



Advice considerations for pension reviews

The FSA’s thematic review on the quality of advice on pension transfers has helped to firmly re-establish the standard for what’s required to ensure clients get the right product at the right price with the right features, benefits and investment options.

There are a number of questions that you should address when advising on pension transfers. The following is not an exhaustive list, there may be other factors to consider specific to your client’s individual circumstances.

- Will the products you’re recommending meet the FSA’s Retail Distribution Review proposals? If they don’t, are you storing up advice problems for the future?
- Are you meeting the requirements of RU64? Remember, it still applies in the post A-day world and the FSA will require evidence that this benchmark has been met.
 - Is the product at least as suitable as a stakeholder?
 - Can you accurately represent this in the client’s suitability report?
 - Is the product free from exit charges? If not, could they be seen as unreasonable post-sales barriers which would prevent the policyholder changing provider? As well as potentially failing RU64, this could also fall short of the FSA’s Treating Customers Fairly outcome 6.

The Retirement Account already provides total transparency on costs, separating provider charges from advice costs. It can also be accurately compared against a stakeholder pension, helping you to evidence compliance with RU64.

	The Retirement Account solution:	
Retail Distribution Review		
Removal of provider influence on the cost of advice	Cost of advice set by the adviser	✓
Payment of advisory services funded by matched deduction from product/investment	‘RDR compliant’ remuneration options already available	✓
Separate disclosure for product and advice costs	Advice, service and investment costs all shown separately and independently	✓
Unbiased and unrestricted advice, even on investments	Remuneration paid at wrapper level – no bias to in-house funds or fund supermarket	✓
RU64		
Can you accurately compare against a stakeholder pension?	Full pre-sale disclosure of effect of deductions and reduction in yield unlike many SIPPs	✓
What about exit charges?	No exit charges	✓