

Initial thoughts in response to the Call For Evidence for the Thoresen Review of Generic Financial Advice

I run my own independent consultancy business, with a primary focus on the asset management and wealth management sectors of the industry.

Until August 2006 I was a director with Grupo Santander and ran their funds platform, Allfunds Bank in the UK. My core experience is in the development and management of fund and investment platforms. I worked in the Australian financial services market from 1998-2003, and have worked in the UK, Europe and India since then.

I am particularly interested in how we engage with the broader community about finance and get the message across. I believe there is currently a huge gulf between people in the industry and 'normal' people (!) and this problem is largely exacerbated by the make-up of senior finance figures who are not representative of the broader community. I think there is a particular opportunity here to deliver an educational yet relevant learning and support module to children and teenagers – there was an interesting initiative in Australia which I have included here below. The end game here has to be to review incorporating financial understanding into the curriculum - which in itself should fit in neatly with the current thinking that IFA-entry levels need to be raised and it needs to be elevated to a status whereby it is a profession of choice with accompanying credible qualifications.

Finally, particular to the UK is the near obsession with property and I think the challenge is to harness this to at least get 'in the door' to have a broader conversation about finances, including retirement savings. I purposefully don't use the word pension as I think this approach is outmoded.

HOW CAN POTENTIAL USERS BE ENGAGED?

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

I think the key word here has to be interest. Many financial websites and brochures are heavy and dull. I would propose segmenting a review of this into:

Age bracket
Content
Media

Age bracket

I think this review has a clear opportunity to produce a segregated area that targets children and addresses the lack of financial awareness at a level that can involve schools to help deliver these messages. The content and media used to communicate the messages will need to be different for an audience of children.

So – 2 age brackets – Children and Teens; Adults

Content

Most financial sites are heavily product focussed which is not how non-financial people think. People tend to be reactive and think in terms of what problems and issues they have – they don't buy products, as is often cited.

A project I worked on to assess building a B2C savings and investment platform for retail customers, to be delivered by a retail bank, delivered final recommendations based on extensive customer research and working groups that the site should be segmented not by financial product eg ISA, but by a customer need eg:

It's the end of March and I think I should be doing something about my tax affairs?

How can I get a foot on the property ladder?

How can I find out about inheritance tax?

How much money am I going to need when I stop working?

How can I invest in the stockmarket?

And NOT how do I buy a pension, for example.

UK customers are so focussed on property, I think it's likely this will have to be a major hook to get people talking, and the obvious 'launchpad' to engage people's attention.

Media

Reading about financial services in endless brochures can be very dull. I think new media would have to support this initiative including video clips and animated exploratory notes and case studies.

Making it accessible will be key – maybe new ideas like an interactive animated Monopoly game with avatars, cyberpounds etc – to deliver learnings in simulated scenarios.

- As a final note, I think employers have to be engaged with, and support generic financial advice by encouraging awareness of company pension options etc. Should the larger FTSE 100 companies provide in-house access to face-to-face advisers – could some of these advisers rotate on a regional basis between the largest companies? People are more likely to take 15 minutes from their working day to talk pensions than they are to do so on a Saturday morning.

DS2 Campaigns that have effected analogous behavioural change.....

Effectively what we are dealing with is a 'product' that has a boring, dull image and needs to re-engage. Such campaigns usually need a few 'brand' ambassadors that can connect with the required audience.

Which well-known characters could come on board? Which companies – do they just have to be financial services providers? Can it become cool by association?

I suggested Rodney Trotter's character in the workshops – someone who isn't a shoulder-padded financier or intellectually frightening – but who is always interested in making a quid.

For children, you could consider engaging:

A footballer – How I look after my money (try and make it desirable behaviour)
Colleen McLoughlin – How I saved for my first pair of Jimmy Choos

Is there a role for a retailer? Eg iPod – for every £10 you save towards your new iPod, we'll match £1 towards it

DS3 What would an attractive brand for generic financial advice look like?

Modern
Human facing
Friendly
Colourful
Trusted

Should it be called financial advice? What about something more straightforward like Managing your Money.

I think a new independent brand will be needed but one which has a stamp of authority and approval to back it up which could be from the FSA, for example eg Managing Your Money (supported by the FSA).

As such different market segments will need to be engaged with, I think underlying brand ambassadors or characters could be developed to drive the key messages to each age bracket. These could be people's 'coaches' and walk them through the issues and depth of the service.

DS4 Which engagement mechanism is likely to work best? For different segments? Which media/messages?

For children and teens:

See below for an initiative the Australian Government supported which was initially delivered via their financial planning association and is now in school textbooks. I think there's a lot of learning here.

Importantly, this was developed in consultation with kids. Extensive research with children was conducted.

