

# RDR – what it means to you

In the last edition of T-CNews we invited readers to take part in a short survey on the RDR being organised by Ian Patterson from Patterson Sales Training. Here he shares the results with us.

**F**or businesses and trainers alike, it's likely to be a busy next 2 ½ years. We'll shortly know what the final exam requirements\* will look like – this is the final step in a journey that the FSA started in 2006 to fix the 'broken' financial services distribution model. As Winston Churchill famously said: 'this is not the end. It is not even the beginning of the end. but it is, perhaps, the end of the beginning'.

The last edition of T&C News included an invitation to take part in a survey to establish the impact of RDR. We were interested in answers to questions such as what the main challenges appear to be and what enhanced professionalism might look like.

This article discusses the results of this survey and the likely implications. The survey looked at four key areas:

- The impact RDR is likely to have on your firm
- Exams – the most widely used/ effective exam study methods and the biggest barriers,
- What enhanced professional skills might look like, *and*
- Your hopes about what a more structured CPD regime will bring.

First, here's a little about the respondents to the survey. 75% of the respondents were IFAs with 17.5% representing multi-ties. 60% were small businesses with between 2 and 10 advisers (probably reflecting the proportion of IFAs who responded); 15% had between 11-50 advisers and 17.5% were large organisations of 50 or more advisers.

Here is a summary of the questions we asked and the highlights from the responses.

## **Do you anticipate a change to your regulatory status as a result of RDR?**

Of these, a pretty resounding 75% do not expect to change their current

regulatory status with the remainder broadly split between being undecided and those who do expect to change their status. Most firms would probably accept that the RDR will represent a significant challenge in some shape or form but regulatory status clearly isn't likely to be key for most of them.

## **Which areas do you feel will represent the biggest challenge as a result of RDR?**

The FSA has indicated that it would like to see a change to the financial services distribution model but what do the firms themselves see as the biggest challenge? The answer is that they have two clear concerns; complying with RDR and remaining profitable as a business (47.5% of respondents) and achieving a level 4 qualification (45% of respondents).

There can be little doubt that RDR will increase the costs of providing regulated advice but there is also a widely held view (maybe only amongst us trainers) that more knowledgeable and skilled advisers will generate a greater income, quality of advice or both. This may well be the case but the results suggest that the costs are currently more obvious than the benefits. Without wishing to state the obvious, higher costs either have to be borne by the customer, business or absorbed by greater efficiencies or enhanced production. Given these three choices, I know which I'd prefer. Perhaps the challenge for training professionals is to demonstrate the returns the business can expect more clearly.

The other two significant challenges our respondents highlighted were repositioning the service provided to clients (27.5% of respondents) and developing adviser skills, e.g. to agree adviser charging with clients (20% of respondents). This shows an awareness that the skills advisers have used previously will have to change going forward.

Given the amount of column inches devoted to the exam side of things, it's reassuring to see that developing adviser's skills as well as their knowledge is on the radar for many of our respondent firms.

## **What revision methods are generally available to your advisers?**

Overall, 85% of our respondents used more than one learning method. When we look at the material itself, not surprisingly over 82% of students will use a study text. So what else gets used? Quite a range of materials are clearly used – past exam papers were the next most used method with revision courses in third place (62.5%) and web-based multiple choice questions in fourth (42.5%). The survey suggests that supplementary material such as key fact cards and audio CDs/MP3s are widely used but have a largely supporting role in the typical adviser's study.

The traditional revision course is still clearly a very popular learning method even though, in terms of cost (even if only measured in terms of time away from the workplace), it is a relatively expensive option. There's no doubt that this can be popular but there's also probably an element of 'old habits die hard'. People enjoy the social interaction and being led through learning by the trainer as much as anything.

It's interesting to see more 'alternative' technology-based methods such as webinars and coaching were used by a relatively high 22.5% of respondents. The use of other web-based solutions such as multiple-choice questions and MP3 downloads also appears to suggest that they are more than mere fringe players. Given the relative cheapness of these options (compared to the traditional revision course), it will be interesting to see what impression they make as different learning solutions vie for their share

of the spend on exam preparation materials.

(Patterson Sales Training are working on research on the relative effectiveness of each method and how it translates into exam success. This should be available for publication later this year.)

### **What do you believe are the two biggest barriers to successfully completing the exams?**

The survey also asked respondents to comment on the key barriers to their study. Out in front by some margin is a shortage of time. This won't come as a great surprise as many people will view learning as being in direct competition with work time, social time or both. Perhaps one of the greatest challenges for the training fraternity is to minimise the impact of study on work/social time and be able to demonstrate the positive returns this investment is likely to have.

The survey also shows that the standard of an adviser's existing knowledge is considered to be a relatively minor constraint. The two surprise packages in this area of the survey is the relatively high proportion (52.5%) who questioned the relevance of the exams to everyday work and the ability of advisers to sit written exams (25% of respondents).

I'll look first at those who question the relevance of the exams. Over half of the respondents view this as an issue although there may be a number of reasons for this. It may reflect advisers who specialise in particular planning areas and who are being 'forced' into studying areas outside their normal specialist areas in order to get the requisite number of credits. It might equally be a comment on the style of the exams. As the exams generally look at holistic planning issues, it might also be a reflection that as an industry, we are still too pre-occupied with selling products rather than providing advice.

The response to the adviser's ability to sit written exams suggests that a significant minority see the exam process (rather than the knowledge it tests) as the key barrier. The FSA has left the door open to

work-based assessments and it seems likely that the demand for this will see some alternatives developing in the near future at a suitable standard to demonstrate level 4 knowledge.

