

R D R A D V I C E
PROPOSITION
PROFESSIONAL STANDARDS
SPENDING CUTS FEES
CASH FLOW ECONOMY
DEBT SEGMENTATION
FSA
CONTROL **PLATFORM**
DECOUPLING
CONSOLIDATION **TORIES**
PRICING
BUBBLE **PAPERLESS**
SECURITY
TAX INCREASE

10 BIG IDEAS
FOR 2010

In an industry of seemingly constant flux, it can be difficult to predict the big themes that will affect us all over the next 12 months. **informer** set up a panel of experts in financial planning, taxation, the economy, the advice market, platforms and investments to provide some thought-provoking themes for 2010. >>

01

BUILDING VALUE IN ADVERSITY

2010 is the year for advisers to recognise the benefits of making fundamental changes to their business now rather than delaying until the results of the RDR are upon us. The firms that lead the way, showing their commitment to professional standards and particularly the development and implementation of a new business model, will likely be the same firms to make profit from advice in the new decade.

We have worked for the last two and a half years on a fee basis and our experience is that clients readily grasped the concept and benefits. Talking about the cost of advice has now become a natural part of any discussion – and for the client and adviser this is a win-win situation. For the firm working on retainer fees, embedded value will grow significantly over the medium term due to the increased and stable recurring income. It is, however, vital to establish the right pricing proposition, contract and processes at an early stage and to ensure they are understood and explained consistently.

Many firms have made the required leap of faith from reliance on product sales to payment for professional advice well before the credit crunch, and will be reaping the rewards of a secure income stream today and paving the way for others in the future. ●

Neil Sadler is a Chartered Financial Planner at Chartwell-Financial

05 GROWING IMPORTANCE OF TAX PLANNING

The financial landscape is changing and the need for quality advice is growing rapidly. Whichever party is in power next summer, the level of UK debt will need to be reduced. We have already seen an increase in taxes for those with higher incomes and a reduction in the tax breaks previously afforded to them. I believe ensuring client investment and retirement strategies are also tax complimentary will be essential in an era where the effective rate of income tax can top 60%. ●

Colin Jelley is Head of Tax and Financial Planning at Skandia



02 DIVIDEND GROWTH TO DRIVE RETURNS

Economic growth in the West is likely to remain anaemic throughout 2010 amid high levels of consumer and government debt. As a result, inflation and interest rates are likely to stay lower for longer, providing a positive backdrop for equities and bonds over the medium term.

I would expect markets to trade within a broad range over time, with the larger part of returns coming from dividend growth. Equity income funds are, therefore, definitely worth considering for those who need income.

Growth investors may prefer to look to emerging markets as long as they are prepared to accept the associated risks and often volatile returns. Many of the emerging markets, particularly China and India, are in a relatively strong position, with lower debt levels than the West and aspirations to better living standards. ●

Edward Bonham Carter is Chief Executive of Jupiter Asset Management



03 CHANGING ATTITUDES TO EQUITY INVESTMENT

Despite buoyancy in global stock markets in the latter half of 2009, the extreme volatility that was experienced in 2008 and earlier this year has had a fundamental impact on how some people now view equity investments. People are now more aware of the potential downside as well as the upside and this is encouraging more advisers and investors to focus on matching attitude to risk and consider the use of risk rated funds.

This change in attitude has also contributed to the overall growth in popularity of lower cost alternatives and access to a wider choice of investments. We expect these needs to become 'mainstream' in 2010, and where appropriate we plan to move toward a Total Open Architecture offering, including access to ETFs. ●

Graham Bentley is Head of Investment Marketing at Skandia

04 DETERMINING THE PROPOSITION

2010 will be a key year for advisers to make decisions about whether their current way of operating will allow them to thrive in the future and to position themselves to take advantage of the huge opportunities ahead.

Advisers who can add value by digging deeper to find out the true aims and desires of their clients can create a relationship that runs very deep, where you are seen as a life coach as well as their whole of market adviser. This kind of service allows you to charge a fee on an annual basis and also receive the trail on the funds under management. Of course that level of relationship is attained by utilising the efficiencies of platforms, for instance to enable ease of rebalancing each year.

2010 will be the year to sift through your existing client bank to discover who will become a fee-based client, and then once this is done focus on finding those who fit the bill. ●

David Dodds is a Financial Planner at Wade Associates



06

A SIMPLIFIED BUSINESS STRUCTURE

In a world of uncertainty, fear, doubt and caution, it will be vital to believe in the service you are offering. That service is much more thorough and detailed than we seem to recognise and delivering the detail has created massive demand on advisers and their support teams. For me, 2010 will be about simplifying this complexity.

