

Thoresen Review of Generic Financial Advice

Call for Evidence - AEGON response

April 2007

AEGON strongly supports the establishment and scope of the Review and is delighted that our chief executive has been chosen to lead this important piece of work. We have long argued that the provision of high-quality generic financial advice, tailored to the individual but outside the scope of full regulation, can provide a springboard for people to take action to improve their financial health. This could have significant benefits to the individuals themselves, and also to the financial services industry and to society as a whole.

STRATEGIC ISSUES

A. What is happening today, how and to whom?

- *AS1. What generic financial advice services are you aware of in the UK? Are these provided by the public sector, the private sector or the voluntary sector?*

As a report for the Resolution Foundation has noted,¹ "Most financial services companies will conduct some form of fact-find, either as a stand-alone exercise or as the first step in a regulated sales process." This represents the principal route by which consumers currently access the sort of advice envisaged by the Review.

AEGON is currently funding, along with Barclays, a pilot scheme with Citizens Advice, whereby IFAs, acting on a *pro bono* basis are 'embedded' in 28 Citizens Advice bureaux and make themselves available to provide unregulated advice to those bureaux's clients. We and our partner organisations will be analysing the results of this scheme and the results will be provided to the Review in due course.

We are also, through a full-time secondee, supporting the FSA's *Make The Most of Your Money* project, which delivers free financial education to employees in the form of an hour-long seminar in the workplace, delivered by a specially-trained presenter.

There is also a wide variety of internet-based generic advice available from both commercial and non-commercial sources, including the FSA's 'moneymadeclear' site². The Resolution Foundation report cited above includes some commentary on usage levels and segmentation of commercial websites.

- *AS2. For the services in AS1 please give some information on structure (e.g. funding, governance, scope of service, geography, legal basis of advice, scale constraints etc.)*

The Citizens Advice pilot mentioned above involves 28 bureaux in various locations in England and Wales. The advisers are in principle available to provide advice to the full range of Citizens Advice clients. Clients requiring regulated advice to take further action are referred to other financial advisers to avoid conflict of interest.

¹ [Generic financial advice - Evaluating commercial approaches](#) (Resolution Foundation, December 2006)

² <http://www.moneymadeclear.fsa.gov.uk/>

- *AS3. What do you believe is the most appropriate way of describing “generic financial advice” provision?*

Generic advice can be seen as ‘helping people to help themselves’: giving people the information and guidance they need to plan better and make better financial decisions, and pointing them in the right direction to access the products and services they need to turn their plans into action.

Research³ suggests that one of the main reasons people do not seek advice to plan their finances, is that they do not feel they will get truly unbiased advice. A national service, one step removed from the sales culture with which many people associate (regulated) financial advice, could provide people who are not currently engaged with a phased route in, rather than having to plunge directly into the world of regulated advice.

- *AS4. Are there examples from overseas which offer good models for a national approach to generic financial advice and why?*

The New Zealand Retirement Commission’s *Sorted*⁴ programme is an excellent model for web-based financial information and education, covering a range of savings and investment issues. The website is supplemented by a series of printed publications to make some of the information and tools available to those with limited internet access. The focus is on information and education rather than advice.

Other overseas examples include:

USA

- The industry-led ‘Choose to Save’ programme⁵ provides a range of tools aimed at encouraging consumers to save.
- The Financial Literacy and Education Commission’s website⁶ also provides a wealth of financial information.

European Union

- The European Commission supports an interactive, web-based tool⁷, designed to improve consumer knowledge on consumer rights and financial services issues, tailored to individual countries.

Germany

- The German insurance industry has developed ‘Klipp + Klar’ (roughly, ‘clear as day’), an on-line service⁸ which provides information on various product types and life cycle oriented consumer information on insurance.

³ *At-Retirement Monitor, 2007* © Marketing Sciences Ltd.

⁴ <http://www.sorted.org.nz/>

⁵ <http://www.choosetosave.org/>

⁶ <http://mymoney.gov/>

⁷ <http://www.dolceta.eu/>

⁸ <http://www.klipp-und-klar.de>

- The insurance industry has also developed the 'Eigenvorsorge' report⁹ as a planning tool for consumers. This provides an integrated overview of projected monthly retirement and disability benefits from the statutory pension system, occupational pension entitlements and private pension contracts.

