

The Retail Distribution Review (RDR) – what is it and how does it affect you?

At the end of 2012 the Government introduced a change in the way financial services are provided to ensure fair and transparent charges, higher quality advice and a full understanding for consumers of the services they receive.



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What has changed?

1. Financial advisers are no longer paid by commission but instead must agree charges with their clients up front.
2. Advisers are required to state how much of the market they can help with - in other words - they must be clear as to whether they are independent or restricted.

What's the difference?

- **Independent** means that advisers can advise on all product types rather than just a specific segment of the market.
 - **Restricted** advisers either specialise in specific areas (eg pensions) or offer limited advice on a smaller range of products.
3. Financial Advisers are required to hold a higher qualification for giving financial advice, must spend at least 35 hours per year on continuing professional development, and must hold a Statement of Professional Standing as evidence that they have met the required standard.

What does this mean for you?

- **A clear understanding of fees.** You will know exactly what your adviser will be charging you and you can agree charges up front. In some cases you may be able to agree with your adviser to have the fee taken from your investments rather than paying a lump sum.
- **Clarity on service.** You will know whether your adviser has access to whole of market or whether they are restricted to specific products.
- **Impartial advice.** With commission based services removed, you have comfort that the advice given really is impartial.
- **Higher professional standards.** Advisers will be subject to stricter standards both in terms of qualifications required and ongoing professional learning, and all must adhere to an industry Code of Conduct.

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