



Irish Life

*Supporting
your pension
plan*

NATIONAL CONVENTION CENTRE 25 SEPTEMBER 2012

PENSIONTENSION²⁰¹²

planning the new reality

The future advice model

Are there lessons from the UK?

'Is the present business model bust?'

'We have a system which serves neither the producer of the services nor the consumer of the services. It is doubtful whether it serves the intermediary either.'

Callum McCarthy, Chairman of the Financial Services Authority, Sept. 2006

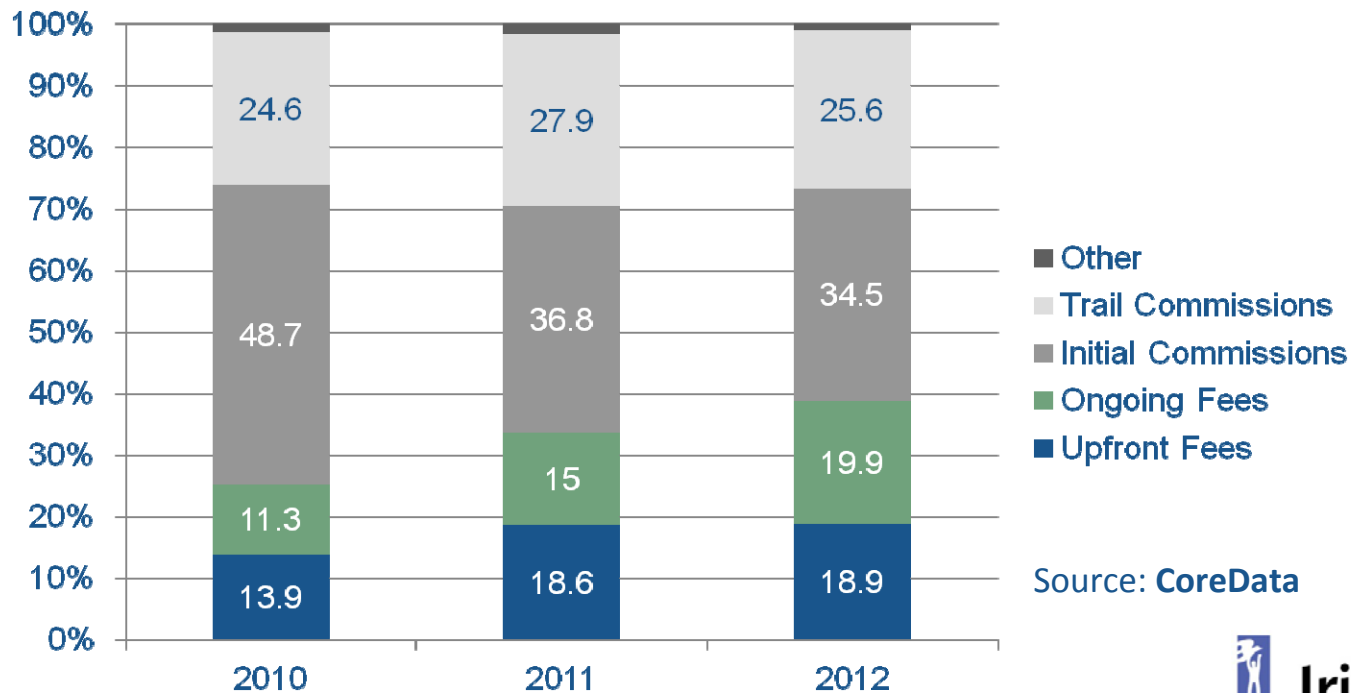
‘We aim to help consumers to achieve a fair deal from the financial services industry and have confidence in the products they buy and in the advice they take.’

