

Thoresen Review of Generic Financial Advice
Savings and Investment team (SAVI)
HM Treasury
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Dear Sir,

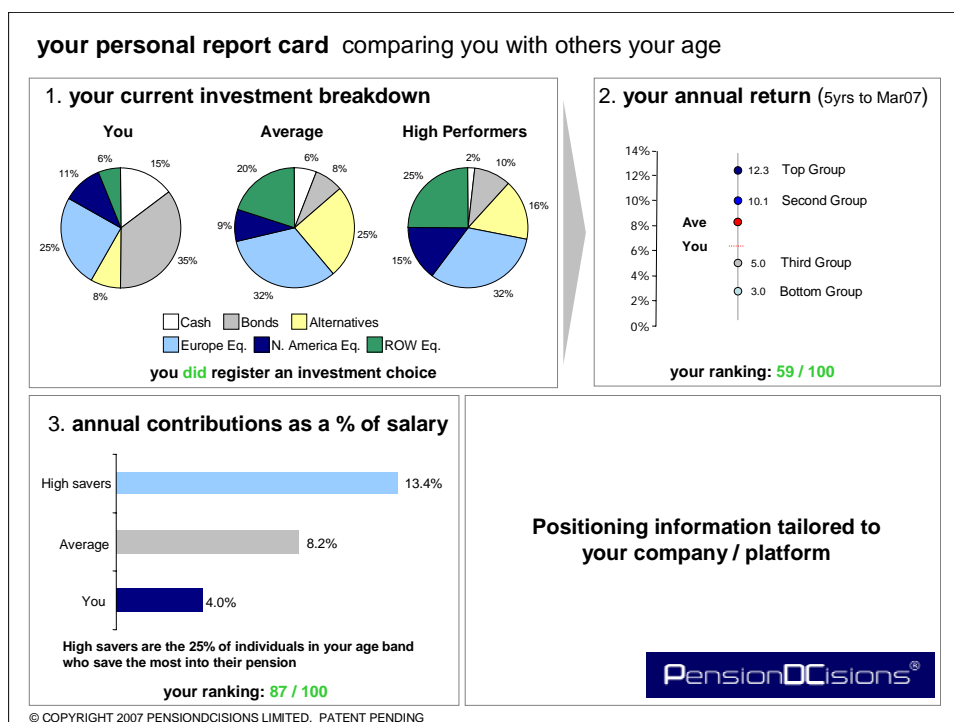
Submission of Evidence

Introduction

We are an independent, for-profit provider of "Generic Financial Advice" targeted specifically at defined contribution pension assets. This takes the form of personalised reports delivered electronically and / or by post to individual account holders. The reports show each individual how their pension compares with their peers. The report includes details of their;

1. Asset allocation
2. Total performance across all products held
3. Saving rate
4. Portfolio volatility (if required)

Our service has already been piloted successfully with two blue chip employers in the UK and we have demonstrated the ability to increase significantly the levels of engagement amongst their employees with regard to pension planning. By applying advanced business intelligence technology to existing administration data we believe we deliver a new and high value tool for engagement and education which avoids the cost and quality problems associated with face to face advice. Our methodology is patent pending in Australia and the United States. Below is an example of a personalised report:



Responses to Specific Questions

AS5

Relevant academic research includes;

- *How Much Is Investor Autonomy Worth?* - Shlomo Benartzi and Richard Thaler, The Journal of Finance, August 2002. One of the main findings of this paper is that people do not have well-defined preferences. As such, one could conclude that generic advice which relies on a diagnosis of needs and preferences is challenged from the start.
- *Determinants of Portfolio Performance II: An Update* - Gary Brinson, Brian Singer, Gilbert Beebower, Financial Analysts Journal, May-June 1991. The main finding of this paper is that asset allocation policy is the dominant contributor to total return.

BS1

Generic advice has a role to play for most individuals. The first element of generic advice should involve assisting the individual with determining their financial priorities, debt repayment, household budgeting, property purchase, long-term investing etc. Following this initial segmentation, a logic flow can be applied to enable each individual to self-select further information of relevance.

