

Guide to **ongoing advice**

# SATISFYING CLIENTS & MEETING FCA REQUIREMENTS

Partners





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M&G's **Reframing Retirement** campaign is challenging outdated perceptions of retirement to encourage people to financially plan for their future. Of those who have not started to plan financially for their retirement, 62% say they do not plan to start until they are at least 40 years old, risking saving 'too little, too late'.



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M&G's mission is to give everyone real confidence to put their money to work. We are committed to championing financial advice, inspiring people to plan proactively, to feel comfortable discussing their financial situation and to have greater confidence in seeking advice. That's why we were delighted to sponsor this guide and show our commitment to the gold standard: initial and ongoing advice for people approaching and in retirement.

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One of our recent initiatives to support improved client understanding is our partnership with Money Alive to produce clear and engaging client videos on PruFund. These include a short recap for investors at the end that arm advisers with valuable evidence of client understanding. You can access the videos [here](#).



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# INTRODUCTION



Two of the biggest challenges facing advisers in 2025 and beyond is how they provide and demonstrate the provision of ongoing advice, and how they can demonstrate value to their clients.

There are a multitude of different documents and papers from the FCA on this subject, including some comprehensive coverage in the Thematic Review of Retirement Income Advice issued in March 2024. More recently, on 24<sup>th</sup> February 2025 the FCA published their findings on ongoing financial advice services from the information they have gathered from 22 large advice firms.

## FCA findings on ongoing financial advice services







Though the findings did not point to a systemic issue with ongoing advice charging generally, the FCA reminded firms they should consider whether they can evidence:

-  *If they have delivered all the services they were required to deliver to the client going back to 2018 that were paid for by the client*
-  *What remedy is required if not*

Helpfully on this issue, the FCA have stated that where advice firms were ready, willing and able to provide suitability reviews, but clients have declined the service or simply not engaged, it is less likely that redress will need to be paid.

Other issues highlighted by the FCA include:

-  *Client contracts that do not clearly describe the adviser services fail to provide customers with an understanding of what will be delivered throughout the relationship*
-  *Inadequate processes, controls, and monitoring mechanisms hinder the ability to ensure services are provided in line with contractual obligations and meet regulatory requirements*
-  *A lack of sufficient management information prevents senior management from maintaining adequate oversight of the services*
-  *Poor record-keeping fails to enable firms to evidence the delivery of their services*

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## → The key FCA messages

The FCA were keen to point out that firms must proactively review these findings and evaluate whether they have conducted all the services they were required to deliver, as set out in the client's agreement or as required by FCA rules. They also encouraged firms to consider whether it would be appropriate for advice firms to contact customers to assess if any harm has been done as a result of identified problems or failings. As many suitability rules came into force with MIFID II on 2018, they suggest this would be an appropriate date for proactive reviews for existing clients.

They also reminded advisers of their obligations under the Consumer Duty sourcebook rules that if they identify clients have suffered foreseeable harm, they must ensure steps are taken to remedy this situation. They acknowledge that this may not be an all or nothing scenario – for example, it may be only appropriate to refund part of the ongoing charge as some services will have been delivered (but this will be fact dependent).

Finally, the FCA confirmed that they will monitor future adviser complaint numbers and assess how firms have responded to the issues identified with appropriate actions taken and remedies applied where appropriate. In addition, they will review their own rules in this area to ensure they stay 'up to date and relevant'.

## → In short – what does all this mean for advisers?

There were some real positives in the FCA findings, though they have made it very clear they expect advisers to take this matter seriously, reviewing their existing practice but also how clients may have been adversely affected going back to 2018. It is likely firms taking little or no action to do this will suffer the FCA wrath through sanctions or other requirements. Essentially, the FCA have put the advice profession on notice to sort this issue out, and that it will remain high up their agenda.

Many firms are already well through this process – there are headlines of large firms setting aside tens or even hundreds of millions of pounds for future redress payments caused by non-delivery of agreed reviews and service. However, smaller firms are unlikely to escape, and it is probable that the FCA will be looking for information and MI in this area when advice firms are making Consumer Duty annual returns.

This guide seeks to provide details of the various FCA papers and information, and to provide advisers with practical steps for how they may meet these challenges. The checklists at the end of this document can be used as a guide for advisers to assess the ongoing services they provide, what is included and to ensure the principles of Consumer Duty are embedded as appropriate. These should be regarded as a guide only, and we would always recommend that advisers read the relevant documents from the regulator to ensure that actions are taken relevant to their own firm.

## → The origins of advice charging

The origins of ongoing advice charging can be traced back to the introduction of RDR at the end of 2012, where it effectively replaced fund-based commission for new arrangements. At that point it seemed unlikely that the FCA anticipated most fees would be collected via products or platforms, but nonetheless that is where we have ended up. This being the case it is essential as a profession that we get this right, as otherwise at some point we may face a blanket decision that adviser facilitation through product and platform will no longer be permitted, and fees must be paid to an adviser directly. This would come at a cost, both in terms of ease of administration for both adviser and client but in many cases also from a client's tax perspective. In short, not good for either advisers or their clients.

For ongoing advice specifically, FCA analysis shows that 90% of new clients are placed into arrangements for ongoing advice. The proportion of advice revenue from ongoing advice has also increased from 60% in 2016 to 80% in 2023. Their fundamental concerns are that firms may not be adequately considering the relevance and costs of these services for all clients and that some clients are being charged for services that are not delivered. As indicated above, some firms where processes haven't been as good as they could have been are already dealing with significant past business reviews and multiple client complaints.

Many advisers may read the headlines created by this with a sigh - the provision of good quality ongoing advice is so much more than just an annual review of a client's circumstances, and we will explore why this is.



