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Money Guidance

The outcome of the Thoresen Review of Generic Financial Advice

Thoresen's key recommendation is that a "pathfinder" should be set up as soon as possible. He notes that this would test the hypothesis that he has developed about delivery through partnership, the scope of the service and how to engage people. The report notes this pathfinder could take between 18 and 24 months to complete, and cost around £10 million to £12 million, which should be split between Government and FSA regulated firms.

Amongst the main aspects of the report are:

- Money Guidance is about equipping people with the tools, knowledge and confidence to make better decisions about their finances while giving them clear guidance on what to do next.
- A national Money Guidance service should be governed by the principles of impartiality, supportiveness, crisis prevention, universality, and should be sales-free.
- Money Guidance should focus on giving people information and guidance on budgeting, saving and borrowing, protection, retirement planning, tax and welfare benefits, and jargon busting. It should stop short of recommending specific products.
- The Money Guidance service should be a partnership model, with a central body to direct the strategy, set standards and deliver some services, but with much of the service actually delivered by accredited partner organisations, including many already working successfully in this sphere.
- Money Guidance should be delivered using a multi-channel approach – telephone, face-to-face and web-based service.
- Money Guidance should have a new brand which encapsulates the principles of the service, most notably that the service is "on my side" and is "sales free".
- The marketing strategy for Money Guidance should be multifaceted,
- This should encompass national and regional marketing campaigns and engagement activities; trusted intermediaries; social networks and viral marketing.
- The Financial Services Authority (FSA) should take forward the national Money Guidance Service project.
- The costs of providing the service should be equally split between the Government and the financial services industry. The industry's share should be raised via a levy, with contributors drawn from firms regulated by the FSA, consumer credit firms regulated by the Office of Fair Trading, and National Savings and Investment.
- To ensure that the National Money Guidance service can be up and running as soon as possible, the Government should set up a regional pathfinder service as soon as it has had the opportunity to consider the report. The Review believes a large scale pathfinder, that enabled the report's recommendations about the service to be thoroughly developed and road-tested, should last around two years and would cost around £10-12 million. Funding should be split equally between the Government and FSA regulated firms, and the contributions made by FSA regulated firms during the pilot should be taken into account when the service is rolled out with a wider funding base.

More information is available at http://www.hm-treasury.gov.uk/independent_reviews/thoresen_review/thoresenreview_index.cfm

Prudential views

We support the principle of Money Guidance to provide easy access for consumers to a range of information and help.

The proposed Pathfinder (extensive piloting), and Government's support for it, will be an important step in determining how Money Guidance can best be delivered. The details of Pathfinder, still to be fleshed out, will be important – from the range of financial products which will be covered to identifying the correct next steps for people who use the service.

Signposting consumers who use the service to the next steps that they should take, and helping make those steps as easy as possible, will be critical to the success of the Pathfinder in terms of making a difference to consumer behaviour. The Thoresen report indicates, correctly in our view, that the final shape of Pathfinder and the Money Guidance Service must fit with the evolving landscape for regulated advice being developed under the FSA Retail Distribution Review (RDR).

Prudential argued that the FSA should take forward Money Guidance and we are pleased the Pathfinder will be developed by them. The FSA now needs to complement their existing scrutiny of consumer risk by developing the skills needed to engage and encourage consumers, where appropriate, to buy savings and other financial products. The FSA will also be well placed to develop both the Pathfinder and the RDR and ensure they complement each other.

The greatest challenge for the Pathfinder will be to engage people not just when they are looking for help with a crisis but, before that, to help them plan to avoid future crises. Experience in New Zealand, based on use of their Sorted (www.sorted.nz) website, suggests that most consumers using the Pathfinder will be looking for help in dealing with a crisis. What Sorted managed to do was to help people through their crisis and then encourage them to adopt a more proactive planning approach for future financial needs. However, we should not underestimate the difficulties of encouraging consumers to engage. We are seeking cultural/generational change and, just as the trend away from saving did not happen overnight, neither will any move in the other direction be instantaneous.

The Report touches on the need to provide help for people in deciding whether they should opt out of Personal Accounts (or an equivalent qualifying scheme) when the next stage of pensions reform takes effect in 2012. We believe it will be crucial for people to have access to good information and help in making that decision

As we move closer to 2012, we must be clear who is responsible for developing the information and the help that people will need, and who will be responsible for delivering it. We believe that consistent messages are needed from all the regulators, who must work together to produce those messages. The Money Guidance Service may provide one possible channel for delivering help.

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