Denmark

- The Danish insurance sector has offered consumers advice on all kinds of insurance questions for 75 years. The information provision, run by the Danish Insurance association via the Danish Insurance Information Service, is free of charge and is independent of the individual insurance company's interest.
- "Pensions made clear" (PensionsABC'en in Danish)¹⁰ is a web service to consumers produced by the Danish Insurance Association (F&P Forsikring & Pension). It describes the general outline of the entire Danish pension system and how the three pillars work and interact with each other. A number of directly consumer related issues are also described, such as pensions on divorce, tax rules etc.

Austria

- The Austrian Insurance Association (VVO) publishes the insurance guide ("Versicherungsleitfaden")¹¹, which describes the main insurance product types and gives useful and practical tips for consumers. Its service and information hotline, created in 1983, receives approximately 4,000 requests per year.

Italy

- The Italian National Insurance Association's (ANIA) service and information hotline for consumers receives between 1,500–2,000 phone calls per month.

Czech Republic

- The Czech Insurance Association's (CAP) website¹² includes information and recommendations for consumers as well as a discussion forum enabling reactions on queries from the public.

Netherlands

- In the Netherlands, a partnership organisation, CentiQ¹³, has been developed between organisations in the financial sector (including Verbond van Verzekeraars, the equivalent of the ABI), the government, consumer organisations and sciences who deal with financial decisions of Dutch consumers. Its objective is to ensure that financial consumers are well informed, educated, and interested, play an active role in the financial markets and can confidently make well-considered financial decisions. Development is at an early stage, but there are plans in place to carry out a baseline study on financial capability, along the lines of the study carried out by the FSA.

⁹ <http://www.eigenvorsorge-report.de>

¹⁰ <http://www.forsikringenshus.dk/PensionsABC.aspx>

¹¹ <http://www.vvo.at/publikationen/index.pho>

¹² <http://www.cap.cz/english/>

¹³ <http://www.centiq.nl/>

- *AS5. What academic and other research, UK or international, should the review be aware of that would be relevant to generic financial advice provision?*

The FSA's Baseline Survey of Financial Capability¹⁴ sets out the scale of the challenge, while Citizens Advice has published a range of research as part of its *Financial Skills for Life* (FSfL) programme looking at the impact of its own activities.¹⁵

The FSA has also looked specifically at the development of generic advice as part of its National Strategy for Financial Capability and its report¹⁶ provides very useful background. The accompanying literature survey¹⁷ on the delivery of advice cites a wide range of sources.

A valuable UK source for research in the financial capability field in general, and the role of advice in particular, is the work of the Resolution Foundation¹⁸, an example of which was cited above.

A member of AEGON's Corporate Affairs team is currently completing a research project on advice at Middlesex University. Although geared to pensions scheme membership, the concept of generic advice is being discussed and valuable information may result, which we would be happy to share with the Review if this would be helpful.

Internationally, the US Institute for Socio-Financial Studies has published a number of reports on financial literacy education which are available through their website¹⁹. In particular, the study of the US military, as part of work commissioned by the Fannie Mae Foundation²⁰, provides a strong case for the benefits – to both employees and employers – of generic advice through the workplace.

- *AS6. Do you consider the current infrastructure could deliver the kind of generic financial advice provision envisaged by this review? Or is a new structure required?*

It may be possible to build on existing infrastructure, provided sufficient funding were available and the right incentives put in place. At present large parts of the population are not engaged and a new structure is probably necessary to reflect the step-change in generic advice provision we think is needed. In particular, a new structure should seek to harness the potential of the workplace as a focal point for generic advice and financial capability initiatives more widely.

This does not mean, however, that any new structure should seek to replace existing services. The Review should consider the potential of three broad models for delivery:

¹⁴ [Levels of Financial Capability in the UK: Results of a baseline survey](#) (FSA, 2006)

¹⁵ http://www.citizensadvice.org.uk/index/publications/financial_capability_publications.htm

¹⁶ [Financial Capability: developing the role of generic financial advice](#) (FSA, 2005)

¹⁷ [Advice and the best way of delivering it: Literature survey for the Financial Capability Generic Advice project](#) (FSA, 2005)

¹⁸ <http://www.resolutionfoundation.org/>

¹⁹ <http://isfs.org/index.html>

²⁰ [Personal Finance and the Rush to Competence: Financial Literacy Education in the U.S.](#) (Fannie Mae Foundation, 2001)

- **a single, unified structure**, subsuming existing provision and providing an end-to-end service. This might provide the most holistic and engaging user experience and be easiest to market,
- **a decentralised structure**, providing a single, multi-channel portal to existing providers. This may have cost advantages and, provided capacity was not an issue, minimise disruption to existing services, especially in the voluntary sector, and
- **an accreditation model** where a new 'triage' system would aim to deal with some customer enquiries but would refer the majority on to other providers. This would offer a way of ensuring consistent quality between providers, plus brand reach and association, to give the service an appropriate 'new' and 'national' feel.