# WHY DO CLIENTS NEED ONGOING ADVICE?

Not all clients do. Some clients will be perfectly content to receive advice as a one off and then receive advice as and when required on an ad hoc basis. However, it is also true to say that advisers generally deal with clients with more complicated affairs, often involving significant sums of money. This being the case, many clients will simply not have the skills, knowledge or experience to realise when action is required, nor know how to implement those changes.



Gwen Hagg

Sales Director



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In LV's recent Wealth and Wellbeing research, they found that over half (51%) of those who have spoken to a financial adviser say it made them feel more knowledgeable about their retirement, demonstrating the power that the right advice can have on clients' financial resilience



Karen Fitzpatrick

Pension Specialist



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With the fiscal situation in the UK constantly changing, it is important for most clients with more complicated financial affairs that regular reviews are conducted to ensure that allowances are maximised and tax planning is kept bang up to date. We support advisers on these changes, and as an example, our [tax wrapper comparison tool](#) has become one of our most popular modellers.

“ **William Burrows**, founder of the Annuity Project and financial adviser with Eadon & Co further commented *“Most people have a basic understanding of the ‘their personal retirement’ but they probably don't fully understand the complexities of pensions and investments and how easy it is for their best laid plans to be thrown off course by unforeseen events. Therefore, it is important to continually monitor and review and the best way to do this is through a proper review, otherwise called a mid-life review”.*

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Let's think of a recent example when providers and platforms were receiving numerous requests ahead of the 2024 Autumn Budget when speculation was rife that tax free cash was going to be significantly reduced. Many clients sought advice and were advised to do nothing. Unfortunately, many people did not seek advice, took out tax free cash based upon these rumours and were left regretting their decision as they were unable to subsequently undo their actions. What value is advice in this scenario? Another example is the prospective changes to pension death benefits and IHT. This could fundamentally change a client's entire plan as to how to hand assets down to the next generation with the scope far beyond pension arrangements. Only an adviser is likely to be able to determine what action is needed – and crucially when it is needed.

And then of course, there are changes to client's own circumstances. A thorough regular review will pick this up and take appropriate action. More on what this might involve later – and on how advisers might better be able to demonstrate the value of their advice. When you consider everything an adviser can achieve for a client, the list is almost endless – it's hardly surprising survey after survey shows how much clients value financial advice, and how it can significantly increase the net value of their assets.



Gwen Haggio

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On the survey mentioned earlier that 1/3 (29%) of UK adults say they would go to financial advisers for personal financial planning help. And now is a great time for advisers to be on the front foot with their clients, with 22% of UK Adults more worried about their potential inheritance tax bill since the Autumn 2024 Budget announcements

It may be of course that advice is only being provided in one area – perhaps investment of a given sum. This being the case, a review may be much more limited and consist of a check to ensure client circumstances or Attitude to Risk (ATR) haven't changed and a portfolio valuation. Rebalancing and communicating this to the client may be all that is expected.

Whatever the review that is taking place, it is important that the recommendation is appropriate to the client, and thus a suitability report covering the relevant points is provided to the client.

# WHAT THE FCA HAVE SAID PREVIOUSLY

Here's a brief recap from previous FCA comments, papers and rules:

- The COBS rules for adviser charging and remuneration sit in [COBS 6.1A](#) and [COBS 8.1](#). As far back as 2015, the FCA stated that:

*"If there is an ongoing charge for an ongoing service, you must confirm the details of the service, its charges and how your client can cancel the service"*

Source: [Adviser charging rules](#)

- In a ['Dear CEO' letter](#) sent in December 2022, the FCA set out their concerns that advice firms were not actively considering the relevance, nature and costs of ongoing services for clients.
- A further [letter sent in January 2023](#) explained how advice firms should approach this in relation to [Consumer Duty](#), reminding firms that it requires them to act in good faith towards customers, avoid causing them foreseeable harm, and enable and support them to pursue their financial objectives.
- In a [Consumer Duty webinar](#) with firms in December 2023, the FCA flagged concerns that it appeared some clients may be paying for a service, such as an annual review, but were not receiving it.
- More recently the FCA announced on the 15<sup>th</sup> of February 2024 that they were writing to twenty large financial adviser firms requesting information about their delivery of ongoing services, for which their clients continue to be charged after advice has been given. The outcome of this review is highlighted above.

Since then, it has become clear that more firms have been contacted. It is hard to argue that this isn't in line with at least two of the intended outcomes of Consumer Duty – namely price and value and consumer support.

## → Retirement Income Ongoing Advice

Probably the most important update of all in relation to both ongoing advice and specifically retirement income advice was published on the 20<sup>th</sup> of March 2024 in the Retirement Income Advice Review TR24/1. Alongside this important update the FCA also published:

- ✓ A **'Dear CEO' letter** asking advisers to review their processes in the Retirement Income space
- ✓ A separate **article on cashflow modelling** highlighting their concerns in this area
- ✓ The launch of the **Retirement Income Advice Assessment Tool**. This is extremely comprehensive and comes with a 92-page instruction guide. It's clear that the FCA have used this tool to review files and will continue to do so.

They are encouraging advisers to use the tool to assess their past advice. It is comprehensive and covers information gathered, suitability, insistent clients, disclosure provided and Consumer Duty considerations.



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Our recent study has also found that when thinking about retirement, UK Adults are most worried about the cost of long-term care (67%), running out of money (63%) and not having enough income to meet regular costs (62%). The effectiveness of financial advice hinges on recognising the unique needs of clients at different life stages. Whether it's addressing retirement income, inheritance planning, or evolving personal circumstances, advisers must adapt their approach to ensure that advice remains relevant, timely, and aligned with the client's financial journey



Karen Fitzpatrick

Pension Specialist



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The Thematic Review is a reminder to the profession of how best practice should operate in the at retirement market. To help you ensure all the necessary client information is captured, our technical team have created an aims and objective checklist which can be accessed [here](#).

