consumers are concerned that the lack of transparency may suggest that they will face further charges. Second, many potential customers will not even get this far if they give up when they cannot easily obtain and compare quotes for advice.

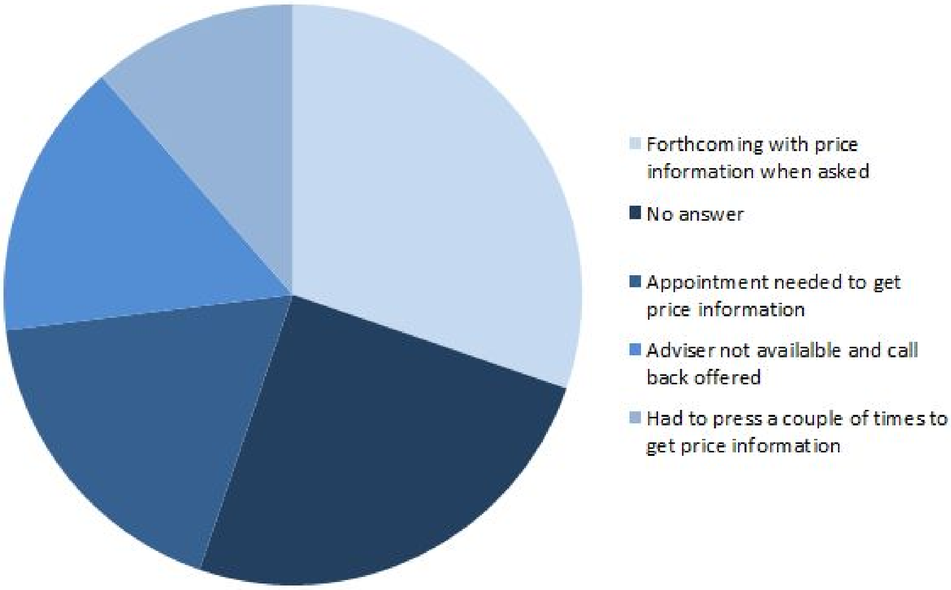
Our mystery shopping exercise found that consumers will have a very variable experience when trying to obtain quotes from advisers, as shown in Figure 5.

We were able to get information on pricing from 42% of calls made. In most of these cases we were able to get information easily by asking once (30.2% of all calls) and in the others (11.5%) we had to ask repeatedly before eventually getting an idea of pricing. In these cases it is possible that less confident consumers would give up before receiving a quote.

We were not able to get an initial quote from the remaining 58% of initial calls. On 18% of calls we were told explicitly that we would need an appointment in order to get a rough idea of pricing. These free initial meetings are important for customers to meet financial advisers and agree a price, but it should not be necessary to attend these just to get an initial idea of pricing for comparison.

For the remaining calls (41%) we were unable to talk to somebody who could give us a quote. This was comprised of some calls where we couldn't speak to anybody (25% of all calls) and some (16%) where we got through to someone working for the financial adviser but they were not able to give price details themselves and were only able to offer a call back from someone who could.

Figure 5: Consumer experience of obtaining price information



Advisers will not always be able to answer enquiry calls themselves, so many have receptionists and answer machines. In many cases this is a barrier to consumers obtaining price information, because pricing structures are complex (as discussed below). If advisers had clearer pricing structures, it would be easier for receptionists to give quotes and for answer machines to direct people to price structures online. Recent pieces of research have suggested that between 10% and 30% of financial advisers publish charges on their websites.[15] This suggests that while some firms are following good practice, it is generally the exception rather than the norm.

Clear pricing structures

It is hard for consumers to understand and compare prices if financial advisers use complicated and varying price structures. Many firms offered a choice of different ways that consumers could be charged - with options of fixed fees, an hourly rate, or a percentage of pension savings. It is important that consumers are given a clear indication of what different structures would mean for them in pounds and pence.

[15] See Which? survey published 24th October 2015, which found 151 out of 500 firms published prices on their websites, and a survey carried out by Candid Financial Advice found that 20% of firms publish prices on their website, quoted in the Financial Times, 'UK pensions: how to hire an adviser', 23 June 2015.

During our depth interviews, some people said that the complexity of fee structures makes it hard for them to understand what prices will be.