A Review of Retail Distribution, FSA, June 2007

Main provisions of the Retail Distribution Review (RDR)

- Implementation 1st January 2013
 - Applies to pension & investment business only
- Higher professional standards
 - New minimum benchmark qualifications
 - Statement of Professional Standing
 - 35 Hours minimum CPD
- New categories of 'Independent' & 'Restricted' advice
- Ban on all commission payments
- Potentially a model for other European markets?
 - MiFID II

A shift to fees is underway...but there's a long way to go



Source: CoreData

What UK advisers think they're worth

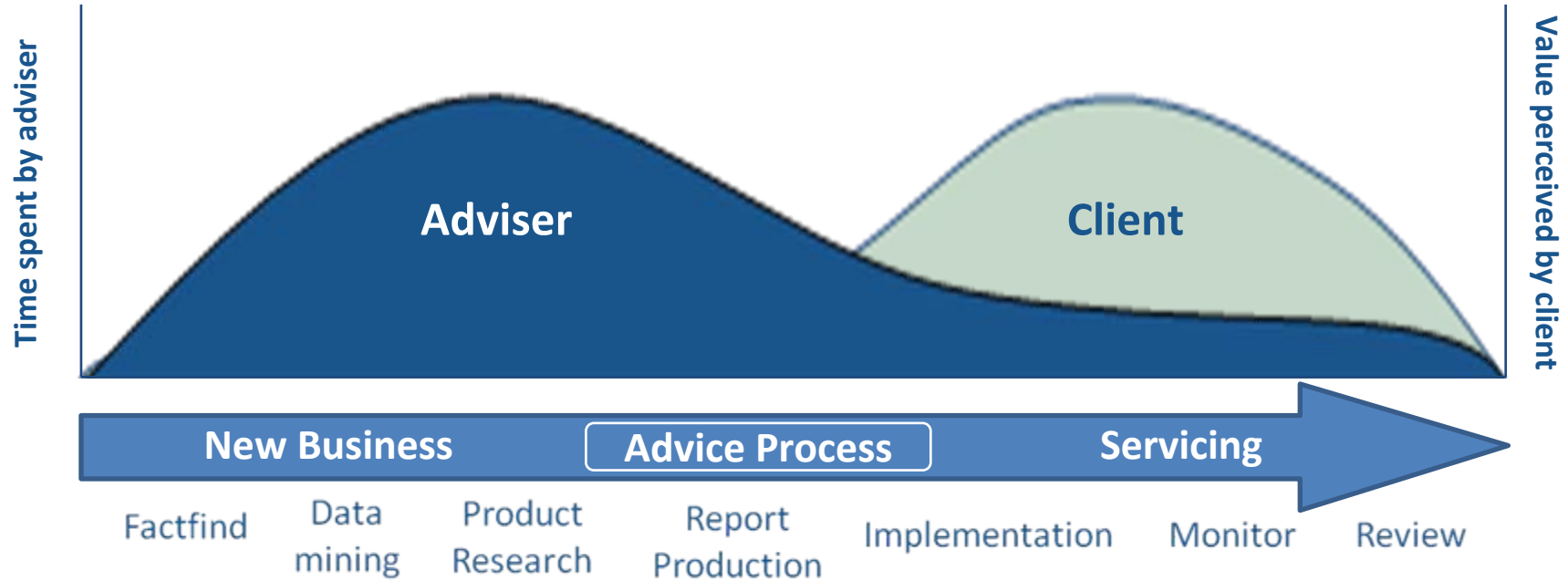
Cost per Hour	% of UK Advisers
£100 or less	23.5%
£101 - £150	40.1%
£151 - £200	26.6%
£200 +	9.8%