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As retirement income advice is front and centre of their concerns when it comes to ongoing advice, it is worth reminding ourselves of these key points as ongoing advice in retirement represents a key area of focus for the FCA.

**The full thematic review**



**The Dear CEO letter**



**The cashflow modelling article**



**Further information on the RIATT**



Details of this review are extensively covered elsewhere but the following is a high-level list of their main concerns across all the publications issued on this day:



- ⊖ Risk profiling inconsistent or not evidenced
- ⊖ Capacity for loss (CFL) not given due consideration
- ⊖ Income withdrawals under drawdown not being given appropriate consideration
- ⊖ Lack of necessary client information and consistency of what information is required
- ⊖ Missing information such as details of minimum income guarantees
- ⊖ Inaccurate or no records of client reviews
- ⊖ Periodic reviews not taking place that the client has paid for



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Advisers should review their 'at retirement' fact find to ensure that the necessary client information is captured. There are several examples of these online, but advisers should ensure the following information is included in addition to their general fact find requirements. This list is not finite, and further information is likely to be required based on individual circumstances.

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- ② Why is the client taking benefits (if not for retirement)
- ② Full analysis of expenditure to calculate income requirements
- ② Other income sources being drawn/able to be drawn
- ② Any Guaranteed Annuity Rates available from existing pension arrangements
- ② Any lump sum requirements
- ② Consideration of Equity Release
- ② Do any spouse/partners requirements need to be considered and planned for?
- ② What is the client and any spouse/partners health?
- ② Is a power of attorney in place?
- ② Is a will in place and up to date?
- ② Is this also reflected in the pension scheme expression of wish?
- ② Is life cover in place to cover any IHT liability?
- ② Has the client's ATR been assessed at the point they start drawing income?
- ② Has the client's CFL been assessed at the point they start drawing income?



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We also have a number of tools and calculator that have been developed to help you advise clients both before and after retirement, and these can be accessed [here](#). There is also a wealth of information on our technical web pages, and we also have an ask the expert facility. This can be accessed [here](#).



Gwen Hagg  
*Sales Director*



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The FCA's Thematic Review reinforces the importance of robust and realistic cashflow modelling. With an ageing population and evolving client needs, advisers play a crucial role in helping clients to ensure they have sufficient funds to enjoy a long and fulfilled retirement, while also preserving wealth for future generations. Selecting the right solutions for each client has never been more critical

# ATTITUDE TO RISK AND CAPACITY FOR LOSS

ATR and CFL are different and never more important than for clients about to enter retirement.

How both are conducted should be recorded, reviewed and updated as necessary. It should be noted that a client's ATR profiling and their actual CFL can change over time.

If a client's income requirements can be met via a guaranteed income solution such as an annuity and this route is not used then it should be documented why an alternative route was recommended. In short, why is the client taking unnecessary risks if their goals and objectives can be met with 100% certainty?



Karen Fitzpatrick  
*Pension Specialist*



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It's always worth keeping an eye out for new products such as our **Guaranteed Income Plan**. The Prudential Guaranteed Income Plan offers clients the security of a guaranteed income and/or lump sum over their chosen time frame whilst retaining flexibility through built in death and surrender values, all whilst offering the ability to receive modest bonuses.

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A plan that you can tailor to your clients' needs

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Sales Director



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For clients with a lower risk tolerance or who have greater concerns over market volatility, smoothing products can offer a reassuring balance between growth potential and reducing the impact of short-term market volatility.

LV= smoothing solutions are built to support consistent outcomes, giving advisers an effective way to meet the needs of more cautious investors.

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# CASHFLOW MODELLING

The FCA continue to make the point that cashflow modelling is not prescribed or mandated. For those firms who do use it the FCA clearly have concerns over how some they are using it. However, there are some straightforward actions for advisers to take to ensure they are meeting requirements:

- ✓ Correct inputs are used as per the FCA checklist as per [Undertaking cashflow modelling to demonstrate suitability of retirement-related advice](#)
- ✓ Returns should be justifiable, reasoned and reasonable. This should not solely be based upon past performance, but a reasonable assessment of what asset returns for the investments recommended could deliver. Many fund managers produce capital market assumptions for example.
- ✓ Charges should be considered at a realistic level
- ✓ Income tax should be taken into account
- ✓ Only assets that can realistically be used for income purposes should be modelled
- ✓ An allowance for inflation should be built into the calculations
- ✓ Results should be stress tested, for example with different growth and inflation rates and an early drop in investment value should also be considered. This is critical to help the client understand both the advantages and the risks of the plan going forward
- ✓ The effects of 'unplanned' withdrawals should also be modelled. This will help the client realise the effect of dipping into their funds for additional expenditure.

The FCA provided a further update on the 11<sup>th</sup> June 2025:

**Retirement income advice**





This concentrated on the findings from 28 firms and was very much in line with their previous assessments and findings already covered in this guide. In particular, they were keen to highlight both good practice and areas for improvement on the following matters:

- ✓ the quality of firms' information collection and record-keeping
- ✓ the appropriateness of client risk profiling
- ✓ the sustainability of clients' income withdrawals

The FCA confirmed all firms involved have been given feedback and they had sought corrective action where appropriate, and they also encouraged advisers to read this and further updates from them as they became available.

It is also likely that the FCA will seek further information on these matters amongst others in their 2025 data survey request, which is going out to all advice firms.