Different age brackets will have different concerns (again, not viewed as product requirements but needs):

eg

Kids – saving up for things
20s – buying a first property
30s – insurance; first pension
40s – pensions
60s - IHT

A different message and 'brand ambassador' will be appropriate for each segment

DOLLARSMART

Australia

http://www.fpa.asn.au/FPA_Content.aspx?Doc_id=1017

From 2005, Dollarsmart has been included in the leading commerce text book, Commerce in Action, used by schools throughout Australia.

CONTENT:

[Home](#) > [Consumer](#) > [Tools](#) > Dollarsmart

Dollarsmart: A financial toolkit for young Australians



FPA believes that being financially literate – understanding money and making plans to meet your financial needs and goals – is essential to the wellbeing and security of Australians. Dollarsmart: A financial toolkit for young Australians (Dollarsmart) is a web and CD based program designed to help teenagers improve their financial skills and give them confidence when dealing with financial matters throughout their life.

Dollarsmart units

Dollarsmart examines six key aspects of financial literacy. Click here on the following headings to view each unit:

Please note: This version of Dollarsmart is intended for use by residents of Australia and New Zealand only.

Familiar faces

We all learn from others - often from their mistakes. Kim,

Nick, Lena, Daniel and Mel all treat money differently. Check them out; you might just find one or two of them frighteningly familiar...

[1. Financial Planning: Being in the driving seat](#)

The first thing to learn is that it's all about planning and it's all about you. Find out the five steps you need to take to be in control.

[2. Budgeting: Ways to handle money](#)

Money matters whether you like it or not. Find out ways you can save and learn some good habits for life.

[3. Saving and investing: Growing your money](#)

There are lots of ways to grow your money. Learn what your options are and a few sneaky tips to help you get ahead.

[4. Credit and debt: Smart ways to use them](#)

Credit can be useful, but it's easy to get into trouble. Find out all the ins and outs about borrowing money.

[5. Insurance: Protect yourself](#)

We all know bad things can happen. There are ways to protect yourself against them.

[6. Study and work: What's next?](#)

Career and money are linked. Learn how to choose a career that's right for you and the types of rewards you can get.

[What you've learned](#)

A lot's been covered. Review each unit and find out what happened to our familiar faces.

I think a critical message is that it has to be interesting and easy to engage.

People don't want to wade through lengthy brochures : video clips, animation and CD Roms are all possibly alternative engagement media.

Some people won't want to engage via the internet. For face-to-face dealings, I think the supermarkets have a huge potential role here – see comments below (clearly need to reconcile with their own financial services ambitions).

DS 5 For face-to-face advice, are their particular locations that would be attractive for different segments?

I think non traditional financial services providers could play a huge role here.

Women make a lot of the financial decisions for households. Here I think the supermarkets have a role to play.

Tesco; Marks and Spencer; Sainsburys – all have a 'high street' presence and are probably more trusted brands than financial services providers. A trial face-to-face financial advice service could be piloted here.

The Post Office has regional outlets and could be a natural partner to deliver this type of service in larger outlets (again, may have conflicting proprietary financial services ambitions).

Other

Who will pay?

One of the key points is clearly who will pay for this. A core cost I suspect will be the face-to-face advisers I think will be needed to make this type of service work. Financial services providers are unlikely to want to pay without being allowed to promote products. This may be an unavoidable scenario. One solution could be to appoint an independent third-party to review and nominate a panel of say 5-6 providers for each 'product' solution, which the customer then elects. This would be difficult because my findings are that this would have to be independent to work.

A simple fund platform or supermarket could be the natural vehicle to support this independence within the investment sphere yet with a constrained and manageable number of providers. Fidelity FundsNetwork, comdirect, Ample and other supermarkets are 'open architecture' solutions that could satisfy non-specific fund manager recommendations with a limited number of supermarket providers to contribute to costs of the program – whilst providing access to the whole of market. Other providers have done work assessing a similar type of 'insurance wrap'. I have years of experience delivering platforms and am happy to contribute further here.

There are probably 'natural' sponsors for some segments of the market eg The Children's Mutual for the kids segment of the market?

Delivery mechanism

I think there is a role for a platform delivery mechanism to enable action after education and I'm happy to contribute to this thinking if useful. At a retail bank, I oversaw a large block of work to deliver a B2C service that would start from an educational base and lead to facilitating open architecture product purchase and management.

Government policy

I worked in the Australian market for 7 years and saw the impact that compulsory retirement savings had on the general population's financial awareness. I personally believe this is key to engaging with people about taking responsibility for their finances – it makes your retirement savings feel tangible and real, as these new structures deliver access to leading mutual funds which interest people.

Finally, if the tax incentives aren't in place, then no matter how much you educate people and give generic financial advice, you're unlikely to change anyone's behaviour to the degree necessary.....and that's where the political commentary begins and ends!