Our preference is for the last of these, building on existing services, with a new industry-led organisation working in partnership with the Government and other organisations as appropriate.

We think this provides greatest encouragement for innovation among existing advice providers, and the maximum flexibility in delivery, alongside security for the Government that the new central structure can ensure inclusion objectives are met. Among other things, it might encourage the development of industry- or sector-wide initiatives focused on the needs of specific groups.

B. What should the scope of a national approach to generic financial advice be?

- *BS1. Who should generic advice aim to serve including a view on segmentation?*

While it is right that generic advice should be focused on those most vulnerable to the consequences of poor financial decision-making, we are clear that this should not mean it is restricted to an emergency service, dealing with severe debt or exclusively with people on very low incomes. It should be at least as much about helping moderate earners to plan successfully for the future, so that they can make the most of their incomes and make sure they can financially safeguard themselves and their families.

Attention will need to be paid especially to the interaction with income-related benefits.

- *BS2. Are there groups it should not aim to serve and how might they be excluded or steered away?*

In principle, there is no reason why generic advice should not be available to all, even if, for some, it performs a limited function, for example referring them to a regulated adviser for specific product advice. Many consumers who would not otherwise seek financial advice, will be attracted to a service which is not trying to sell them something, so a generic advice service provides an important entry point from which they can be encouraged, where appropriate, down the route to full advice, or to taking action themselves, armed with the appropriate information and guidance.

The aim, however, should be to identify specialist requirements at the earliest opportunity so that those with specific needs are directed to more appropriate services and do not make unnecessary calls on the service.

The simplest way of achieving this would be through a very short series of preliminary questions (either online, with appropriate links to alternative services, or by telephone) with the aim of 'filtering out' those with particular needs.

- *BS3. What are the best ways of reaching the target market (i.e. those most vulnerable to the consequences of poor decision-making)?*

The people most vulnerable to the consequences of poor financial decision-making are, by definition, those facing the biggest financial decisions. So it makes sense to focus advice at key stages or 'trigger' events in people's lives – for example, when they leave school, take out a student loan, start their first job, get a big pay rise, get a mortgage, start a family, set up a business, inherit money from relatives, divorce or separate, face redundancy, or as they approach retirement.

A key part of the marketing challenge for the new service will be to use each of these processes to encourage people to seek advice at these key life stages and to tailor the service accordingly.

There will also, however, be many prospective clients for the service who are 'muddling through' financially but have a more general sense of unease that they need to 'do something' about their finances, without any specific 'trigger'. It will also be important to reach these people and encourage them to tackle this sense of unease and face up to making difficult decisions about the future – effectively to 'nag' them into taking action. It is important that the generic advice service is positioned as being an easy first step.

- *BS4. What should be the content of generic financial advice? Which subjects should be included/excluded?*

The personalised nature of generic advice means that the content will vary according to individual circumstances. Very often, one would expect someone to seek advice in response to one or more of the 'triggers' indicated in the answer to the previous question. Clearly, there will be a key role in dealing with personal debt. The proposed introduction of personal accounts from 2012 will also be a significant consideration for the service.

A generic advice service should seek to take on board decisions about a wide variety of financial services, depending on the individual. One of the key decisions the Review needs to consider is whether this can be achieved through a script-based approach, or whether a higher standard of advice is required, which would necessarily entail higher costs in terms of training and remuneration of advisers.

A National Generic Advice Standard²¹ has been developed by the Financial Services Skills Council (FSSC) and forms part of the National Occupational Framework. This sets out the knowledge framework for generic advisers, in other words, what they need to know and what subjects they may need to be able to cover.

- *BS5. How can the boundary between generic and regulated advice be clarified so that it is clearly understood by both consumers and those giving generic advice? Where should it be drawn?*

²¹ [National Occupational Standards for Generic Financial Advice](#) (FSSC, 2006)

The key issue here is consumer perception. As indicated above, people are often reluctant to seek financial advice due to the belief that they will be subject to a 'hard sell'. The best way to clarify the distinction for consumers must be to explain that there will be no selling as part of the generic advice. Equally, it must be made clear to them, if they are referred onwards to regulated advice, that this is a discrete process.

The FSSC's Generic Advice Standard, referred to above, provides a specific opportunity for advisers to delineate between generic and regulated advice.

