

Why does your adviser charge a fee?

Tailored Financial Planning Ltd Financial Advisers and its associated companies are directly regulated by the Financial Conduct Authority. The Retail Distribution Review (RDR) dictates that from January 2013 all investment and pension advice must be paid by customer agreed fees.

How do we arrive at a suitable figure?

The FCA fees charged to our firm are for the year 2017 are **£1,398.00**. All directly regulated Advisers must also contribute to the Financial Services Compensation Scheme (FSCS) to protect customers whose advisers are no longer in business. Our fee for this is **£1,437.71**. Any company dealing with Mortgages should also have a license for Consumer Credit from the Office of Fair Trading. The current cost of this is **£1,200.00**.

It is a regulatory requirement that all IFA's carry Professional Indemnity Insurance (PI) to ensure that we can meet our liabilities in the event of a complaint. The current premium for this is **£3,630.00** per annum, with an excess of **£5,000** each and every claim rising to **£10,000** for high risk products.

All advisers must maintain Continuous Professional Development (CPD) as well as keeping up to date qualifications. They must also achieve at least Diploma Status with a recognised professional body such as the Chartered Institute of Insurance (CII). The estimated cost for achieving and maintaining this status is in the region of **£2,000** per Adviser per annum.

We must supply the FCA with a substantial amount of management information (called the Gabriel Report) this discloses exactly what levels of business; type of clients and types of business is transmitted. This includes persistency and quality of advice. This must be done quarterly with the assistance of our Accountant and is estimated to cost in the region of **£1,000.00** per annum.

To assist us in meeting these costs we need to recruit other advisers who specialise in various specific areas. This increases the business levels and therefore the revenue, this in turn increases the compliance costs required to ensure we remain compliant and profitable. Because of all this we must also employ extra administration staff to ensure that we maintain our service levels both to the customers and to the FCA. The majority of our administration staff are working towards their Industry Qualifications. This year the staff wages (inc NI) are estimated to be **£85,000.00**.

To accommodate the above an office base is required. Overheads for the office (Utilities, research software, stationery, postage, compliance, telephone etc). We estimate this to be in the region of **£30,000.00**.

To ensure the advice you receive is of the correct quality and complies with FCA regulation we employ the services of an external compliance Adviser. We estimate this to be in the region of **£1,200.00**.

Capital adequacy rules mean that the advisory firms must at all times keep a cash lump sum available. This is to ensure that it can meet its financial obligations at all times and increases on an annual basis. Our current capital adequacy figure has now risen to **£20,000.00**.

Lastly, all of this is managed by a comprehensive back office system which allows access to online valuations and clients to update information, among many other things. The cost of this system is in the region of **£12,000.00** per annum.

Total cost per annum = £158,865.71

I do hope that this explanation goes some way to explaining why, to provide quality up to date and relevant guidance and ensure that he/she can continue to provide valuable service; your adviser must agree a fee before carrying out any financial advice on your behalf.