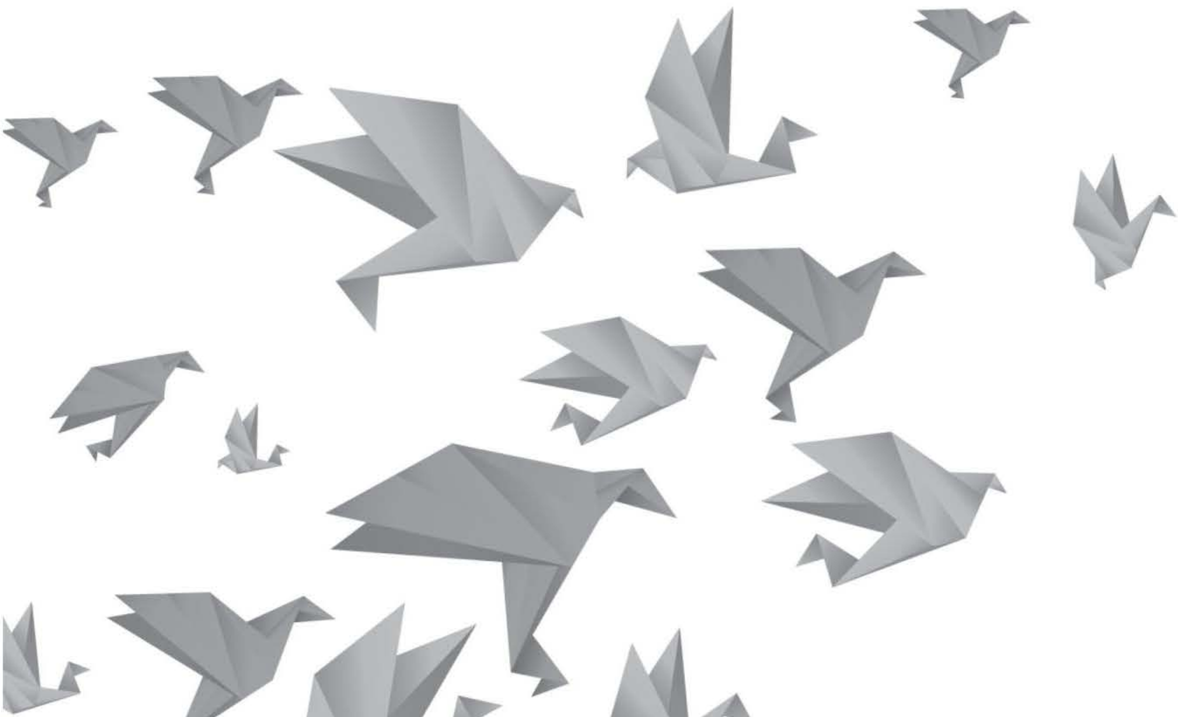
SHAPE YOUR THINKING

Impact of the Retail Distribution Review on consumer interaction with the retail investments market

A quantitative research report



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Authors & acknowledgements

This document reports the findings of a research project carried out for the Financial Conduct Authority (FCA) in April 2014 by NMG Consulting.

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We would like to thank the 4,059 individuals who completed the online research survey and shared details about their investment holdings and experiences.

The views contained within the implications and conclusions of the report are NMG's based on the research findings. Any errors in the report are the responsibility of the authors.

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2 Glossary

The report contains a number of industry terms. Definitions are as follows:

Term	Meaning
Respondents	Survey respondents representing the 59% of the population who are in scope for the research, as they have at least £5,000 in investable assets. They may only hold cash based savings.
Consumers	The potential audience who may buy investment products. Used when discussing insights, implications and conclusions that may apply to the broader market.
Personal recommendation	This term has the same meaning as in the FCA Handbook, that is, a recommendation that is advice on investments and is presented as suitable for the person to whom it is made or is based on a consideration of the circumstances of that person.
Advised	Consumers who interacted with the retail investment market via an established or transactional relationship with an adviser.
Non-advised	For the purposes of this report, this term is used as an 'umbrella term' to mean interaction with the retail investment market where consumers have not received a 'personal recommendation'.
Self-investing / self-directed investing	The act of investing without taking advice.
Adviser	Provides regulated advice to consumers including both Independent Financial Advisers and Restricted Advisers.
Advice	An opinion or recommendation offered as a guide to action – not a regulatory term when taken in context with the below term.
Regulated advice	In this research report we use the term regulated advice to refer to situations where a personal recommendation is made (i.e. a recommendation that is presented as suitable for the person to whom it is made, or is based on a consideration of the circumstances of that person).
Adviser charging	The charge for advice services agreed in advance with the client and paid for by the client.
FCA	Financial Conduct Authority
RDR	Retail Distribution Review
Investable assets	Savings and investments (e.g. cash, ISAs, Unit Trusts/OEICs, Bonds etc.) including any personal pensions where the consumer or adviser decides which assets / funds to invest in, excluding their home, second property or buy-to-let property and any pension arranged via an employer.
RDR investment products	Stocks and shares ISAs, unit trusts/OEICs or investment trusts, structured products, lump sum investment with a life assurance company, personal pensions / SIPPs, income drawdown, annuities

Wider investment products	RDR investment products plus shares / equities
Other investment products	Cash based savings, company pension, property, other investment (undefined)
Savings and investment products	Wider investment products and other investment products
The survey definition of receiving regulated advice	The definition presented to respondents within the survey to enable them to provide an accurate judgment as to whether they received regulated financial advice or not: "Regulated financial advice has a specific legal and regulatory meaning. It is a tailored recommendation from a qualified individual given after due consideration of your personal circumstances and objectives, so they recommend products or give you advice that is suitable for you only."
The survey definition of not receiving regulated advice	The definition presented to respondents within the survey to enable them to provide an accurate judgment as to whether they received regulated financial advice or not: "When you make your own investment decisions and (if relevant) execute your instructions directly with a product provider you accept responsibility for ensuring the product is suitable for you. The provider may offer you information and support to help you make your own decisions. The choice of product (if any) and whether to buy, sell or hold is yours alone."
The advised segment	Respondents who agreed with both of the following: • they received regulated advice (once reviewing the survey definition of regulated advice) • their adviser asked them detailed personal questions about their needs and circumstances They also had to say either of the following, if a product was purchased: • they did exactly as recommend by their adviser • they did not do exactly as recommended by their adviser but they did not make their own decision (based on the survey definition of not receiving regulated advice)
The non-advised segment	Respondents who said either of the following: • they did not or did not know if they received regulated advice (once reviewing the survey definition of regulated advice) • their adviser did not ask them detailed personal questions about their financial needs and circumstances They also all had to agree that they made their own decision, based on the survey definition of not receiving regulated advice.
The advised <u>and</u> non-advised segment	Respondents who said: • they received regulated advice (once reviewing the survey definition of regulated advice) • their adviser asked them detailed personal questions about their financial needs and circumstances • they did not follow their adviser's recommendation exactly • they made their own decision (based on the survey definition of not receiving regulated advice)

The inactive segment	Respondents who had not undertaken any new product related activity (with regards to a wider investment product) or activity not relating to a new product since 1st January 2013.
New product related activity	Purchase or consideration of a wider investment product
Activity not relating to a new product	Investment related activity that was not a purchase or consideration of a wider investment product. These include: • Sought / attempted to seek information about investments generally, e.g. looking at the Money Advice Service website or registering with a financial information website • Attempted to seek personalised investment advice from a professional financial adviser • Had an annual / regular review with my professional financial adviser which did not result any changes to my investment holdings • Saw a professional financial adviser for the first time (i.e. I had not seen any financial adviser before) who completed a review of my investment needs • Made a change to an existing investment e.g. made a fund switch, encashed an investment, changed or started drawing an income for retirement purposes • Opened a live trading account with an online investment platform

3 Background

The structure of the UK retail investment market has undergone substantial change in recent years. One noticeable trend has been the increase in the number of risk based investment products purchased by consumers without advice (i.e. where consumers make their own decision on the investments they wish to purchase) which has increased by an average of 7% year on year from 2010 to 2013[1]. Given the FCA's forward-looking regulatory approach, it commissioned a piece of quantitative research to examine consumer interaction with the retail investment market and how the Retail Distribution Review (RDR) has impacted behaviour.

3.1 Relationship to the FCA's work in this area

This quantitative study to examine consumer interaction with the retail investment market is one of many inputs informing the FCA's post implementation review to assess the impact of the Retail Distribution Review (RDR).

The conclusions throughout this report are also drawn from the findings from the FCA's recently published qualitative study by NMG Consulting into the non-advised consumer, which is titled '*The motivations needs and drivers of non-advised investors: A qualitative research report*'.

3.2 Economic and regulatory backdrop to the research

It is important to consider the timing of this research and the impact of the economic climate on consumer confidence and their propensity to invest without advice. It is also necessary to consider how the impact of regulatory change – such as the implementation of the RDR – may have altered the dynamics of how consumers interact with the retail investment market.

2013 was a year of steady economic growth, bringing increasing activity in the housing market, higher consumption and largely bright prospects. Consumer confidence in the economy and in the potential for growth grew as evidenced by a number of studies tracking consumer sentiment during this period. Over the period 31st December 2012 to 31st December 2013, the FTSE rose from 5,897.81 to 6,717.91 (+13.9%) bringing good news to many respondents. This, combined with the dissatisfaction savers felt with consistently low interest rates on cash based accounts, encouraged consumers to move into risk based investing, often for the first time[2].

The RDR came into force at the end of 2012 with a primary objective to improve public confidence in the financial advice sector by enhancing professionalism and increasing transparency in the way advisers are remunerated. This has necessitated a change in business model for many firms to accommodate adviser charging. In some cases, it has meant reviewing business propositions, re-defining target customer groups, developing specialisms and tailoring the way firms interact with customers.

Over time there has also been a shift in the distribution landscape:

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[1] Source NMG Consulting Financial Adviser Census and estimates
[2] Source NMG Consulting The motivations needs and drivers of non-advised investors: A qualitative research report

- The withdrawal from the market of a number of banks and building societies offering investment advice to some people
- Product providers reconsidering product distribution strategies
- A marked increase in both the volume and number of firms offering customers the opportunity to purchase investments without advice
- The emergence of online advised investment sales

These changes have significant implications for the way in which consumers navigate the market and make investment purchase decisions.

It is important to consider these economic and regulatory changes when examining the profile of today's investor. Three important factors need to be considered. First, the overall confidence individuals feel when making an investment at this time may be high due to buoyant market conditions. Second, consumers who would traditionally have limited themselves to cash based savings may be entering the investment market for the first time, driven by the poor returns from historically low interest rates. Third, consumers who previously sought advice on investments may have decided to make their own decisions for the first time. All of these factors may have an impact on how consumers are interacting with the retail investment market.

3.3 Business objectives

The FCA's business objectives for this research were to understand how consumers are interacting with the retail investment market post-RDR and specifically how (if at all) they are accessing investment products and services. The focus was to identify how the market has evolved, what is driving any changes and whether consumer behaviour has altered following the introduction of the RDR.

The research also sought to identify the profiles, behaviours and drivers of different consumer segments, based the following post RDR experiences:

- Purchasing / transacting on a non-advised basis
- Receiving regulated investment advice
- Not undertaking any investment activity / interaction

3.4 Target market for the research

It is important to note that the target market for this research was consumers holding at least £5,000 in investable assets who were either joint or sole financial decision makers in their household. £5,000 was set as the minimum threshold as these consumers would be in the potential market for investment products, even if they are not currently invested. Although the sample base is representative of this group of consumers within the UK population in terms of age, gender, region and working status, it only covers 59% of the full adult (18+) population.

4 Executive summary

Introduction

The survey captured detail about how consumers are interacting with the investment market post RDR. In particular it explored consumers' experiences when purchasing / considering a wider investment product or when undertaking another investment related activity that did not directly relate to a purchase of a specific product (e.g. seeing a financial adviser for a review, seeking general investment information or making a change to an existing investment). Using answers to a series of questions, respondents were categorised as being 'advised' or 'non-advised' for their most recent post RDR activity (although where multiple activities had been undertaken, a product purchase was prioritised over a consideration and consideration prioritised over another activity).

The focus of the survey was on understanding the behaviour of the key consumer segments (based on their interaction with the retail investment market post RDR) as opposed to attempting to estimate the size of these segments. The design of the survey prevents any potential for market sizing to be undertaken, primarily as the detail is collected for the most recent activity only. However, the proportion of respondents that have undertaken any activity post RDR is possible to report (and detailed within Section 6) although, unless otherwise stated, this activity could relate to any savings or investment product (including cash based products).

In this report we refer throughout to the 'advised' and 'non-advised' segments. These terms are used as a form of shorthand to refer to situations where consumers have, or have not received a personal recommendation which has a defined regulatory meaning.

Within the report we refer to four product groups which are not regulatory definitions but shorthand to distinguish between the type of investment products that are covered.

RDR investment products - products within scope of the RDR which include stocks and shares ISAs, unit trusts/OEICs or investment trusts, structured products, lump sum investment with a life assurance company, personal pensions / SIPPs, income drawdown, annuities

Wider investment products - which includes all RDR investment products listed above plus shares / equities

Other investments - which includes cash based savings, company pension, property, other investment (undefined)

Savings and investment products - all products listed above so including both wider investment products and other investment products

The majority of the report is based on our definition of 'wider investment products' (we define this as Retail Investment Products plus shares / equities for the purposes of this study) which we considered were the most likely products to be offered by retail investment advisers to consumers in the UK. While shares / equities were not captured within all of the changes arising from the RDR (e.g. independence or adviser charges), the professionalism changes did apply to retail investment advisers advising on shares / equities (and other products which are out of scope of this research). Shares / equities have therefore been included as a relevant investment through much of this study. This also ensured that we did not lose important insights into consumers' relevant investment experience.

When we refer to results from the questions on payment of adviser charging and commission, the figures are based on 'RDR investment products' only, as shares / equities are not covered by these RDR rules.

Consumer channel preference will ebb and flow between advised and non-advised
While use of non-advised channels appears set to grow, the evidence from the research is that the direction of travel is not all one-way with an inextricable shift from advised to non-advised. Respondents who had purchased a wider investment product on a non-advised basis were more likely to have invested a modest amount with 49% investing under £5,000 compared to just 25% for those who had made use of an adviser. The predominant purchase was a stocks and shares ISA i.e. a product that consumers are likely to feel (rightly or wrongly) is relatively simple to understand.

It may appear from this that this non-advised group were 'dipping their toe in the water' with an expectation that they would go on to transact larger amounts and take out more complex investments on a non-advised basis as confidence grows. However, this does not appear to be the case with non-advised respondents overall being increasingly likely to take regulated advice as the investment level grows. At an amount of £5,000, just 4% of non-advised respondents would seek advice but by £20,000 this has increased to 31% and by £100,000 the majority (66%) would want advice prior to making an investment. A similar pattern is seen when looking at complexity of the investment purpose. Just 6% of non-advised respondents feel they need advice in relation to 'saving for a rainy day' (i.e. non-targeted savings) but just over half (52%) would seek advice when starting a pension or planning their retirement.

A similar pattern also exists amongst advised respondents. Advised respondents are more likely to seek advice than our non-advised group across all measures (investment values and purpose) but this group are not wedded to advice. Just 17% would seek advice in relation to an investment of £5,000 though at the £100,000 level this reaches 84%. When we look at complexity of the investment purpose, 65% are willing to save for a 'rainy day' without taking advice but 81% would seek advice in relation to starting a pension and 83% in relation to planning for retirement.

Rather than being wedded to a particular channel (advised or non-advised) it appears that consumers will elect to use different channels depending on their circumstances, amount available to invest and complexity of requirements at that point in time.

Within the advised group, a sub-segment may move to non-advised with the appropriate support
22% of the advised group give a response that suggests they lack the confidence to transact on a non-advised basis as their primary reason for taking advice, as opposed to being firmly wedded to the advice channel. This figure is evenly split between those who use an adviser for a second opinion and those who feel the activity was too complex / important for them to make a decision themselves.

There are those within this sub-segment who might be willing to transact on a non-advised basis if the industry is able to develop sufficient support systems to remove the element of doubt that currently exists among consumers. The group most likely to move to non-advised would appear to be those who only use a financial adviser as a sounding board i.e. to get a second opinion to support or challenge their own opinion. This group are much more likely to say they are as able as a financial adviser to make the most appropriate decision (48%) which compares to just 29% for all advised respondents. It is also almost as high as the equivalent figure for non-advised respondents (52%). So this group are attitudinally similar to non-advised users but are not quite at the stage of acting entirely on their own.

The second group, those who view the activity as too complex / important, are less likely to act without advice in the near future with just 23% believing they are as able as a financial adviser. Currently this group rely on an adviser to undertake the research and analysis before presenting their recommendation. This group is more likely to need greater support and reassurance than is currently available via the existing non-advised models, so would currently need to be advised.

The move to Adviser Charging has not deterred consumers from seeking advice

There is little evidence from the research to suggest that cost is a major deterrent to seeking advice. This is not to say that everyone who wants advice is able to afford to access it through existing channels.

We considered the impact of the cost of advice by exploring the reasons why consumers chose to adopt a non-advised route. Unsurprisingly, amongst the non-advised group rejection of advice on the grounds of cost was higher with 14% stating that they didn't wish to pay the adviser charge / fee for advice. Other reasons given broadly fell into two groups, firstly, those related to a lack of trust and / or faith in the ability of advisers and secondly, a feeling that the amount to be invested was modest and / or that the requirement was quite simple and in neither case would this warrant taking advice. Interestingly, just 1% of non-advised respondents felt that an adviser would not be interested in advising them.

In the case of the non-advised group, confidence clearly has a part to play with 78% stating that they are confident in making their own investment decisions versus 59% among the advised group.
The impact of the cost of advice can also be determined by looking at the reasons for considering a wider investment product but not actually completing a purchase. Among those who considered a product on an advised basis, just 6% gave the cost of the advice as the primary reason for not having taken out a product. A further 12% gave the primary reason as having made their own decision after having taken advice. It could be inferred that cost was a factor in this decision but not that it was the primary reason. The most cited reason was simply that the respondent had not yet made up their mind (36%).

Trust, complexity and confidence underpin advice usage and the willingness to pay for advice

Among advice users, trust is the most cited factor for using an adviser with 27% of advised respondents giving this as their primary reason and a further 15% stating that they always use a financial adviser. While cited by fewer, the desire to seek a second opinion (11%) and the activity being too complex (8%), suggest that many consumers do not have sufficient confidence to advise themselves. This becomes clear when looking at different perceptions of the value that advisers add. Among advised respondents a net 19% disagree that they are as able as any adviser to make the most appropriate decision (net is calculated by deducting those who disagree with the statement from those who agree). This compares with a net 28% among non-advised consumers who agree with this statement i.e. they believe that they are as able as a financial adviser.

Similar patterns exist when looking at trust. Advice users are more positive, with a net 36% disagreeing that financial advisers do not act in their best interests. Among non-advice users a net 13% agree with this view. Interestingly, it might be assumed that these non-advised respondents would naturally have a higher degree of confidence in their decision making ability than the more wary advised respondents. As mentioned above, 78% of non-advised respondents say they are confident in making their own investment decisions. This rises to 89% when the investment is a small amount or in relation to a simple product.

Yet this initial confidence wanes when the non-advised respondents are asked to consider an actual purchase. When each group were asked about how confident they were that they had made the right decision at each of: the time of purchase, immediately after purchase and now, advised respondents expressed higher levels of being 'very' confident at all three points in the process. So within the non-advised group there are some who are less confident but nevertheless elect to purchase without taking advice.

