

August 2012



# Financial Advice Changes 1-2-3



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Three big changes are happening to the way you get advice from financial experts. See what this means for you and your money.

# Giving you confidence and trust in financial advice

Whether you need help with your savings, are planning for retirement or just want to make your money go further, you should know how much financial advice is costing you and the service you will receive.

So, from 31 December 2012, we are making improvements to the way you get financial advice. This means you will:

## 1 Know how much advice will cost

**Advice has** never been free. You may not have realised, but if you have received financial advice you have probably been paying 'commission' to your adviser. The company providing the investment product would have paid your adviser a percentage of the sum you invested.

From 31 December 2012, instead of you paying commission on new investments your financial adviser will have to be clear about the cost of advice and together you will agree how you will pay for it.

This way you will know exactly what you are paying and that the advice you receive is not influenced by how much your adviser could earn from the investment.

*See page 5 for more about commission and costs.*

**“Advice has never been free”**



## 2 Know what you are paying for

**There are** many ways to invest your money and financial advisers can either advise you on all products that may be right for you or only focus on certain areas, such as pensions.

Your adviser will have to make clear which products they can advise you on and whether they can consider any firm across the market or only some product providers.

The differences between these types of advice are known as 'independent' and 'restricted' advice.

*See page 5 for more on independent and restricted advice.*



*We are increasing the standards of qualification that financial advisers have to meet to ensure their knowledge is up to date*



### 3 Get improved professional standards

**Some investments** can be hard to understand. So we are increasing the standards of qualification that financial advisers have to meet to ensure their knowledge is up to date.

Financial advisers will also have to sign an agreement to treat you fairly.

**We will monitor firms to make sure they meet these new standards.**



## What is 'independent' and 'restricted' advice?

**From 31 December 2012**, financial advisers that provide 'independent' advice will be able to consider all types of investment products that might be suitable for you. They can also consider products from all firms across the market.

An adviser will have chosen to offer 'restricted' advice where they can only consider certain products, product providers or both.

Your adviser will have to clearly explain what they can advise you on.

## How much will advice cost?

**Your adviser** will have to clearly explain how much advice will cost and together you will agree how you will pay for it.

This could be a set fee paid upfront or you may be able to agree with your adviser that they can take the fee from the sum you invest.

## How did commission work?

**If you** have received financial advice your adviser probably received 'commission' on the investment you bought. The product provider would have given your adviser a percentage of your investment – typically 1% to 8%, or sometimes more on a lump sum investment.

So for an investment of £10,000, your adviser could have received between £100 and £800 commission.

## What should you do now?

**Before 31 December 2012, ask your adviser** how much they are currently charging you for their advice and how much that same advice will cost in the future.

They should be able to explain how these changes will affect you and your finances, and whether they will offer independent or restricted advice.

# Useful contacts

## Financial Services Authority

We regulate financial services firms and advisers in the UK to help protect your money.

[www.fsa.gov.uk/consumerinformation](http://www.fsa.gov.uk/consumerinformation)

0845 606 1234

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## Money Advice Service

Provides unbiased information and tools to help you manage your money better.

[www.moneyadvice.service.org.uk](http://www.moneyadvice.service.org.uk)

0300 500 5000

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## The Pensions Advisory Service

Offers independent information on state, company, personal and stakeholder pensions.

[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

0845 601 2923

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This guide is available in Welsh language on request .

Mae'r canllaw hwn ar gael yn Gymraeg ar gais.

Also available in large print,  
Braille or audio format on request.



Financial Services Authority

[www.fsa.gov.uk/consumerinformation](http://www.fsa.gov.uk/consumerinformation)

 [@FSAconsumerinfo](https://twitter.com/FSAconsumerinfo)