What consumers are saying

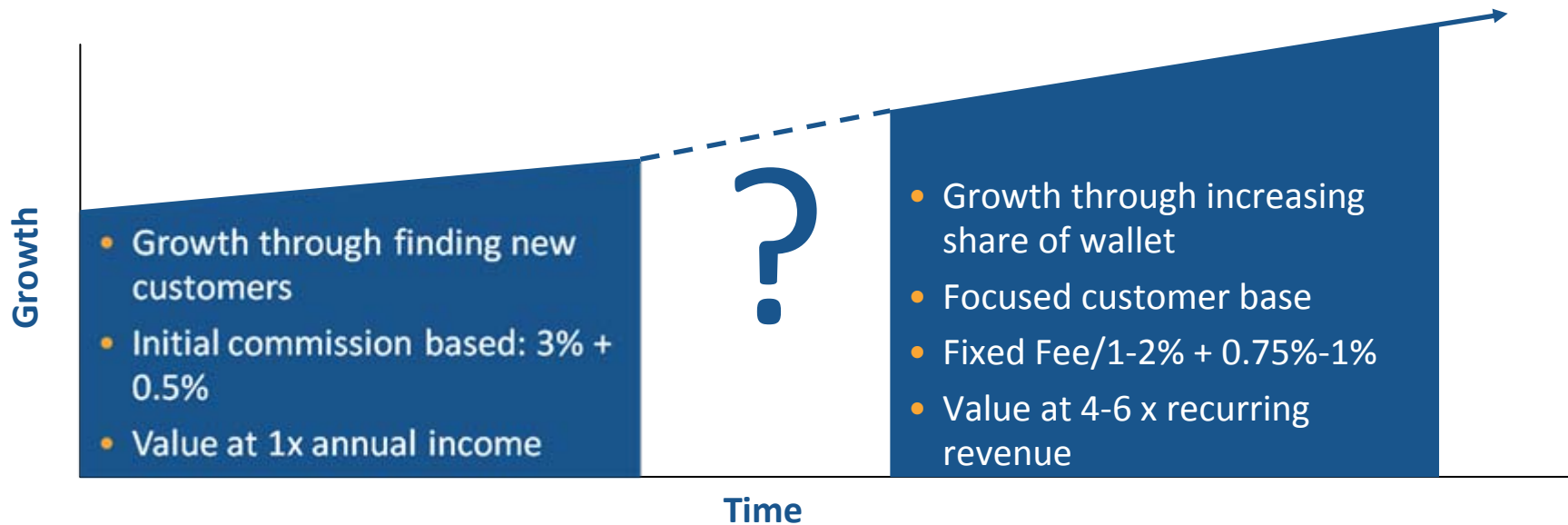
- 84% of people are still unaware of RDR and that consumers will pay a fee for advice*
- 54% would refuse financial advice if charged a fee*
- Clients who are prepared to pay for advice are prepared to pay an average of £155 for a full financial review**

Source: *Deloitte, July 2012. **Coredata, January 2012

A mis-match of revenue, costs and perceived value?



Ongoing service & remuneration – the business motive



More secure revenue, higher business valuation

More work clearly needs to be done

- Communication
 - Advice has never been free!
- What exactly is being provided?
- To whom?
- How much are clients prepared to pay for each service?
- Is it profitable?

£20,000 x 0.5% trail commission = £100 per annum

How are UK pension advisers' client propositions developing?

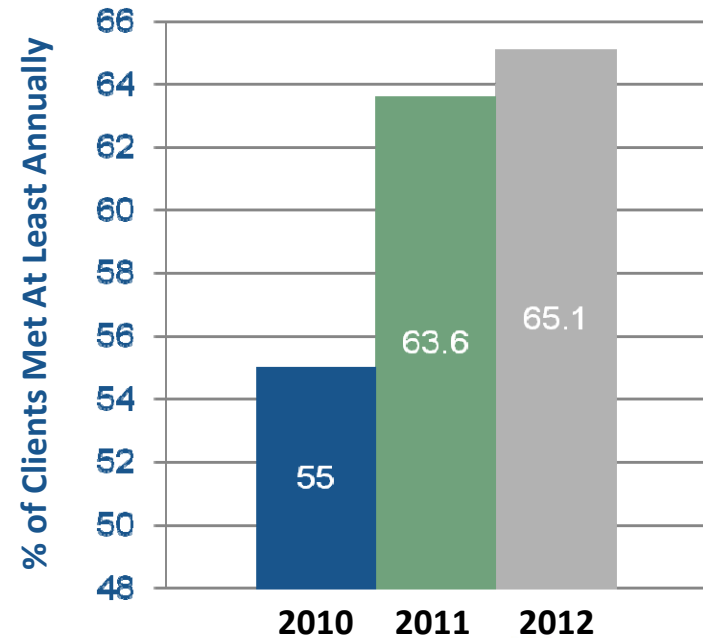
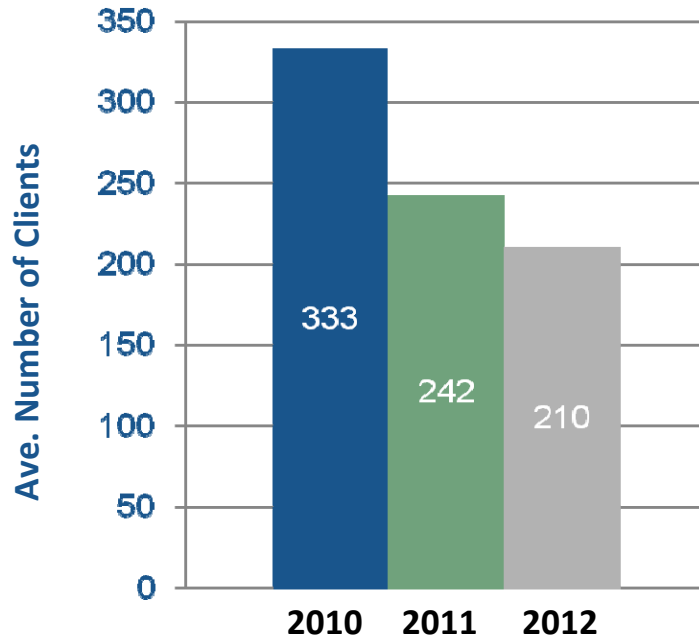
- Clearly segmented client base
- Menu of services
- Shift away from product sales to comprehensive financial planning & portfolio management services
- Fixed fees for task-specific technical advice

