LIFE AFTER THE
RETAIL DISTRIBUTION REVIEW

Dunstan Thomas recently completed its own in-depth study into the impact of RDR for retirement market players including providers platformas and IFAs.

RDR REGULATORY CHANGES:

1. End to commission bias which had enabled providers to control distribution of their products (regardless of performance)

2. Increased charges transparency as all parties in the chain from fund manager, through to the platform and adviser, must all reveal their charges and opaque practices such as cash rebates are banned

3. Increased professionalism as advisers were forced into a tougher Training & Competence regime and Independent Financial Advisers were demarcated from Restricted Advisers who are not sourcing products from the whole of the market

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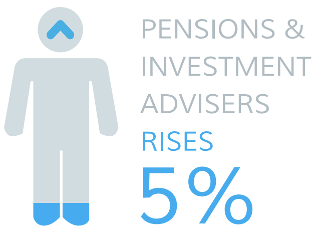
WHAT WAS THE IMPACT OF RDR?

1 ADVICE GAPS EMERGES AS ADVISER NUMBERS FELL

Initially numbers of financial advisers fell by over 20% to under 20,000. Retail bank-based (mostly) tied advisers fell dramatically as the cost of professionalising them became too heavy for the beleaguered banks. They have fallen by more than 2,000 12-months on from RDR deadline, leaving only 3,556 bank-based advisers.



More positively, the FCA's own figures for the numbers of pensions and investment advisers went up by 5% in 2013 to reach 21,881. But despite this clear we are still 15% off the adviser numbers recorded at the end of 2011.

Source:
http://www.ftadviser.com/2014/01/13/regulation/regulators/non-bank-adviser-numbers-continue-gradual-recovery-4kUcm2Vz6aelxgQj6DiOfN/article.html

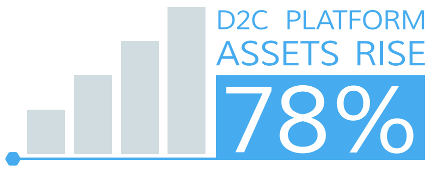
2 WRAP PLATFORM BOOSTED

Wrap platform asset-base boosted as IFAs sought to automate back office administrative functions and improve access to increasingly sophisticated front office planning tools and is set to reach £300bn in Assets under Management by the end of this year.

Source:
http://www.moneymarketing.co.uk/wrap-and-technology/the-plat
forum-tips-life-companies-for-d2c-platform-move/1064960.article

3 D2C PLATFORMS ALSO COME OF AGE

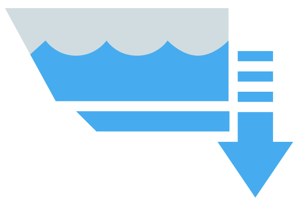
D2C platform boom also evident as customers that cannot or do not want to access financial advice choose to go it alone online. Platforum report revealed 23% growth in AUA on D2C platforms in 2013, confirming that it now holds £116bn, up from £94bn a year ago.



Source:
http://www.ftadviser.com/2014/02/06/investments/wraps-and-platforms/d-c-platform-assets-rise-in-three-years-8fWvSBZMFKx8DJy7GpFJVN/article.html

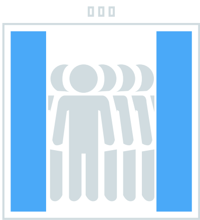
4 LEGACY ASSET POOLS FALLING FAST

Legacy asset migration shift is a symptom of this as IFAs and customers move their assets away from higher charging, old style pensions. Fund managers are also moving rapidly to clean share classes which unbundle all charges and eliminate rebates.



WHAT HAPPENS NEXT?

1 AE CAPACITY CRU NCH

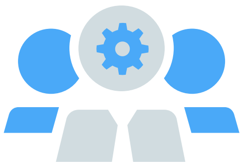


Workplace pensions world will be changed forever as millions are Auto Enrolled into charge-capped Schemes over the next 4 years. The only question is how many millions of new customers the retirement industry can enrol and how quickly. There is a real risk of providers pulling out of the market creating the AE Capacity Crunch by the end of this year.

Source:
http://www.dthomas.co.uk/content/fs/blog/2014/01/ae-capacity-crunch-looks-set-to-cut-provider-choice-as-early-as-july-2014/

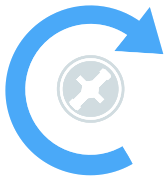
2 A MARKET OF SPECIALISTS

Platforms and networks which increasingly control the market will avoid risk of commoditisation by identifying areas of specialisation and serving specific parts of the retirement market better than their competitors. Will you be a specialist in pre-, at or post-retirement market? Non-core areas, where capabilities are difficult to acquire, train and retain, will be outsourced to specialists. It explains why D2C annuity platforms have found such favour in recent times and also explains why Discretionary Fund Management outsourcing outfits are thriving. Work to your strengths, outsource your weaknesses, is the thrust.



3 GOVERNANCE SCREW TIGHTENS FURTHER

DWP's current assault on the annuity market and the FCA's continued reviewing of SIPP operators, shows that both the Government and the regulator remain committed to increasing consumer rights and choices and killing off restrictive practices which limit that choice and protect provider profits.



4 POTENTIAL FOR PRODUCT INNOVATION

Steve Webb's plans for Defined Ambition pensions as a reaction to the imminent extinction of DB schemes indicates that there is a real appetite for a re-think in the way that we save for retirement.

Dunstan Thomas devotes a chapter of the Life after the RDR Guide (from page 27) to the pensions reform agenda looking at the popularity of ISAs and explores how tax incentives can be used to encourage people to save more for retirement; while giving them access to retirement savings early if the 'wheels fall off'. Inter-generational pensions are also firmly on the agenda. Even the industry itself wants change to attract the next generation of savers.

TO DOWNLOAD OUR FULL GUIDE TO LIFE AFTER RDR PLEASE CLICK HERE

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