### **Which elements of a more stringent CPD regime would you most welcome?**

I'll keep this short as there were two clear winners and losers. By a wide margin, the two most welcomed elements of an enhanced CPD regime would be more structured CPD activities (training, structured reading, web-based learning and testing) and only giving CPD credit where outputs are capable of being validated. Many T&C schemes are moving in this direction but this suggests a strong preference for structure and proof of learning.

The losers? Well, a minimum number of hours and an enforced spread of different activities came bottom of the poll.

Increased professionalism under RDR goes beyond exams and includes the enhancement of skills. How much of a challenge do you think this will be for your business?

This question produced a curiously balanced response. Here are the figures:

- Significant – 27.5%
- Limited – 47.5%
- Minimal – 22.5%

One certainty is that three quarters (based on these responses) expect adviser skills development to be a challenge to some degree. A sizable minority do not see this as important for their business and 27.5% see it as being significant. Again, it's not possible to say with certainty what lies behind the figures. I suspect that this is more of a reflection of how far different businesses are along the change curve – some will have up-skilled their advisers already whilst some have yet to make much progress. If true, this is a reflection of a firm's stage of transition and not a clear statement about whether higher levels of skills are required or not.

When asked which two skills respondents felt their advisers most need to develop as a result of RDR, the top four skills are how they position and agree fees with clients

(47.5% of respondents), adopting a more consultative approach to providing advice (25%), positioning the service to be provided (20%) and adding value through ongoing client servicing (17.5%). These seem to suggest a premium for the adviser's soft skills – an area, perhaps, that hasn't had the prominence it deserves in the recent past (TCF or no TCF).

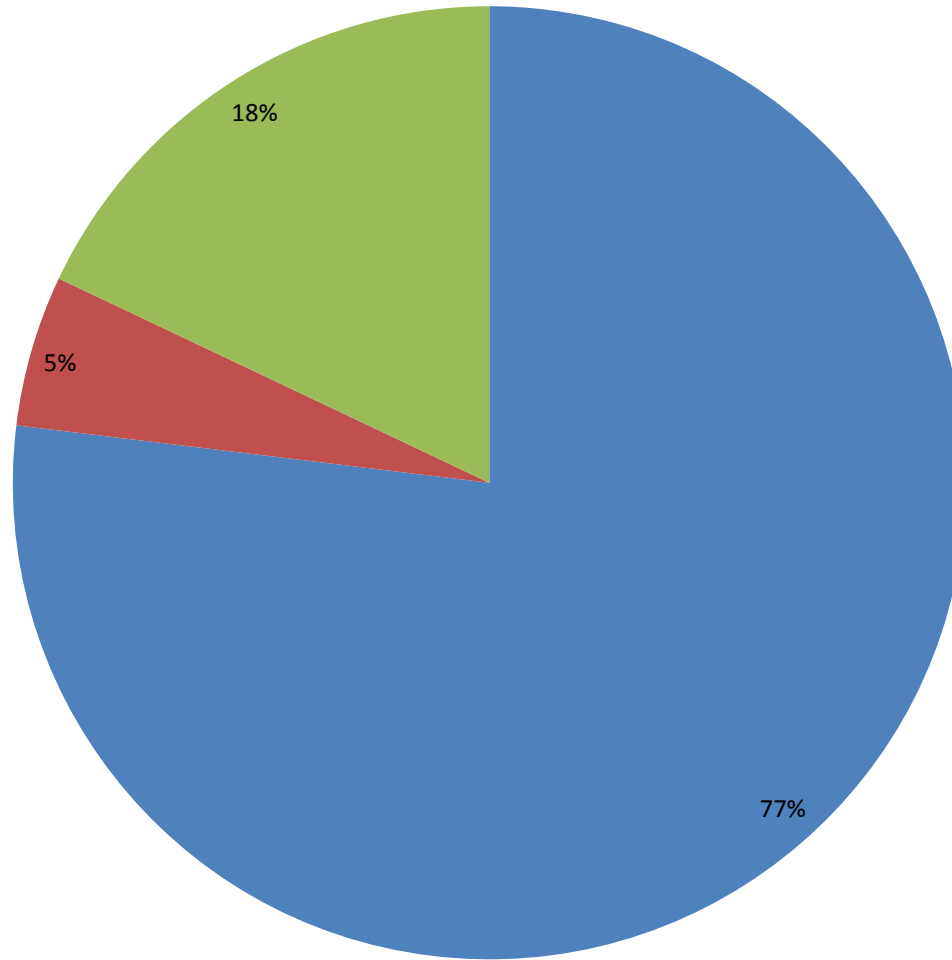
One area that is likely to have greater prominence in the new level 4 qualification is ethics. As this has limited coverage in some of the current level 4 offerings, this might feature highly in CPD logs over the next couple of years. When questioned, establishing and monitoring ethical behaviour was not seen as a big challenge by respondents. The two main issues likely to drive more ethical behaviour is the role-model set by senior management and the culture of the business. Interestingly, the basis of remuneration came second from bottom in factors likely to drive ethical behaviour. This appears to offer an interesting contrast to the FSA view that commission bias (or the perception of bias) is a problem that needs to be fixed. Our respondents clearly don't see this quite so black and white.

