Guide to adviser charging

Changes to how financial advisers are paid from 31 December 2012

Countrywide Assured

Introduction

- Countrywide Assured plc ("Countrywide Assured") is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority. Firm reference No. 141916.
- CASFS Ltd ("CASFS") is authorised and regulated by the Financial Conduct Authority. Firm reference no. 472783.

Where we refer to Countrywide Assured in this document, this includes CASFS where appropriate.

Both the FCA and the PRA are referred to as the regulator throughout this document.

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Frequently asked questions

What are adviser fees?

The UK's Financial Services regulator, which was formerly the Financial Services Authority (FSA), carried out a review on how customers pay for financial advice, as part of its Retail Distribution Review (RDR). The Financial Services regulator responsible for adviser fees, is the Financial Conduct Authority (FCA). The FSA and the FCA are referred to as the regulator in this guide.

One of the outcomes of this review was the introduction of a concept known as adviser charging. Since 31 December 2012, any fees for financial advice and/or associated services have been agreed between clients and their financial adviser firm before advice was given. These 'adviser fees' are clearly separate from the product charges levied by provider firms.

Prior to RDR, the typical practice was for providers to pay financial adviser firms commission for recommending the provider's products. The amount of commission payable was disclosed to clients, who then had the option to agree that this is how their financial adviser should be paid.

Clients are able to pay fees for financial advice by either:

- paying adviser fees direct to their financial adviser; or,
- authorising adviser fees to be deducted from their investments.

An important point to note is that the amount of the adviser fee and the method of payment are not decided by the product provider.

What does adviser charging mean for me?

For over 10 years, Countrywide Assured has required clients to agree the amounts of any new commission paid from its range of products.

Although it may appear that very little has changed, the introduction of the adviser fees concept does have an important effect on the amount paid to your financial adviser, who is responsible for payment, and how financial advisers are paid.

Who is responsible for deciding how much my financial adviser is paid?

You are. This was one of the most significant changes introduced by the regulator. under adviser charging. You, as the client, are responsible for agreeing with your financial adviser how much you pay for the advice and services that they provide.

Your financial adviser may offer a range of different fee options. For example, they may charge a percentage of the amount of new money invested, or of the value of the funds that you have asked them to consider. Alternatively, they may agree a fixed fee for the work to be undertaken at the outset, and a different amount for any ongoing advice that you may require. These are not the only options available. As with accountants and solicitors, you may agree to pay an hourly rate for the cost of the work undertaken on your behalf.

You are responsible for agreeing the cost of the advice and associated services of your financial adviser – not Countrywide Assured.

Who is responsible for ensuring my financial adviser's fees are paid?

You are. Following the introduction of adviser charging, you, as the client, are responsible for ensuring that your financial adviser is paid for their advice or any other associated financial planning services that you have agreed with them.

Depending on the nature of your agreement with your financial adviser, adviser charges may be payable irrespective of whether or not you make a new investment, alter an existing investment or decide not to follow your financial adviser's advice.

Unlike under previous commission arrangements, Countrywide Assured is not responsible for ensuring that your financial adviser is paid.

Who decides how the financial adviser's fees are paid?

Your agreement with your financial adviser should confirm how you should pay their fees.

For example, you could agree to pay your financial adviser a separate fee, paid from a personal bank account, in the same way that you might settle your legal or accounting costs.

Alternatively, you could request that payment is made by deducting amounts from your investments. Please note that not all product providers are able to facilitate this method of adviser charging for all products. It's not unusual to find that administration systems that were designed years ago are not able to be amended to cope with adviser charging. Further information is provided within this guide about the Countrywide Assured products that can facilitate the payment of adviser fees.

Adviser fee payments deducted from your investments are regarded as your money in the first instance and this may have tax implications.

Your financial adviser can discuss the tax implications of the different options with you.

Any adviser fees paid following advice regarding investment products must be specifically authorised by you. Your financial adviser can only instruct us to either reduce or stop the payment of adviser fees. Only you can authorise an increase in amounts to be paid.

If you wish to change the amount of adviser fees being paid, you must complete an *Adviser fee instruction* form. These are available on our website or on request.

How does Countrywide Assured facilitate the payment of adviser fees from its products?

Adviser fees can be set up to pay for both initial advice costs (initial adviser fees) and ongoing reviews and service (ongoing or ad hoc adviser fees). Depending on the product, these are facilitated in different ways as illustrated by the tables on the following pages.

Important notes and tax implications – please read carefully

You can choose ongoing adviser fees taken from the product to be paid on either a monthly or quarterly basis.

If you are making both regular and single contributions to the OneSIPP product, any adviser fees will need to be taken from the single contribution only.

If you are paying your adviser fees from a regular premium product and you stop contributions or instruct us to stop making payments, you will normally still be liable to pay those fees yourself (subject to the fee agreement you have with your financial adviser).

Where initial adviser fees are taken prior to investment in the product, this is done either to maximise available allowances or to minimise exposure to potential taxable events.

Adviser fee payments deducted from your investments are regarded as your money in the first instance and this may have tax implications.

Your financial adviser should advise you of the tax implications of the various options as well as the VAT treatment of adviser fees.

It is important to note that tax treatment can depend on your individual circumstances and may be subject to change in the future.

Onshore investment bonds

Any ongoing adviser fees or ad hoc adviser fees taken from onshore investment bonds will reduce your 5% annual tax deferred withdrawal allowance.