As the question suggests, the boundary between generic and regulated advice is currently a blurred one. For example, advising a client to stop or reduce contributions to a stakeholder pension in order to pay off debts, would constitute regulated activity if the advice relates to a specific existing product.

Greater clarity could be provided by ensuring that advice given under the auspices of the new national service (and complying with the Generic Advice Standard) is given a specific 'carve-out' from the Regulated Activities Order. There are precedents to this, for example for unremunerated insurance mediation and for employers in relation to company pension schemes.

- *BS6. What organisations and services should or could be expected to refer people to generic financial advice?*

Client referrals are likely to be determined largely by the 'trigger' which prompts the need for advice. It is reasonable to expect a two-way process between generic advisers and other organisations involved in the welfare field, for example debt counsellors, Citizens Advice bureaux and local authorities. One of the big opportunities of a national service is that it offers a route for specialist advice providers - especially those who deal with crises - to direct clients to further help with the next stage of their financial planning and prevent those crises from recurring.

We would also hope to see employers making it easier for their staff to have access to generic financial advice as part of a wider strategy to improve financial capability. To this end, we would encourage the Government to allow generic advice to be provided by employers without this giving rise to a benefit-in-kind tax charge.

Employer involvement is particularly appropriate where staff have the option of joining a company pension scheme. The introduction of auto-enrolment on the back of the proposed personal accounts legislation potentially provides a 'hook' through which employers themselves can be engaged in the process. The Government should consider how best to incentivise employers, possibly through adjustments to employers' National Insurance contributions where workplace advice is provided.

- *BS7. Where should people be referred to after receiving generic advice? Should it be possible to refer people to a commercial provider? If so, how?*

Where a generic adviser feels it is in the best interests of the client to refer them to a regulated adviser, this should be possible. It will be necessary to ensure that no conflict of interest can arise out of this situation, in other words, the generic adviser cannot profit from referrals.

There are existing commercial services – such as that run by IFA Promotion (IFAP)²² – which specialise in putting customers in touch with local advisers. These could act as a conduit between the generic and regulated advice sectors.

As noted above, we are currently jointly funding a trial with generic advisers 'embedded' in Citizens Advice bureaux. We hope that the results of this trial will be able to shed further light on this issue and we will be happy to share the findings with the Review.

- *BS8. What qualifications/training do generic financial advisers need and where could the advisers be sourced from?*

The level of qualification required depends to a large extent on the form and content of the advice. As a starting point, we would suggest that generic advisers should be required to meet the Generic Advice Standard developed by the FSSC and referred to above. However, it may be that this needs to be modified once the new national service is established.

The Chartered Insurance Institute (CII) has offered to develop training material for generic advisers and they have indicated they are willing to create a separate generic adviser membership category within the Personal Finance Society (the financial services arm of the CII) so that generic advisers would be part of the profession and bound by its code of ethics and conduct.

One possible source of advisers is people seeking to top up their retirement income - especially those with a background in the financial services industry. It might also be a career step, or part of continuous professional development, for those seeking to make a career in the financial services sector. The public service element and a successful 'clean' brand could bring new people with different skills and attitudes into the advice sector.

- *BS9. What are the legal implications of giving generic financial advice?*

As indicated above, we would hope that generic advice could be kept outside the existing FSA regulatory framework. Because it will not involve specific product recommendations, it is also less likely to give rise to future claims. However, there will undoubtedly be regulatory issues around 'policing' the border between regulated and generic advice. It will need to be established clearly how a provider of generic financial advice can limit liability contractually and it is likely that generic advisers would need to be covered by professional indemnity insurance in order to provide against future claims.

It would be prudent also to ensure that the provisions for generic financial advice are understood and accepted by EC legislators.

- *BS10. How would the creation of a new generic financial advice service materially affect advice providers?*

Generic advice should not seek to replicate the work of regulated advisers. Rather, it should perform a complementary function, serving to alert people to the need to plan their finances and take out certain types of financial products.

Research for the ABI by Oliver Wyman²³ indicates that "35 per cent of total sales time stems from the marketing and prospecting effort leading to the first client

²² <http://www.unbiased.co.uk/>

²³ [Strategies for Tackling the Savings Gap: The Role of the Saver Agent](#) (ABI, 2002)

meeting” and “almost all advised sales require two or more client meetings, adding to travel time, cost, and inconvenience for customers”. Whereas “on average, a successful sale takes 7.7 hours ... once prospects that do not result in a sale are added, the average amount of adviser time taken per successful sale rises to 12.0 hours”.