### **Conclusions**

So there we have it. We've deliberately looked to seek views across a wide range of issues that all firms will need to look at as part of RDR. The sense I get from this survey is that our respondents view RDR as evolution rather than revolution. The level 4 knowledge requirement is the single biggest challenge but evolving the adviser's skill-set is also a significant issue for most. When it comes to exam study, we are likely to use tried and tested methods but they can be time consuming. There is no doubt that there will be a lot of hard work to meet the RDR requirements by the end of 2012. This will also come at a significant cost. The challenge for businesses will be to ensure this investment delivers a handsome return – both financial and in terms of professional standing.

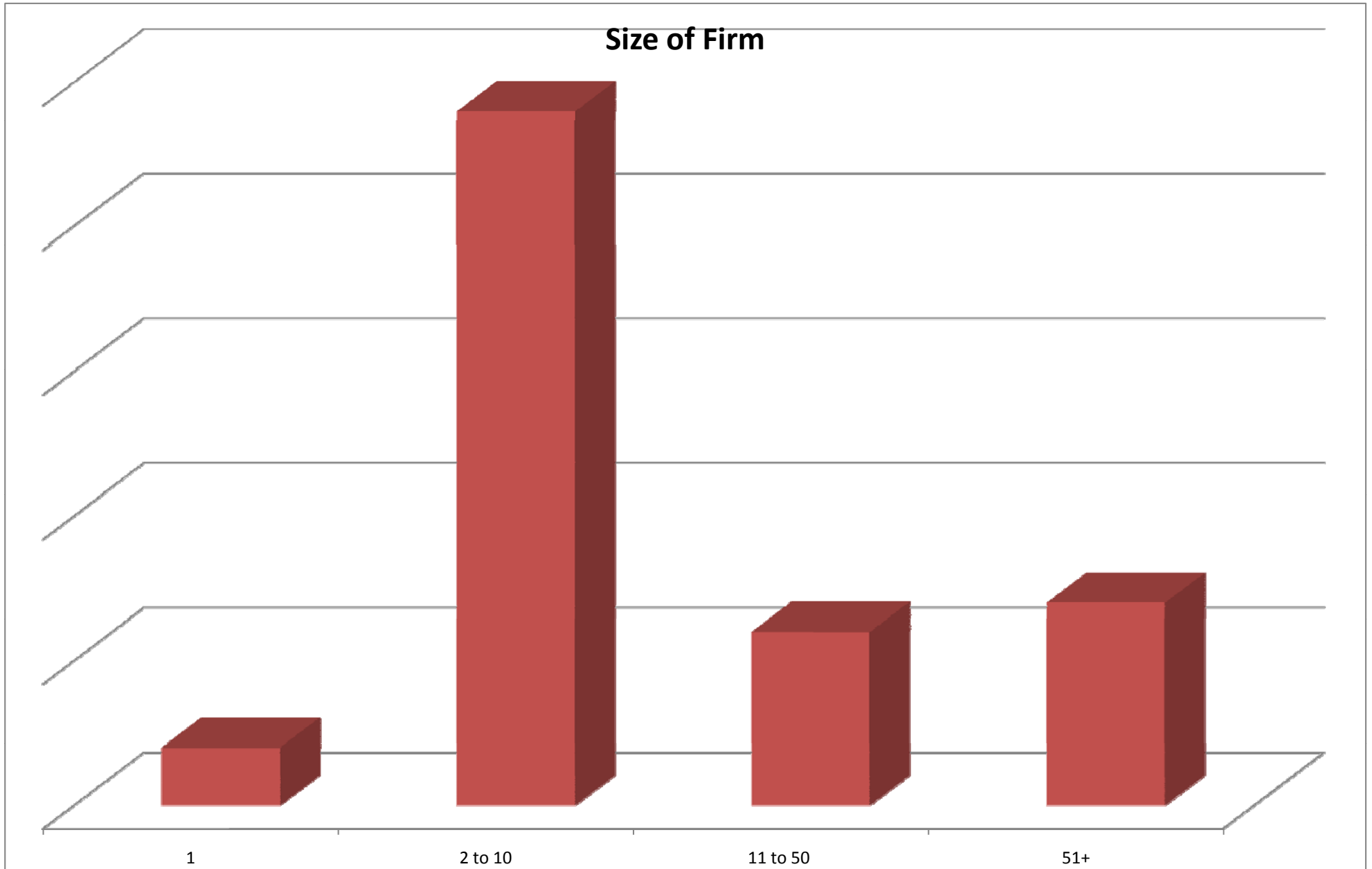
*\*written 22.3.10 prior to FSSC publication of final exam standards*