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When it comes to using the right methodology for cashflow modelling, our Expected Growth Rates for the PruFund range can be used as a guideline when running cashflow models, subject to suitable caveats and stress testing. Though they are not guaranteed they do provide advisers with our expectation of long-term growth rates. See [here](#) for more.

# ONGOING ADVICE AND FEES

## What is required?

But how does this all translate into creating a meaningful action plan for advisers, or at least something they can sense check against their current processes?

This document includes checklists for consideration based for the following:

- An overall review of the existing ongoing service
- As above but specific to any cashflow modelling process
- Vulnerable client considerations
- What is included in the ongoing service proposition for each client segment
- Additional items for clients drawing benefits
- What can be included in a 'demonstrating your value communication'
- The danger of not offering ongoing advice

These lists are not designed to be all encompassing, but rather to provide advisers with an overview to ensure some critical components of the process and the review itself have been considered. All firms will be different, for example some advice firms do not differentiate between accumulation and decumulation in a traditional way but rather bespoke their service for their particular client bank. Having said this the FCA would regard collection of relevant information on an ongoing basis such as changes to attitude to risk, vulnerability, type and frequency of further withdrawals required etc as relevant however the advice firm segments their client base.

These points could be discussed and minuted and the results used as part of the Consumer Duty board reporting requirement. Remember, though the requirement to have a Consumer Duty 'champion' is soon to go, the wider oversight rules are still very much in place.

One other important aspect to acknowledge is this isn't just about the annual review. This aspect has attracted huge attention and grabbed many of the headlines, but many advisers would quite rightly point out that they are on hand to speak to clients all the time and do so frequently. The 'ongoing advice fee' isn't just about an annual review, it's about giving clients the peace of mind that they can contact their adviser anytime, and also the adviser often needs to act more quickly than waiting for the annual review to take action on a client's behalf. The service provided to a client all year around needs to be considered, and most advisers feedback that clients value the peace of mind they get knowing they can contact their adviser at any time with questions if they sign up to an ongoing service that allows for this. This should be reflected in the client agreement.

Equally however if your client agreement specifies the cost of ongoing advice includes an annual review and it hasn't happened; it is clear the FCA expect the advice firm to consider if the 'cost' of that review should be refunded.

Many firms have reviewed their ongoing advice service in detail, including whether tiering of charges based up on assets is appropriate, how often reviews should take place and how reviews should take place. It's important to remember here that the FCA isn't judging advisers against their own set parameters – only what they said will take place and what they are charging the client for. A tiering of advice fees considering a combination of phone, video or face to face reviews seems entirely appropriate for many firms and their clients.

It's also important to specify what is included in the service, and some advisers have moved to offering a 'menu' of options which the adviser and client can bespoke as appropriate. This helps to ensure the client is only paying for what they value, though clearly the adviser will need to explain the importance and relevance of the various options.

## → **Percentage ongoing fees based upon assets under management.**

A sole firm wide adviser fee charging structure based solely on assets under management seems unlikely to be appropriate, unless the advice firm only deals with one very specific form of client. Take an extreme example to make the point – a 35-year-old entrepreneur having sold their first business for £500,000 is likely to have very different advice requirements compared to an individual in their sixties who has £500,000 in their retirement pot to last them for the rest of their life. Though these models can work, extreme care needs to be taken to ensure that clients are receiving the service they have signed up for and require.

## → What isn't included and who the ongoing service is appropriate for







For the benefit of doubt, it is worth documenting what isn't included in a firm's ongoing advice proposition, or what type of client the service isn't appropriate for. For example, a firm may choose to not offer a service below a given level of assets (e.g. £50,000 or £100,000) due to the disproportionate cost to the client. They may also want to specify that some activities are out of scope for which they don't have permissions, such as defined benefit transfers or don't wish to offer a service. Some firms are also starting to include provisos around the agreement terminating if clients don't actively engage with them. This is a stance that is seemingly now encouraged by the FCA.

## → How often, how and when tiered

Some advisers have found being able to answer the following questions are of use to help ensure their processes are as tight as they can be. These are covered in detail in the checklist below, but it is critical that details of the ongoing service are considered and appropriately documented, - ideally in the firm's fair value statement of their ongoing advice service.

Including the most recent guidance issued above there are some straightforward actions that advisers should be taking.

These include:

-  Clients' agreements should be reviewed to specify exactly what service is being provided
-  Is full financial planning being provided or is it only in one area - for example 'investing of a pension fund to provide income'
-  The service provided and frequency of review should be clearly documented to the client
-  Reviews should include all relevant factors such as income needs, change in circumstances, objectives, risk profile changes, health conditions. The FCA would also expect appropriate systems and controls to be put in place to support those customers who are vulnerable (see below)
-  Firms should have MI to ensure reviews are completed, and where they are not, have appropriate processes in place to refund clients who have effectively paid for a service they have not received
-  Reviews should be consistent across an adviser firm for clients who are offered the same service standards

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“ **William Burrows** commented “Annuities should be considered as the benchmark for retirement income as a proper analysis will show they can be a hard act to beat for those wanting to maximise their retirement income. You can think about it another way. Drawdown investors face two important risks; the risks of taking too much (or too little) income and taking too much (or too little) investment risk but annuities avoid these risks by providing guaranteed income for life”.