18 months after the RDR; areas of confusion remain around charges on activities conducted via both advised and non-advised

Advised respondents within our study, who had purchased a wider investment product post 1st January 2013, were asked to state how they paid for that advice. In practice the only ways in which they could have paid would have been via a direct fee to the adviser, or to have had the adviser charge payment facilitated via a product or investment platform.

When considering fee payments, our analysis is based on RDR investment products only, so shares / equities are excluded.

Our analysis highlights considerable confusion around the question of paying for advice. Just 15% of advised clients who purchased an RDR investment product reported that they paid a fee directly and a further 28% say that the fee was deducted from their investment.

Almost as many (29%) said that the organisation they purchased through received commission and 20% did not believe they had paid a fee, nor that the organisation they purchased through received commission. Assuming firms are compliant, neither of these statements can be accurate, if the consumers in question did in fact receive regulated advice. It is possible either that they did not receive regulated financial advice but believe that they did, or that they received advice but did not appreciate that they were directly paying for this advice.

We also asked advised respondents about advice charges when they were considering an RDR investment product but did not go on to purchase one. 72% of this group say they did not pay a fee with 28% making some form of payment either via a direct fee (20%) or through an ongoing subscription service (8%). This split probably reflects the fact that many financial advice firms are willing to offer an introductory meeting to a prospective client free, or 'at their cost'.

Among non-advised respondents who bought an RDR investment product, 66% did not believe they had paid a fee or commission. While most are unlikely to have paid a direct fee, it is likely that a great many of these would have purchased products which contained an element of commission. This lack of awareness of the costs associated with purchasing a product on a non-advised basis may lead consumers to believe that they are lower cost, which may not necessarily be the case.

While there is some confusion around charges, there is far less when it comes to the question of who is responsible for the suitability of the product purchased. Among all advised respondents, just 19% believe that they are responsible for product suitability at the time it was taken out, rising to 22% for who is responsible for suitability on an ongoing basis. The comparable figures for the non-advised channel are 85% at outset and 88% ongoing. Therefore it is apparent that consumers and in particular non-advised respondents do appreciate where responsibility for product suitability rests.

5 Research objectives and methodology

This chapter describes the business and research objectives set for the study and the methodology used.

5.1 Research objectives

The core research objectives for this project were to provide an overview of consumers' interaction with the retail investment market and to understand the impact that the RDR may have had on this.

Specifically, the research set out to understand:

- Consumer activity since the implementation of the RDR
- How this interaction has evolved and why
- How consumers are accessing investment products and services

The FCA was interested in three main consumer segments, based on investment activity post RDR; those who have:

- Purchased / transacted on a non-advised basis
- Received regulated investment advice
- Not undertaken any investment activity

Each segment required detailed exploration, focusing on:

- Consumer behaviour and activity (past, present and future)
- What is driving this behaviour (e.g. product, investment values, circumstances, past experience of advice / self-directing, general attitudes)

5.2 Research method and sample

The findings described in this report are based on 4,059 online interviews carried out in April 2014 amongst a representative sample of UK consumers holding at least £5,000 in investable assets. This level of wealth was set as the minimum threshold as these consumers would be in the potential market for investment products, even if they are not currently invested. All respondents were responsible for financial decision making within their household (either solely or jointly).

5.2.1 The sample

Sample was sourced from consumer online panel provider Research Now with whom NMG has worked for several years.

A nationally representative sample of 6,923 adults (18+) was invited to participate in the survey. Quotas were set to ensure that the 6,923 were representative of the UK adult population in terms of age, gender, region and working status. Where quotas were not met exactly, the full base of 6,923 was weighted back to the target proportions.

This sample was then screened to determine eligibility for the main survey. 2,234 respondents were screened out on the basis that they held under £5,000 in investable assets or were non-financial decision makers. Therefore, 59% of the total population qualified for the research. Please see Figure 1 below which shows the distribution of investable assets among this 59% in the target sample.

Figure 1: Investable assets

Base: All respondents (4059 unweighted)

5.2.2 The method

The online survey was built and hosted in house by NMG Consulting. The survey website was branded NMG Consulting but respondents were informed that the research was being conducted by the FCA.

The main survey (for those respondents who were eligible) took an average of 12 minutes to complete.

5.2.3 The questionnaire

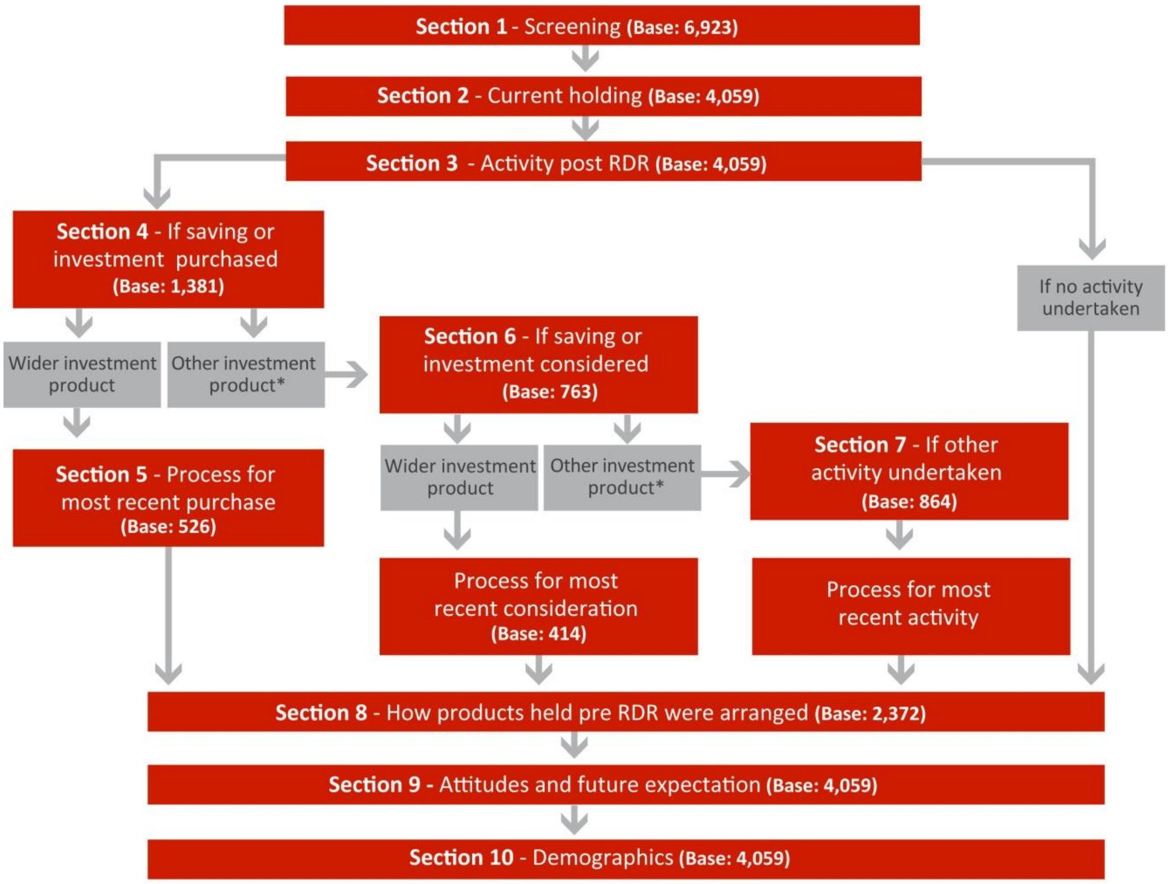
The questionnaire incorporated complex routing to explore the consumer experiences of the most relevant investment activities which had been undertaken post RDR. Respondents were only asked detailed questions on one activity. Where multiple activities had been undertaken post RDR, respondents were asked to consider the most recent.

However, the different activities were prioritised as follows:

- The actual purchase of an investment product was prioritised over a consideration of an investment
- Consideration of an investment product was prioritised over an activity not relating to a new investment purchase

Figure 2 below summarises the routing through the questionnaire, along with the base size (unweighted) for each section. The full questionnaire can be found in Appendix B.

Figure 2: Questionnaire sections and routing



* Other investments include: cash based savings, company pension, property, other investment (undefined)

The focus of the survey was on understanding the behaviour of the key consumer segments as opposed to attempting to estimate the size of these segments. The design of the survey prevents any potential for market sizing to be undertaken.

5.3 Reporting conventions

Any references to significant differences throughout this report are calculated at the 95% confidence level, using the student-t test, and take into account the base size of the proportions in question. With a weighted sample base size of 4,053, the sampling error is +/-1.5% so this means that 19 times out of 20 the true population value will be between +/-1.5% of the sample proportion.

When referring to the overall size of the different consumer segments explored in this report, all percentages are based on the 59% of the population who were in scope for this research. Where the different segments are explored, percentages are based on all respondents within that particular segment.

All base sizes, analysis and proportions stated in this report refer to the weighted data set. The weighted base of respondents who were eligible for the main survey is 4,053.

Full details of the methodology are included in Appendix A

6 Post RDR Investment Activity

This chapter reviews the type of investment activity that consumers have undertaken post RDR and the primary motivations for this activity. It identifies whether regulated advice was used or whether the activity was completed on a non-advised basis.

6.1 Summary

Overall 60% of all respondents have had some interaction with the investment market since 1st January 2013. This interaction could include the purchase or consideration of a new savings or investment product or completion of an investment activity not relating to a new product. 30% of all respondents have undertaken more than one type of interaction.

A third (34%) of respondents have purchased a new savings or investment product since 1st January 2013 and a quarter (24%) have considered purchasing a new product, without eventually implementing. Respondents could have completed both of these activities.

Over a third of respondents (37%) have interacted with the investment market but not specifically in relation to taking out (either considering or actually purchasing) a new savings or investment product. These activities not relating to taking out a new product include seeking general investment information, making a change to an existing investment (e.g. a fund switch, encashing an investment, changed or started drawing an income for retirement purposes) and seeing a financial adviser for a regular review.

Among the 40% of respondents who have not had any interaction with the investment market, most cite reasons for not interacting that do not directly relate to the regulatory changes implemented following the RDR.

This 40% increases to 55% when we include those who have only interacted with regards to taking out (either considering or actually purchasing) an other investment product. Therefore, overall 45% of respondents have either purchased or considered a wider investment product or undertaken another activity not relating to taking out an investment.

Only 4% of all respondents can be categorised as first time investors, where all wider investment products held have been purchased since 1st January 2013.

6.2 Drivers for new product purchase

Among the 34% of all respondents who have taken out a new savings or investment product since 1st January 2013, the main product purchased was cash based savings. Only 13% of all respondents have bought a wider investment product post RDR.

Among the 13% who have purchased a wider investment product, stocks and shares ISAs are the most common and were the most recent purchase for almost half (46%) of this group. This figure may be higher due to the research being undertaken immediately following the end of the tax year. However, the greater awareness and accessibility of stocks and shares ISAs, compared to other risk based investments, would lead us to anticipate their popularity.

When those who have purchased a wider investment product were asked what their motivations were, the end of the tax year clearly has a notable influence, with almost a quarter (23%) citing this as a reason. However, the low interest rates currently available on cash based savings are the most common motivation, with this being mentioned by 37% of this group as a driver for their investment purchase. This is followed by a general need to review their finances where a trigger was not explicitly stated (31%).

6.3 Drivers for considering a product but not completing a purchase

Overall 24% of respondents have considered taking out a specific savings or investment product since 1st January 2013 but did not go on to make an actual purchase.

When wider investment products have been both purchased and considered since January 1st 2013, respondents were only questioned on their product purchase. Therefore, the base for this sub-section which explores product consideration reduces from 24% to 10%. This 10% comprises those who have considered a wider investment product since 1st January 2013 but who did not actually take out any of these products.

Among the 10% who considered a wider investment product but did not make a purchase, stocks and shares ISAs are the most popular products considered. Similar to those who had actually purchased a product, 45% said stocks and shares ISAs were their most recent consideration. The top motivations were also similar to those who purchased, with 42% referring to the low interest rates on cash as their motivation and 38% saying they had a general need to review their finances.

The more generic need to save for the future or 'a rainy day' was the third most popular reason for those considering a purchase (25%), where perhaps the lack of a more specific trigger contributed to the end result of no product being purchased.

When questioned, the primary reason given for not completing a product purchase is that the consideration process is still underway (40% are still deciding how to proceed) so the outcome is not necessarily a reflection of a negative experience.

6.4 Other activity not related to a new product purchase

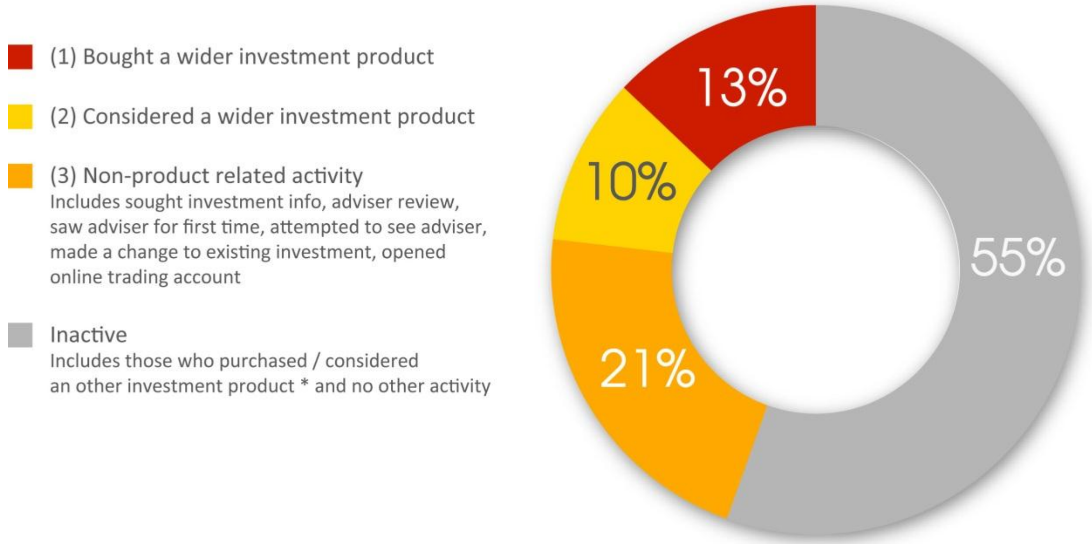
Overall 37% of all respondents have undertaken other investment related activity since 1st January 2013 which did not relate specifically to the purchase or consideration of a new savings or investment product.

When a wider investment product was purchased or considered and another investment activity (not relating to the purchase or consideration of a specific investment) was also undertaken, respondents were only questioned on their product purchase or consideration. Therefore, the base for this sub-section which explores these other investment activities reduces from 37% to 21%. This 21% consists of those who have undertaken at least one of these other investment activities since 1st January 2013 but did not actually take out or consider any wider investment product.

Among this 21%, the most common activities are seeking or attempting to seek information (29%), making a change to an existing investment (27%) and undertaking a regular review with someone they refer to as a 'financial adviser' (25%).

The main reasons for not eventually purchasing or considering a product are a direct result of the individual's needs or circumstances at the time rather than being a reflection of a negative experience. The top reason mentioned is that the final decision has not yet been made (20%) so a product purchase may still be executed as result of this interaction. Other reasons are the activity being 'just a review with my adviser' (19%) or 'I only needed to make a change to an existing investment' (17%).

Figure 3: Activity since January 2013



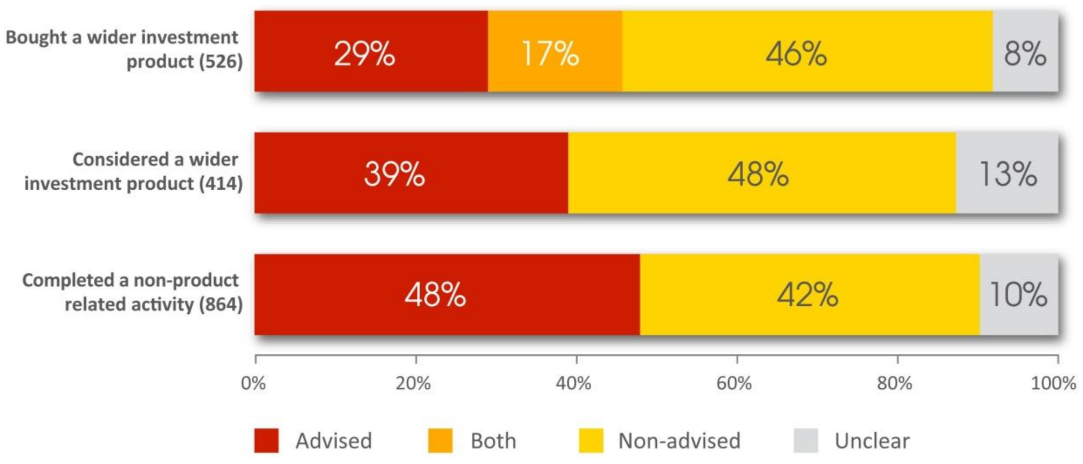
NB Some will have completed multiple activities but the above shows segments for questionnaire routing, based on priority shown in brackets

Base: All respondents (4059 unweighted)
*** Other investment product includes cash based savings, company pension, property, other investment (undefined)**

6.5 Channels used for post RDR interaction

The channels used among those respondents completing each of the three main types of activity (product purchase, product consideration and activity not relating to a new investment) are fairly evenly split between those who received regulated advice and those who were non-advised. A considerable proportion of investment activity post RDR has been carried out on a non-advised basis, but there remains much reliance on advisers.

Figure 4: Channel used for most recent activity since January 2013



Base: Those active since January 2013 (see chart)

The section labelled as ‘both’ in Figure 3 refers to those respondents who went through an advised channel but did not follow exactly the advice provided when purchasing their product and as a result made their own decision. This group will be explored further in Section 7.

Differences emerge in the most recent products purchased by those who were advised and those who were non-advised. Shares / equities are less likely to have been purchased by those who were advised than those were non-advised (10% of those who were advised purchased shares / equities compared to 36% of those who made their own decision). In contrast, regulated advice is more likely to be received for collective investments. Although only a small proportion overall purchased a unit trust, OEIC or investment trust outside of a stocks and shares ISA (8%), this rises to 13% among those who were advised and drops to 5% among those who were non-advised.

Interestingly, for stocks and shares ISAs (the product most frequently purchased or considered overall), there is no significant difference in the proportion of the advised and non-advised segments that purchased or considered the product.

6.6 First time investors

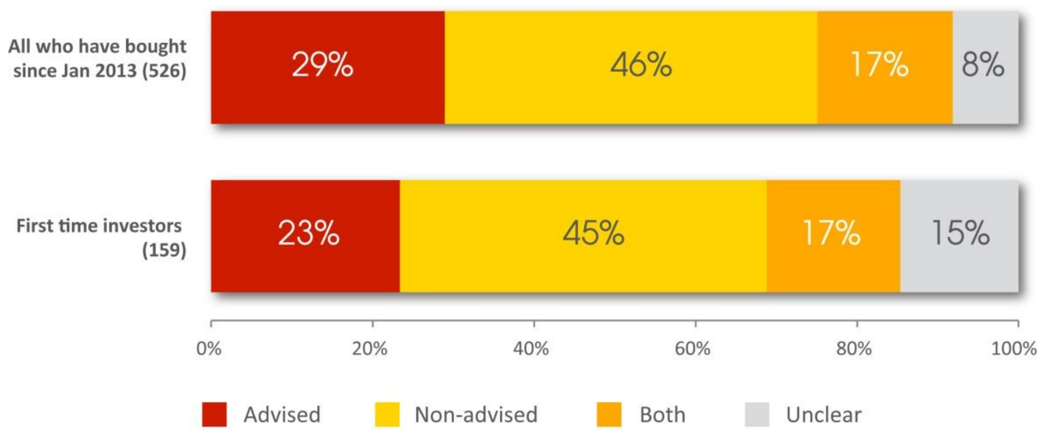
Only 4% of all respondents can be categorised as first time investors, where all wider investment products held have been purchased since 1st January 2013. This segment represents 30% of all those who have purchased any new wider investment product in this time period.