## Survey Contributors

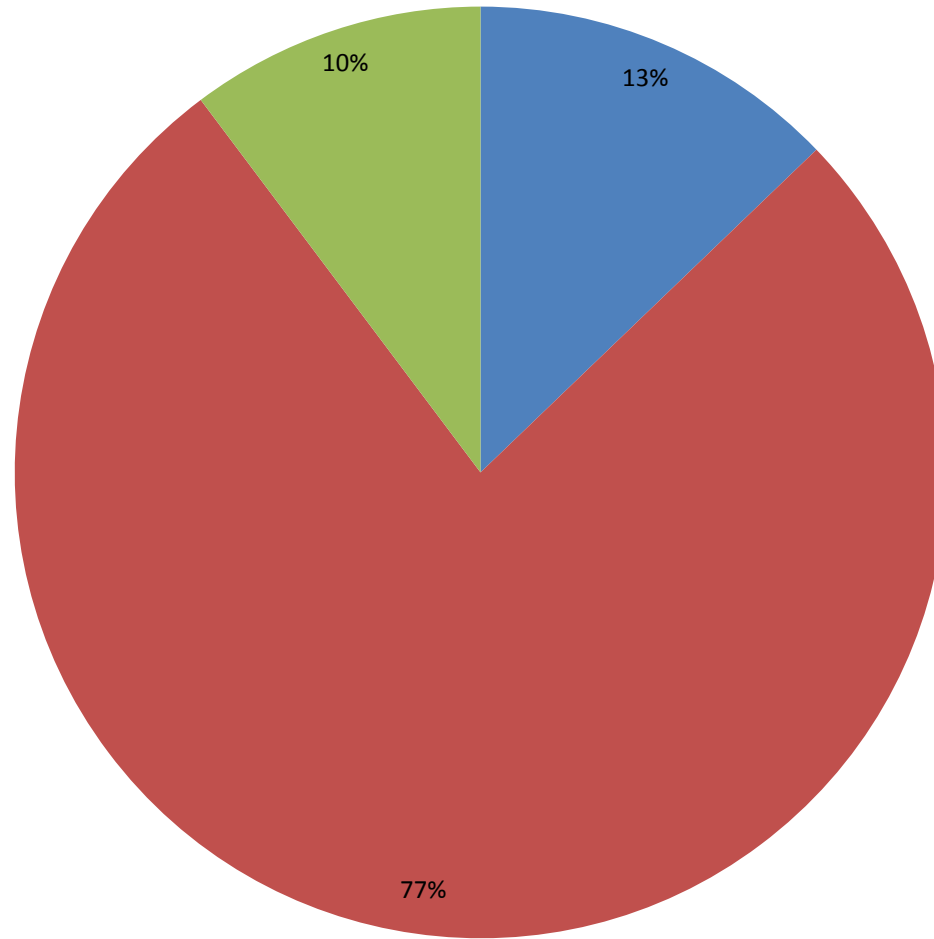


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### Size of Firm

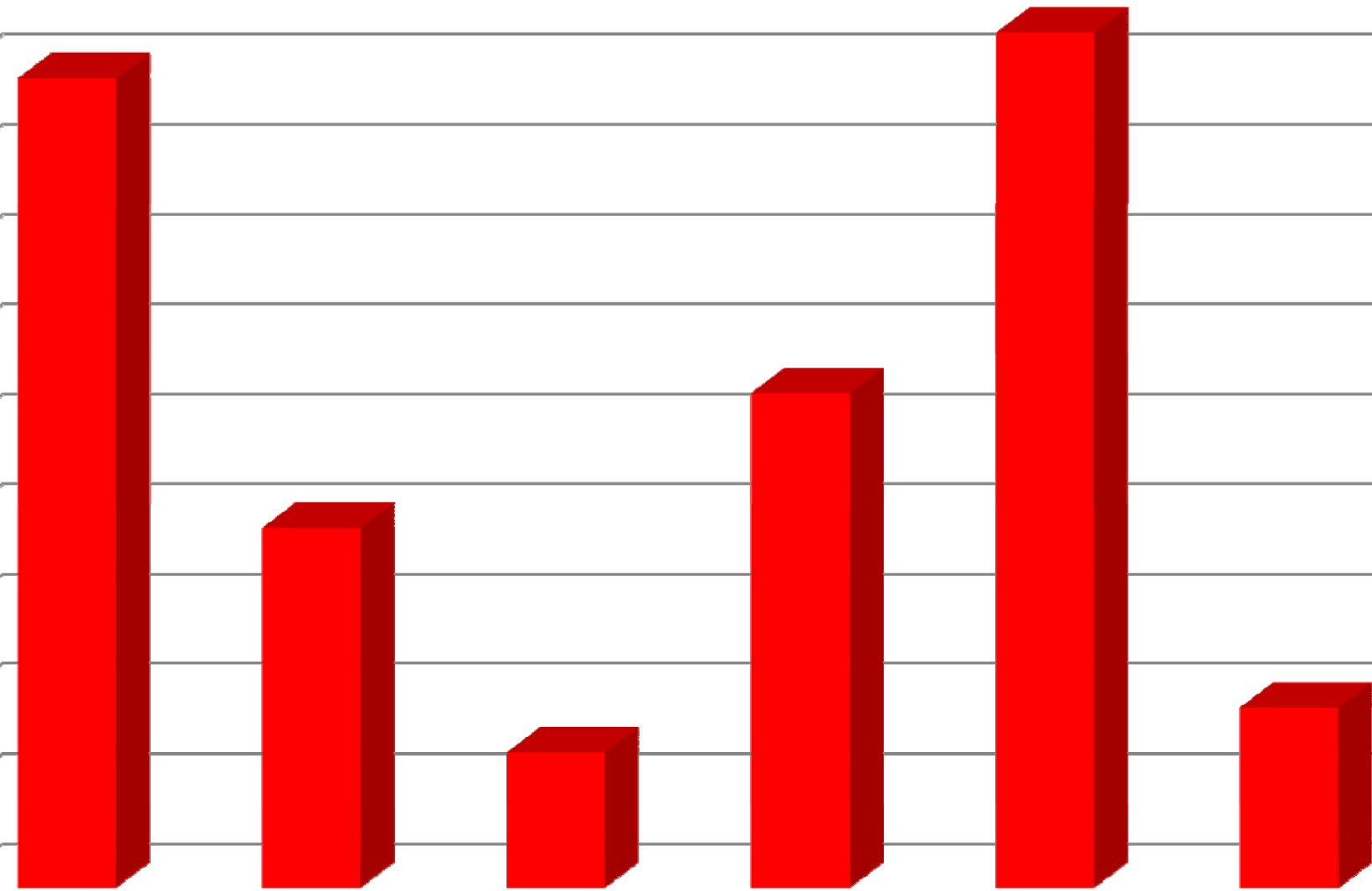