> "Often the financial advisers and companies will baffle you with stuff. I mean, I'm quite plain talking, I have to get to the issue and sort it out. I think there is a lot of 'fluff' [in what financial advisers say] and I think a lot of people don't understand."

> "There are all sorts of fee structures, and the fee structures are really complicated, and obviously if you switch funds they are quite complicated as well, so I think there is an awful lot of stuff that needs to be clearer."

We found evidence that some potential clients felt that charges were confusing and did not trust price structures. This perception could have a direct impact on their behaviour.

> "The top and bottom of it all is there just seems to be so many hidden charges when these financial advisers come out."

> "I've dealt with financial advisers before...the one's I've dealt with you get the information and the next thing you get the bill through and it's more than what you've said or then you can see the figures that they've made out of you...I think it was underhanded the way it was done, I don't think it was transparent."

We found much good practice in terms of explaining different fee structures. Many firms were able to tell us how prices were worked out in a way that gave us a clear indication of what the price may be. Some quoted a percentage of what was left after a lump sum, which still gave a good understanding of costs. Others quoted an hourly rate coupled with an estimate of hours required that would then be refined during an initial meeting, although some said that the work needed and final cost may still vary after that point.

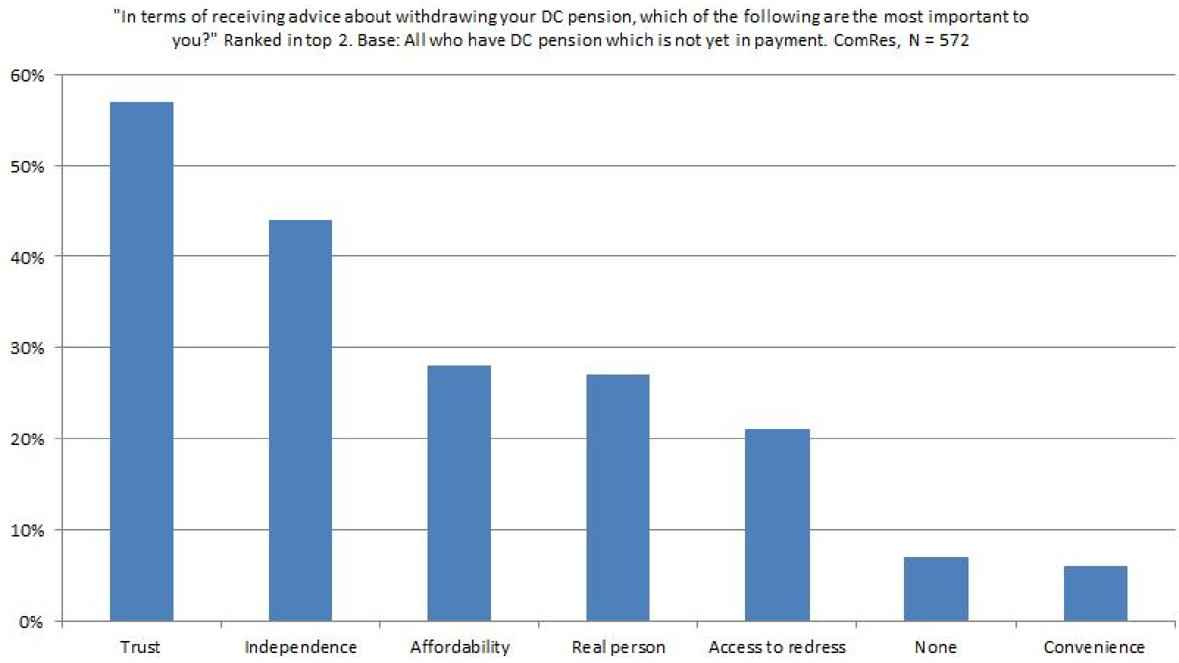
Some outlined a range of specific fees depending on the complexity of the services that were ultimately required - for instance making clear that buying an annuity would be simpler and thus charged at a cheaper rate than arranging flexible access. This approach reflects the complexities of different options but also makes clear to consumers why there may be different prices.

In other calls, complex prices were not made clear. Some firms said that the cost would be between a range of percentages, or within a particular price range without explaining why. Often these were very broad and would offer a consumer very little indication of the cost they were likely to incur. Other firms only supplied information on minimum fees or fees for an initial report. This information seemed unlikely to help consumers very much, and may lead to greater confusion.

