

# Harry Taylor Consulting

## White Paper: RDR – January 2010

### Retail Distribution Review:

#### What questions should firms currently be considering?

Here are a few key questions RDR raises for different types of financial services firm:

#### **Independent Financial Advisers**

##### Strategy & Finance

- Will the firm remain 100% IFA or consider developing a range other advisory services to run as an alternative or alongside the current business if this is not sustainable?
- How much more capital might be required for the firm and where would this come from?
- If the firm also offers mortgage advice, general insurance, protection, or corporate pensions what might the future knock-on effect of RDR be in these areas?
- What is the 3 year projected P&L of the firm on various alternatives?

##### People

- What are the broad training and communication requirements across the business?
- What qualifications do advisers hold and is there a gap compared to minimum RDR requirements?
- What will be the cost, time and effort to bridge any gap and how would this be resourced?
- How likely are the current client base to accept the totally transparent new model of Adviser Charging (effectively fees for advice, even if these are actually deducted from client money paid into the investment product and then passed on by the product provider to the IFA firm)?
- Can the firm continue to attract enough new clients to the new model of Adviser Charging?

##### Process & Product

- How robust are the firm's processes for researching and advising on the whole market in a truly 'independent' way?
- What changes are necessary to the processes, training, IT systems and literature to continue as an IFA firm?
- How well positioned are current Point of Sale and Back Office systems to be developed to meet RDR requirements?

#### **Life & Pensions providers**

##### Strategy & Finance

- How does RDR affect the size and quality of key distribution channels, especially IFAs as this channel is predicted to change the most?
- What channels should be aggressively developed such as strategic alliances with Supermarkets, Banks and Building Societies? Or direct to customer through phone and internet?
- Has a strategy been agreed for pricing and profitability where similar propositions are offered via multiple channels?
- What are the pros and cons of early versus late adoption of the new RDR practices and what are the key assumptions driving a choice of 'go early' or 'go late'?
- How well understood are likely competitor responses, particularly new entrants or new 'direct to customer' channel developments?

##### People

- What are the broad training and communication requirements across the business?
- Does the firm have enough dedicated expert resource lined up to complete the initial analysis and scoping for IT and business impact analysis?

### **Process & Product**

- Has enterprise level planning and risk management factored in the resource to deliver the RDR change programme and is it currently on track with milestones to match the latest FSA plan for implementation?
- How well positioned are current Point of Sale and Back Office systems to be developed to meet RDR requirements?
- What role could outsourcing play in achieving RDR objectives, particularly if a new core business competency was required such as 'direct to customer' large scale distribution?
- What product lines for IFA distribution will need redesign to strip out any built in commission costs?
- If IFA products have recently been designed as 'RDR friendly' will they exactly match the RDR requirements and give flexibility to cope with the full range of possible 'Adviser Charging' structures?
- Have planned future products services and processes been prototyped and passed 'proof of concept' with customers and distributors?

## **Banks and Building Societies**

### **Strategy & Finance**

- How can the Bank or Building Society best capitalise on any shrinking of the IFA channel to increase its own market penetration?
- If IFA service is offered to some customers how are the relevant questions for IFA firms above being answered?
- How will RDR impact the insurance or investment partner(s) particularly if these are in-house owned by the bank?
- Is there a significant threat from competitors or new entrants emerging and if so how to respond?
- What is potential impact of 'read across' of RDR to mortgage, general insurance, PPI, protection or corporate/group pensions markets?
- What is the preferred overall business model in a post RDR world and what is the best way to manage transition from current business model to the new?

### **People**

- What are the broad training and communication requirements across the business?
- What qualifications do advisers hold and is there a gap compared to minimum RDR requirements.
- What will be the cost, time and effort to bridge any gap and how would this be resourced?
- Is remuneration of advisers and management aligned with RDR principles going forward?
- How will RDR affect the firm's different customer segments?

### **Process & Product**

- What key points of clarification on disclosure of status and cost of advice are required from the June 2009 FSA paper?
- What role does Money Guidance have in services to customers and lead generation?
- How well positioned are current Point of Sale and Back Office systems to be developed to meet RDR requirements (particularly interfaces with the insurance and investment partner(s))?

## **Investment and Fund Managers**

### **Strategy & Finance**

- What impact will any change to size and customer base of the IFA channel make to overall market share and profitability of the firm for retail distribution?
- What is likely impact of RDR and 'tighter' rules regarding whole of market independent advice on any Collective Investment Scheme products distributed via Fund Supermarkets and Wrap Platforms?

### **People**

- What are the broad training and communication requirements across the business?

### **Process & Product**

- Can products such as Collective Investment Schemes with standard charges allowing for initial and trail (% fund) commission be easily redesigned and administered on a commission free basis for the IFA channel?
- Can systems and processes cope with the full range of 'Adviser Charging' structures which may emerge in the IFA channel?
- What is the current and planned future policy and process for 'Distributor Influenced Funds'?

**For more information or to discuss this White Paper please contact Harry Taylor.**

**HARRY TAYLOR CONSULTING LTD**  
innovation . leadership . results

Mobile: 07860 828712  
[www.harrytaylorconsulting.com](http://www.harrytaylorconsulting.com)

**About HARRY TAYLOR BSc (Hons) FFA FSAI**

Harry Taylor is an independent actuary and business consultant with extensive commercial experience of insurance, pensions, investment and banking. He has been director at several of the UK's major financial services companies leading proposition development, marketing and operations (including outsource). He specialises in creating and delivering innovative solutions for financial services firms to solve complex problems and develop new opportunities. Consulting specialist areas are Innovation, Strategy, Proposition Development & Marketing, DC Pensions, Workplace Savings, Platforms, Auto Enrolment, Default Funds, Segmentation and RDR.