By providing an entry point to the financial services market for people who might otherwise be deterred, and by acting as a ‘triage’ service, a national generic advice service has the potential to reduce substantially the time and ‘deadweight’ costs involved in chasing unsuccessful leads.

The information about individual clients gleaned by the generic advice service could also be ‘forwarded’ to regulated advisers (much as a patient’s medical records are transferred between GPs). This could reduce the time taken for the ‘fact find’ which would have benefits to both advisers and, more importantly, customers.

C. Cost and funding

- *CS1. To what extent should generic financial advice be free at the point of delivery?*

Some generic advice services, especially web-based tools, will have very low marginal costs associated with individual users.

Where significant costs are incurred, careful consideration needs to be given to whether and how individual consumers, who in some cases will stand to benefit substantially from the service, can be expected to contribute to the costs without adversely affecting the take-up of the service.

Clearly some people will find it difficult to make a significant contribution and others may simply be unwilling to pay anything at all. These groups may be strongly correlated with the target market for the service. Thought needs to be given as to how costs can be met for those who would benefit from the service but who might not use it if there were an upfront charge to them.

One possible route is through employers providing for generic advice as part of an overall benefits package for their staff, linked in with the provision of personal accounts or a company pension scheme. However, alternative funding mechanisms would be needed for those not in paid employment, and the self-employed, many of whom can be extremely vulnerable to the consequences of poor financial decision-making.

It may be that the service has to be free for an initial period to ‘prove its worth’. Charges could be considered further down the line as part of a review of the operation of the service.

- *CS2. Is there any evidence that supports a commercial case for a generic financial advice service (including required changes to the existing model to improve the situation)?*

Generic advice undoubtedly has significant potential benefits for financial services providers in terms of increasing awareness of and demand for its products, and reducing some of the costs of existing distribution channels. As outlined in our response to AS1 above, a number of companies already provide services which could be categorised as generic advice and there is scope to build on existing services on a cross-industry basis.

Work by Bain & Co for the ABI in 1998, showed that there was a commercial case for an industry-wide generic advice service, funded by the life industry. We have

indicated elsewhere (in our response to AS6) that we would favour an 'accreditation model' of delivering the national generic advice service, because it would create an environment where such new industry-led bodies, working in partnership with Government and other organisations, can deliver the new service (we would envisage that this new body would also operate some of the services provided by a national generic advice service).

- *CS3. How can the wider benefits of generic financial advice, to individuals and society as a whole, be quantified?*

It is obviously difficult to predict with any great accuracy what the likely benefits will be from a national generic advice service. Much depends on the form the service takes and on how it is funded and promoted.

On an individual level, the benefits will depend also on the choices a given individual makes on the back of receiving generic advice. Where that involves an investment product, there is clearly a degree of risk involved. An explanation of risk will need to be covered by the generic advice service, at least in those cases where an individual's circumstances suggest that it would be appropriate to consider investment products. The FSSC's Generic Advice Standard includes a consideration of risk.

In spite of these difficulties, some valuable work has been done in this area.

- AXA has conducted research which seeks to highlight the potential benefits to individuals of financial advice.²⁴ This research also provides further evidence that without advice, people are unlikely to act.
- The Resolution Foundation recently published a report by Deloitte²⁵ outlining the benefits of advice to individuals and society. The report suggests that young people on low to moderate incomes could increase their financial assets at the age of 60 by an average of £60,000 if they had access to advice. It also identified potential public expenditure savings rising from £100 million within 10 years of the advice being delivered, to £800 million later in the century, as better financial decision-making lifts people off Pension Credit.
- A further Resolution Foundation report²⁶, looking at the benefits of generic advice to the financial services industry, found that a national service would lead to a significant increase in the take-up of long-term savings products and reduce levels of debt and credit.
- The Fannie Mae Foundation report cited in our response to AS5 above is also relevant.²⁷

Once the service is established, it will be possible to gather feedback from clients and conduct a wider cost-benefit analysis.

²⁴ [AXA Avenue Fourth Quarter Review: Learnings and Recommendations](#) (AXA, January 2007)

²⁵ [A national dividend: the economic impact of financial advice](#) (Resolution Foundation, September 2006)

²⁶ [The Advice Gain: The impact of generic financial advice on the financial services industry](#) (Resolution Foundation, March 2007)

²⁷ [Personal Finance and the Rush to Competence: Financial Literacy Education in the U.S.](#) (Fannie Mae Foundation, 2001)

- *CS4. What factors should be taken into account in deciding how to split any costs of a generic advice service between the stakeholders who will benefit from the service?*

Generic advice will provide benefits to the Government's finances – most obviously through a reduced call on means-tested benefits if people are planning their finances more successfully, and to the financial services industry, in the shape of a better-functioning market. We are happy to meet our fair share of the costs for the provision of a national generic advice service and we are pleased that the Government has indicated that it, too, is willing to commit substantial resource.