*Also, many people fall into the ‘annuity puzzle’ trap. Economists ask why, if annuities are so good don’t more people purchase them? The answer is that many people prioritise leaving an inheritance to having guaranteed income. But as most people will need more income than they first think during their retirement it might be better to maximise pension income through an annuity and consider leaving your other assets as an inheritance. This is more relevant now IHT will be levied on unused pension pots”.*

## → **Vulnerable clients**

How to deal with vulnerable clients is a subject all of its own, and there are many different forms of vulnerability – which may be temporary or permanent. This makes it difficult to generalise on what should and shouldn’t be in place in relation to reviews, - though there are some core considerations and it is important all staff have undergone training to identify vulnerable clients and how to deal with them (the Personal Finance Society guide is an excellent starting point). Obvious flags for vulnerability include illness, bereavement, debt and major life events such as moving house, - though there are many more and the list is not finite.

This can help ensure that everyone at an advice firm is aware of a client’s vulnerable nature. It’s important to note here that many clients may not consider themselves vulnerable and may even take exception to that description!

The checklist below can help to ensure that additional considerations are given.





Gwen Haggio

Sales Director



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Supporting vulnerable clients requires more than just good advice, it demands real, practical help. At LV= we are proud to offer added value through member benefits like Care Navigator, which provides personalised guidance and access to later life care support, and Doctor Services, which offers remote, 24/7 GP access right through to support for mental health. It's this kind of meaningful support that sets us apart and helps adviser to add real value to their clients

Member benefits

**Member benefits** and additional support services

[Find out more](#)



## DEMONSTRATING VALUE FOR MONEY and why clients need ongoing advice

Some clients have changed their adviser citing that they don't feel they represent good value or that they are too 'expensive'. Whilst this is inevitable in some circumstances, some advisers have found that providing a statement of the value a client receives demonstrates the value to the client and avoids these types of conversation. This document could for example be called "The benefits of our advice" or similar.

It is often not advisable to link the value of advice to investment returns. After all, no one is in control of the markets and returns will always be volatile – meaning any investment in real assets is very likely to fall in value at some point. Clients should know and understand this up front, and from an investment perspective the outlook should always be over the medium to long term. If that's not the case, then it's likely advice options for the client will be limited.

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It is far better (and safer)! for the adviser to focus on the tangible benefits as highlighted below, whilst also of course highlighting the advantages and disadvantages of investing assets for long term growth.

Equally important though is highlighting to clients the risk of there not being an ongoing advice service. These are varied and numerous, - and again the checklist below highlights some of the critical risks of not providing this service. If clients do not want to opt for an ongoing service it may be the advice firm chooses not to engage initially in any event, or if so, it is certainly recommended to document to the client the risk of not receiving an ongoing service.

Finally, it is worth saying this should also be a two-way street - testing clients' perspectives on whether they feel they have got value for money is also a sensible strategy whether it is done individually or via targeted surveys.

For the following checklists we have taken account of feedback from advisers and also FCA comments, both recent and historic. However, we would always encourage advisers to also review the FCA findings to ensure their processes and client service review content is appropriate.



Karen Fitzpatrick  
*Pension Specialist*



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When considering meeting Consumer Duty requirements many advisers will want to segment their client base into identifiable target markets. The following guide provides a best practice approach to evidencing how you understand and meet your clients' needs, actionable tips from advisers who have done it themselves, supported by independent research and interviews conducted by the independent research consultancy NextWealth.

The financial professional's guide to  
**CLIENT SEGMENTATION UNDER  
CONSUMER DUTY**

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# YOUR ONGOING ADVICE SERVICE

## Review your process

Question	Comments
<p>Have different Client segments/service levels been identified? (these may tie in with target markets under Consumer Duty)</p> <p><i>What and why is this appropriate, what different needs are being met and how are the clients treated differently/what different needs do they have?</i></p> <p><i>Do different segments allow for different services – e.g. tax planning, investment management, change of wrapper, income withdrawal strategies etc</i></p> <p><i>Is the frequency and mechanism of delivery for a review stated and understood by the client?</i></p>	
<p>Has a review of client agreements/contracts and existing clients been conducted?</p> <p>A review should be undertaken of existing client agreements and compared against what has happened in practice for existing clients across a reasonable cross sample of each client segment/target market. This should go back to 2018.</p> <ul style="list-style-type: none"> <li>• <i>Has the agreement reflected the service the clients have received?</i></li> <li>• <i>Are the agreements specific enough in terms of the nature and timing of the service that is being provided?</i></li> <li>• <i>Are there any additional services provided or services in the agreement but not delivered?</i></li> <li>• <i>Are 'ad hoc' client contacts adequately described and allowed for?</i></li> <li>• <i>Do existing agreements cover all client segments adequately?</i></li> <li>• <i>Does the firm have any professional clients and if so, is this covered in a separate client agreement?</i></li> <li>• <i>Is the agreement broken down sufficiently between different actions an advice firm undertakes e.g. fact find updates/advice implementation etc?</i></li> <li>• <i>Can you evidence that the client understands the agreement? If not, this may need to be tested with a view to considering a rewrite if feedback is negative</i></li> <li>• <i>Is it clear how the client makes a complaint?</i></li> </ul>	