## Changing



■ YES ■ NO ■ UNDECIDED

## Biggest Challenges under RDR



LEVEL 4

ADVISER SKILLS

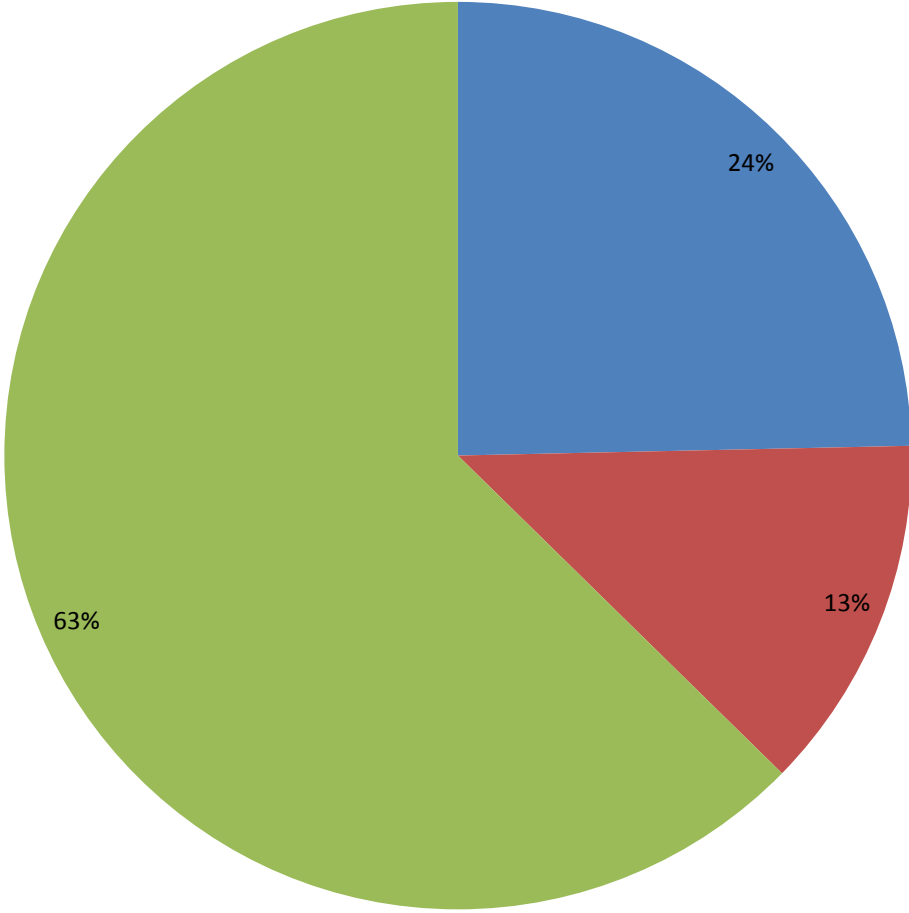
ETHICAL

REPOSITION