As would be expected, first time investors are significantly younger than other recent purchasers (55% are under 45 compared to 35% of all those who have purchased an investment post RDR). In line with this, they also have lower levels of wealth (only 25% of first time investors have over £100,000 in investable assets compared to 47% among all respondents who have purchased an investment post RDR).

Their main motivation for taking out a new investment is to better the return they could achieve on cash based products (36%). This is a strong indication that the current economic environment with historically low interest rates has led consumers to move into the investment market when they may otherwise have remained in cash based savings.

The breakdown of first time investors by whether they are advised or non-advised is similar to the total base of recent purchasers. However, a higher proportion of first time investors were ambiguous in their answers to the questions we set to ascertain their advice status, making it impossible to reliably determine the channel used. This reflects their lack of experience and potentially raises concern over their understanding of the purchase process they experienced.

Figure 5: Channel used for product purchase



Base: Those who have bought a wider investment product since January 2013 (see chart)

It is reassuring that first time investors' confidence in the purchase decision at three separate points – the time of purchase, immediately after the purchase and now – is similar to all who have purchased a product since 1st January. Over 8 in 10 first time investors express confidence that they have made the right decision, so their lack of experience does not appear to have affected how they feel. However, the lower amount they invested in their recent investment (56% first invested under £5,000 compared 44% among all who had purchased a product post RDR) and the positive return on investments during 2013 and into 2014, would potentially impact on confidence levels.

6.7 Drivers for being 'inactive' since 1st January 2013

A considerable proportion (40%) of all respondents have not completed any investment activity since the RDR was implemented on 1st January 2013 and are therefore defined as the 'inactive segment'. This group increases to 55% when we include those who have only interacted with regards to taking out (either considering or actually purchasing) an other investment product.

The lack of activity within the inactive segment is largely the result of them not having any investment needs over this time period rather than being a direct result of the RDR changes. Being 'happy with what I have' is the top reason cited for not being active (28%), followed by ‘having no money to invest’ (22%). A further 28% of the inactive segment completed activity in relation to purchasing or considering an other investment product; primarily purchasing a cash based savings product (accounting for 21% of the inactive segment).

There is concern within the industry that the introduction of adviser charging might dissuade consumers from taking advice and potentially lead them to ‘do nothing’ in relation to their investments. However, only 2% of the inactive segment cites the cost of financial advice as the main reason they have not undertaken any investment activity. Similarly, only a minority feel they have been deterred as a result of lacking knowledge on how to take out a product (2%) or because they feel distrust or concern about investing (2%). It is reassuring that these reasons are only mentioned by a small proportion.

Unsurprisingly this inactive segment has a low level of wealth, with 59% holding between £5,000 and £30,000 in investable assets compared to 47% of the full sample. Over half (52%) of this segment do not currently hold any wider investment products. Both of these characteristics would lead us to anticipate a reduced amount of investment activity.

6.8 Implications

- The RDR does not appear to have discouraged consumers from interacting with the retail investment market. The inactive group have less sophisticated needs and are satisfied with what they have, despite many choosing to hold cash based savings products where interest rates are currently low.
- The current economic environment is having a clear impact on respondents’ investment activity with low interest rates on cash based savings being the key motivation behind their recent interaction. This may lead many to risk based investments who would previously have only considered cash and who in more normal conditions might prefer to remain cash investors. This is particularly concerning among those who chose to self-direct, where they will need additional support to ensure they understand the implications of their decision.

7 Post RDR channel motivations and experiences

In this chapter we focus on all those who have completed any investment activity since 1st January 2013, which could include purchasing a wider investment product, considering a wider investment or undertaking another investment activity that did not specifically relate to a new product. We compare the motivations and experiences of those who received regulated financial advice with those who went via a non-advised channel.

7.1 Summary

Overall 18% of respondents are in our 'advised segment' as they received regulated financial advice when completing their most recent investment activity (since 1st January 2013).

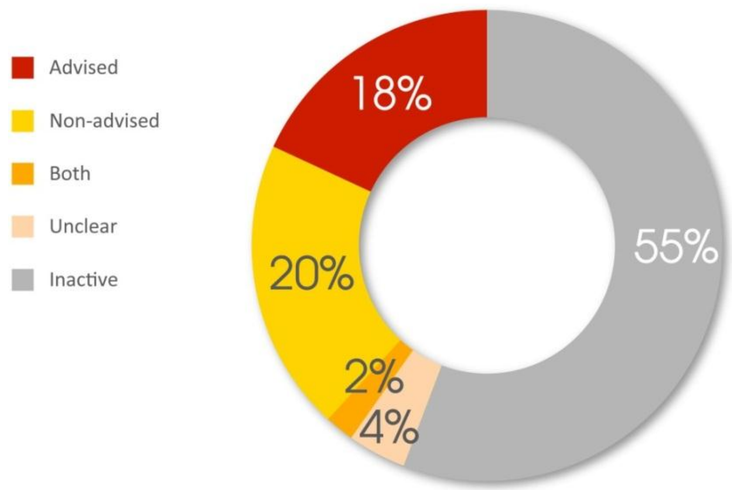
A further 20% of respondents are in our 'non-advised segment' as they made their own decision without receiving a personal recommendation when completing their most recent investment activity.

A small proportion (2%) of respondents went through an advised channel but did not follow exactly the advice provided when purchasing their product (labelled as 'both' in Figure 6). We consider this segment separately in this section as their experience of receiving regulated advice before they made their own decision is likely to impact their views and behaviour.

4% of respondents did not fit into any of these definitions so are not explored any further within this report (labelled as 'unclear' in Figure 6). This group were inconsistent in their answers to the questions we set to ascertain their advice status or responded with 'don't know', making it impossible to reliably determine the channel used.

The remaining 55%, as referred to previously, are in the 'inactive segment' as they have not had any interaction with the retail investment market since 1st January 2013.

Figure 6: Overall channel used for most recent post-RDR activity



Base: All respondents (4059 unweighted)

7.2 Drivers of channel use

7.2.1 The advised segment

Amongst our advised respondents, responses to the question of why they took financial advice suggest a strong commitment to this channel with around 6 in 10 giving answers that could be broadly categorised as having trust in the adviser and their expertise. The main reason identified for taking advice was 'trust in the adviser to recommend the product or offer advice that was most suitable' (27%). A further 15% say that they always use a financial adviser, no matter what the circumstances. For 16%, the driver for seeking advice was simply that it was part of an annual or regular review rather than as a result of a specific requirement.

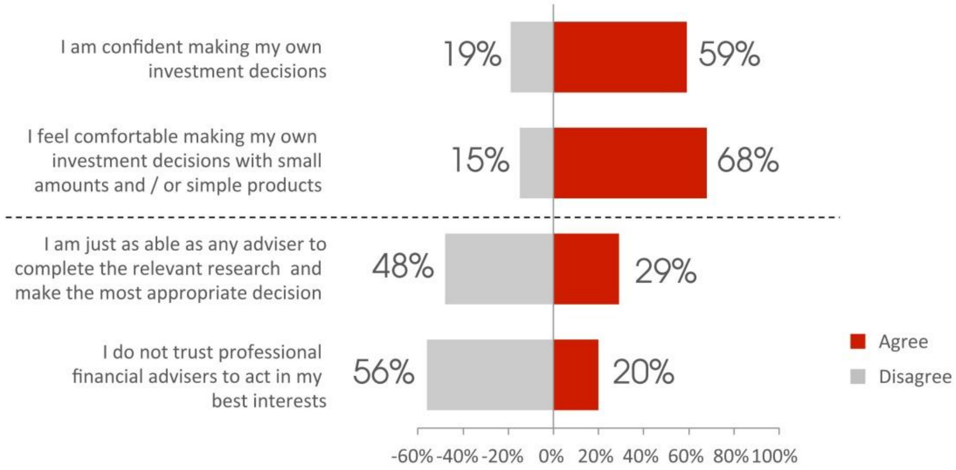
However, the reasons selected by a further 22% suggest that some of the current advised segment respondents are less wedded to using advisers in the future. This group comprises 11% who said they wanted a second opinion about something they have done themselves, 8% who said the activity was too complex to do themselves and 3% who felt the investment was too important to risk making a decision themselves. Over time some of these respondents may become more confident in taking responsibility for their own decisions.

Figure 7: Primary reason for taking advice

Base: Those who received regulated financial advice when completing their most recent investment activity (725 unweighted)
(Excluding those who don't know if they followed advice exactly)

This conclusion is supported by the overall response to later attitudinal statements, where 59% of the advised segment agrees they are confident making their own investment decisions, rising to 68% who feel comfortable making their own investment decisions with small amounts and / or simple products. Many advice users are already adopting or will adopt a multi-channel approach, where they seek advice or make their own decision depending on their situation or requirements at the time.

Figure 8: Attitudes towards investing – advised segment



Base: Those who received regulated financial advice when completing their most recent investment activity (730 unweighted)

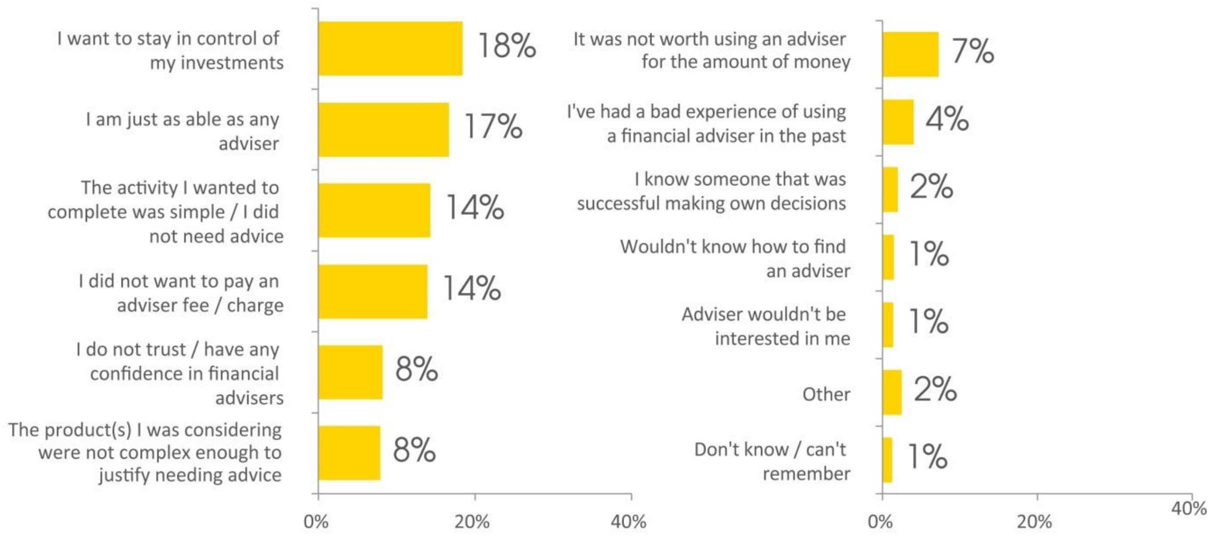
Among those within the advised segment who considered a product, 12% gave the primary reason for not purchasing a product as having made their own decision after having taken advice, emphasising the use of advisers as a 'sounding board' while potentially being happy to make their own decision. Just 6% of this sub-segment gave the cost of the advice as the primary reason for not having taken out a product, while the most cited reason was simply that the respondent had not yet made up their mind (36%).

7.2.2 The non-advised segment

Among the non-advised segment, there was no single dominant reason driving their channel choice. The desire to 'remain in control' (18%) and the belief that they are 'just as able as any adviser to make the most appropriate decision' (17%) were the top reasons. A further 14% felt the activity undertaken was simple enough and did not warrant advice, suggesting they may consider advice in the future with different circumstances.

One of the concerns often expressed about the RDR is the extent to which the move to adviser charging has deterred consumers from seeking advice. 14% of the non-advised segment gave the main reason they made their own decision as not wanting to pay the adviser charge. This represents a modest proportion and could include those respondents who would have preferred advice but could not afford to pay, as well as those who simply believe that they should not have to pay for advice.

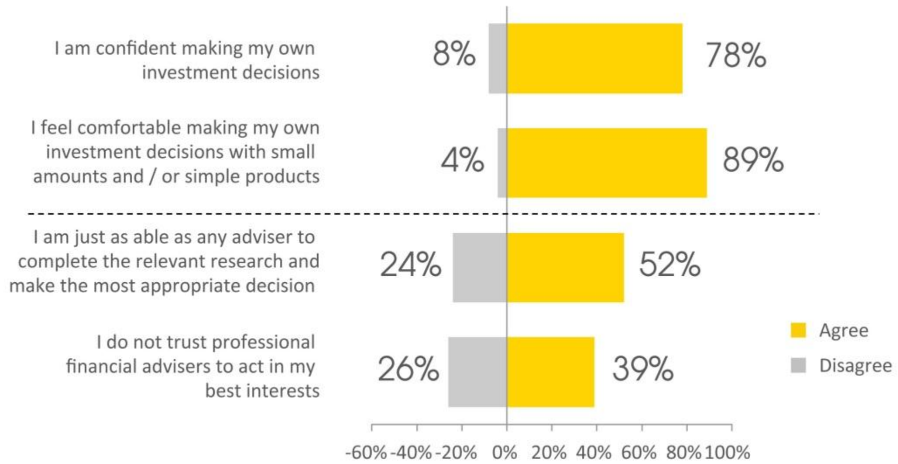
Figure 9: Primary reason for making own decision



Base: Those who completed their most recent investment activity without regulated financial advice (810 unweighted)

While the advised respondents are broadly positive towards advisers, unsurprisingly, some negative views of advisers emerge among those respondents who have adopted a self-directed route. Just over one in ten of these non-advised respondents cite adverse feelings towards advisers with 8% stating they do not have confidence in advisers and 4% referencing a bad experience in the past. When asked whether they agree or disagree with statements relating to investment decision making, this sentiment is shared by a higher proportion as 39% of all non-advised respondents agree that they do not trust professional financial advisers to act in their best interests.

Figure 10: Attitudes towards investing – non-advised segment



Base: Those who completed their most recent investment activity without regulated financial advice (810 unweighted)

7.3 The consumer journey

7.3.1 Motivations

We wanted to understand the motivations for consumers to take some action in respect of their investments and the extent to which this differed by advised / non-advised users. The advised segment has an older profile than those who are non-advised, where 23% are approaching retirement (aged between 55 and 64) which is significantly less than the 17% of the non-advised segment who are within this age band. This is a time when major decisions need to be made so it is therefore not surprising that many consumers turn to advice.

The need for a financial review is the most popular motivation (47%) among the advised segment. Retirement is a trigger for 9%, which (although only a small proportion) is significantly higher than for the non-advised group.

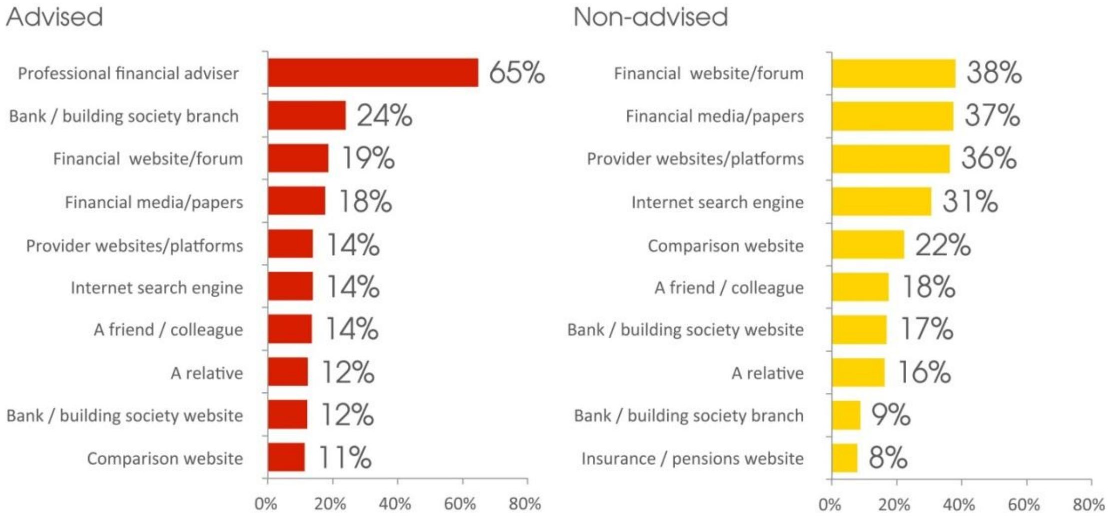
When we explore future circumstances when advice would be sought later in this report, retirement again stands out as a major driver of potential advice use, even among those in the non-advised segment.

The most common motivations among the non-advised segment are similar to those mentioned by the advised group. For those who did not receive advice, the top motivations are the low interest rates on cash based savings (41%) and the general need to review their financial situation (37%). While the most popular motivations are similar, poor interest rates are significantly more likely to be the trigger for this segment than those that were advised (only 28%). They are also more likely to say they did not want to lose their tax benefits at the end of the tax year (18% of the non-advised compared to 14% of the advised). Both of these reasons link closely to stocks and shares ISAs, which are the most popular products and perhaps the obvious choice if they previously saved via cash ISAs.

7.3.2 Information sources

A wide range of information sources are used among those who have purchased or considered a wider investment product since January 1st 2013 (this question was not-asked of those who only completed an activity not relating to a new product purchase). The average number of sources is higher among those in the non-advised segment compared to the advised segment (2.7 compared to 2.3). The non-advised segment relies heavily on online resources and specialist financial media. Figure 11 below shows all sources of information that are used.

Figure 11: Sources of information used during product purchase / consideration



Base: Those who bought or considered a product with regulated financial advice (315 unweighted)

Base: Those who bought or considered a product without regulated financial advice (444 unweighted)

While recommendation from family, friends or colleagues informs decision making in many cases, when we consider what sources are cited as the most important in influencing their final decision only a minority describe them as the most important (9% among the advised and 13% among the non-advised). It is not surprising that 59% of those who were advised say the adviser was the most important source of information.

7.3.3 Time taken to make decision

Although those who were non-advised make use of a wider range of different information sources, their decision making process is condensed into a shorter time period. Seeing an adviser is likely to involve a longer process as it almost always requires at least two face-to-face meetings (one to conduct the customer fact-find and one to discuss the recommendation).