Client segmentation/service menu

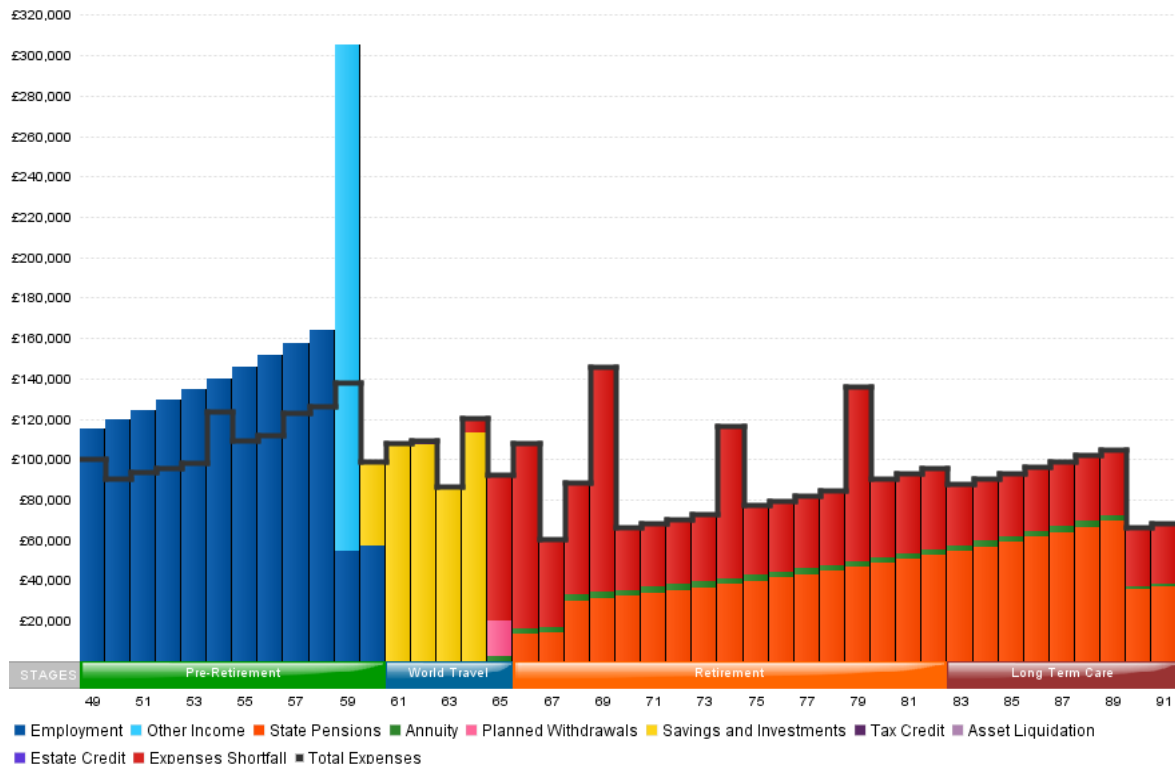
evolve wealth client services				
our services	☆☆☆ exclusive	☆☆ preferred	★ foundation	transactional
➤ evolve wealth Portfolio Service	✓	✓	✓	✓
➤ Annual Review	✓	✓	✓	
➤ Half Yearly Review	✓	✓		
➤ Professional Adviser Service	✓	✓	✓	
➤ Removing Hassle	✓	✓	✓	
➤ Retirement Planning Service	✓	✓	✓	
➤ Protection Service	✓	✓	✓	
➤ Mortgage Service	✓	✓	✓	
➤ Telephone & Email Access to Adviser	✓ unlimited	✓	✓	
➤ Face to Face Access with Adviser between reviews	✓ unlimited	✓		
➤ Inheritance Tax & Estate Planning	✓	✓		
➤ Second Opinion Service	✓	✓		
➤ Tax Planning Service	✓	✓		
➤ Priority Response Service	✓			