COMPLY/PROFIT

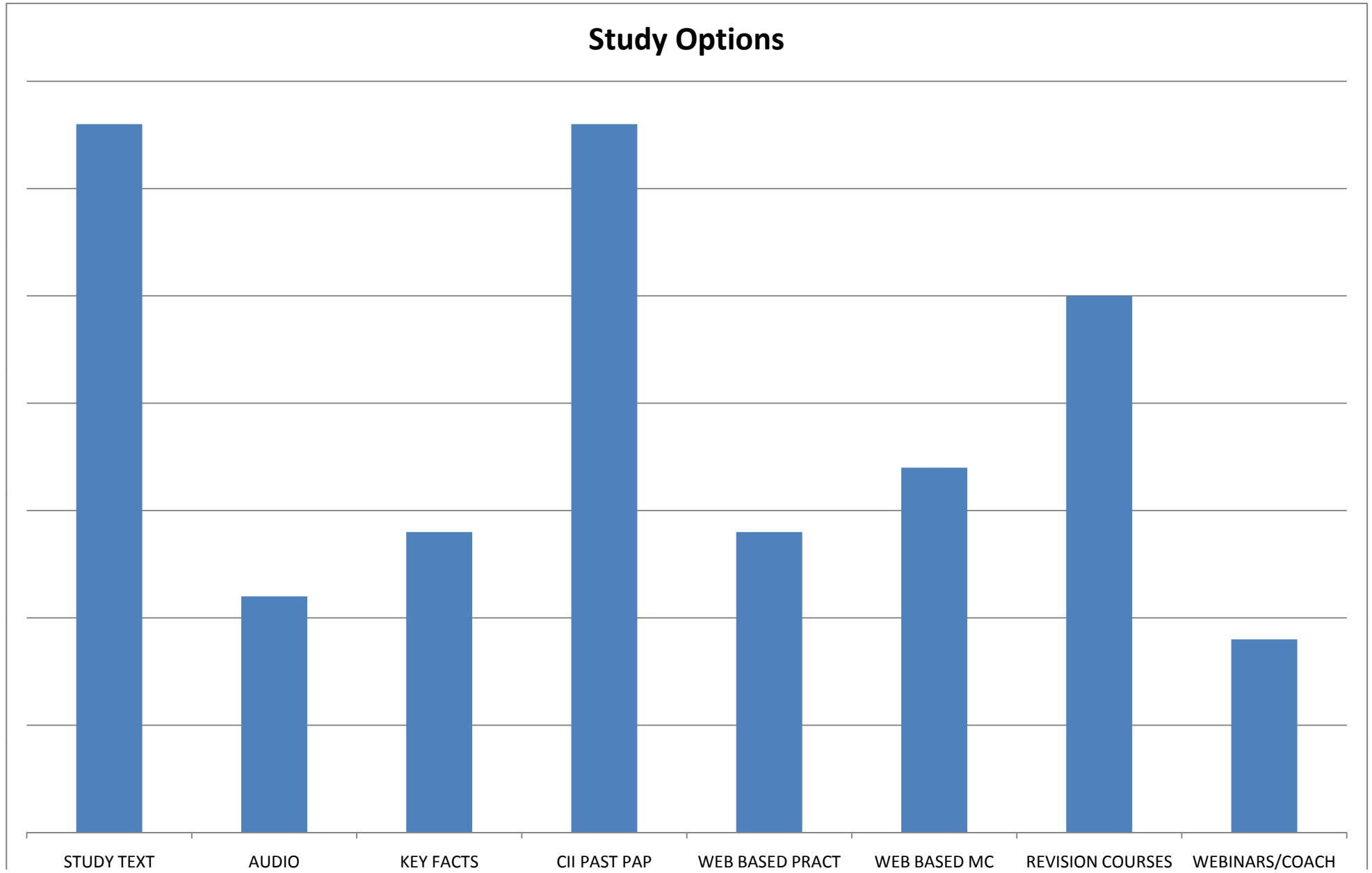
OTHER

# Qualifications



■ DIPLOMA ■ CHARTERED ■ OTHER

## Study Options



## Exam Barriers



TIME