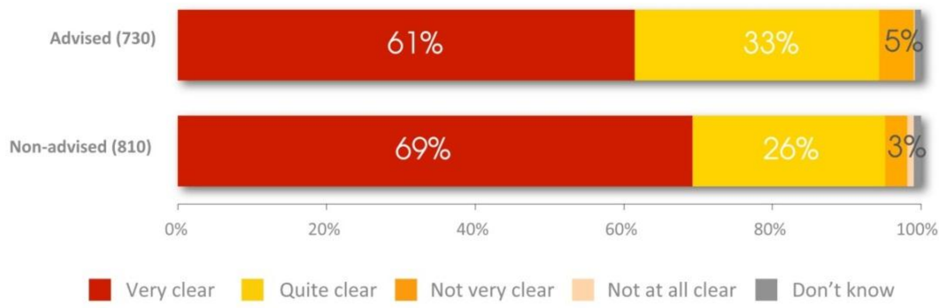
Non-advised respondents who went on to purchase a wider investment product considered an average of 2.5 different providers. There is the expectation that an independent adviser will consider more options than this, and will also produce a written report explaining the rationale for their recommendations, which will undoubtedly involve a longer process.

Among the non-advised respondents who purchased a product, 57% said one month or less passed between when they first began thinking about any investment activity to when they actually completed the purchase. However, among the advised segment, only 38% made the decision this quickly and a further 37% said it took them between two and three months.

7.4 Transparency

The use of multiple information sources has the potential to blur the dividing lines between when the investor is being provided (or perceives they are being provided) with 'advice' and when they are simply receiving 'information'. The majority of the respondents within our two segments feel strongly that it was clear whether they were receiving advice or not.

Figure 12: Transparency of advice status at the time of activity



Base: Those in the advised or non-advised segment post RDR (see chart)

When a product was actually purchased, the advice status was clearer still, with 75% of the advised segment and 79% of the non-advised segment saying they were 'very clear'.

However, the group of respondents who said they received 'advice' but were not categorised into our advised segment (as they did not answer the further questions in the appropriate way for us to be sure this advice was regulated) were significantly less aware, with only 31% saying they were 'very clear'.

7.5 Responsibility and confidence when a product is actually purchased

When we focus just on the sub-segment who actually purchased a wider investment product, we are able to explore views on who is responsible for ensuring product suitability. We can also examine how confident respondents are that the investment they hold is appropriate for their needs across three different time points since they made their decision.

Among the non-advised respondents who purchased a wider investment product, a large majority (85%) acknowledge that they were responsible for ensuring the product was suitable when they made the purchase. A similar proportion (88%) said they continue to be responsible for ensuring the product remains suitable over time.

As might be expected, the advised segment are more likely to believe this responsibility rests with their adviser as only 19% say they were responsible for ensuring the product was suitable when they made the purchase, rising to just 22% when considering responsibility for ensuring the product remains suitable in the future.

When we look at confidence in the purchase decision at three separate points – the time of purchase, immediately after the purchase and now – over 9 in 10 respondents (both advised and non-advised) express confidence that they have made the right decision. It is possible that the positive return on investments during 2013 and into 2014 may be a contributing factor to this high level of confidence.

It is also worth noting that while the overall confidence levels are similar across advised and non-advised groups, the advised report a significantly higher level of 'very confident' results at all three points compared to the total base. Therefore, it would appear that the act of taking professional financial advice has a positive impact on consumers' confidence in the likely outcomes related to purchasing a financial product. This is particularly interesting given that many within the non-advised group express views suggesting that they do not require or trust financial advice. In addition, non-advised consumers are likely to be investing a significantly smaller amount when they first take out a product (49% first invested under £5,000 compared to 25% of the advised segment).

Figure 13: Confidence in the purchase decision

7.6 Payment of fees

When considering fee payments, our analysis is based on RDR investment products only.

Consumer understanding of fee payment is an area of confusion. It is worth noting here that the questionnaire explicitly stated to exclude product charges, annual management charges (AMCs) and administration fees (refer to Q42 in the questionnaire in Appendix B).

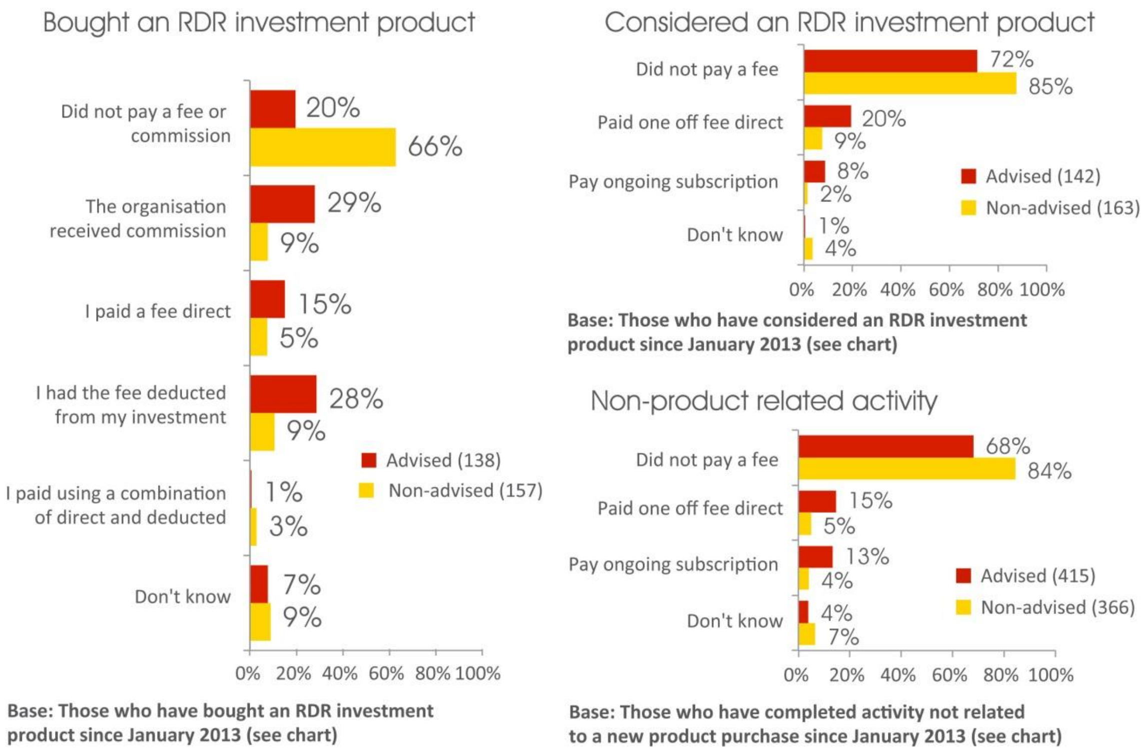
At this point the results only become meaningful when they are broken down by the type of interaction, which impacts the likelihood of a charge being incurred.

Looking firstly at the advised segment where an RDR investment product was purchased, over a quarter (29%) claimed that the adviser received commission. This demonstrates a lack of understanding in how advisers are remunerated given that a ban on commission on retail investment products has been in place since 1st January 2013. This is a concern given the strict rules that are in force requiring advisers to explain their charges clearly when first meeting a potential client. A further 20% claimed to have paid no fee, which is unlikely.

In spite of the introduction of adviser charging, many advisers do not yet currently charge for all elements of their service. Therefore, where advice was given but there was no product purchased it is likely to be the case that many respondents did not pay a fee. This is the perception of most respondents (72% where an RDR investment product was considered and 68% where an activity not relating to a new product was undertaken). Those respondents who had an annual or regular review with their adviser (but did not purchase or consider a specific product) are more likely to have paid an ongoing adviser charge (20% compared to 13% of all who received advice on another activity).

The majority (66%) of the non-advised segment said that they purchased an RDR investment product without incurring a fee. If this was truly non-advised the respondent will not have incurred an adviser charge but the product will have been subject to other charges. There is low awareness of the existence and impact of these other charges among consumers.

Figure 14: Respondent perception of fee payment

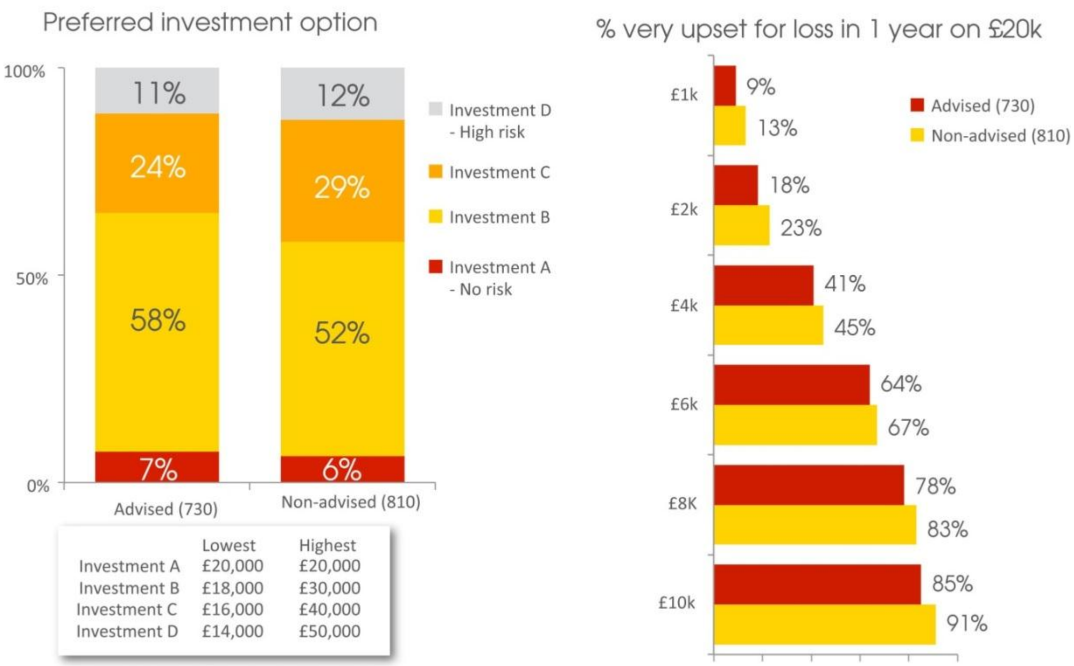


7.7 Risk tolerance

There are two ways in which we measure attitude to risk within the survey. The first asks respondents to state their preference from four options with different potential losses and gains on a £20,000 investment. The second asks how upset they would be if they lost various amounts on a £20,000 investment over the course of a year (full details can be found in Q90 and Q91 of the questionnaire in Appendix B where the examples used are drawn from risk analysis tools currently in use by advisers)

Those who were non-advised are willing to take a slightly higher degree of risk (expressed in terms of potential gain / loss) with 29% opting for the third highest option (potentially losing £4,000 but the possibility of gaining £20,000), compared to 24% among those who were advised. However, consistently a greater proportion of the non-advised segment say they would be ‘very upset’ at loses of £1,000 to £10,000 or more on a £20,000 investment. When they are tempted with the potential for higher gains it is attractive, but the reality of losing money leads them to deeper regret. It is the adviser’s role to explain the concept of risk and reward so potentially the advised consumer has a better understanding of this.

Figure 15: Attitude to risk



Base: Those in the advised or non-advised segment post RDR (see chart)

7.8 Respondents who receive advice then make their own decisions

A small proportion (2%) of respondents went through an advised channel but did not follow exactly the advice provided when purchasing their product.

For this group receiving regulated advice was simply a stage in their decision making rather than them having strong views around a specific preference for using an adviser or not. When questioned why they did not follow the direct recommendation of their adviser, almost half (46%) said they 'can make the most appropriate decision themselves once they have heard the views of a professional financial adviser'.

Compared to those who only received advice or made their own decision, those who experienced both channels are wealthier (43% have over £100,000 in investable assets, against 36% and 33% for the advised and non-advised segments respectively) and typically younger (average age of 44 against 51 and 50 for the advised and non-advised segments respectively), suggesting their financial ability to access advice and potential increased financial sophistication contribute to their decision to adopt this particular journey.

7.9 Implications

- The trust and value that advised respondents place in their relationship with a financial adviser suggest that the market for regulated financial advice will remain strong. There is nothing in our findings which would suggest a seismic shift from advised to non-advised services.
- There is a lack of understanding amongst some advised respondents over how their adviser is being remunerated. This may arise from poorly explained charging structures but also from historic arrangements such as fund rebates on investment platforms. There is a risk that these respondents do not appreciate that advice has a cost and that this is being borne by them.

- The apparently conflicting views of non-advised consumers in respect of their tolerance for investment risk, has the potential to lead them to make inappropriate decisions. Poorly designed communications could result in these consumers focusing more on the up-side potential of an investment rather than taking a more balanced view.
- The costs of investing are not well understood by non-advised respondents, many of whom do not believe they incurred any charges, which may include commission as well as product and investment charges.

8 Changes in channel behaviour

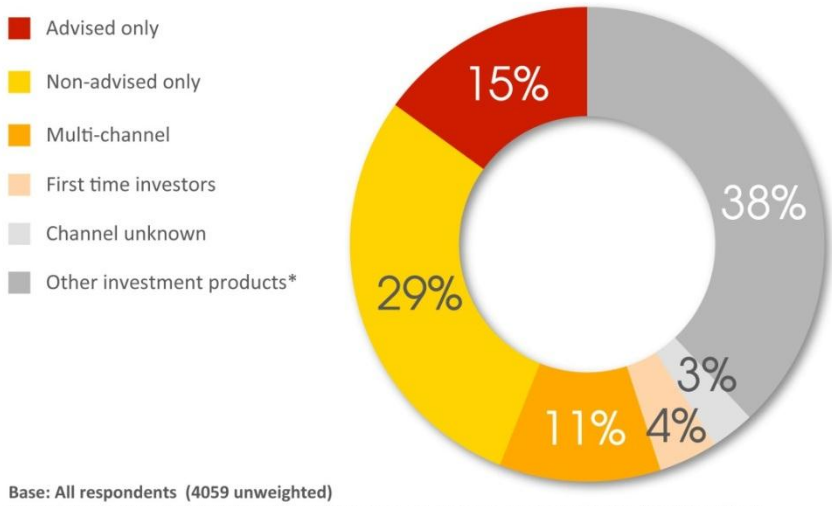
This chapter looks at channels used to arrange wider investment products held prior to RDR and how these have changed post RDR. It also considers the likely channel consumers would adopt for future investment scenarios.

8.1 Summary

Before January 2013, 29% of respondents had only arranged their existing wider investment products on a non-advised basis while 15% had been advised on all wider investment products held at that time.

33% of all respondents currently hold multiple wider investment products while 11% had arranged those multiple products held prior to January 2013 using a combination of channels.

Figure 16: Channels used for wider investment products prior to January 2013



Base: All respondents (4059 unweighted)
* Other investment products include: cash based savings, company pension, property, other investment (undefined)

There has been a small shift from advised to non-advised channels (2% of the total base have moved) but a greater move from non-advised to advised channels (4% of the total base have moved). These movements are based on investment purchases prior to RDR but post RDR the advised or non-advised activity could be in relation to a product purchase, consideration or other activity not relating to a new product.

Use of advised or non-advised channels in the future is likely to be heavily impacted by the value of the investment, the purpose of the investment and the products likely to be purchased.

8.2 Those who only used advised channels before 1st January 2013

Prior to 1st January 2013, 15% of all respondents had only used advised channels to arrange all their existing wider investment products. Of these, 39% remain wedded to this channel as they also received regulated advice for activity undertaken post RDR (while 40% had not undertaken any activity since 1st January 2013).

There has been a shift to using non-advised channels as 14% of these previously advised respondents used a non-advised channel for their most recent activity post RDR. This represents 2% of the total base.

The reasons for the move from being advised to non-advised are likely to be various; however results indicate that this has not been a direct result of RDR. The age profile of those who have moved is much older than the full non-advised segment (37% of those who have moved are over 65 compared to 29% of all who were non-advised for their most recent activity post RDR). Consumers often become more confident with age, as their wealth and experience of investing increases, so they become more likely to undertake non-advised activity. When combined, a high proportion (42%) state the reason for choosing to make their own decision was that the activity, product or investment value did not justify receiving advice. It is therefore, unlikely that this group would undertake all future activity on a non-advised basis and may revert to seeking advice if their circumstances or needs were more complex.

8.3 Those who only used non-advised channels before 1st January 2013

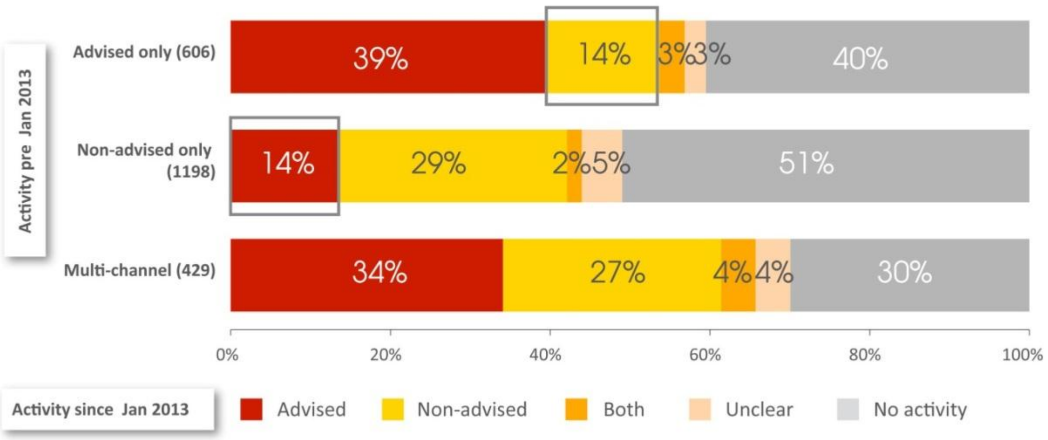
A considerable proportion (29%) had only used non-advised channels to arrange all their existing wider investment products. These existing products could have been held for a significant amount of time so it is hard to link any shifts in channel behaviour directly to the RDR. It is also worth noting that the majority of this group (64%) only held a single wider investment product prior to January 2013, hence they have only used one channel.

The most common product held among those non-advised prior to January 2013 is stocks and shares ISA (41%) followed by shares / equities (39%). There are likely to be some shares / equities held which were received passively from the privatisations of the 1980s or when many of the building societies demutualised in the 1990s. It would also be impacted by major brands being floated on the stockmarket, with the recent case of Royal Mail potentially contributing to this. If those respondents who only held shares / equities prior to January 2013 are excluded, the overall proportion of respondents within the non-advised segment reduces from 29% to 25%. This demonstrates that there was still a considerable amount of non-advised activity being undertaken on RDR investment products prior to RDR.

When comparing pre RDR channels used to activity post RDR, there has been a movement from using non-advised channels to receiving advice. 14% of those who arranged their existing products on a non-advised basis before January 1st 2013, received advice for their most recent post RDR activity (which could be in relation to a product purchase, consideration or other activity not relating to a new product). This represents 4% of the total base.

There could be several factors driving this shift from being non-advised to receiving advice. The age profile of those who have moved to advice is younger than the total advised segment (20% of those who have moved are over 65 compared to 28% of all who were advised for their most recent post RDR activity), suggesting many could be seeing an adviser for the first time.

Figure 17: Channel usage pre and post January 2013



Base: Those with investment products prior to January 2013 who are aware of the channel they used (see chart)

8.4 Those who used a mix of non-advised and advised channels before 1st January 2013

Just over 1 in 10 (11%) of all respondents had arranged their existing wider investment products using a mix of advised and non-advised channels. By default, they are all within the 27% of respondents that held multiple wider investment products prior to January 1st 2013 (2.8 products on average). The range of products held includes the more easily accessible investments, such as shares / equities (62%) and stocks and shares ISA (59%), as well as those which are more complex, such as personal pensions (51%).

