

If you “Google” “May you live in interesting times”, you will find it is a Chinese curse, which is very apt presently! Apparently stability, steadiness and the known were much preferred to constant change and the unknown, hence you “curse” someone with change.

Well 2015 was certainly an interesting year to say the least, with so many changes it may take quite some time before these become the “known” and some sense of stability returns.

One “change”, resulting from the Retail Distribution Review (RDR) a few years ago, was ordering all Financial Advisers to charge fees and abolish commission. This was simply to avoid product bias i.e. it was designed to stop unscrupulous advisers selling the highest commission product rather than the right one for the client which might have paid them less.

This was a good objective but it has produced well prophesied un-intended consequences and resulted in a new expression called “the advice gap”. As a result of forcing all advisers to charge fees, those with modest savings are finding advice very expensive in relation to the funds they have, and thus, quite understandably, are not seeking any advice.

However those with sufficient funds already are finding advice plentiful and relatively “cheap”, hence the “gap” between those who get advice and those who don’t.

Folk caught in “The Advice Gap”, and there are millions affected, thus have to make their own decisions, which in the light of so many changes in the last few years in taxation and pensions are difficult enough for us professionals who do this all the time let alone a layman.

As it is so easy for an individual to reach the wrong answer Parliament is conducting another review called the Financial Advice Market Review (FAMR) or to us: - Retail Distribution Review 2, (RDR2). This could mean a return to “advisers” being paid commission once again or something as yet unknown.

What is interesting is a lot of Banks have indicated their return to offering financial advice. Having paid billions in fines and compensation (PPI etc) for getting it completely wrong in the past, they can’t wait to get their hands on your money once again. Do you really think a Leopard can change its spots?

Yes an IFA is not “cheap” but are they good value? The best return on £10,000 invested for the last year was £14,400, the worst a loss of £4,800 leaving £5,200. No IFA can guarantee to give you the highest return but they should easily be able to avoid giving you the worst! How much would that advice be worth?

It costs nothing to find out how much “advice” for you would cost. IFA’s normally give you an estimate in advance once they know what you need, and you can then accept it or look elsewhere. (Bit like taking a car to a garage for an estimate for repairs.)

In the meantime, whilst we await the results of RDR2, to see if and how the “Advice Gap” can be closed, there is nothing more to say except these certainly are “interesting times”.