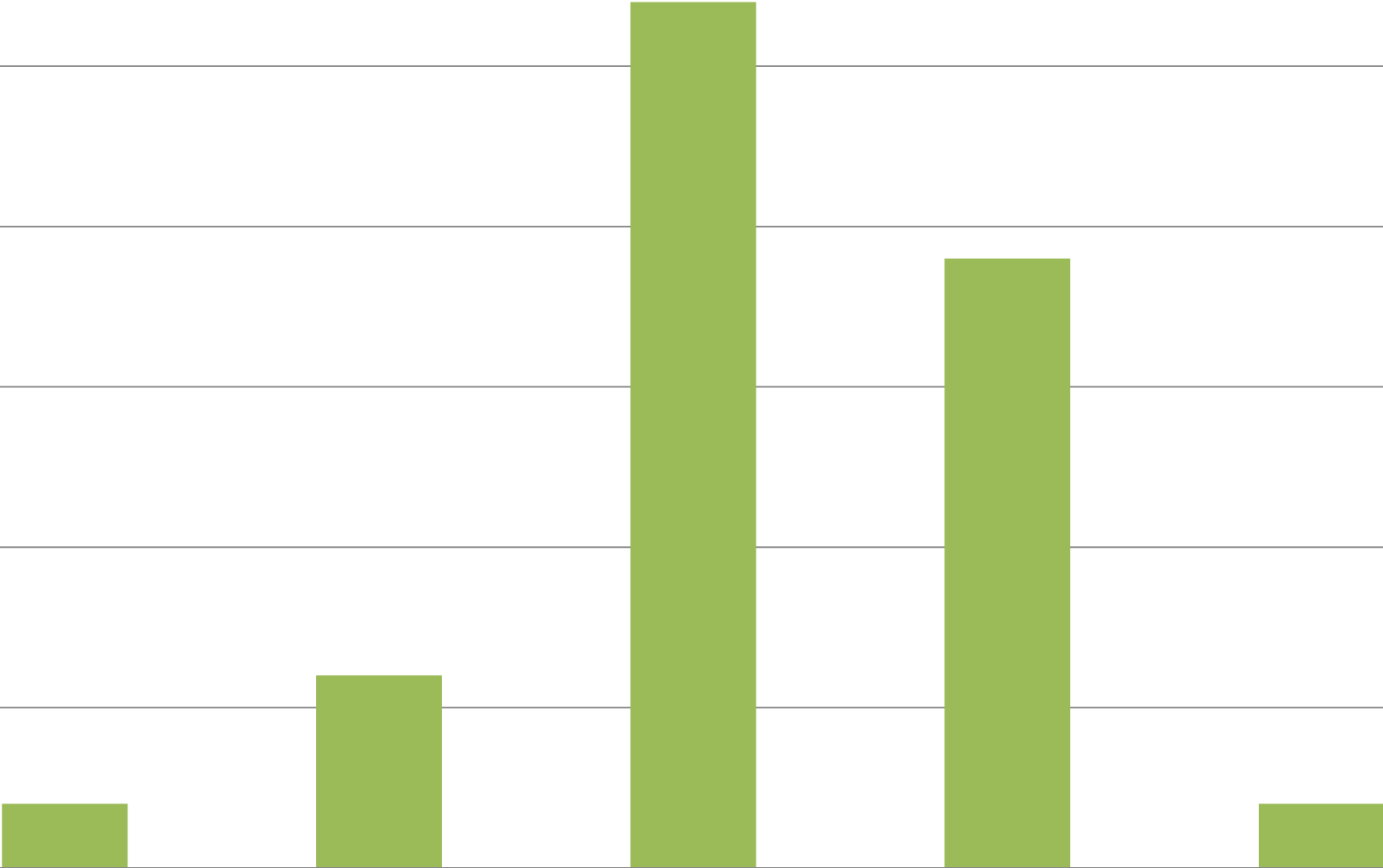
KNOW OUTSET

RELEVANCE

ABILITY SIT EXAMS

OTHER

# CPD Most Welcome Aspects



MIN HOURS

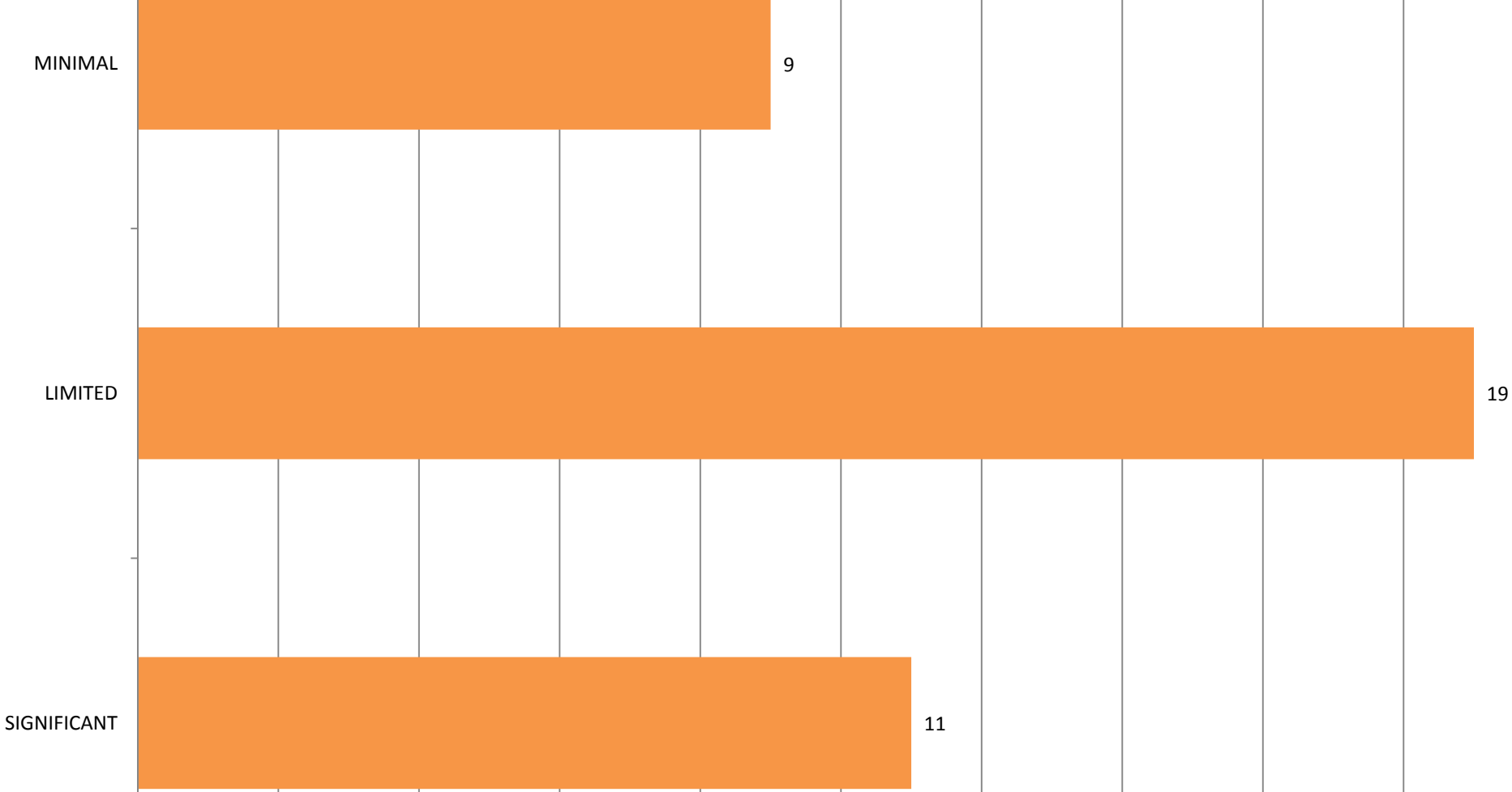