The group using multiple channels pre RDR are more likely to have been active post RDR (70% were active, compared to 49% of those who were non-advised and 60% of those who were advised previously). Their heightened activity can be attributed to the fact they are older and wealthier than those only adopting a single channel prior to RDR (46% have over £100,000 in investable assets compared to 33% of those previously advised only and 26% of those previously non-advised, while 39% are aged over 65 compared to 34% of those previously advised only and 28% of those previously non-advised).

8.5 Future channels

Since the RDR there has been movement to and from using an adviser, in addition to the use of multiple channels prior to RDR, therefore we can expect future use of channels to remain dynamic. Although some consumers have been wedded to either using an adviser or self-directing in the past, many would still consider the alternative approach for future investing.

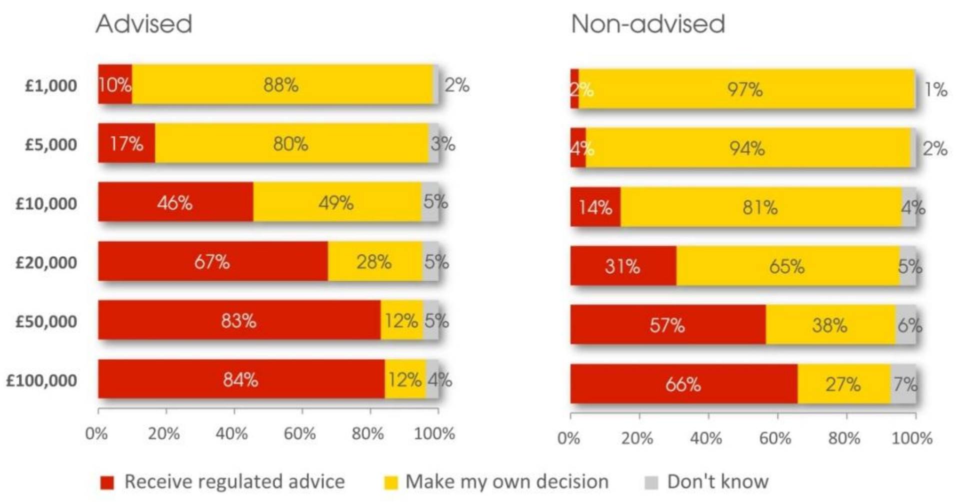
When respondents were presented with different investment scenarios, it is clear that use of advised or non-advised channels in the future is likely to be heavily impacted by the value of the investment, the purpose of the investment and the products likely to be purchased.

8.5.1 The impact of investment value

Respondents were asked their likely channel for making six different sized investments, ranging from £1,000 to £100,000. For low value investments (£5,000 or less) the majority of respondents say that they would make their own decision. For many, this amount would not justify the need for advice; particularly if they consider the cost of receiving advice (although the less sophisticated consumers would not necessarily be familiar with the charges that would be incurred).

While those in the non-advised segment have a higher threshold, £20,000 is the key point where many would turn to an adviser. For most of our respondents this amount would represent a considerable proportion of their entire portfolio, so it is not surprising that it would be considered a value on which it is worth seeking advice. Therefore, not surprisingly, the majority of both the advised and non-advised groups would opt for advice over making their own decision where the value exceeds £50,000.

Figure 18: Likely channel for future investments – by size of investment



Base: Those who received regulated financial advice when completing their most recent investment activity (730 unweighted)

Base: Those who completed their most recent investment activity without regulated financial advice (810 unweighted)

8.5.2 The impact of investment purpose

The likelihood of using an adviser or going down a non-advised route is also influenced by the purpose of the investment. Respondents were asked to select which investment purposes may be relevant to them in the future, from a list of five different scenarios. Circumstances relating to retirement, either starting a pension or actually retiring, are key triggers for seeking advice. Even among those in our non-advised segment, over half (52%) said they would be most likely to seek advice rather than make their own decision if they were starting a pension or retiring.

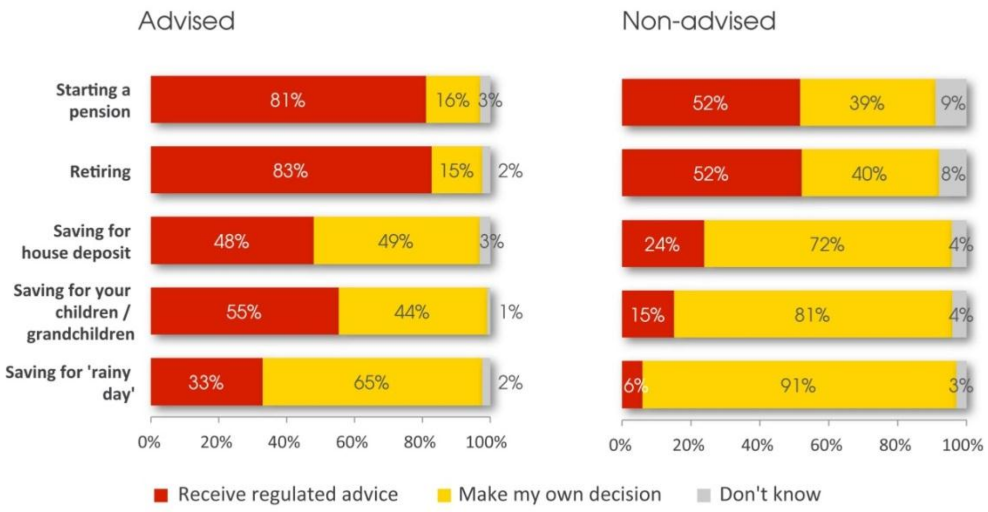
Pensions are often perceived to be a complex product area and considering the long term nature of the investment, it is not surprising that consumers would turn to advice. Retirement itself is a major and complex decision, particularly considering many people reaching this life stage can expect to live at least another 20 years, so need to ensure they utilise the accumulated wealth in the most effective way.

In contrast, when savings are for a 'rainy day' a much lower proportion would seek advice. Among those who were advised on their most recent investment post RDR, two thirds (65%) would make their own decision, but the vast majority (91%) of those who were non-advised would use the same channel for this 'rainy day' saving.

When there is no specific purpose for saving, this is where consumers may consider self-directing. If they were to make poor decisions, it would have less of an impact on their lifestyle or long term plans than the other reasons for investing.

The use of advice when saving for children or grandchildren follows a different pattern, where over half (55%) of the advised segment would receive advice but only 15% of the non-advised group would. In this case the differences can be linked to overall wealth levels, as 48% of those in the advised segment who would seek advice when saving for children / grandchildren have investable assets over £100,000 (compared to 36% of the total advised segment and 33% of the total non-advised segment). With investable assets at this level, these respondents are likely to be considering the complex area of inheritance tax planning when answering, so unsurprisingly they express a preference for professional advice.

Figure 19: Likely channel for future investments – by purpose of investment



Base: Those who said each purpose may be relevant to them (varies for each, always >125)

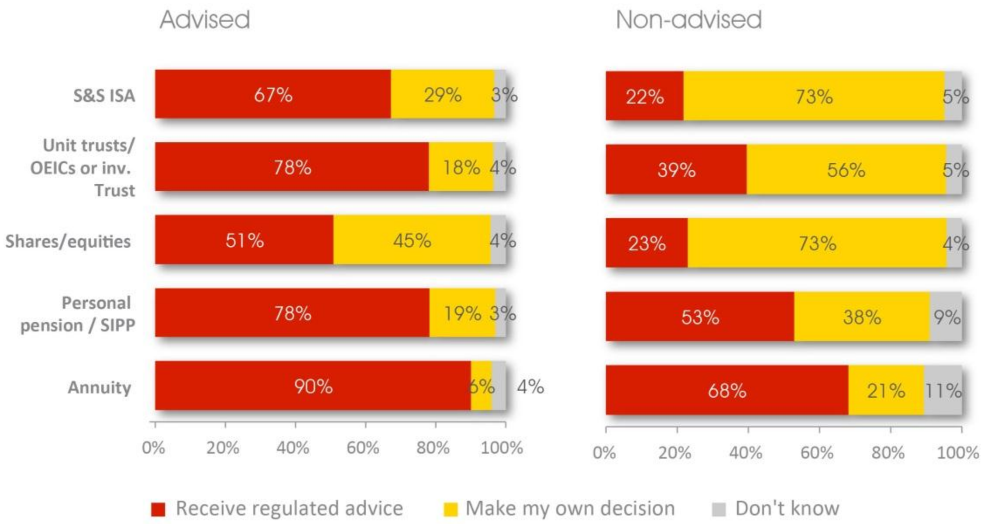
8.5.3 The impact of investment product

Among the advised segment, product has less of an impact on likelihood to use advice. For each of the five products that were included (where the respondent said they may consider this type of investment in the future), the majority of these advised respondents would continue to opt for advice if they were taking out the product. Shares / equities is the only case where a similar proportion would make their own decision, which will be impacted by the fact that many advisers are not regulated to provide advice on these investments.

Among the non-advised segment, there is more variation in likely the use of advice depending on the product in question. Stocks and shares ISAs and shares / equities would be most likely to be arranged on a non-advised basis (only 22% and 23% of respondents respectively would use an adviser). Despite the similarities between investing in a stocks and shares ISA and a unit trust / OEIC or investment trust, significantly more would seek advice for the latter (39% compared to 22% for stocks and shares ISAs). Once again, this can be attributed to the greater awareness and accessibility, which leads to the perception that stocks and shares ISAs are a simper product to invest in.

In the case of annuities, there is more consistency in the views of the advised and non-advised segments where the majority would require advice (90% of the advised group and 68% of the non-advised group). As discussed previously, retirement is a time when important decisions need to be made, hence the need for advice. Traditionally, annuities have not been a product area where advice has been sought by the typical retiree. Rollover into an annuity with their existing pension provider has been common practice, particularly where pension pots are small (i.e. under £30,000). However, the forthcoming pension reforms, where annuity purchase will no longer be the standard retirement option, will no doubt impact consumer behaviour.

Figure 20: Likely channel for future investments – by product



Base: Those who would consider each product in the future (varies for each, always >170)

8.6 Implications

- Many consumers will make use of both advised and non-advised channels, electing to move between the two at different stages of their life or as a result of particular circumstances or requirements. The idea that an adviser, or a firm offering a non-advised service, 'owns' the customer is simply not the case.
- Respondents (both ally advised and non-advised) consistently reported higher levels of willingness to invest in a stocks and shares ISA on a non-advised basis than for other products. While ISAs have tax advantages that may make them more attractive to most people, the risk profile associated with the underlying investment may be no different to investing in investment funds that are not within an ISA. There is a risk that there is a 'halo' effect of the ISA brand that results in consumers not fully appreciating the risk associated with equity linked investing.

9 Conclusions

This chapter looks at the implications for consumers and the industry based on the findings of this research.

9.1 Low interest rates are encouraging a move to risk based investments

The historically low interest rates on cash based products are a strong trigger for consumers to be undertaking investment activity post RDR. This indicates that there is likely to be a group of consumers who have moved into the investment market when they may otherwise have remained in cash based savings.

- For first time investors, their main motivation for taking out a new investment is to better the return they could achieve on cash based products
- Those in the non-advised segment are significantly more likely to say the better return compared to cash is their main motivation for their recent activity than the advised segment

Stocks and shares ISAs are by far the most popular products among these groups. There is the risk that consumers perceive them to be the 'safe' option if they want to gain better returns than they can on cash, without truly understanding the risks involved.

9.2 The RDR has had little impact on consumers' desire to use advice

Among consumers it appears that the RDR and specifically the introduction of Adviser Charging has not had a direct impact on likelihood to use advice. The post RDR requirement to pay a fee for advice is only mentioned by a minority of respondents as a reason for not undertaking any activity, not actually taking out a product or choosing a non-advised channel. When all respondents who gave a reason relating to the adviser charge (e.g. 'the adviser's fee was too high', 'I did not want to pay an adviser fee') are combined, this reflects just 5% of the total base.

We cannot conclude that these consumers have been 'forced' into their decision to go down a non-advised route because they cannot access affordable advice. Many (64%) agree that they are comfortable making their own investment decisions and may simply feel that they should not have to pay for advice.

9.3 Consumers understand the process and the responsibilities arising from this

For the majority of respondents it was clear to them whether or not they were receiving advice, though this was less clear where the process did not involve an actual product purchase. This suggests that consumers make some assumptions around the point at which they are receiving advice e.g. advice always relates to the purchase of a product. Regular signposting throughout the process that the customer is being advised, or not receiving advice would help to ensure consumers are clear.

Once a product has been purchased customers are clear who is responsible for the suitability of the product, particularly among the non-advised where there is appreciation responsibility rests with them.

9.4 Knowledge of fees presents the need for more clarity

There is confusion around whether or not fees are paid, among both advised and non-advised consumers. This demonstrates a clear need for clarity of charges so the outcome of the FCA's thematic review work will help this.

- Over a quarter of those who purchased an RDR investment product on an advised basis stated that the organisation received commission and one in five stated that there was no fee or commission paid. Neither of these would be possible post RDR if regulated financial advice was received.
- Among non-advised respondents who bought an RDR investment product, a high proportion did not believe they had paid a fee or commission. While most are unlikely to have paid a direct fee, it is likely that many of these would have purchased products which contained an element of commission.

9.5 Future use of non-advised channels is likely to grow

Many consumers are likely to consider a non-advised channel at some point in the future, in certain situations or when a particular need arises. However, this movement is not all one way and it is clear that those who have made a recent decision on a non-advised basis may also revert to seeking advice.

The value of the investment, purpose of the investment and the product requirement all impact the likelihood to use advice. With the recent growth in online information sources, accompanied by potential future developments in the area of online 'guidance' we can be confident use of direct channels will grow, but consumers will still seek advice for higher value investments and / or when more complex decisions have to be made, such as retirement.

10 Appendix A – Detailed Methodology

10.1 Sample source

Sample was sourced from consumer online panel provider Research Now with whom NMG has worked for several years. Research Now has the largest online panel in the industry with 700,000 opted-in panel members in the UK. Panellists are recruited through a range of methods and sources, ensuring a diverse and representative panel. Research Now regularly monitor and refresh their panel, to ensure its members provide reliable, quality data when completing surveys.

10.2 Screening

To ensure the sample used for this survey was representative of the UK adult population (18+), we first targeted a larger, nationally representative sample. Those who were out of scope for this research were then screened out.

In total 6,923 UK adults entered the survey and quota sampling was used to ensure that this base was representative of the population in terms of age, gender, region and working status (see Figure 21 below for quota targets).

We then screened out anyone who was not responsible for making financial decisions within their household (either solely or jointly with a spouse/partner), and those with under £5,000 in investable assets. Investable assets were defined as follows:

'Savings and investments (e.g. cash, ISAs, Unit Trusts/OEICs, Bonds etc.) that you have access to, including any personal pensions where you / your adviser decide which assets / funds to invest in. You should exclude your home, second property or buy-to-let property and any pension arranged via your employer.'

This resulted in 4,059 respondents proceeding to complete the full survey.

10.3 Quotas and weighting

The target proportions for the quotas were defined using data from the Annual Population Survey October 2012 to September 2013 and are shown in Figure 21 below.

Figure 21: Quota targets

Demographic		Target proportion
Gender	Male	49%
	Female	51%
Age	18-24	12%
	25-34	18%
	35-49	26%
	50-64	23%
	65+	21%
Working status	Working	59%
	Non-working	41%
Region	North East/ Yorkshire & The Humber	13%
	North West	11%
	Midlands	16%
	East	9%
	London	13%
	South East	14%
	South West	9%
	Wales	5%
	Scotland	8%
	Northern Ireland	3%

Due to the high number of quota cells and large sample size it was not practical to hit each quota target precisely and therefore the full base of 6,923, including the 4,059 who were within scope, was weighted back to the target proportions. This resulted in a weighted base of 6,923 from which 4,053 (59%) were in scope.

The highest weight factor placed on any one respondent was 1.26 whilst the lowest weight factor (downweighting) placed on any one respondent was 0.89. The weighting efficiency is 99.7% giving an effective sample size of 6,900.

10.4 Statistical robustness

The margin of error at 95% confidence level on a sample size of 4,053 is 1.5%. Therefore for any proportion cited in this report which is based on all respondents, 19 times out of 20 the true population value will be at worst 1.5% higher or lower than the value measured from the sample. The error margin is greatest for proportions which are around 50% and decreases to for example +/-0.9% for proportions around 10% or 90%.

10.5 Fieldwork

The fieldwork for the research was undertaken between the 11th and 25th April 2014. The online survey was built and hosted in house by NMG Consulting. The survey was branded NMG Consulting but respondents were informed that the research was being conducted by the FCA.

NMG Consulting monitored the progress, quota fulfilment and collected the data. All contact with respondents (invitations, reminders, incentive provision) was undertaken by Research Now.

Respondents who passed the screening criteria took on average 12 minutes to complete the survey.

10.6 Incentives

Respondents were incentivised to take part via Research Now's existing points system, with which all panel members would be familiar. Points are awarded based on the length of the survey, promoting quality responses and considered opinions. Accumulated points can be spent with a range of companies including M&S, Argos, Amazon, frequent flyer schemes and hotel chains although many panellists choose to donate their incentives to charity.

11 Appendix B – The questionnaire

Below is a text version of the online questionnaire.

<u>Consumer Interaction with the Retail Investment Market</u>

<u>Questionnaire for quantitative phase – Fieldwork conducted 11th- 25th April 2014</u>

<u>POSSIBLE ROUTES THROUGH SURVEY</u>

- *Section 1,2,3,**4,5**,8,9,10 **Bought regulated product since Jan 2013***
- *Section 1,2,3,**6**,8,9,10 **Considered regulated product since Jan 2013***
- *Section 1,2,3,**7**,8,9,10 **Not bought or considered but completed other activity since Jan 2013***
- *Section 1,2,3,8,9,10 **Not tried anything since Jan 2013***

Introduction

We are carrying out a survey on behalf of the Financial Conduct Authority (FCA), which is the UK's financial regulator. The FCA is interested in understanding your behaviour in relation to investments. This will help them ensure consumers can use financial services with confidence and have products that meet their needs, from firms and individuals they can trust.

The survey should take around 20 minutes to complete.

There are some questions that you might feel are sensitive. Please be assured that any answer you give will be treated in the strictest confidence, and will not be passed to any third party and will not under any circumstances be used for sales or marketing purposes.

NMG Consulting is a member of the Market Research Society (MRS) Company Partner Scheme, and so adheres to the MRS Code of Conduct. If you would like to find out more about NMG Consulting please go to www.NMG-Group.com.

Section 1: Screening
Sample: Nationally Representative (UK adults 18+)

1. What is your age?

   RECORD ACTUAL AND CODE TO BANDS
   CLOSE IF UNDER 18

2. Are you…

   Male
   Female

3. What region do you live in?

   North East
   North West
   Yorkshire and Humberside
   East Midlands

West Midlands
East of England
London
South East
South West
Wales
Scotland
Northern Ireland
Non UK (please specify)

CLOSE IF NON UK

4. What is your working status?

   Working full time (30 hours + per week)
   Working part time (8-29 hours per week)
   Working part time (under 8 hours per week)
   Self employed
   Unemployed and seeking work
   Semi-retired (i.e. you are drawing some income from money you have accumulated during your working life but also working part time in some earning capacity)
   Retired (i.e. you are drawing an income from the money you have accumulated during your working life and not carrying out paid work)
   Not in paid work due to other reason

5. *Social grade – RECORD FROM PANEL INFO*

6. *Postcode – RECORD FROM PANEL INFO*

7. Are you responsible for making financial decisions in your household, either solely or jointly with a spouse / partner?

