

There's no such thing *as* FREE ADVICE



Despite a pledge to make it illegal for independent financial advisers to take commission on the products they sell, people are still reluctant to pay fees for impartial advice. Jonathan Fry wonders why

There is something captivating about being able to receive expert financial advice without having to pay your highly-qualified and experienced adviser a single penny. It sounds too good to be true, and it is.

That doesn't stop most people, with unquestioning trust, place their financial future and often that of their family into the hands of the very plausible adviser who never issues them with a bill for the time and attention he has devoted to them.

The fact is that he or she isn't working free of charge for your benefit. Why would they? What they are doing is selling a product to you and their reward will come as commission out of the money you pay into a savings scheme, through annual fees or in deductions from the interest or dividends you receive on your investments.

You probably won't think to ask just how much this commission is worth to the adviser because it's on a buy now, pay later kind of arrangement, although the laws of disclosure dictate that you should be told.

The Financial Services Authority has stated that it will outlaw all commission-based financial advice from the year 2012, in favour of fee-based consultancy.

That means that your financial adviser will have a set scale of charges for the work he or she does on your behalf and you will receive a bill. The upside for you - and this is what has spurred the FSA to bring in new legislation - is that the advice you receive from an independent



financial adviser will be 'independent', and not coloured by the commission the adviser will make on the products he or she hopes to sell you.

Yet, despite the relative lack of transparency associated with the commission-based system, the work undertaken by non-commissioned, fee-based financial advisers accounts for only seven per cent of the market in the UK - and even this low figure exceeds the levels across much of Europe.

I am at a loss to understand why people are not seeking fee-based advice in greater numbers. The benefits seem obvious to me. Your independent financial adviser will be able to recommend any financial product or arrangement based upon your own individual and very personal needs and objectives. Also, the fee can be agreed in advance and it often can be considerably lower than the banks take in commission

or product charges.

Obviously, if you go to your bank or building society, you will be directed towards their own financial packages. The staff of Barclays are not suddenly going to recommend a savings account with Lloyds TSB.

But if you go to a registered independent financial adviser, on a fee basis, you can be confident that the only incentive he or she will have to recommend a product is that it is right for you.

The UK will lead the world in changing the system, and it can't come a day too soon for me. ☺

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