Other hurdles for consumers

Our research suggests that even if the affordable advice gap is tackled, more work will be needed to help consumers feel confident about paying for financial advice. In fact, when we polled consumers about the most important factors when seeking advice, consumers only ranked the price as the *third* most important factor. Trust was most important. Overall, 57% said it was one of the two most important factors when choosing a financial adviser. The second most important factor, cited by 44% of people, was independence. Affordability and price were only the third most important, chosen by 28% of respondents.

Figure 6: what consumers value when seeking help with pension choices[16]



So in addition to confusion around prices discussed above, there are a number of other issues which may create barriers in people's mind to accessing advice. Here we consider two of them: trust and independence, and understanding benefit and quality.

Trust and independence

Trust is a key issue for consumers when looking for help with their pensions, as shown above in Figure 6. It was also a key theme in our interviews and we found that free introductory meetings can be important here.

[16] The full options for this question were: Trusting the person / organisation providing the support, Independence of the advice, Affordability / price, Talking to a real person, Having back-up / access to ombudsman if something went wrong, Convenience, None of the above.

"If you could really have someone who you could trust, that is the top and bottom of the story."

"They [advisers] are looking after your money, you've got to trust them".

"If I had a chance to talk to them, ideally face to face I might go for a kind of gut feeling about who you feel is being more honest, who is less of a salesman, who seems to be more independent and holistic, and seems to be more interested in me rather than any fee they might get for selling this product rather than this product."

This desire for independence was also key. People strongly expressed the importance of having impartial help with their pensions, which is exactly what IFAs offer.

"I'd want it to be independent, and with my interests at the heart of it."

"It's gotta be an independent person. I'm not keen to go to somebody like [major high street banks]. It's gotta be totally independent, that's what I want in it, so they're looking at the whole marketplace."

We found a strong context of distrust toward financial services and pensions - financial advisers were often seen as guilty by association. Some have a misconception that advisers might take commission, so wouldn't be independent. IFAs are independent and don't take commission, but this doesn't appear to register with all consumers.

Financial services and pensions

A history of issues with financial services in general seemed to deter people from engaging and seeking professional help. This ranged from general distrust of the financial services sector (people citing the financial crisis, 'bankers' and PPI mis-selling) to specific pension concerns (the Maxwell and Equitable Life cases were often cited). There was also evidence of a perception that some people in the financial sector were making excessively large profits.

"I don't rate pensions, I just think other people seem to get super rich off you. When I look at what these bankers get it makes me think you're making too much."

"Back in the old days you did trust your bank, you went in and met your bank manager you knew, there's none of that now and maybe it's about time that came back. If I went in to you and you were my bank manager for 30 years I would probably trust your advice to say well speak to this guy but I can't remember how many bank managers I've had in the last ten years now they change weekly- you know, it's a woman, it's a man, he's old, he's young, he's in Scotland, he's in Hong Kong, I don't know where he is. So the main thing they've got to find is trust."

Financial advisers

Rather than advisers being perceived as a trusted intermediary to help navigate an uncertain financial services sector, concerns about financial services seem to rub off on them and historical issues persist in the minds of some consumers.

> "Generally my opinion of financial advisers is they are only there to make money for themselves."

A key aspect of this seemed to be a perception that advisers receive commission, which is likely to be a hangover from the pre-RDR era. It seems that messages about improvements in the industry are not getting through to all consumers. It is also possible that a lack of clarity between financial advisers, tied advisers and restricted whole of market advisers affects trust across the sector.

> "They've got to be independent, as in totally independent and not tied to particular companies, as a lot of them are but don't tell you..."

> "A financial adviser is paid to give his advice, and he is generally paid by whoever he invests with, I mean that is a big incentive... You have to take some of that with a pinch of salt."

> "I take it he takes a commission. I often wonder about how they earn their money actually... I think I'd like it to be clearer how much they get from your investment."

Understanding the benefits and quality of advice

Our qualitative interviews identified evidence that people are struggling to weigh up the quality and usefulness of services, both in terms of how much advice would help them and how to choose a particular adviser. These concerns were often linked.