   Yes, solely
   Yes, jointly
   No – CLOSE

8. Which of the following bands do your total investable assets fall into? SINGLE CODE

   By investable assets we mean savings and investments (e.g. cash, ISAs, Unit Trusts/OEICs, Bonds etc.) that you have access to, including any personal pensions where you / your adviser decide which assets / funds to invest in. You should exclude your home, second property or buy-to-let property and any pension arranged via your employer.

   Under £5,000 – CLOSE
   £5,000 - £9,999
   £10,000 - £29,999
   £30,000 - £49,999
   £50,000 - £74,999
   £75,000 - £99,999
   £100,000 - £149,999
   £150,000 - £199,999
   £200,000 - £249,999

£250,000 - £349,999
£350,000 - £499,999
£500,000 - £999,999
£1 million or more
Would rather not state - CLOSE

(NB quota detail collected on full base - including those with <£5k)

Screen out those with <£5k or not involved in financial decision making

Sample for remaining sections: All financial decision makers with investable assets >£5,000

Section 2: Current holding (All financial decision makers with investable assets >£5,000)

9. Which of the following products do you hold, either in your name or jointly with a spouse / partner?

   Please review more detailed definitions of the different products to ensure you make the appropriate selection by hovering over the 'Definitions' icon underneath to enlarge.

   1. *Cash based savings e.g. cash ISAs, bank/building society accounts/bonds or National Savings & Investments*
   2. Stocks and shares ISA (NOT a cash ISA)
   3. Unit trust/OEIC or investment trust (standalone, not held within an ISA)
   4. Structured product e.g. guaranteed income bond, guaranteed equity bond
   5. Lump sum investment with a life assurance company e.g. with profits bond, offshore bond
   6. Shares/equities (standalone, not held within an ISA)
   7. *Company pension / Group Personal Pension (pension arranged via an employer)*
   8. Personal pension / SIPP (which you have not yet used to fund retirement)
   9. Income drawdown (where income can be take while the pension fund remains invested)
   10. Annuity (which provides a regular income in retirement)
   11. *Property for investment purposes e.g. buy-to-let (not a property fund)*
   12. *Other (please specify)*

Definitions:

Cash ISAs A tax efficient cash based savings plan where there is no risk of losing any of the capital invested. You will gain interest on your savings, depending on the current interest rates.

Bank/building society accounts / bonds Cash based savings plans where there is no risk of losing any of the capital invested. You will gain interest on your savings, depending on the current interest rates.

National Savings & Investments Cash based savings products which are 100% secure, as they are backed by HM Treasury.

Stocks and Shares ISA A tax efficient investment product providing access to a wide range of investment opportunities. They can be invested in individual stocks and shares or funds. Unlike cash ISAs, there is risk associated with these investments, depending on the performance of funds invested in.

Unit Trusts / OEICS (Open Ended Investment Company) These are professionally managed collective investment funds. Managers pool money from many investors and buy shares, bonds, property or cash assets and other investments.

Investment Trusts A company, quoted on the stock exchange, whose business is holding shares in other companies. If shares in those companies do well, then the trust does well and vice versa. Unlike unit trusts and OEICS, investment trusts are closed end funds.

Structured Products Investments that have a variable return based on the performance of the FTSE 100 or other index and where your capital is fully or partly guaranteed.

Lump sum investment with a life assurance company Life insurance policies in which you can invest a lump sum, which goes into a variety of funds. This could be a with profits bond or an offshore bond but they're not the same as corporate bonds, premium bonds or fixed-rate bonds.

Shares/equities Investing in stock is ownership, or equity, in a company. Investors buy stock in the form of shares, which represent a portion of a company's assets and earnings (capital).

Company pension / Group Personal Pension A pension scheme generated by a company or organisation for the benefit of its employees. In contributory schemes both the employer and employee contribute to a fund. In non-contributory schemes, only the employer contributes. Most new company pensions are defined contribution (money purchase schemes) but some defined benefit (final salary) schemes are still in existence).

Personal pension A pension scheme which enables you to build up a pension fund for retirement, which is not set up through the workplace. Personal Pensions are defined contribution (money purchase) schemes.

SIPP A type of personal pension that allows you to choose exactly how your retirement savings are invested. Unlike ordinary personal pensions, where your choice is narrowed to a finite number of specific investments, SIPPs allow you more choice.

Income drawdown A product which enables people to keep their retirement savings invested and take an income each year rather than buying an annuity

Annuity A product that is purchased in retirement, using the funds from a pension investment, which will provide a regular income throughout retirement

Property Properties owned for investment purposes, excluding your main residential home. Investment in property funds should not be included

Other Please select this option if you have any other type of investment not listed above and write in

10. ASK IF CODE 8 (PERSONAL PENSION / SIPP) AT Q9

    Please can you clarify if this is a personal pension or SIPP?

    Personal pension only
    SIPP only
    Both
    Don't know

11. ASK FOR CODES 1-6, 8 & 9 ONLY AT Q9 [DO NOT ASK FOR ANNUITY, PROPERTY, COMPANY PENSION OR OTHER]

    How many of each of these types of products do you hold? If you hold more than one of any product type, please change the '1' below to the number of each product held, where appropriate.

    PREFILL NUMBER 1 ALONGSIDE EACH PRODUCT SO RESPONDENT CAN CHANGE WHERE NECESSARY

12. Please could you specify how much approximately is currently invested in each of these investments you hold? If you hold more than one of any investment type, please enter the total held across all of these.

    SHOW CODES 1-6, 8 & 9 IF HELD AT Q9 [DO NOT ASK FOR ANNUITY, PROPERTY, COMPANY PENSION OR OTHER]

    Under £1,000
    £1,000 - £4,999
    £5,000 - £9,999
    £10,000 - £29,999
    £30,000 - £49,999
    £50,000 - £74,999
    £75,000 - £99,999
    £100,000 - £149,999
    £150,000 - £199,999
    £200,000 - £249,999
    £250,000 - £349,999
    £350,000 - £499,999
    £500,000 - £999,999
    £1 million or more
    Don't know / can't remember

DUMMY Q: TAKE MID-POINTS AND GAIN APPROXIMATE TOTAL ACROSS ALL PRODUCTS

Section 3: Activity since Jan 2013 (All financial decision makers with investable assets >£5,000)

13. Since January 2013 have you done any of the following in relation to any savings, investment, pension or retirement need? MULTI CODE

    1. Taken out a new product (invested new money or moved money to new product) – ROUTE TO SECTION 4
    2. Considered a new product which did not result in you actually taking out a product ROUTE TO SECTION 6 (IF NOT SELECTED 1)

    IF ANY OF THE FOLLOWING SELECTED (AND NONE OF ABOVE) – ROUTE TO SECTION 7

    3. Sought / attempted to seek information about investments generally, e.g. looking at the Money Advice Service website or registering with a financial information website
    4. Attempted to seek personalised investment advice from a professional financial adviser
    5. Had an annual / regular review with my professional financial adviser which did not result any changes to my investment holdings
    6. Saw a professional financial adviser for the first time (i.e. I had not seen any financial adviser before) who completed a review of my investment needs
    7. Made a change to an existing investment e.g. made a fund switch, encashed an investment, changed or started drawing an income for retirement purposes
    8. Opened a live trading account with an online investment platform
    9. None of these **= 'NOT TRIED' SEGMENT** ASK Q14 THEN ROUTE TO SECTION 8

IF NONE AT Q13

14. What is the **main** reason you have not done anything in relation to any savings, investment, pension or retirement need?

    SINGLE CODE. ROTATE ORDER
    Happy with what I have
    Had no money to invest
    Did something else with money (e.g. better rate in current account, or safer in existing account)
    Unaware of options / how to go about purchasing a product
    Distrust / concerned with investing
    Meant to but not got round to it
    The cost of financial advice
    Other (please specify)
    Don't know

Section 4: Whether bought regulated product since Jan 2013 (Those who bought any new product since January 2013)

ASK IF CODE 1 AT Q13

15. Which of the following products have you taken out / purchased since January 2013? This includes investing new money (e.g. from an inheritance, bonus etc.) or closing / moving from another product and taking out a new product with a different provider. [ONLY SHOW THOSE HELD AT Q9] MULTI CODE

    1. *Cash based savings e.g. cash ISAs, bank/building society accounts/bonds or National Savings & Investments*
    2. Stocks and shares ISA (NOT a cash ISA)
    3. Unit trust/OEIC or investment trust (standalone, not held within an ISA)
    4. Structured product e.g. guaranteed income bond, guaranteed equity bond
    5. Lump sum investment with a life assurance company e.g. with profits bond, offshore bond
    6. Shares/equities (standalone, not held within an ISA)
    7. *Company pension / Group Personal Pension (pension arranged via an employer)*
    8. Personal pension / SIPP (which you have not yet used to fund retirement)
    9. Income drawdown (where income can be take while the pension fund remains invested)
    10. Annuity (which provides a regular income in retirement)
    11. ***DO NOT SHOW CODE 11*** *[Property for investment purposes e.g. buy-to-let (not a property fund)]*
    12. *Other (please specify)*

IF CODES 2-6, 8-10 SELECTED = 'BOUGHT REGULATED PRODUCT SINCE JAN 2013' SEGMENT (ASK Q16 – 20 THEN ROUTE TO SECTION 5)

DUMMY Q: IF ALL REGULATED PRODUCT(S) HELD AT Q9 (CODES 2-6, 8-10) WERE TAKEN OUT SINCE JAN 2013 AT Q15 CODE THESE AS 'FIRST TIME INVESTOR SINCE JAN 2013'

IF CODE 1 ONLY AT Q15 (CASH) ASK Q16 THEN SKIP TO…

IF CODE 7 12 ONLY AT Q15 (NON REGULATED PRODUCTS) SKIP TO…

- SECTION 6 IF CODE 2 SELECTED AT Q13 (CONSIDERED)
- SECTION 7 IF CODES 3-8 SELECTED AT Q13 BUT NOT CODE 2 (ACTIVITY COMPLETED) **CODE AS 'NOT BOUGHT OR CONSIDERED BUT COMPLETED OTHER ACTIVITY' SEGMENT**
- OTHERWISE SKIP TO SECTION 8 (IF CODE 2-8 NOT SELECTED AT Q13) **CODE AS 'NOT TRIED' SEGMENT**

16. ASK FOR **1-6, 8,** ONLY IF SELECTED AT Q15 [DO NOT ASK FOR ANNUITY, DRAWDOWN, COMPANY PENSION OR OTHER]

    For each of the investments that you have taken out / purchased since January 2013, please select how much you first invested (i.e. the value of the lump sum) and how much you expect to invest over the next 12 months (including any regular payments and lump sums). SHOW ALL SELECTED AT Q15

	Value first invested	Total value expected to invest over next 12 months
None		
£1 - £999		
£1,000 - £4,999		
£5,000 - £9,999		
£10,000 - £29,999		
£30,000 - £49,999		
£50,000 - £74,999		
£75,000 - £99,999		
£100,000 or more		
Don't know / can't remember		

DUMMY QUESTION TO COMBINE ALL PRODUCTS WHICH RECORDS VALUES FIRST INVESTED OVERALL I.E. HOW MANY OF FULL SAMPLE INVESTED £1 - £999

17. IF ANNUITY (CODE 10) AT Q15

A. What was the total size of the pension fund or fund(s) that you used to purchase your annuity?

RECORD ACTUAL IN £
Don't know / can't remember

B. How much, if any, did you take in tax free cash (current maximum 25%)?

None
1-5%
6-10%
11-20%
21-25%
Don't know / can't remember

C. Did you take your main annuity with your pension provider or with another provider?
SINGLE CODE

With pension provider
Another provider
Don't know / can't remember

18. IF DRAWDOWN (CODE 9) AT Q15

A. What was the total size of the pension fund or fund(s) that you invested in this drawdown product?

RECORD ACTUAL IN £
Don't know / can't remember

B. How much, if any, did you take in tax free cash (current maximum 25%)?

None

1-5%
6-10%
11-20%
21-25%
Don't know / can't remember

C. Approximately how much income, if any, have you taken from your drawdown product over the last 12 months?

No income taken yet
RECORD ACTUAL IN £
Don't know / can't remember

19. ASK IF MULTIPLE CODES 2-6, 8-10 AT Q15 [EXCLUDE COMPANY PENSION, CASH AND OTHER] OTHERWISE PREFILL

Which of these products did you take out most recently?

SHOW RELEVANT PRODUCTS TAKEN OUT SINCE JAN 2013 AT Q15
THIS WILL BE THE PRODUCT ASKED ABOUT IN SECTION 5

20. ASK IF PENSION/SIPP SELECTED AT Q19 AND BOTH AT Q10
Was this a pension or a SIPP?

Pension
SIPP
Don't know

Section 5: Customer journey for regulated product purchase (Those who have bought a regulated product since January 2013)

ASK IF BOUGHT REGULATED PRODUCT AT Q15 SINCE JAN 2013 –
Ask for MOST RECENT product taken out since January 2013 (from Q19)

Intro: Please look at the image below. For this section we will be asking you to think about your experiences and feelings during the process of getting from points A to B for your most recent product, which was a [INSERT MOST RECENT PRODUCT].

Where you see a small icon showing this image in the following questions, please hover over the icon to enlarge

21. Approximately how much time passed between point A and point B?

    A month or less
    2 - 3 months
    4 - 5 months
    6 - 12 months
    A year or more
    Don't know / can't remember

22. Please think about what was happening at point A. What was your motivation for considering an investment?

    MULTI CODE. ROTATE ORDER
    Was approaching retirement
    Realised I should start a pension / savings for retirement
    Change in circumstance e.g. new job, made redundant, got married, separated from spouse / partner
    Birth of a child / children
    Poor performance of current investments
    Low interest rates on cash based savings
    Had received money / lump sum to invest e.g. inheritance, sale of a property, existing investment matured
    Had something specific to save for e.g. wedding, holiday, children's education, house deposit
    Just wanted to start saving for the future / a 'rainy day'
    Just needed to review my financial situation
    End of the tax year so wanted to ensure I didn't lose tax benefits
    Other (please specify)
    Don't know / can't remember

23. At point A, how long did you expect your money to be invested in this product for?

    1 year or less
    2-3 years
    4-5 years
    6-10 years
    11-15 years
    16-20 years
    Over 20 years
    [Not applicable as took annuity – *Do not ask this question if taken an annuity CODE 9 at Q15 and prefill to this code*]
    Don't know / can't remember

24. What sources of information or advice did you use at any point between points A and B? Please select all that apply. MULTI CODE

    A professional financial adviser
    My employer
    A relative
    A friend / colleague

Bank / building society in branch
Bank / building society by phone
Bank / building society website
Insurance / pensions company by phone
Insurance / pensions website
Other financial product provider websites / investment platforms
Financial media, newspaper, specialist publications (either in print or online) e.g. Financial Times
Financial information website / forum e.g. Money Advice Service, Money Saving Expert, This is Money
Comparison website e.g. Compare the Market, Go Compare
Internet search engine e.g. Google
Other (please specify)
None / did not seek information – SKIP Q25

25. What source of information or advice was **most important** in influencing your decision making? SINGLE CODE [DO NOT ASK AND PREFILL IF ONLY 1 MENTIONED ABOVE]

A professional financial adviser
My employer
A relative
A friend / colleague
Bank / building society by phone or in branch
Bank / building society website
Insurance / pensions company by phone
Insurance / pensions website
Other financial product provider websites / investment platforms
Financial media, newspaper, specialist publications (either hard copy or online) e.g. Financial Times
Financial information website / forum e.g. Money Advice Service, Money Saving Expert, This is Money
Comparison website e.g. Compare the Market, Go Compare
Internet search engine e.g. Google
Other (please specify)

26. ASK ALL: Still thinking about when you arranged your [INSERT MOST RECENT PRODUCT], did you talk to a professional financial adviser (in person or by phone) to discuss your requirements at any point?

Yes - in person only
Yes - by phone only
Yes - in person and by phone
No
Don't know / can't remember

27. IF YES AT Q26 (OR FINANCIAL ADVISER AT Q24): What type of firm did the professional financial adviser that you spoke to work in? If you used more than one, please think about the one you saw most recently. SINGLE CODE

A professional financial adviser that does not work for a bank, building society, insurance / pensions or fund management company
A bank or building society e.g. Barclays, HSBC
An insurance / pensions company e.g. Legal & General, Prudential
A fund management company e.g. Fidelity, Invesco Perpetual
Other (please specify)
Don’t know / can’t remember

28. IF YES AT Q26: Was this a financial adviser or adviser firm that you had used before? SINGLE CODE

Yes – since Jan 2013
Yes – before Jan 2013
No – never used this adviser

29. ASK ALL IN THIS SECTION **Regulated financial advice has a specific legal and regulatory meaning. It is a tailored recommendation from a qualified individual given after due consideration of your personal circumstances and objectives, so they recommend products or give you advice that is suitable for you only.**

Based on the definition above, did you **receive** regulated financial advice (although you may have decided not to follow this advice)?

Yes
No
Don’t know / can’t remember

30. ASK IF YES AT Q29: Did the adviser ask a lot of detailed questions about your needs and circumstances, including full details of your income and outgoings, and your existing savings and investments? If you have an existing relationship with this adviser and they asked you these questions during a previous meeting, please select ‘Yes’.

Yes
No [ASK ABOUT NON-ADVISED DEFINITION]
Don’t know / can’t remember

31. ASK IF YES AT Q29: How clear was it to you at that time that you were receiving regulated financial advice?

Very clear
Quite clear
Not very clear
Not at all clear
Don’t know / can’t remember

32. ASK IF YES AT Q29: Which of these best describes the extent to which you followed the advice from this financial adviser? SINGLE CODE

1. I did exactly as recommended by the adviser
2. I used the advice / information provided by the adviser and then implemented myself
3. I did what I had intended to anyway, irrespective of the advice received

4. Don't know / can't remember

33. ASK IF CODE 1 AT Q32: What is the **main** reason you decided to follow this advice?

    SINGLE CODE. ROTATE ORDER
    I always use a professional financial adviser
    I trusted the adviser to recommend the product(s)/advice that was most suitable for me
    Following professional advice ensures I have some comeback if my product does not perform well
    I knew the adviser would be able to find better products than I could myself
    The product / activity was too complex for me to understand
    The reason / goal for my investment was too important for me to risk making a decision myself
    The amount I wanted to invest was too high for me to risk making a decision myself
    I had made my own decision before and was not happy with the outcome
    I wanted a second opinion about something I had done myself
    Other (please specify)
    Don't know / can't remember

34. ASK IF CODE 2 3 AT Q32: What is the **main** reason you decided not to follow this advice and implement yourself?

    SINGLE CODE. ROTATE ORDER
    I did not want to pay an adviser fee / charge
    The adviser's fees were too high
    The product fees were too high
    The advice was not independent / whole of market
    The product / advice offered was not suitable for me
    I did not trust / have confidence in the advice provided
    I can make the most appropriate decision myself once I've heard the views of a professional financial adviser
    I am just as able as any adviser to complete the relevant research and make the most appropriate decision
    I am waiting for the appropriate time / still deciding how to proceed
    I followed the advice from a different adviser I had seen previously (not the 'most recent' one)
    Other (please specify)
    Don't know / can't remember

35. ASK IF NO ADVICE/DK AT Q29 OR CODE 2 3 AT Q32 OR NO/DK AT Q30: **When you make your own investment decisions and (if relevant) execute your instructions directly with a product provider you accept responsibility for ensuring the product is suitable for you. The provider may offer you information and support to help you make your own decisions. The choice of product (if any) and whether to buy, sell or hold is yours alone.** (*NB revised slightly from version used in qual)*

    Based on the definition above, did you take out / purchase your product as a result of making your own decision?

