

Would you pay a fee for financial advice?

Ever had to pay an up-front fee for financial advice? You may well have, but the way in which financial advice is charged for is changing. Sharon Flaherty explains what is happening to the way financial advice is charged and why it could affect you.

You may or may not have used a financial adviser in the past, but you're likely to know someone who has. If you think you may need to use one in the future, then there's something quite important you need to know.

Whether or not advisers are on your radar, there are a lot of people who use them for financial planning, like pensions, investments and mortgages. However, the way they make money is about to change, which in turn means your dealings with them will likely now be more expensive.

How advisers make money

At the moment, a huge proportion of advisers make their money from commission: so they'll assess your financial needs, recommend a suitable product and will then be paid by the product provider in commission. (I am taking a bit of a sweeping brush approach here, as there are other ways of paying for financial advice through fees or by both fees and commission.)

But a regulatory change being brought in by the financial services regulator means that, from 2012, advisers will have to set their own charges for the services they offer, and will no longer be able to receive commission from product providers.

In practice, this means the adviser will agree a fee with you, up-front for the advice they are to provide. Through this, the regulator - the Financial Services Authority (FSA) - aims to make the transaction more transparent and take away any bias an adviser may have towards a product provider.

But there is other stuff going on too. Advisers also have to up-skill - basically they need to upgrade their qualifications as the FSA wants the profession to be more akin to solicitors and accountants, and they want the adviser profession to be more trusted.

Is advice worth paying for?

If you're still not sure how any of this will affect you, let me get to the point. Firstly, you'll have to pay for advice and this is a big concern for many of the more vocal involved in financial services.

The argument is that consumers will turn away from advisers in droves, because they simply can't afford to pay for advice. And to an extent, this might be right. I, personally, wouldn't be too over the moon paying for advice, but at the same time advice is always handy and if I was assured that this in the long-run would make me money, I could be persuaded.

But it also depends on the cost of it. Every adviser will decide how much they think their service is worth, so fees could be anything like £75 for an hour or much more, but maybe less and it's all so up in the air so how much will be charged is still a mystery.

The biggest worry is that those who are classed as high net wealth or just high earners won't be affected, but those who are in the bottom rung and the middle rung of earners will be. They are the ones arguably in need of more financial advice, but will be those who, after the rules change, will be less likely to afford it.

So if you can't afford to pay for advice or don't want to, what does this mean for you?

Could consumers be unadvised in their droves?

Advisers are worried that consumers will become further detached from their personal finances, which will in turn make the [savings](#) culture in the UK worse than it already is, bearing in mind the amount we save is poor compared with our European counterparts. But, of course, advisers have a personal stake here - they obviously don't want to be losing business, and who can blame them?

Maybe something will fill the breach, maybe some consumers will pay for advice and decide it's worth it, and maybe some will choose to do it themselves and use comparison websites and other online services, as well as going direct to product providers and banks to sort their own finances.

But, until the changes take place, we're very much in the dark as to whether consumers will actually turn away from advice or not, or if they will take

their financial matters into their own hands.

About the Author

Before looking for a financial advisor why not take some simple steps and compare your [savings](#) provider and [credit cards](#) online for big savings.

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