Question	Comments
<p>Has a review of client agreements/contracts and existing clients been conducted?</p> <ul style="list-style-type: none"> <li><i>Is a separate 'at retirement' questionnaire used to capture relevant information?</i></li> <li><i>Do one or more segments have a tiering of fees?</i></li> <li><i>What happens when clients move from one tier to another?</i></li> <li><i>What is the minimum and maximum fee for each segment and does this provide fair value?</i></li> <li><i>Has consideration been given to introducing a minimum and maximum fee for each segment?</i></li> <li><i>Are there any unprofitable clients for the firm and if so, does any action need to be taken?</i></li> </ul>	
<p>How is the ongoing advice paid for?</p> <ul style="list-style-type: none"> <li><i>For example, is it via a % fee, fixed or hourly rate?</i></li> <li><i>Is it payable via a product/platform and does this remain appropriate?</i></li> <li><i>Do clients have options on how to pay?</i></li> <li><i>Is a 'mix and match approach' possible/available?</i></li> <li><i>Is it clear when fees become payable?</i></li> <li><i>Is VAT included and if so, is this clear?</i></li> <li><i>Whichever route is chosen fees should be presented to clients in monetary terms and if taken from products/portfolios/funds the effects of this should be demonstrated</i></li> <li><i>Is it clear what is not in the normal service provided and may require an additional charge?</i></li> </ul>	
<p>Are effective systems in place to ensure reviews are scheduled, offered and delivered as agreed with clients?</p> <p><i>These systems should also be able to produce comprehensive MI to separately demonstrate these three measurements, and if a review didn't take place why this was the case</i></p>	
<p>Are there systems in place to stop collecting fees when clients haven't engaged over a period of time?</p> <p><i>There is no set timescale for this, but it seems sensible to consider this at the point of a consecutive 'non engagement' from the client</i></p>	

Question	Comments
<p>Does every adviser in the firm follow the same process?</p> <p><i>If advisers use different processes, it may be considerably harder to both justify and provide MI on how the ongoing advice is provided, whilst also ensuring adherence to a firm's policy</i></p>	
<p>How are changes to ATR and CFL captured and factored into review</p> <p><i>May be via risk profiling tools and/or changes demonstrated with revised cashflow models. Also how are changes effected – fund switch/change to different risk rated portfolio etc?</i></p>	
<p>How is the review/communication method agreed with clients?</p> <p><i>Are clients offered different mechanisms for future communications – such as F2F, video/telephone calls etc? Is this reflected in the pricing strategy of the ongoing service?</i></p>	
<p>Is the cost to the client of the advice competitive/been benchmarked against competitors?</p> <p><i>Comparisons can be made based upon local information/publicly available information such as unbiased etc</i></p>	
<p>Has any research with existing clients been conducted regarding ongoing advice?</p> <p><i>This can help ascertain that they understand the fee structure, where they perceive value and what they may consider as not valuable (this could be part of a wider communication re demonstrating the value of advice (see below)</i></p>	
<p>What form does the suitability report take to confirm ongoing suitability?</p> <p><i>A suitability report should be issued to show the recommendation at the review, even if no changes are necessary to the existing advice.</i></p>	
<p>Is it clear who is receiving the advice?</p> <p><i>It sounds obvious but is it just one individual or the individual and a spouse/partner?</i></p>	

Question	Comments
<p>Has the advice firm produced a fair value statement for its ongoing advice service?</p> <p><i>This should be created under Consumer Duty rules. It can also be used with clients to explain how fees are arrived at, covering firms costs such as fixed, regulatory, PI and operational costs. What is built in for profit purposes should also be included.</i></p> <p><i>Has the total cost to the client been considered? E.g. the total of product/platform fees, investment AMCs, transaction costs, DFM charges and adviser fees and is this clear to the client?</i></p> <p><i>Any complaint data can also be included in the statement</i></p> <p><i>Due diligence and fair value statements of provider/product/investment offering should also be referred to/included</i></p> <p><i>The statement should be reviewed on a regular basis</i></p> <p><i>The Personal Finance Society have provided a <a href="#">template</a> for use</i></p>	
<p>Has MI been captured on client reviews to ensure clients are receiving fair value?</p> <p><i>This can be achieved by surveying clients or gathering information at the time of review. The MI can be used in future fair value statements. A NPS score from a client survey can also be useful.</i></p>	
<p>Is a menu of options available to bespoke with the individual client? What areas are in or out of scope?</p> <p><i>This will not be appropriate for every firm, but it can help to determine what type of service is appropriate, and the fee charged accordingly</i></p> <p><i>It can also clarify what areas of advice are being considered or excluded, or may incur an additional charge</i></p>	
<p>How is the ongoing service reviewed and agreed with the client?</p> <p><i>This should be captured initially and reviewed/renewed as appropriate on a regular basis</i></p> <p><i>It should be clear to the client how to cancel the ongoing service if they wish</i></p>	

Question	Comments
<p>Does the ongoing service provide any anomalies/conflict of interest?</p> <p><i>For example, are some clients paying disproportionately high or low levels of fee for the service provided?</i></p> <p><i>Is there oversight within the firm to manage conflicts of interest – e.g. when it may be more suitable to pay off a loan or mortgage which would reduce assets under management and thus potentially the ongoing fee?</i></p>	
<p>Is it appropriate for ongoing adviser fees to vary dependant on who is undertaking a given task in the advice firm?</p> <p><i>Dependent on the fee structure it may be appropriate to break down costs for each employee who undertakes different tasks – e.g. adviser, paraplanner, administrator etc It may be for example that an adviser wouldn't 'implement' the advice they have given so this may be costed differently than an adviser would normally charge</i></p>	
<p>If a review is declined or deferred or other agreed service not provided is there a process to refund the client, the cost or part of the cost they have paid if appropriate?</p> <p><i>The FCA have made it clear they expect this to be considered. A process should be in place to capture the MI at a firm level when reviews are scheduled, offered and when they took place (or not).</i></p>	
<p>If a fee is based upon assets under management how is the service affected if assets decrease/increase significantly?</p> <p><i>For example, if a client is in drawdown and the fund reduces due to withdrawals and/or poor performance what service can the client expect going forwards?</i></p> <p><i>If an increase in investment value puts the client in a different tiering and thus the fee should be reduced, when and how does this happen?</i></p>	
<p>Do advisers/Directors have any discretion to discount fees in certain circumstances?</p> <p><i>This may be deemed appropriate in some one-off circumstances, or as a standard if say an ongoing service is being provided for several generations of the same family</i></p>	