    Yes
    No

Don’t know / can’t remember

36. ASK IF YES AT Q35: How clear was it to you at that time that you were making your own decision?

    Very clear
    Quite clear
    Not very clear
    Not at all clear
    Don’t know / can’t remember

37. ASK IF YES AT Q35 BUT ONLY WHERE NOT CODE 2 3 AT Q32 [SO WHERE HAVE NOT ANSWERED Q34 ALREADY]: What is the **main** reason you decided to make your own decision?

    SINGLE CODE. ROTATE ORDER
    I did not want to pay an adviser fee / charge
    I do not trust / have any confidence in financial advisers
    I’ve had a bad experience of using a financial adviser in the past
    I am just as able as any adviser to complete the relevant research and make the most appropriate decision
    I want to stay in control of my investments
    I know someone that was successful in making their own decisions for their investments
    It was not worth using an adviser for the amount of money I had to invest
    The product(s) I was / were considering were not complex enough to justify needing advice
    Wouldn’t know how to find an adviser
    Adviser wouldn’t be interested in me
    Other (please specify)
    Don’t know / can’t remember

38. ASK IF YES AT Q35: Can you recall how many different providers you considered?

    Only 1
    2 or 3
    4 or 5
    More than 5
    Don’t know / can’t remember

DUMMY Q

IF CODE YES AT Q29 AND YES AT Q30 AND CODE 1/DK AT Q32 = ‘ADVISED’ SEGMENT

IF CODE YES AT Q29 AND YES AT Q30 AND CODE 2 3 AT Q32 AND NO/DK AT Q35 = ‘ADVISED’ SEGMENT

IF CODE YES AT Q29 AND YES AT Q30 AND CODE 2 3 AT Q32 [DID NOT FOLLOW ADVICE] AND YES AT Q35 [EXECUTION ONLY] = ‘BOTH’ SEGMENT

IF CODE YES AT Q35 AND NO/DK AT Q29 = ‘NON-ADVISED’

IF CODE YES AT Q35 AND YES AT Q29 AND NO/DK AT Q30 = ‘NON-ADVISED’

IF CODE NO/DK AT Q35 AND NO/DK AT Q29 = 'UNCLEAR'

IF CODE NO/DK AT Q35 AND YES AT Q29 AND NO/DK AT Q30 = 'UNCLEAR'

39. ASK ALL IN THIS SECTION [INCLUDE THUMBNAIL OF IMAGE ABOVE SO THEY CAN ENLARGE IF REQUIRED]: Now thinking about Point B, when you completed the set up / purchase of your [INSERT MOST RECENT PRODUCT]. How did you complete this stage and submit your information? We are **not** thinking about how you transferred the funds to the investment or if you had to finally sign a final confirmation and send this in the post. SINGLE CODE

    In person / face-to-face in adviser's office
    In person / face-to-face in bank / building society branch
    Online / via a website
    Over the phone
    By completing a paper document / application form and posting
    Don't know / can't remember

40. ASK ALL IN THIS SECTION: What was the name of the organisation (e.g. adviser firm, bank or building society, product provider or website) that you submitted your information to?

    OPEN QUESTION

    [NB This question will not form part of the analysis undertaken by NMG. A list of verbatims can be provided to FCA]

41. ASK IF YES AT Q29 (RECEIVED REGULATED ADVICE): Was the advice you received independent or restricted? Please see below for definitions of each of these.

    An **independent** financial adviser offers advice on the full range of investment products and from the full range of providers in the market
    A **restricted** financial adviser only recommends certain types of investment product, and/or products from a limited number of providers

    I received independent advice
    I received restricted advice
    Don't know

42. ASK ALL IN THIS SECTION: Did you have to pay a fee or commission to this organisation (where you submitted your information to complete the set up / purchase of the product) for any advice or information you received between points A and B? If relevant, please specify how you paid this fee.

    Please do not include the money you transferred into the product, product charges / annual management charges (AMCs) or admin fees. SINGLE CODE

    Did not pay a fee or commission
    The organisation received commission from the provider of the product
    I paid a fee direct e.g. by cheque or debit card
    I had the fee deducted from my investment / the amount I transferred e.g. the fee was £300 on an investment of £10,000, £9,700 would be credited to your investment by the provider of the product and £300 would be paid to the adviser.

I paid using a combination of paying direct and having the remaining fee deducted from my investment
Don’t know / cant’ remember

43. ASK ALL EXCEPT DID NOT PAY A FEE OR DK AT Q42: How much was this fee or commission?

    RECORD ACTUAL BUT ALLOW DK

44. Who do you believe was responsible for ensuring this product was suitable for you when you first set up / purchased this product? SINGLE CODE

    ONLY SHOW IF YES AT Q29:
    The professional financial adviser I used
    SHOW ALL EXCEPT WHERE YES AT Q29 AND CODE 1 AT Q32 AND YES ATQ30:
    The organisation I used to complete the set up / purchase of the product
    [NB Everyone should see at least one of the above codes, some will see both]
    The actual provider of the product
    Myself
    Don’t know

45. Who do you believe is responsible for ensuring this product remains suitable for you over time? SINGLE CODE

    ONLY SHOW IF YES AT Q29:
    The professional financial adviser I used
    SHOW ALL EXCEPT WHERE YES AT Q29 AND CODE 1 AT Q32 AND YES ATQ30:
    The organisation I used to complete the set up / purchase of the product
    [NB Everyone should see at least one of the above codes, some will see both]
    The actual provider of the product
    Myself
    Don’t know
    [Not applicable as took annuity – *Do not ask this question if taken an annuity CODE 9 at Q15 and prefill to this code*]

46. How confident did you feel that you had made the right decision at each of the points listed below?

	Very confident	**Quite confident**	**Neither**	**Not very confident**	**Not at all confident**	**Don’t know / can’t remember**
Once you had decided on the product but before you had actually completed the set up / purchase (just before point B)						
Immediately after you had set up / purchase (just after point B)						
Today						

Section 6: - Whether considered regulated product since Jan 2013 (Those who have considered a new product but not purchased a new regulated product since January 2013)

ASK IF CODE 2 AT Q13 (AND NOT CODE 1)

47. Which of the following products, if any, have you considered taking out since January 2013? MULTI CODE

    Please review more detailed definitions of the different products to ensure you make the appropriate selection by scrolling over the 'Definitions' icon underneath. [SHOW DEFINITIONS FROM Q9]

    1. *Cash based savings e.g. cash ISAs, bank/building society accounts/bonds or National Savings*
    2. Stocks and shares ISA (NOT a cash ISA)
    3. Unit trust/OEIC or investment trust (standalone, not held within an ISA)
    4. Structured product e.g. guaranteed income bond, guaranteed equity bond
    5. Lump sum investment with a life assurance company e.g. with profits bond, offshore bond
    6. Shares/equities (standalone, not held within an ISA)
    7. *Company pension / Group Personal Pension (pension arranged via an employer)*
    8. Personal pension / SIPP (which you have not yet used to fund retirement)
    9. Income drawdown (where income can be take while the pension fund remains invested)
    10. Annuity (which provides a regular income in retirement)
    11. ***DO NOT SHOW CODE 11*** *[Property for investment purposes e.g. buy-to-let (not a property fund)*
    12. Other (please specify)

IF CODES 2-6, 8-10 SELECTED AT Q47 = 'CONSIDERED REGULATED PRODUCT SINCE JAN 2013' SEGMENT (ASK REST OF SECTION THEN ROUTE TO SECTION 8)

IF CODE 1 7 12 ONLY AT Q47 (NON REGULATED PRODUCTS) SKIP TO…

- SECTION 7 IF CODES 3-8 SELECTED AT Q13 BUT NOT CODE 2 (ACTIVITY COMPLETED) **CODE AS 'NOT BOUGHT OR CONSIDERED BUT COMPLETED OTHER ACTIVITY' SEGMENT**

- OTHERWISE SKIP TO SECTION 8 (IF CODE 2-8 NOT SELECTED AT Q13) **CODE AS 'NOT TRIED' SEGMENT**

48. ASK IF MULTIPLE CODES 2-6, 8-10 [EXCLUDE COMPANY PENSION, CASH AND OTHER] AT Q47 OTHERWISE PREFILL: Which of these products did you consider most recently? If you considered more than one type of product at the same time, please select the one you were closest to taking out or spent the most time considering.

    SHOW RELEVANT PRODUCTS CONSIDERED SINCE JAN 2013
    THIS WILL BE THE PRODUCT ASKED ABOUT IN REST OF THIS SECTION

Intro: Please look at the image below. For this section we will be asking you to think about your experiences and feelings during the process of getting from points A to B for the most recent product you considered, which was a [INSERT MOST RECENT PRODUCT].

Where you see a small icon showing this image in the following questions, please hover over the icon to enlarge

49. Approximately how much time passed between point A and point B?

    A month or less
    2 - 3 months
    4 - 5 months
    6 - 12 months
    A year or more
    Don't know / can't remember

50. Please think about what was happening at point A. What was your motivation for considering an investment?

    MULTI CODE. ROTATE ORDER
    Was approaching retirement
    Realised I should start a pension / savings for retirement
    Change in circumstance e.g. new job, made redundant, got married, separated from spouse / partner
    Birth of a child / children
    Poor performance of current investments
    Low interest rates on cash based savings
    Had received money / lump sum to invest e.g. inheritance, sale of a property, existing investment matured
    Had something specific to save for e.g. wedding, holiday, children's education, house deposit
    Just wanted to start saving for the future / a 'rainy day'
    Just needed to review my financial situation
    End of the tax year so wanted to ensure I didn't lose tax benefits
    Other (please specify)
    Don't know / can't remember

51. What sources of information or advice did you use at any point between points A and B? Please select all that apply. MULTI CODE

A professional financial adviser
My employer
A relative
A friend / colleague
Bank / building society in branch
Bank / building society by phone
Bank / building society website
Insurance / pensions company by phone
Insurance / pensions website
Other financial product provider websites / investment platforms
Financial media, newspaper, specialist publications (either in print or online) e.g. Financial Times
Financial information website / forum e.g. Money Advice Service, Money Saving Expert, This is Money
Comparison website e.g. Compare the Market, Go Compare
Internet search engine e.g. Google
Other (please specify)
None / did not seek information – SKIP Q52

52. What source of information or advice was **most important** in influencing your decision making? SINGLE CODE [DO NOT ASK AND PREFILL IF ONLY 1 MENTIONED ABOVE]

A professional financial adviser
My employer
A relative
A friend / colleague
Bank / building society by phone or in branch
Bank / building society website
Insurance / pensions company by phone
Insurance / pensions website
Other financial product provider websites / investment platforms
Financial media, newspaper, specialist publications (either hard copy or online) e.g. Financial Times
Financial information website / forum e.g. Money Advice Service, Money Saving Expert, This is Money
Comparison website e.g. Compare the Market, Go Compare
Internet search engine e.g. Google
Other (please specify)

53. ASK ALL: Still thinking about when you considered taking out this product (INSERT PRODUCT CONSIDERED), did you talk to a professional financial adviser (in person or by phone) to discuss your requirements at any point? *(NB at this point we want to know their view of what is professional advice and will clarify later)*

Yes - in person only
Yes - by phone only
Yes - in person and by phone
No
Don’t know / can’t remember

54. IF YES AT Q53: What type of firm did the professional financial adviser that you spoke to work in? If you used more than one, please think about the one you saw most recently. SINGLE CODE

    A professional financial adviser that does not work for a bank, building society, insurance / pensions or fund management company
    A bank or building society e.g. Barclays, HSBC
    Insurance / pensions company e.g. Legal & General, Prudential
    A fund management company e.g. Fidelity, Invesco Perpetual
    Other (please specify)
    Don’t know / can’t remember

55. IF YES AT Q53: Was this a professional financial adviser that you had used before? SINGLE CODE

    Yes – since Jan 2013
    Yes – before Jan 2013
    No – never used this adviser

56. ASK ALL IN THIS SECTION **Regulated financial advice has a specific legal and regulatory meaning. It is a tailored recommendation from a qualified individual given after due consideration of your personal circumstances and objectives, so they recommend products or give you advice that is suitable for you only.**

    Based on the definition above, did you **receive** regulated financial advice (although you may have decided not to follow this advice)?

    Yes
    No
    Don’t know / can’t remember

57. ASK IF YES AT Q56: Did the adviser ask a lot of detailed questions about your needs and circumstances, including full details of your income and outgoings, and your existing savings and investments? If you have an existing relationship with this adviser and they asked you these questions during a previous meeting, please select ‘Yes’.

    Yes
    No [ASK ABOUT NON-ADVISED DEFINITION]
    Don’t know / can’t remember

58. ASK IF YES AT Q56: How clear was it to you at that time that you were receiving regulated financial advice?

    Very clear
    Quite clear

Not very clear
Not at all clear
Don't know / can't remember

59. ASK IF YES AT Q56: What is the **main** reason you decided to use an adviser?

SINGLE CODE. ROTATE ORDER
I always use a professional financial adviser
I trusted the adviser to recommend the product(s)/advice that was most suitable for me
Following professional advice ensures I have some comeback if my product does not perform well
I knew the adviser would be able to find better products than I could myself
The product / activity was too complex for me to understand
The reason / goal for my investment was too important for me to risk making a decision myself
The amount I wanted to invest was too high for me to risk making a decision myself
I had made my own decision before and was not happy with the outcome
I wanted a second opinion about something I had done myself
Other (please specify)
Don't know / can't remember

60. ASK IF YES AT Q56: What is the **main** reason you decided not to go ahead and take out this product that you considered (INSERT PRODUCTS CONSIDERED)?

SINGLE CODE. ROTATE ORDER
I did not want to pay an adviser fee / charge
The adviser's fees were too high
The product fees were too high
The advice was not independent / whole of market
The product / advice offered was not suitable for me
I did not trust / have confidence in the advice provided
I can make the most appropriate decision myself once I've heard the views of a professional financial adviser
I am just as able as any adviser to complete the relevant research and make the most appropriate decision
I am waiting for the appropriate time / still deciding how to proceed
I followed the advice from a different adviser I had seen previously (not the 'most recent' one)
My adviser did not recommend that I take out any new products
Other (please specify)
Don't know / can't remember

61. IF NO ADVICE/DK AT Q56 OR NO/DK AT Q57: **When you make your own investment decisions and (if relevant) execute your instructions directly with a product provider you accept responsibility for ensuring the product is suitable for you. The provider may offer you information and support to help you make your own decisions. The choice of product (if any) and whether to buy, sell or hold is yours alone.**

Based on the definition above, did you make your own decision not to go ahead and take out this product that you considered (INSERT PRODUCTS CONSIDERED)?

Yes
No
Don't know / can't remember

62. ASK IF YES AT Q61: How clear was it to you at that time that you were making your own decision?

Very clear
Quite clear
Not very clear
Not at all clear
Don't know / can't remember

63. ASK IF YES AT Q61: What is the **main** reason you decided to make your own decision as opposed to using a professional financial adviser?

SINGLE CODE. ROTATE ORDER
I did not want to pay an adviser fee / charge
I do not trust / have any confidence in professional financial advisers
I've had a bad experience of using a professional financial adviser in the past
I am just as able as any adviser to complete the relevant research and make the most appropriate decision
I want to stay in control of my investments
It was not worth using an adviser for the amount of money I had to invest
I know someone that was successful in making their own decisions for their investments
The product(s) I was / were considering were not complex enough to justify needing advice
Wouldn't know how to find an adviser
Adviser wouldn't be interested in me
Other (please specify)
Don't know / can't remember

64. ASK IF YES AT Q61: What is the **main** reason you decided not to go ahead and take out this product that you considered (INSERT PRODUCTS CONSIDERED)?

SINGLE CODE. ROTATE ORDER
The product was too complex for me to understand
The reason / goal for my investment was too important for me to risk making a decision myself
The amount I wanted to invest was too high for me to risk making a decision myself
I was not confident enough to make the decision myself
I was going to have to pay to actually take out / purchase the product
None of the product I considered were suitable for me
The product fees were too high
I am waiting for the appropriate time / still deciding how to proceed
Other (please specify)
Don't know / can't remember

65. ASK ALL IN THIS SECTION: Did you have to pay a fee for any advice or information you received between points A and B? If relevant, please specify how you paid this fee. SINGLE CODE

Did not pay a fee / only pay a fee if I take out a product
I paid a one off direct e.g. by cheque or debit card to the organisation providing the advice / information
I pay an ongoing subscription fee, which is debited directly from my account / credit card
Don't know / can't remember

66. ASK ALL EXCEPT DID NOT PAY A FEE OR DK AT Q65: How much was this fee or commission?

RECORD ACTUAL BUT ALLOW DK

Section 7: Not bought or considered but completed other activity since Jan 2013 (Those who have completed other activity but not bought or considered a new regulated product since January 2013)

ASK CODES 3-8 SELECTED AT Q13 (AND NOT CODES 1 OR 2)

67. Which of these activities did you complete most recently? If more than one of these activities were completed at the same time, then please select the one the one you feel was most significant to you.

SHOW ACTIVITIES COMPLETED SINCE JAN 2013 AT Q13 (CODES 3-8)
IF ONLY ONE COMPLETED DO NOT ASK AND PREFILL

3. Sought / attempted to seek information about investments generally, e.g. looking at the Money Advice Service website or registering with a financial information website
4. Attempted to seek personalised investment advice from a professional financial adviser
5. Had an annual / regular review with my professional financial adviser which did not result any changes to my investment holdings
6. Saw a professional financial adviser for the first time (i.e. I had not seen any financial adviser before) who completed a review of my investment needs
7. Made a change to an existing investment e.g. made a fund switch, encashed an investment, changed or started drawing an income for retirement purposes
8. Opened a live trading account with an online investment platform

This section focuses on activities that were not necessarily related to taking out or considering a specific product. Even if you have taken out or considered a product recently (which you mentioned earlier on) please answer this section in relation to this most recent activity - [INSERT ACTIVITY FROM Q67].