Source: www.evolvewealth.co.uk

Fewer clients, better service



Financial planning - client-focused, not product-focused



Portfolio management services

Nomen Tuum Ltd Financial Advisers

Portfolio Analysis Report for Mr B

Portfolio details

Portfolio name: U-Glass ROP No TRX1
Portfolio currency: GBP
Fund range: UKIT Tru42/0ESC
Report generated date: 20.04.2011
Performance start date: 19.04.2006
Performance end date: 19.04.2011
Selected benchmark: Weighted Sector Average

Portfolio Analysis



Historic Risk Score

The historic portfolio risk level represents the historic volatility over the period 31/03/2008 to 31/03/2011, and takes into account the changing composition of the portfolio over that period of time.

Prospective Risk Score

The prospective portfolio risk level represents the expected level of future volatility of the combination of asset classes determined by using objective mathematical modelling tools taking into account past data and implied market data in the future. This derivation is based on the current asset class composition of the portfolio.

Portfolio Analysis Report for Mr B

Asset allocation

Building an investment portfolio that meets your objectives is the first step in asset allocation, which is concerned with how you spread your money across different asset types and regions. The research fund objectives, which is concerned with the choice of fund managers and funds to represent each chosen asset class and region. Both of these considerations are important, although generally the first is considered more than the second as the first, asset allocation, could, has a much larger impact on the volatility of your portfolio returns.



Emerging fee models

	Hourly Fee
Overview	A standard hourly charge for advice & servicing
Initial Fee	£100-£250
Ongoing Fee	£100-£250
Comments	Mirrors other professional service models

Emerging fee models

	Hourly Fee	% of Investment
Overview	A standard hourly charge for advice & servicing	% of initial investment & AuM
Initial Fee	£100-£250	1%-3%
Ongoing Fee	£100-£250	0.5%-1%
Comments	Mirrors other professional service models	Can be tiered based on size of portfolio