Question	Comments
<p>How are any new or revised client's needs, aspirations and objectives identified and recorded? (including for partner/spouse if relevant)</p> <p><i>For example, is this via a shortened fact find, via conversation and if the latter is this recorded (for example if on a video call)?</i></p>	
<p>How do any legislative or fiscal changes affect the advice process?</p> <p><i>For example, any change in tax/pension rules, inflation or interest rates. Is this charged on a one-off basis or part of the overall agreed ongoing cost?</i></p> <p><i>Does there need to be a 'house view' to reflect any changes of this nature?</i></p>	
<p>Are product(s) recommended still suitable?</p> <ul style="list-style-type: none"> <li><i>Has there been any changes which required change to products/tax shelters – Pensions/ ISAs/bonds/VCTs/EISs etc that the client may already hold</i></li> <li><i>Does there need to be a 'house view' to reflect any changes of this nature?</i></li> </ul>	
<p>Is it standard practice within the firm to issue a suitability letter after a review?</p> <p><i>This should be standard to ensure the client understands that the review represents a personal recommendation</i></p>	

# CASHFLOW MODELLING

## Review your process

Given the importance of cashflow modelling assumptions being appropriate, we have created a separate checklist in line with FCA expectations for a firm to consider with its ongoing advice process

*It is worth remembering this is not mandated by the FCA, but as many firms use some form of CFM the key points of consideration are shown here for firms who do so, or are considering doing so.*

Question	Comments
<p>Use realistic rates of return</p> <p><i>Returns used should be reasoned and reasonable – see comments above. Using unrealistic assumptions has a high risk of poor client outcomes. It should be specific to the investments that are chosen and those returns reviewed regularly against wider economic circumstances. The underlying methodology should be explained to the client</i></p>	
<p>Models should not mix real and nominal returns and allow for inflation</p> <p><i>Mixing different returns is unlikely to be easily understood by the client. Models should be based upon real requirements and allow for a constant real inflation figure which is reviewed regularly</i></p>	
<p>Models should be based upon accurate information at time of review re income required/up to date valuations of all investible assets/age/any lump sum required in the future (for example university funding for children) etc</p> <p><i>Appropriate challenges should be made to clients if information provided to the adviser seem unrealistic. Inclusion of illiquid assets or assets not yet available (for example pension assets pre-55) could also be misleading and should be avoided in modelling</i></p>	
<p>In most cases models should take into account the client's needs (and joint needs if spouse/partner included) at the point of review for the basic cost of living, desired lifestyle expenditure, discretionary expenditure and savings</p> <p><i>This should be updated in line with current circumstances.</i></p>	

Continue ►



Question	Comments
<p>Income tax should be taken into account</p> <p><i>If the modeller used doesn't already allow for tax, then this should be calculated separately and gross figures used in the assumptions – otherwise the outputs could be misleading for the client who may otherwise perceive gross income as their actual income</i></p>	
<p>All fund, product, platform and adviser charges should be taken into account</p> <p><i>If not included, then it has the same effect as overestimating returns</i></p>	
<p>Check client understanding</p> <p><i>The client should be asked to replay what the model output means, in order to check understanding of the key points. This should include warnings to the client that models are only a prediction and should not give the impression of accuracy. Different assumptions in other documents such as Key Feature Illustrations should be explained</i></p>	
<p>Stress test the model</p> <p><i>Based upon the situation at review time, the model should be stress tested for future drops in value/inflation/higher income being taken etc</i></p>	
<p>Plans should allow for life expectancy based on client (and any spouse/partners) health</p> <p><i>BIn most cases this should be beyond average life expectancy. A life expectancy calculator is available through the ONS</i></p>	
<p>Models should take into account where it is attractive for future payments into investments</p> <p><i>For example, pension contributions which can help reduce tax liability, restore child benefit or personal allowance etc</i></p>	
<p>Models should not automatically assume funds could not be used elsewhere to meet aims</p> <p><i>For example, tax free cash to repay mortgage/ loans etc</i></p>	
<p>Pension transfer advice</p> <p><i>For additional guidance on pension transfer advice see <a href="#">FG21/3</a></i></p>	

# VULNERABLE CLIENT CONSIDERATIONS

## for ongoing reviews

Question	Yes/No/Comments
Is there any risk that vulnerable clients could be negatively impacted by the service/fee structure?	
Is it appropriate for a Power of Attorney to be in place?	
Is there appropriate flexibility in the firms process and communications to ensure they are appropriate for vulnerable clients?	
Is it advisable/preferable to have other parties attend client meetings – e.g. other family members, family solicitor etc?	
Is it advisable to have a colleague also attend a client meeting?	
How is client understanding of what is in place/being changed demonstrated?	
If an investment is being made particular attention should be made to highlight the risks of any new investments being made	
For some vulnerable clients it is important to discuss scams and how they are carried out. Ensuring the client refers back to the adviser in every instance before any action is taken can be a great fail safe	

## WHAT IS INCLUDED IN THE ONGOING SERVICE

for each client segment/service level offered

Question	Yes/No/Comments
Review of client's circumstances and health including any new income/expenditure	
Review of partner/family circumstances and health if appropriate	
Changes in client objectives/needs and any new objectives/needs	
Review of portfolio/fund performance and charges to ensure they remain suitable	
Review of client's ATR and any other changes to risk profile	
Review of client's CFL	
Realignment and rebalance of portfolio/funds	
Update to cashflow modelling	
Impact of any external fiscal changes such as interest or inflation rates	