For new onshore investment bond cases using Countrywide Assured specimen trusts, the initial adviser fee will be facilitated by deduction prior to investment in the policy. Ongoing and ad-hoc adviser fees will be available for trust cases where they do not compromise the tax planning benefits of the arrangement.

Pensions

HM Revenue & Customs (HMRC) has certain rules that effectively prohibit the payment of adviser fees from pension products if the payment is for advice on non-pension product matters. This means you should not assume that the cost of all your financial advice can be entirely facilitated by payments from your pension arrangements.

Adviser fee options: Portal products

Initial adviser fees – single premiums or transfer values

	ISA	GIA[1]	Personal Pension	Onshore Bond
% of premium/transfer values	Yes	Yes	Yes	Yes
Specified amount	Yes	Yes	Yes	Yes
Adviser fee deducted	Before investment	Before investment	Before investment	Before investment

Initial adviser fees – regular premiums

	ISA	GIA[1]	Personal Pension	Onshore Bond
Specified regular amount	Yes	Yes	Yes	n/a
Adviser fee deducted	From product	From product	From product	n/a
Maximum adviser fee (% of each premium)	50%	50%	50%	n/a
Maximum payment period	24 months or two years	24 months or two years	24 months or two years	n/a

Ongoing adviser fees

	ISA	GIA[1]	Personal Pension	Onshore Bond
% of fund value	Yes	Yes	Yes	No
Specified amount	No	No	No	Yes[2]

Ad hoc adviser fees

	ISA	GIA[1]	Personal Pension	Onshore Bond
Specified amount	Yes	Yes	Yes	Yes[2]

[1] GIA = General Investment Account.

[2] Available at our discretion for trust cases.

Adviser fee options: specialist products

Initial adviser fees – single premiums or transfer values

	OneSIPP[2]	Versatile Investment Portfolio and Onshore Bonds available via an investment platform	Transfer Pension Portfolio
% of premium/transfer values	Yes	Yes	Yes
Specified amount	Yes	Yes	Yes
Adviser fee deducted	From product	Before investment	From product

Ongoing adviser fees

	OneSIPP[2]	Versatile Investment Portfolio	Transfer Pension Portfolio
% of fund value	Yes	No	Yes
Specified amount	No	Yes[1]	No

Ad hoc adviser fees

	OneSIPP[2]	Versatile Investment Portfolio	Transfer Pension Portfolio
Specified amount	Yes	Yes[1]	Yes

[1] Available at our discretion for trust cases.

[2] Initial adviser fees are not available for regular contributions to OneSIPP and should be taken from the single premium or transfer value element.

Products taken out prior to 31 December 2012

If you took out a product prior to 31 December 2012 there may be certain times where you require further advice from your financial adviser.

We can only facilitate adviser fees for the products detailed in the tables on the previous pages.

Top ups and regular increases (including transfers in)

If you want to top up any products which were originally set up on a commission basis prior to 31 December 2012, it will be necessary to hold the top up amount in a separate sub account or policy. A top up application, including an adviser fees instruction, will be required. Any automatic increases you have already arranged can continue unaffected.

If further one-off or increased regular contributions are made to any of our legacy pension products (such as retirement programmes or pension portfolios), any adviser fees agreed must be paid by you separately. Alternatively, we can accept your direct instructions for any increases to these products if no financial advice has been given.

Where you have a financial adviser and you entered into an agreement with them prior to 31 December 2012 for fund based renewal commission to be paid, this will continue for existing arrangements.

Fund or model portfolio switches

If we receive instructions for a fund or model portfolio switch on an existing Countrywide Assured Portal GIA or ISA, it will be necessary to convert that account from a commission basis to adviser fees. We will require you to complete a Fund switch authority and an Adviser fees instruction.

As this will mean new adviser fees are being set up, the existing commission will be cancelled and the whole account will convert to adviser fees. You should also receive an illustration from your financial adviser showing the effect of the adviser fee payments prior to agreeing to the arrangement.

Ad hoc adviser fees

We require you to complete an Adviser fees instruction to make any further ad hoc adviser fees from products which were originally set up on a commission basis prior to 31 December 2012. You should also receive an illustration from your financial adviser showing the effect of the ad hoc payment prior to agreeing to the arrangement. We only allow ad hoc adviser fees for products where this is allowed (as shown on the previous tables). You should note that any ad hoc adviser fees on onshore investment bonds could give rise to a personal income tax charge if the 5% annual allowance is exceeded.

ZEST Solutions

The Zest Solutions fund range closed on 31 December 2012 and we are unable to accept any further monies into these funds. If you are still making regular payments to Zest funds, please seek advice from your financial adviser. You may decide to select an alternative investment choice from our Pinnacle Range. Your existing investment will be unaffected by the closure of these funds and can remain in the current product.

Further information

Should you require any further information please contact your financial adviser or alternatively please contact Countrywide Assured on 03330 155 600.

Warning

The information contained in this guide is based on our understanding of tax law and HMRC practice at the date of issue of this document, which are both subject to change.

Countrywide Assured reserves the right to vary the terms and conditions on which it is willing to facilitate adviser fees without notice, and subject to the regulator's requirements, which may also be subject to change.

In the event of being unable to continue to facilitate adviser fees for whatever reason, Countrywide Assured accepts no liability whatsoever for the payment of the balance of any fees due to any financial adviser. Liability for such payment will remain with you as the financial adviser's client.

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