The principles which guide funding should include:

- **predictability and stability**, including for Government funding, so that staff and those providing the funding can have confidence in the long-term delivery of the service,
 - **fairness** in light of a clear assessment of where long-term benefits accrue between users, the State and the industry, so that everybody is contributing their share of the costs,
 - **efficiency**, so that whoever runs the service has a duty to manage costs,
 - **accountability**, so that contributors to the funding also have a say in how the service is run, and
 - **connection with risk**, so that there is clarity as to who bears the risk if problems with, for example, capacity or service quality arise.
- *CS5. How can the "generic" element of existing regulated advice processes be costed and its benefits quantified, including the process of customer engagement and the "fact find"?*

AEGON conducted a significant piece of work to understand the economics of distribution at the time of the Sandler Review²⁸ and FSA Discussion Paper 19²⁹. This resulted in a model of business acquisition and advice in the market for small corporate pension schemes. The data was derived from study of one of AEGON's advice businesses. This model was subsequently used by the Pensions Commission as part of their analysis of the current pensions market.

The study is now four years old and, in that time, more and more business in this market has moved to streamlined joining of members into group arrangements. Nevertheless, it remains a useful starting point in understanding the processes and costs involved. In particular, the interaction with members in the enrolment process potentially has close parallels with some possible models for delivering generic advice.

The model is contained in an Excel workbook along with supporting notes. We would be happy to make this available to the Review and to provide a full briefing on its contents if this would be helpful.

The ABI/Oliver Wyman research quoted above (in our answer to BS10) is also relevant in this regard.

D. How can potential users be engaged?

²⁸ [Medium and Long-Term Retail Savings in the UK](#) (HM Treasury, 2002)

²⁹ [Options for regulating the sale of "simplified investment products"](#) (FSA, 2003)

- *DS1. How can consumers be encouraged to improve their financial capability and take an active interest in their personal finances?*

Getting consumers to face up to tackling their personal finances is the key challenge facing the Review and the new service. People need to be encouraged to think about their finances and then, crucially, to act. This requires a sea-change in public perceptions of personal finance with a wide-ranging campaign to effect a change in attitudes. People need to be persuaded that looking after their financial health is the right thing to do – and that it is achievable.

AEGON has commissioned research from Opinion Leader exploring what people want in terms of financial advice and product distribution. This research has not yet been published but we have already shared some of the findings in our submission to the FSA's Retail Distribution Review.

This work has only scratched the surface but it gives some fairly clear and challenging messages about advice and distribution:

- financial capability initiatives – starting in schools – are the basis of a long term solution,
- getting people started is about motivation and overcoming confusion,
- people want to work out what they need before turning to how to buy it. This requires a new kind of 'help' advice which is separate from selling/buying. It might be free, or have a free initial consultation, and then must be transparently charged, and unimpeachably "in my interests",
- the advice needs to anticipate changing needs and provide tools for research, interpretation and help. People want "advice for life" and are willing to use technology to get it. They want peer group recommendations on their chosen adviser,
- people want a conventional supermarket style retail buying experience, where they expect to buy and are willing to take responsibility. They want the "John Lewis" experience,
- people want to be loyal to brands, and wonder why financial services firms don't run loyalty schemes,
- the adviser has a role to keep the saving discipline/motivation alive, but people also thought of ways in which peer groups can help one another, "weight-watchers" style.

As with our study of the economics of distribution (see our response to CS5), we would be happy to provide the Review with a full briefing on the findings of our research, which is also relevant to a number of the subsequent questions in this section.

- *DS2. Are there campaigns that have effected analogous behavioural change relating to generic financial advice or other scenarios? What made them successful?*

An interesting parallel would be with the campaign to persuade people not to drink and drive. We would argue that this has worked primarily because it has succeeded in portraying those who flout the law in this respect as the objects of contempt by their peer group. Clearly, the effects of drink driving are frequently horrific and of a different order of magnitude from a failure to make financial provision and we would not seek to equate the two. The challenge, though, is to effect a similar change in attitudes.