No single adviser can deliver a detailed level of service to 150 clients. Face-to-face meetings create great opportunities and wonderfully cement relationships. But processes need to be designed to deliver value – and a fee structure that can be easily understood should be attached to that value.

Embracing technology is key to building a straightforward proposition that saves valuable time – for instance by introducing paperless communication and record-keeping systems. It is the perfect time to put in place a structure that allows you to maintain control while creating the necessary freedom to develop and build business value. ●

Nicola Downs is a Director at Trencham Invest



07

PROPOSITION CLARITY

2010 will see the silent majority of advisers get their heads down to the serious business of preparing for RDR. The noise over level four qualifications will abate as the realisation dawns that for most advisers the diploma is not such a big deal. The really fundamental issue is business model. Advisers wanting a long-term stake in the profession will work out a clear idea of what it is they do and what they charge for it. For those wishing an early exit it will be a crunch year, as they hurriedly put their affairs in order to avoid a fire sale in 2012. ●

Gavin Lumsden is Editor of New Model Adviser

09

ECONOMIES AND MARKETS CONTINUE TO RECOVER

Many investors doubt the sustainability of both the economic and the market recovery. We don't. We believe that the economic recovery will continue in 2010 and that equity markets will rise further.

Although the UK and global economies face numerous headwinds, we think economic growth will be above trend, supported by very low interest rates and plentiful Central Bank liquidity. This should boost corporate profits and help the banking sector recover further. The very low level of return available on bank deposits will continue to make equities an attractive alternative for some investors. ●

Rupert Watson is Asset Allocation Strategist at Skandia Investment Group

08

SHAPING THE REGULATORY FUTURE

The shadow cast by an impending general election risks adding further uncertainty to the economy, the regulatory agenda and the preparations firms need to make in preparing for the RDR and addressing other regulatory challenges. I am hoping for an early election, perhaps even in March, to bring some stability to the rest of the year. One of the six original objectives of the RDR was to deliver a regulatory system that enables innovation. The only regulatory system that does that is a stable one, and constant discussion of changing regulatory architecture won't help firms – and stifles not only innovation but also investment in the sector. Whichever party emerges victorious from the campaign, I hope they take swift decisions which let firms better plan for the years ahead.

Sadly though, regulatory changes have become the constant and I see more ahead – being driven from Brussels more than from Canary Wharf. It is essential that the UK IFA voice is heard in the Commission or the rush to create a European financial services market could inadvertently lead to a bank-distribution dominated one simply because that is the continental model and therefore most familiar to European bureaucrats. AIFA will be ever vigilant against this and welcomes the support of members to take our campaign to Brussels. ●

Chris Cummings is Director General at AIFA



10 PLATFORM GROWTH SET TO CONTINUE

2009 saw huge growth in platform adoption, largely driven by the need for technology that will support a very different advice proposition and enable advisers to improve the service offered to clients. As more adviser firms set out their proposition in the year ahead, platform growth will remain a major theme.

Legacy assets, such as those in older style products like with-profits, represent a

huge opportunity for those advisers able to agree charges directly with clients and clearly demonstrate the benefits of their advice proposition. By efficiently managing investments from a single view and utilising the sophisticated investment tools platforms can offer, tailor-made portfolios can be built and monitored over time to ensure they deliver what the client expects.

It is now up to the platform market to ensure it evolves its service offering in line with increased demand. ●

Peter Jordan is Head of Proposition Marketing at Skandia



www.skandia.co.uk

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Skandia provides you with access to its investment platform, known as Skandia Investment Solutions. Within this platform you can open an ISA and Collective Investment Account provided by Skandia MultiFUNDS Limited, a Collective Retirement Account and Collective Investment Bond provided by Skandia MultiFUNDS Assurance Limited and an Offshore Collective Investment Bond, distributed by Skandia MultiFUNDS Limited but provided by Old Mutual International (Guernsey) Limited.

Skandia Life Assurance Company Limited, Skandia MultiFUNDS Limited, Skandia Investment Management Limited and Skandia MultiFUNDS Assurance Limited are registered in England & Wales under numbers 1363932, 1680071, 4227837 and 4163431 respectively. Registered Office at Skandia House, Portland Terrace, Southampton SO14 7EJ, United Kingdom.

All companies are authorised and regulated by the Financial Services Authority with FSA register numbers 110462, 165359, 208543 and 207977. VAT number for all above companies is 386 1301 59.

Old Mutual International (Guernsey) Limited is regulated by the Guernsey Financial Services Commission and is licensed to write long-term business under the Insurance Business (Bailiwick of Guernsey) Law 2002. Registered number 2424. Registered Office at The Beehive, PO Box 121, Collings Road, St Peter Port, Guernsey GY1 3HE, Channel Islands.