BS2

Rather than state explicitly which groups are not relevant (perhaps defined in terms of their asset and income levels or life stage), it may be preferable to enable these individuals to 'self-deselect' from the generic advice offering by following a series of logical questions. This avoids the risk of pre-judging who should receive advice and either mis-diagnosing their relevance or losing an opportunity to provide financial education which could be of value to them at a later date as their needs evolve.

BS4

We appreciate that our focus on retirement planning will be just one component of a broad range of headline topics that include debt management and general household budgeting. Within the retirement planning arena, a focus on good asset allocation practices (as distinct from product selection issues e.g. equity fund A versus equity fund B) and adequate saving should be the priorities.

BS5

The boundary can perhaps best be drawn by determining whether the advice constitutes a specific call to action to purchase or divest a particular financial product. In this sense the FSA definition provides a practical basis for determining the boundary. The other test that might be applied is in relation to whether or not the actions taken by the recipient of the advice have an economic impact on the provider of that advice.

BS7

In the case of the occupational pensions market, some more progressive employers pre-screen IFAs to construct a panel of approved providers. A similar process could be applied in relation to a national system for generic financial advice, whereby a walled garden of approved financial services providers could be accessed either from a menu, or via a carousel mechanism.

BS10

A generic financial advice service should include an element concerning the selection of regulated advice providers. This will assist individuals in understanding the motivations of advisers, and the potential pitfalls and conflicts of interest which might exist. An explanation of the relative merits of flat fee versus commission-based remuneration for advisers would also be helpful.

CS3

In the arena of investment management, measuring the investment performance achieved by a sample of individuals who have received generic advice, relative to a sample who have not taken advice, would enable calibration (and extrapolation) of the value.

DS1

We believe that one powerful mechanism is to show people the consequences of their action (or inaction) relative to other people similar in some meaningful way (e.g. age or income) to them. By providing transparency around the outcomes achieved by other people, two main aims are achieved; 1) the sense of isolation so often associated with making financial decisions is removed and 2) there is a simple, meaningful calibration of the results achieved by the individual.

DS2

We believe our delivery of personalised peer comparison reports (an example of which appears on the first page of our response) to employees at our blue chip clients provides a clear example of how people can be engaged and educated regarding retirement planning. These reports embody the principles outlined in our response to DS1.

AO1

We are responsible for delivering, objective, fact-based personalised reporting regarding the asset allocation, total performance and savings rates of individuals' retirement assets in occupational and personal pension plans.

AO2

Our generic advice (we have formal legal opinions that our service does not constitute investment advice) is delivered on a single piece of paper by post or electronically via a dedicated website or as an attachment to e-mail.

AO3

We are a limited company with a group of independent senior advisers.

AO4

Our service is a commercial operation funded by our shareholders and our clients, the sponsors of large occupational defined contribution pension schemes.

AO5

Following extensive research of pensions industry market reports, relevant regulation, and many conversations with our target clients.

BO1

We serve three market segments; 1) sponsors of large occupational pension schemes, 2) administration service providers to large occupational pension schemes, 3) providers of pension wrap products to the retail market e.g. SIPP providers.

BO5

We do not seek to provide regulated financial advice and can hand off either to our client's preferred IFA(s) or in the absence of an existing IFA relationship, can provide access to a panel of IFAs.

BO6

Our service is based on extracts of DC administration data from occupational scheme administrators and retail wrap providers.

BO12

We are meticulous in ensuring that our service does not compete in any way with the service lines of incumbent providers to our shared target clients.

CO3

The business was founded in August 2005. We filed our first patent specification that month and secured our first customers for a pilot of our services at the end of March 2006. These successful pilots led to us being engaged under a multi-year arrangement.

CO4

At present, we are focused purely on report distribution via hard copy and electronically (web and e-mail).

CO10

We capture report recipient feedback via e-mail, telephone interview and call centre. We also monitor conversion rates in relation to requests for additional information and further action taken by our report recipients in relation to changes made to their pension investments following receipt of one of our reports.

DO1

Extensive research of behavioural finance literature from academia as well as a detailed review of all relevant and peripheral service offerings from incumbent financial services providers.

DO5

Yes, we are able to monitor click through rates and changes in investment behaviour.

Yours sincerely,

Graham Mannion