- *DS3. What would an attractive brand for a generic financial advice service look like?*

We feel that the new service will need a strong brand in order to effect the required change in attitudes discussed above and to achieve high take-up of the service. We do not have strong views on what this should look like but we would be happy to bring our experience in the branding and marketing of financial services to bear in any way the Review team feels would be helpful. For example, we can, if so desired, make available to the Review research conducted for AEGON as part of our own recent brand overhaul and also around the launch of Origen.

It is particularly important that people should not feel patronised or intimidated by the service. As suggested in our answer to AS3, the key will be for the service to be seen as “helping people to help themselves”.

- *DS4. Is there evidence on which engagement mechanism(s) is likely to work best overall and with different segments of the target population (e.g. which media, messages etc.)?*

Again, the Resolution Foundation has conducted some research on this issue³⁰. However, further analysis of how to target different groups more effectively will be needed in order to ensure that there is good take-up across all sections of society. It is key to avoid a ‘one-size-fits-all’ approach.

- *DS5. For face-to-face advice, are there particular locations that would be attractive generally for different segments of the target market?*

The Resolution Foundation report cited in the previous answer indicated that a number of options were available, with libraries, local community centres and people’s homes scoring particularly highly.

As indicated in our answer to AS6, we also believe that the workplace provides an excellent way to reach a large proportion of the population.

The research conducted for us by Opinion Leader, outlined above, will also provide insight into people’s preferences in this respect. We will be glad to share these findings with the Review.

- *DS6. Do you believe a new generic advice provision would lead to a change in consumer behaviour? If so, how?*

Yes. We are convinced that provided it is properly marketed and good take-up is achieved, the provision of generic advice could lead to a step-change in the nation’s financial health. In particular, we think that better-informed consumers will reduce their debt levels, increase savings and take out more protection products. The Deloitte/Resolution Foundation research cited above³¹ goes into greater detail on possible outcomes.

³⁰ [Closing the Advice Gap: Providing financial advice to people on low incomes](#) (Resolution Foundation, May 2006)

³¹ [A national dividend: the economic impact of financial advice](#) (Resolution Foundation, September 2006)

E. What should the governance arrangements look like?

- *ES1. What organisation(s) should be responsible for oversight of and/or delivery of a national generic financial advice service (e.g. national vs. regional oversight; existing vs. new body)?*

The need for central co-ordination and a strong brand suggest that a new national body will be desirable in order to give the new service the necessary 'drive'. One option is a joint venture between Government and the industry, with representatives from the UK Government and the devolved administrations; regional and local government; industry figures; consumer and voluntary bodies; and independent experts.

- *ES2. How should any generic financial advice service be made accountable (e.g. targets, performance management, reporting lines etc)?*

Accountability for strategic direction and delivery against high-level objectives should reflect the legal structure and the public interest. In our partnership model, this implies it should be largely up to the new body itself to set targets and performance management processes for the service.

'Raw' take-up figures are an obvious indicator, but it will be important to scrutinise these carefully to ensure that all sections of society are being adequately served. There should also be a focus on outcomes and the Review and any new body should think carefully about what results it wants the service to deliver.

- *ES3. What should the relationship be between any new delivery body (assuming one is deemed necessary) and existing services?*

The new service should be seen as complementing rather than competing with existing services. As indicated above, we would anticipate that voluntary bodies, for example, would be represented on the new body overseeing the service.

However, it is clear that existing services will need to be prepared to make potentially far-reaching changes in the way they deliver relevant services. The guiding principle must be the provision of the right service for the client – which may, for example, require existing services to go beyond their current scope in order to deliver a 'seamless' service.

It is of paramount importance, therefore, that the new body communicates effectively with existing service providers in order to ensure that high standards are maintained.

- *ES4. What mechanism should be used to collect and distribute any potential financial contributions e.g. from Government, industry etc?*

We do not at this stage have a strong view on the precise nature of the funding mechanism. The guiding principle should be that any funding mechanism must be transparent and fair – as outlined in our response to question CS4 above. The new body could, for example, be given powers to charge a levy on the industry (along the lines of the FSA levy), supplemented by direct Government grant.

OPERATIONAL ISSUES

Although the questions on this section relate mostly to the operation of generic advice, we have provided some basic information about our commercial operations which we think may be relevant to the Review. In particular, we have information on the operation, staffing and customer usage of regulated financial advice businesses and telephone-based support operations for our million customers and thousands of financial advisers who serve them.

As indicated in our response to DS3 above, we have marketing experience around our recent brand overhaul and the launch of Origen which we would be happy to share with the Review.