Ask this section for most recent activity

68. What was your motivation for completing this activity?

MULTI CODE. ROTATE ORDER
Was approaching retirement
Realised I should start a pension / savings for retirement
Change in circumstance e.g. new job, made redundant, got married, separated from spouse / partner
Birth of a child / children
Poor performance of current investments

Low interest rates on cash based savings
Had received money / lump sum to invest e.g. inheritance, sale of a property, existing investment matured
Had something specific to save for e.g. wedding, holiday, children's education, house deposit
Just wanted to start saving for the future / a 'rainy day'
Just needed to review my financial situation
End of the tax year so wanted to ensure I didn't lose tax benefits
Other (please specify)
Don't know / can't remember

69. ASK IF CODES 3, 7, 8 AT Q67 (DO NOT ASK IF SAW ADVISER – CODES 4, 5 OR 6)
When you '[INSERT MOST RECENT ACTIVITY]', did you talk to a professional financial adviser (in person or by phone) to discuss your requirements at any point? *(NB at this point we want to know their view of what is professional advice and will clarify later)*

Yes - in person only
Yes - by phone only
Yes - in person and by phone
No
Don't know / can't remember

70. ASK IF CODES 4-6 AT Q67: When you '[INSERT MOST RECENT ACTIVITY]', did you talk to them in person or by phone?

In person only
By phone only
Both in person and by phone
Don't know / can't remember

71. ASK IF YES AT Q69 OR CODES 4-6 AT Q67: What type of firm did the professional financial adviser that you spoke to work in? If you used more than one, please think about the one you saw most recently. SINGLE CODE

A professional financial adviser that does not work for a bank, building society, insurance / pensions or fund management company
A bank or building society e.g. Barclays, HSBC
An insurance / pensions company e.g. Legal & General, Prudential
A fund management company e.g. Fidelity, Invesco Perpetual
Other (please specify)
Don't know / can't remember

72. ASK IF YES AT Q69 OR CODES 4-6 AT Q67: Was this a financial adviser or adviser firm that you had used before? SINGLE CODE

Yes – since Jan 2013
Yes – before Jan 2013
No – never used this adviser
Don't know / can't remember

73. ASK ALL IN THIS SECTION: **Regulated financial advice has a specific legal and regulatory meaning. It is a tailored recommendation from a qualified individual given after due**

consideration of your personal circumstances and objectives, so they recommend products or give you advice that is suitable for you only.

Based on the definition above, did you **receive** regulated financial advice (although you may have decided not to follow this advice)?

Yes
No
Don't know / can't remember

74. ASK IF YES AT Q73: Did the adviser ask a lot of detailed questions about your needs and circumstances, including full details of your income and outgoings, and your existing savings and investments? If you have an existing relationship with this adviser and they asked you these questions during a previous meeting, please select 'Yes'.

Yes
No [ASK ABOUT NON-ADVISED DEFINITION]
Don't know / can't remember

75. ASK IF YES AT Q73: How clear was it to you at that time that you were receiving regulated financial advice?

Very clear
Quite clear
Not very clear
Not at all clear
Don't know / can't remember

76. ASK IF CODE YES AT Q73: What is the **main** reason you decided to use an adviser?

SINGLE CODE. ROTATE ORDER
I always use a professional financial adviser
I trusted the adviser to recommend the product(s)/advice that was most suitable for me
Following professional advice ensures I have some comeback if my product does not perform well
The activity I wanted to undertake was too complex for me to do by myself
I had made my own decision before and was not happy with the outcome
I wanted a second opinion about something I had done myself
It was just an annual / regular review so I had no specific reason
Other (please specify)
Don't know / can't remember

77. ASK IF CODE YES AT Q73: What is the **main** reason you decided not to take out or consider any particular product when you (INSERT ACTIVITY)?

SINGLE CODE. ROTATE ORDER
I did not want to pay an adviser fee / charge
The adviser's fees were too high
The advice offered was not suitable for me
I did not trust / have confidence in the advice provided
I can make the most appropriate decision myself once I've heard the views of a professional financial adviser

I am waiting for the appropriate time / still deciding how to proceed
It was just an annual / regular review so had no specific product need
My adviser did not recommend that I take out any new products
The adviser/firm I contacted would not give me advice / turned me away
Other (please specify)
Don't know / can't remember

78. IF NO/DK ADVICE AT Q73 OR NO/DK AT Q74: **When you make your own investment decisions and (if relevant) execute your instructions directly with a product provider you accept responsibility for ensuring the product is suitable for you. The provider may offer you information and support to help you make your own decisions. The choice of product (if any) and whether to buy, sell or hold is yours alone.**

    Based on the definition above, did you make your own decision when it came to completing this activity?

    Yes
    No
    Don't know / can't remember

79. ASK IF YES AT Q78: How clear was it to you at that time that you were making your own decision?

    Very clear
    Quite clear
    Not very clear
    Not at all clear
    Don't know / can't remember

80. ASK IF YES AT Q78: What is the **main** reason you decided to make your own decision as opposed to using a professional financial adviser?

    SINGLE CODE. ROTATE ORDER
    The activity I wanted to complete was simple / I did not need advice
    I did not want to pay an adviser fee / charge
    I do not trust / have any confidence in professional financial advisers
    I've had a bad experience of using a professional financial adviser in the past
    I am just as able as any adviser to complete the relevant research and make the most appropriate decision
    I want to stay in control of my investments
    I know someone that was successful in making their own decisions for their investments
    Wouldn't know how to find an adviser
    Adviser wouldn't be interested in me
    The adviser/firm I contacted would not give me advice / turned me away
    Other (please specify)
    Don't know / can't remember

81. ASK IF YES AT Q78: What is the **main** reason you decided not to take out or consider any particular product when you (INSERT ACTIVITY)?

    SINGLE CODE. ROTATE ORDER

I was not confident enough to make the decision myself
The activity I wanted to undertake was too complex for me to do by myself
The reason / goal for my investment was too important for me to risk making a decision myself
The amount I wanted to invest was too high for me to risk making a decision myself
I am waiting for the appropriate time / still deciding how to proceed
I only needed to make a change to an existing investment
I didn't need a specific product at the time
Other (please specify)
Don't know / can't remember

82. ASK IF NO / DK AT Q73 AND NO / DK AT Q78: What is the **main** reason you decided not take to out or consider any particular product when you (INSERT ACTIVITY)?

I did not want to pay an adviser fee / charge
The adviser's fees were too high
I can make the most appropriate decision myself once I've heard the views of a professional financial adviser
I am waiting for the appropriate time / still deciding how to proceed
I didn't need a specific product at the time
I only needed to make a change to an existing investment
The adviser/firm I contacted would not give me advice / turned me away
I was not confident enough to make the decision myself
The activity I wanted to undertake was too complex for me to do by myself
The reason / goal for my investment was too important for me to risk making a decision myself
The amount I wanted to invest was too high for me to risk making a decision myself
Other (please specify)
Don't know / can't remember

83. ASK ALL IN THIS SECTION: Even though you didn't complete a product purchase were you charged a fee for any information or advice you may have accessed when completing this activity? If relevant, please specify how you paid this fee. SINGLE CODE

Did not pay a fee / only pay a fee if I take out a product
I paid a one off direct fee e.g. by cheque or debit card to the organisation providing the advice / information
I pay an ongoing subscription fee, which is debited directly from my account / credit card
Don't know / can't remember

84. ASK ALL EXCEPT DID NOT PAY A FEE OR DK AT Q83: How much was this fee or commission?

RECORD ACTUAL BUT ALLOW DK

Section 8: How arranged other products held (All financial decision makers with investable assets >£5,000)

85. ASK IF ANY REGULATED PRODUCTS (CODES 2-6, 8-10) ARE HELD AT Q9 AND NOT SELECTED AT Q19:
Now thinking about how you have taken out / purchased investments in the past.

Please consider the definitions used previously, if you have seen them earlier, or otherwise please read the definitions below.

Regulated advice: Regulated financial advice has a specific legal and regulatory meaning. It is a tailored recommendation from a qualified individual given after due consideration of your personal circumstances and objectives, so they recommend products or give you advice that is suitable for you only.

Making your own decision: When you make your own investment decisions and (if relevant) execute your instructions directly with a product provider you accept responsibility for ensuring the product is suitable for you. The provider may offer you information and support to help you make your own decisions. The choice of product (if any) and whether to buy, sell or hold is yours alone.

Please try and think back to when you took out each investment and whether you received regulated financial advice or made your own decision.

SHOW ALL REGULATED PRODUCTS CURRENTLY HELD AT Q9 [EXCLUDE MOST RECENT IF DEFINED IN SECTION 4 Q19. DO NOT SHOW CASH, COMPANY PENSION OR PROPERTY]

Products held:	**Received regulated advice**	**Made my own decision**	**Don't know / can't remember**
…..			

86. Thinking about all your investments currently held how many different product providers do you hold these with? *[NB won't be accurate but will give a sense of how diverse which is coming out as important in qual]*

Only 1
2-3
4-5
6-10
Over 10
Don't know / can't remember

<u>ASK ALL WHO DON'T SEE Q85 AND Q86 (INC. FIRST TIME INVESTORS)</u>

87. ASK IF ONLY NON REGULATED PRODUCTS HELD AT Q9 (CODES 1, 7, 11, 12) OR IF THE ONLY REGULATED PRODUCTS HELD AT Q9 WERE SELECTED AT Q19
Now thinking about how you have taken out / purchased investments in the past.

Please consider the definitions used previously, if you have seen them earlier, or otherwise please read the definitions below.

Regulated advice: Regulated financial advice has a specific legal and regulatory meaning. It is a tailored recommendation from a qualified individual given after due consideration of your personal circumstances and objectives, so they recommend products or give you advice that is suitable for you only.

Making your own decision: When you make your own investment decisions and (if relevant) execute your instructions directly with a product provider you accept responsibility for ensuring the product is suitable for you. The provider may offer you information and support to help you make your own decisions. The choice of product (if any) and whether to buy, sell or hold is yours alone.

Have you ever received regulated financial advice which resulted in you taking out an investment product? Please try and think back to when you took out any other investments that you may no longer hold. [IF RELEVANT] Please exclude these products that you said you currently have: [INSERT FROM Q9].

Yes
No
Don’t know / can’t remember

88. IF YES AT Q87: Which of the following products, if any, was this regulated financial advice for? [ONLY SHOW 2-6, 8-10 BUT KEEP CODE FRAME THE SAME AS BEFORE FOR CONSISTENCY]

1. ***DO NOT SHOW*** *Cash based savings e.g. cash ISAs, bank/building society accounts/bonds or National Savings & Investments*
2. Stocks and shares ISA (NOT a cash ISA)
3. Unit trust/OEIC or investment trust
4. Structured product e.g. guaranteed income bond, guaranteed equity bond
5. Lump sum investment with a life assurance company e.g. with profits bond, offshore bond
6. Shares/equities (standalone, not held within another investment product)
7. ***DO NOT SHOW*** *Company pension / Group Personal Pension (pension arranged via an employer)*
8. Personal pension / SIPP (which you have not yet used to fund retirement)
9. Income drawdown (where income can be take while the pension fund remains invested)
10. Annuity (which provides a regular income in retirement)
11. ***DO NOT SHOW*** *Property for investment purposes e.g. buy-to-let (not a property fund)*
12. ***DO NOT SHOW*** *Other (please specify)*
13. None of these / advice did not relate to a specific product

89. IF CODES 2-6, 8-10 AT Q88: What is the **main** reason you no longer have this product?

SINGLE CODE. ROTATE ORDER
I cashed it in as my adviser wanted to charge an ongoing fee to manage the investment for me
It was too complex for me to manage myself so I decided to invest in cash based savings instead
I retired so I used the product to provide an income
I was made redundant / out of work so needed the money for general living expenses
I needed the money to fund something specific e.g. children's education
Other (please specify)
Don't know / can't remember

Section 9: Attitudes & future expectations (All financial decision makers with investable assets >£5,000)

The next few questions focus on your general attitudes to investing.

90. Please consider the scenario where you had £20,000 to invest. There is an equal chance that your £20,000 investment could go up or down **over a 5 year period**. Please look at the table below. The column on the left shows the lowest possible amount you could end up with if your investment decreases in value. The column on the right shows the highest possible amount you could end up with if your investment increases in value.

    Please select which one of the four investment options below you would prefer. (*NB this is qual pre-task question & IC question – but over 5 years added)*

	Lowest possible value	**Highest possible value**
Investment A	£20,000	£20,000
Investment B	£18,000	£30,000
Investment C	£16,000	£40,000
Investment D	£14,000	£50,000

91. Please imagine you had invested £20,000. How upset would you be if the value of this investment **decreased** by each of the following amounts in **one year**. *(NB this is qual pre-task question & IC question)*

	Very upset	**Quite upset**	**Neither**	**Not very upset**	**Not at all upset**
£1,000					
£2,000					
£4,000					
£6,000					
£8,000					
£10,000					

92. Please select how strongly you agree to each of these statements about your attitudes to investing.

ROTATE

	Agree strongly	**Agree slightly**	**Neither**	**Disagree slightly**	**Disagree strongly**
I am confident making my own investment decisions					
I am pleased with the performance of my investments over the last 12 months					
I take an active interest in my finances and keep up-to-date with financial news					
I do not trust professional financial advisers to act in my best interests					
I am just as able as any adviser to complete the relevant research and make the most appropriate decision					
I feel comfortable making my own investment decisions with small amounts and / or simple products					
If someone I knew, who was in a similar financial situation to mine, took out an investment without using a financial adviser and it performed well, I would be likely to do the same					

93. Thinking back to the definitions we used previously for 'receiving regulated financial advice' and 'making your own decisions'. Please select which approach you would be most likely to use if you had each of the following new lump sum amounts to invest.

    Please see the definition underneath if you've not see before.

	Receive regulated advice	**Make my own decision**	**Don't know**
£1,000			
£5,000			
£10,000			
£20,000			
£50,000			
£100,000			

Regulated advice: Regulated financial advice has a specific legal and regulatory meaning. It is a tailored recommendation from a qualified individual given after due consideration of your personal circumstances and objectives, so they recommend products or give you advice that is suitable for you only. **Making your own decision:** When you make your own investment decisions and (if relevant) execute your instructions directly with a product provider you accept responsibility for ensuring the product is suitable for you. The provider may offer you information and support to help you make your own decisions. The choice of product (if any) and whether to buy, sell or hold is yours alone.

94. Which of the following reasons for taking out a new product may be relevant to you now or in the future? MULTI CODE

Starting a pension or other investment for retirement purposes
Retiring (i.e. need to secure a retirement income)
Saving for a house deposit for yourself
Savings for your children's / grandchildren's future e.g. education, house deposit
Saving for a 'rainy day'
None of these - SKIP Q95

95. Please select which approach you would be most likely to use if you were taking out a new product for each of the reasons below.

SHOW ALL SELECTED ABOVE…	**Receive regulated advice**	**Make my own decision**	**Don't know**
…			

96. Which of the following products would you consider in the future? MULTI CODE

Please review more detailed definitions of the different products by hovering over the 'Definitions' icon underneath to enlarge.

Stocks and shares ISA (NOT a cash ISA)
Unit trusts / OEICs or investment trusts
Shares / equities
Personal pension / SIPP
Annuity
None of these - SKIP Q97

Definitions:

Stocks and Shares ISA A tax efficient investment product providing access to a wide range of investment opportunities. They can be invested in individual stocks and shares or funds. Unlike cash ISAs, there is risk associated with these investments, depending on the performance of funds invested in. **Unit Trusts / OEICS (Open Ended Investment Company)** These are professionally managed collective investment funds. Managers pool money from many investors and buy shares, bonds, property or cash assets and other investments. **Investment Trusts** A company, quoted on the stock exchange, whose business is holding shares in other companies. If shares in those companies do well, then the trust does well and vice versa. Unlike unit trusts and OEICS, investment trusts are closed end funds. **Shares/equities** Investing in stock is ownership, or equity, in a company. Investors buy stock in the form of shares, which represent a portion of a company's assets and earnings (capital). **Personal pension** A pension scheme which enables you to build up a pension fund for retirement, which is not set up through the workplace. Personal Pensions are defined contribution (money purchase) schemes. **SIPP** A type of personal pension that allows you to choose exactly how your retirement savings are invested. Unlike ordinary personal pensions, where your choice is narrowed to a finite number of specific investments, SIPPs allow you more choice. **Annuity** A product that is purchased in retirement, using the funds from a pension investment, which will provide a regular income throughout retirement

97. ASK UNLESS NONE AT Q96: Please select which approach you would be most likely to use if you were taking out each of the following products.

SHOW ALL SELECTED ABOVE…	**Receive regulated advice**	**Make my own decision**	**Don't know**
…			

98. Would you seek regulated financial advice in any of these situations? MULTI CODE

If your investments performed badly during the **first year** of investing
If your investments performed badly during the first **five years** of investing
If you had concerns over the suitability if a product / fund you had invested in
If you inherited a large sum of money
If you were considering tax implications of leaving an inheritance
None of these

99. ASK IF INHERITED LARGE SOME OF MONEY AT Q98: If you inherited a large sum of money, how large would the sum need to be for you to seek regulated financial advice?

[ENTER ACTUAL NUMBER, MAX £1m]

100. ASK ALL Would you use any of the following? MULTI CODE

Remote advice via a website where you can speak to someone via a 'chat' facility (e.g. online or phone based)
Remote advice where you can speak to someone on the phone when you access their website
A professional financial adviser on a one off basis when you need advice for something specific, but you would not see this adviser again
None of these

Section 10: Other demographics (All financial decision makers with investable assets >£5,000)

The final few questions focus on other information to help with our analysis.

101. Please select how strongly you agree to each of these statements which relate to your attitudes in other parts of your life.

	Agree strongly	**Agree slightly**	**Neither**	**Disagree slightly**	**Disagree strongly**
I would be confident delivering a presentation on a topic I know well in front of a room full of 50+ people					
I have participated or would be keen to participate in hazardous sports e.g. parachute jumping, bungee jumping, white water rafting					
I am confident in my abilities to make the most appropriate decision in any situation at home or work					

102. What is the highest educational or school qualification you have obtained? SINGLE CODE

GCSE/O-Level/CSE
Vocational qualifications (=NVQ1+2)
A-Level or equivalent (=NVQ3)
Bachelor Degree or equivalent (=NVQ4)
Masters, PHD or equivalent

Other
No formal qualifications
Still studying

103. What is your marital status?

SINGLE CODE
Married / civil partnership
Co-habiting / living as married
Widowed
Divorced / separated

104. ASK IF 'NOT IN PAID WORK…' Q4 AND MARRIED / CIVIL PARTNERSHIP OR CO-HABITING / LIVING AS MARRIED AT Q103: Is your spouse or partner retired?

Yes
No

IF YES AT Q104 TREAT AT RETIRED WORKING STATUS FOR LIFESTAGE

105. Do you have children?

Yes
No

106. ASK IF YES AT Q105: Do any of these children live at home with you?

Yes
No

107. ASK IF YES AT Q106: How old is the youngest child that lives at home with you?

Under 5
5 - 10
11-16
17 -18
Over 18

108. ASK ALL: Please can you select your current residential status from the list below:

I own my property outright
I own my property, but am still paying a mortgage
I live in accommodation rented from a Local Authority / Housing Association
I live in accommodation rented from a private landlord
I live in other rented accommodation
Other (please specify)

109. In which of the following income bands, would you place your total, gross annual **household** income?

Please remember all the answers you provide are confidential.

Under £25,000
£25,000 - £49,999
£50,000 - £74,999
£75,000 - £99,999
£100,000 - £149,999
£150,000 or more
Would rather not state

110. What is the approximate outstanding amount of any mortgages you hold, including those on your main residential home, additional or buy-to-let properties?

None / no mortgages
Under £5,000
£5,000 - £24,999
£25,000 - £49,999
£50,000 - £99,999
£100,000 - £199,999
£200,000 - £299,999
£300,000 - £399,999
£400,000 - £499,999
£500,000 or more
Would rather not state

111. What is the approximate outstanding amount of any unsecured debt you hold e.g. personal loans, student loans, overdraft, outstanding credit / store card balances?

None / no unsecured debt
Under £500
£500 - £999
£1,000 - £1,999
£2,000 - £2,999
£3,000 - £3,999
£4,000 - £4,999
£5,000 - £5,999
£6,000 - £6,999
£7,000 - £7,999
£8,000 - £8,999
£9,000 - £9,999
£10,000 or more
Would rather not state

112. Would you be willing to be contacted again, by email or telephone, to take part in further research?

Yes
No

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