> "Expertise is important...but how do you know who's an expert? You don't know who's an expert, you can be a mortgage adviser, you can be a financial adviser for 20 years and still not know as much as a guy who is just out of university."

> "I'd be happy to spend a couple of thousand if my return and my advice is fantastic. But how do you judge that until you start doing it, because most people take their fees upfront, so how do you know? They don't say 'don't pay me anything until I've proved that'...it's not 'ok, well wait 3

months then pay me', or 'I will take a percentage of your profit', that's how they should be targeted in my opinion…It's very difficult to quantify value."

Where people did want to compare advisers it seemed to require considerable effort. Just as we found it can be hard for consumers to compare financial advisers in terms of prices, it is also hard for consumers to compare financial advisers in terms of quality. To pay for advice with confidence, consumers want to know that they are getting good value for their money. But without personal recommendations, many find it hard to know who to go with so fall into an advice gap. There were many factors that people were interested in and they felt they had to look for information from multiple sources.

"There must be some kind of body that independent financial advisers have to belong to, I would look at whether they have got good ratings from other customers, I would look at the weekend papers to see which advisers they have used for comments in their articles. It's quite a bit of research really to find somebody that you think is going to give you sound advice and not rip you off with huge fees."

"What I did looking for my own financial adviser is I looked online, I looked through advice from money advice about what sort of things to look out for. Then I looked at various general companies that came up in search engines and Which? best guides and newspaper columns, like stuff in the Telegraph and the Guardian and stuff like that, to locate what sort of companies were around . Then check who is providing a service and then to make sure that they weren't ones who were going to be ripping you off and doing scams, checking out their licenses on the FCA website to make sure they were pukka companies and not based in the Cayman Islands and going to run off with all your money…How long a company had been around, what sort of returns they got, what their ethical behaviour was. Quite a lot of pointers really."

Recommendations

The government should use the Financial Advice Market Review to explore how to support radically cheaper advice options for the mass market. Reviewing the regulatory burden, while keeping consumers safe, could let more people access advice at different price levels. Almost one in six people are willing to pay between £200 and £1,000 for advice on taking pension income, so the review should seek to support the development of new advice offerings while protecting quality of existing advice.

Advice firms should make pricing information clear and publically available. Some financial advisers already have clear price structures that they can share with customers during an initial phonecall and up to 30% advertise price structure on their websites. Making price information available in these ways not only helps consumers shop around more easily, but it also helps tackle trust issues about hidden fees.

Guidance organisations and advice directories should offer better information about and referrals to paid-for financial advice services. More than two in five people who plan to pay for pension advice also plan to use Pension Wise. Free guidance providers can help consumers understand the benefits of paid-for advice and explain how to choose an adviser. Our previous research has found that an additional 2.2 million people would be more likely to pay for advice if it was easier to find.[17] This will be particularly important if more advice models are created at different price levels.

The government should explore whether adviser directories could include TripAdvisor-style customer feedback. The director vouchedfor.co.uk already includes such feedback, although it generally has higher minimum pot sizes than the MAS directory. Feedback should be presented as well as basic price structures to support consumers choice. It is currently hard for consumers to judge how good specific financial advisers will be without personal recommendations.

Financial Advisers and guidance services should take action to further publicise the benefits of advice and to communicate the level of standards and protections that now exist following the RDR. Making the benefits of advice clearer will encourage more consumers to pay for advice. Guidance organisations could share approved resources that explain advice, similar to that already created by the online directory Unbiased.[18]

The government and regulators should explore what can be done to clarify definitions around independent and restricted advice alongside changes to offer advice at different price levels. It is important that the distinctions within restricted advice - between specialist advisers and tied or non-whole-of-market advisers - are made clear, while protecting the current definition of independent financial advice.

[17] Citizens Advice, The Four Advice Gaps, October 2015.
[18] Unbiased, Choose your adviser - a checklist, https://www.unbiased.co.uk/choose-your-adviser.

Free, confidential advice.
Whoever you are.

We help people overcome their problems and campaign on big issues when their voices need to be heard.
We value diversity, champion equality, and challenge discrimination and harassment. We're here for everyone.

Mat Basford and Thomas Brooks, October 2015

citizensadvice.co.uk
Published October 2015
Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.
Registered charity number 279057.