We would also be happy to provide specifics where possible in the areas covered by sections B, C and D below, including any relevant management information, if the Review team feels it would be helpful.

A. What is happening today, how and to whom?

- *AO1. What advice service are you or your organisation responsible for delivering (this need not be generic financial advice)?*

Our businesses in the UK include two regulated financial advice businesses (Origen and Positive Solutions).

Our employee benefits business, AEGON Benefit Solutions, has developed an internet-based platform, mymoneypal, which delivers financial information about financial products and services relevant to people's everyday lives, supported by links to external websites and by a variety of calculators and tools covering such things as budgeting, mortgages, car finance, tax and benefits, and savings.

We would be happy to give the Review team a demonstration of the mymoneypal tool and to provide any further details as necessary.

- *AO2. How is your advice delivered (e.g. face-to-face, web-based or telephone)?*

The various businesses within the AEGON UK 'family' have different business models.

AEGON Benefit Solutions' mymoneypal tool, referred to above, is entirely web-based (although users have the option to seek further information from an advice centre). Origen, by contrast, conducts most of its business face-to-face, although it does provide a telephone-based annuity service. An important feature of the annuity service is that people still, in the main, have to buy an annuity, so there is built-in demand for the product.

- *AO3. What is the legal, organisational and governance structure of your service?*

Our businesses are incorporated under UK law and authorised and regulated by the Financial Services Authority. More detail on AEGON's corporate structure is available on our website.³²

- *AO4. How is your service funded?*

³² <http://www.aegon.co.uk/who/structure.htm>

In the case of the regulated financial advice businesses, fees and commission (initial and 'trail') are payable by clients and product providers in the normal way.

The financial information available through AEGON Benefit Solutions is part of an overall employee benefits package paid for by employers.

- *AO5. How did you identify your customer and their needs?*

Our businesses adopt a variety of strategies to identify customers and their needs. In the case of the regulated financial advice businesses, a standard 'fact find' will form part of the client consultation.

B. What should the scope of a national approach to generic financial advice be?

- *BO1. Who is your target market, and how do you target them? How well do your actual clients match your expected target market?*
- *BO2. How many people use your service per annum? What sorts of questions do they ask?*
- *BO3. Do you know how many people you turn away? If so, is this a capacity issue or have they come to the wrong place?*
- *BO4. If you operate some form of "triage" or "sifting" of calls, what criteria do you use?*
- *BO5. What referral policy do you operate and how (e.g. boundaries with other organisations, relationship with others, potential issues to manage etc.)?*
- *BO6. What management information do you capture?*
- *BO7. How do you monitor quality and consistency of advice given (e.g. quality control, customer feedback, complaints handling etc.)?*
- *BO8. How do you deal with questions of liability for inappropriate advice (e.g. indemnity insurance)?*
- *BO9. What level and type of training do you offer for your staff (e.g. costs, duration, suppliers, accreditation, etc.)?*
- *BO10. What are the payment arrangements for your advisers (e.g. payment levels, sponsorship, pro bono etc.)?*
- *BO11. Who are your advisers (background, length of service etc.)?*
- *BO12. How do you ensure that you work effectively with other relevant organisations?*

C. Cost and funding

- *CO1. What is your operational model?*
- *CO2. What is the cost structure of your service (e.g. set-up vs. ongoing; capital vs. operational)?*
- *CO3. How long did it take to set up the service from blueprint to launch date? Did you pilot it first? If so, please provide details.*
- *CO4. What are the components of your model and how do they relate to each other (e.g. telephone, face-to-face and online)?*
- *CO5. If you operate an online service, how many people use your site and do they have to pay to use it?*

- *CO6. Please provide information on the key statistics about your service (e.g. duration of session, average cost per session, approach to booking etc.).*
- *CO7. How are you funded and what do you have to do to qualify (e.g. grant-in-aid, customer payments, commercial capital etc)? How much do customers pay?*
- *CO8. Are you able to quantify the social / public policy benefits of your service?*
- *CO9. If your service is required to show a return on capital, what are the Internal Rate of Return (IRR) and payback periods?*
- *CO10. How do you measure the effectiveness of your service?*

D. How can potential users be engaged?

- *DO1. What market research did you do before setting up your service?*
- *DO2. What approach to advertising have you taken at the various stages of the development of your service (including an indication of level)?*
- *DO3. How has your service evolved over time?*
- *DO4. How did customer usage build up over time?*
- *DO5. Do you have information about what your customers do as a result of your advice?*