Question	Yes/No/Comments
Impact of any change to rules to tax/pensions etc and any changes to allowances and appropriate action taken as necessary	
Impact of any changes to products client holds and appropriate action taken as necessary	
Any referrals to third party professionals as appropriate e.g. solicitors/accountants	
Review forms of nomination and any changes to wills made/needed	
Review if Power of Attorney in place	
Check client understanding of current arrangements to ensure they can replay key benefits and risks	
Ongoing service to answer client ad hoc questions and queries	
Regular communications/newsletters/investment updates etc	

# ADDITIONAL ITEMS FOR INCLUSION IN ONGOING SERVICE

for 'in retirement clients'

Question	Yes/No/Comments
Is income being drawn sustainable and still appropriate?	
If not does it need to be reduced, or another income source implemented on a temporary basis	
Review of client expenditure vs that planned for	
Rerun of cashflow model (if being used) based on situation at time of review	
Review whether partial or full annuitisation is attractive, based on client's current health	
Review whether partial or full transfer to fixed term annuity is attractive	
Review of any changes needed in lieu of forthcoming changes to pension death benefits	

## DEMONSTRATING YOUR VALUE - 'the benefits of our advice' – are clients aware of the value provided?

This is not an exhaustive list!

Benefit	Yes/No (bespoke for individual clients)
Different tax savings in monetary terms due to estate/income tax/pension planning/use of tax wrappers and personal allowances and lower income tax bands etc	
Benefit of bed and ISA process	
Cashflow modelling and forecasting and how this links to achieving client's goals and objectives e.g. early retirement, achievement of objectives such as holidays, second homes etc	
Non-monetary value such as bringing forward retirement, life coaching, help with life and business planning	
Regular review of risk profiling and how this is factored into appropriate strategy to meet client's goals and objectives	
Regular review of CFL and how these feed into financial plan/cashflow model	
Rebalancing of any funds under management to ensure it fits with attitude to risk and capacity for loss	
Legacy and intergenerational planning	
Death benefit/income protection	
Availability of client portal and any functionality	
Access to adviser firm/support team for assistance/queries	
Communications, newsletters and messaging (encrypted as appropriate)	
Access to suitably qualified and trained personnel	
Access to any introduced third party such as accountant or solicitor	
Any mortgage review/rearrangements and the appropriate saving	
Any calculations conducted on behalf of the client such as CGT liability or annual allowance calculations and the associated savings	



Benefit	Yes/No (bespoke for individual clients)
Constant monitoring of client circumstances to ensure financial plan remains appropriate, and appropriate suitability report issued	
Improved financial literacy via interactions with adviser	
Control of investment costs due to adviser's competitive position	

## THE RISK OF CLIENTS not receiving ongoing advice

Again not an exhaustive list!

Risk	Included in client discussions Y/N
Portfolios become out of balance with client ATR	
Future legislative changes are not taken account of, leading to poor client outcomes	
Changes to client (and any partners) circumstances and health are not taken account of	
Changes to CFL are not taken account of	
Changes to client's needs and objectives are not taken account of	
Changes to the wider economic situation such as interest rates or inflation are not taken into account	
ISA and pension allowances not utilised	
Tax calculations not provided, meaning client either had to calculate themselves or potentially incorrect tax paid	
Income strategy becomes inappropriate due to market conditions or tax changes	

# SUMMARY

There is a high degree of regulatory scrutiny regarding the provision of ongoing services to clients, and how this is paid for. The FCA have made it clear they expect the profession to get their act together where necessary, and that they will act where they see little or inappropriate attention being paid.

The FCA confirmed in their release in February that they are reviewing their existing rules relating to financial advisers' ongoing services to make sure they stay up to date and relevant. This being the case this is unlikely to be the end of the story, and it may well be that we not only see further regulator interventions, but changes to the overarching rules as well. The latter could of course be influenced by other regulatory changes such as targeted support or the advice/guidance boundary. Australia had a 'fees for no service' issue resulting in a specific requirement for clients to consent to fees being taken every year. Hopefully within the broad parameters of Consumer Duty any changes in the UK will only need to be light touch for both advisers and their clients, with any changes 'outcome based' rather than inflexibly hard coded.

Ongoing advice like financial advice generally is of great benefit to the client, and multitudes of surveys have confirmed that clients value it. This value is not just from a financial perspective, but also from a more subjective perspective – peace of mind, the ability to talk concerns over etc. Advice is so much more than the concept of yesteryear that "my adviser invests my money for me". Likewise, some thinking around the 'annual review' needs to change – an ongoing service is so much more than this, and we have tried to reflect this in this guide.

This guide hopefully provides a valuable resource for advisers, offering both theoretical insights and practical tools to help them navigate the complexities of ongoing advice and meet regulatory requirements under the existing rules and guidance. Most important of all perhaps, is that it provides some indicators as to how advisers can demonstrate the undoubted value they provide to their clients. When it comes to helping people achieve their ambitions, financial advice remains as important as ever. It is therefore reasonable that firms sense check their existing arrangements and procedures to ensure these are as clear, transparent and as effective as possible. Just as importantly, the advice firm should ensure its ongoing advice process is well documented and the results demonstrable with MI and client feedback evidence.

The last word from our sponsors:



Karen Fitzpatrick

*Pension Specialist*



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*Sales Director*



“

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*This Guide is written and edited by*

**Vince Smith- Hughes**  
Adviser Home Director

## ABOUT

Vince has been in the financial services profession for over 40 years. He has most recently worked at M&G, but also has experience at AIG, Clerical Medical, Winterthur Life and as an adviser.

Vince has vast experience of working in the professional adviser market, using different methods of communication. He has extensive experience of working with sales, technical, regulation, marketing, PR and media.