

providing clear choice

A key theme within the FSA's recent discussion papers looking at the financial advice market has been to highlight the importance of platform due diligence.

Jeremy Mugridge explains what this really means, and how advisers can clearly identify the platforms best positioned to meet client needs.



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In simple terms platform due diligence is the process of determining which platform is right for the individual customer. Due diligence is therefore a detailed and unbiased review of the various platform offerings, based around the particular needs of the customer.

With that in mind a starting point would be for an adviser to segment their own customer base to create a clearer picture of the distinct customer needs of particular groups. Having determined this, the adviser must then find a platform that is best placed to meet those needs.

Taking the client's needs into account, the due diligence process is likely to centre around a relatively short list of general factors and some quite basic questions. By outlining some of these factors and the answers to those questions, advisers can begin to develop a customer-centric due diligence process:

- **sustainability**

Is my client's money in safe hands? Is this provider fully committed to the platform market and do they have a proven track record of financial success and profitability?

- **range of funds and tax wrappers**

Does this platform offer my client real choice when it comes to how we choose to invest their money?

- **functionality**

Is this platform built with my client's needs in mind? Does it allow me to take a simple but holistic view of their investments or is it just a complicated mixture of tax wrappers supplied by a variety of providers? Does this platform provide tools that can help me provide my clients with the most appropriate investment advice?

- **cost and charging structure**

Is it easy for me to understand how much my clients are paying to invest via this platform? How do these costs compare with other platforms?

- **final 'killer question'**

Does this platform represent good value for money?

The answers to many of these questions will be relatively easy to determine. The question relating to platform price comparisons, however, has generally been very difficult for an adviser to answer with any real certainty. The reality of platform costs has been shrouded in a fog of confusion, mainly due to the unclear charging structures of certain platforms/wraps.

Without a platform cost comparison it is virtually impossible to answer the all-important question of whether a platform represents good value for money.



PriceWatch is available now at www.skandiapricewatch.co.uk

For more information on the Selestia Investment Solutions platform, please contact your Skandia consultant or visit www.skandia.co.uk/fasite/

clearing the fog

With this in mind, Skandia's new online 'PriceWatch' tool has been developed to help advisers answer some of the more difficult price-related due diligence questions. The tool uses Financial Express fund data and then overlays all charges levied by each platform, including annual fees, initial charges, annual commission, fund manager initial charges and switching charges.

The introduction of PriceWatch enables you to make more informed decisions on the realities of platform charges by easily comparing the main platforms' prices.

PriceWatch in practice

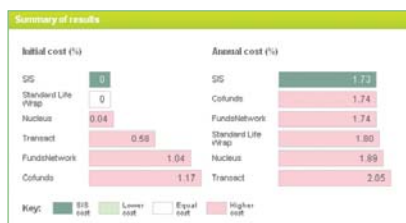
The following simple scenario demonstrates the power of PriceWatch. Consider a client with:

- £150,000 in unwrapped collectives,
- invested equally across a portfolio of 12 funds*

- 20% of funds being switched in any given year.

The 12 funds chosen are the top selling funds from January to November 2008 that are also available across all six platforms featured on PriceWatch.

By inputting the details of this scenario into PriceWatch we get the following price comparison (note that the Selestia Investment Solutions annual costs also include the £50 investor charge).



The results provide a completely clear comparison on a like for like basis. For this portfolio of 'top-selling' funds, it is clear to see that in terms of initial and annual charges the Selestia Investment Solutions platform is leading the market.

There are of course many valid issues other than price to consider when choosing a platform, which we've discussed in previous articles. PriceWatch seeks to help an adviser answer the difficult question of 'does this platform represent good value for money?' – a question that is absolutely crucial to the end client given that they pay the charges.

At Skandia we aim to constantly challenge the market to improve consumer outcomes, and PriceWatch is another example of how we are helping advisers to fulfil due diligence requirements and easily identify where the true value lies for their clients. ●

*Top 12 selling UK-domiciled funds in January 2008 – November 2008 that are available across all platforms featured on PriceWatch: Invesco Perpetual High Income, Invesco Perpetual Corporate Bond, BlackRock UK Absolute Alpha, M&G Recovery, Invesco Perpetual Monthly Income Plus, M&G Global Basics, BlackRock UK Dynamic, First State Asia Pacific Leaders, Martin Currie North American, Artemis Income, JPM Cautious Total Return, Invesco Perpetual Income.

Source: Lipper

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Selestia Investment Solutions investment platform gives you access to an ISA and Collective Investment Account provided by Skandia MultiFUNDS Limited, a Collective Retirement Account and Collective Investment Bond provided by Selestia Life & Pensions Limited and an Offshore Collective Investment Bond distributed by Skandia MultiFUNDS Limited for Old Mutual International (Guernsey) Limited.

Skandia fund platform gives you access to MultiISA and MultiFUND provided by Skandia MultiFUNDS Limited and to products provided by Skandia Life Assurance Company Limited.

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