Emerging fee models

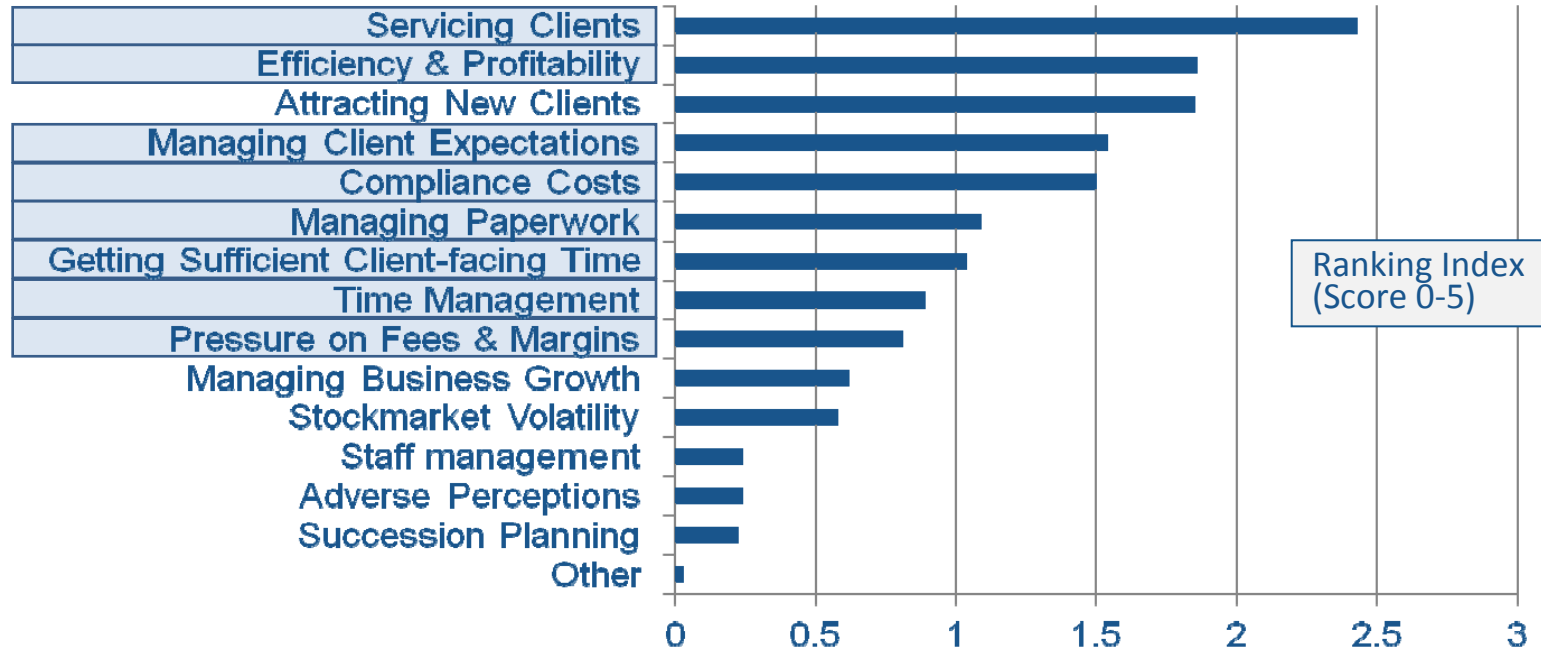
	Hourly Fee	% of Investment	Fixed Price
Overview	A standard hourly charge for advice & servicing	% of initial investment & AuM	Fixed fee for task-based work
Initial Fee	£100-£250	1%-3%	£1500+
Ongoing Fee	£100-£250	0.5%-1%	N/A
Comments	Mirrors other professional service models	Can be tiered based on size of portfolio	Derived from the expected time required

Emerging fee models

	Hourly Fee	% of Investment	Fixed Price	Monthly Retainer
Overview	A standard hourly charge for advice & servicing	% of initial investment & AuM	Fixed fee for task-based work	Fixed fee to cover all or some ongoing services
Initial Fee	£100-£250	1%-3%	£1500+	N/A
Ongoing Fee	£100-£250	0.5%-1%	N/A	£50+ per month
Comments	Mirrors other professional service models	Can be tiered based on size of portfolio	Derived from the expected time required	Economics could be challenging

Fees must be representative of the advice services provided

What are UK advisers' main concerns?



Efficiency & excellent service delivery are key

Source: CoreData

Summary/possible lessons for Irish pension brokers?

- Fees and/or more transparency may be coming here too

- Pays to be ahead of the curve

1. Define your firm's advisory proposition.
2. Identify the stages of your advice process.
3. Decide on an appropriate charging method for each stage.
4. Set benchmark pricing based on revenue requirements.

Source: **JP Morgan: Adviser Charging: putting a price on financial advice. May 2011**

- Ongoing advice & remuneration will build a more rewarding, stable and valuable business

Lessons for the Irish life companies?

- Product providers must become service suppliers
 - Your products are no longer the proposition!
- Product design/differentiation less important
 - Efficient '21st century' service delivery
 - Investment flexibility
 - Supporting technology
- Margin pressure will increase
 - End consumer will decide the overall price!

PENSIONS TIME BOMB... EXTENDED
WORK LIFE... PENSIONS TAX RELIEF...
REDUCED "CAPS"... UNEMPLOYMENT
AND EARLY
INVESTMENT
RETIREMENT...
QUANDRY...
NEED FOR SPECIALIST ADVICE



Irish Life