MIN SPREAD

MORE STRUCT

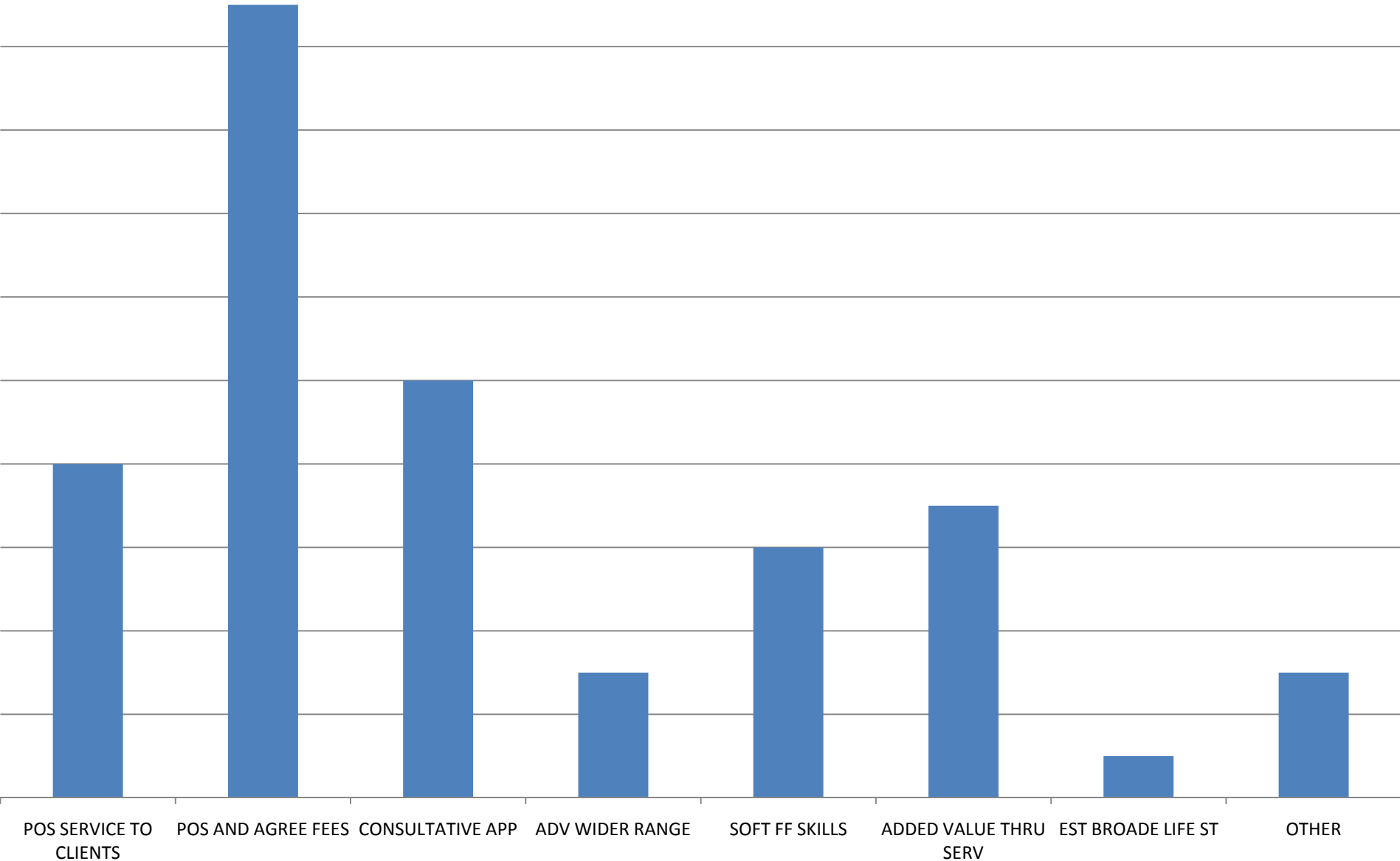
CPD VALIDATED

OTHER

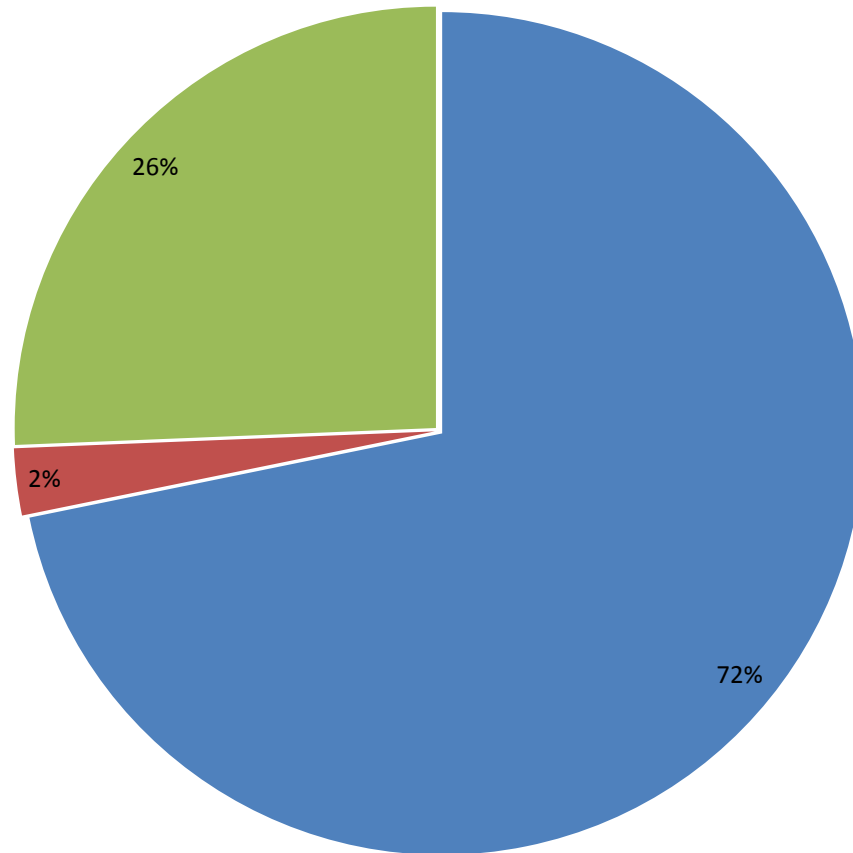
# Effect of Changes



# Most Needed Skills

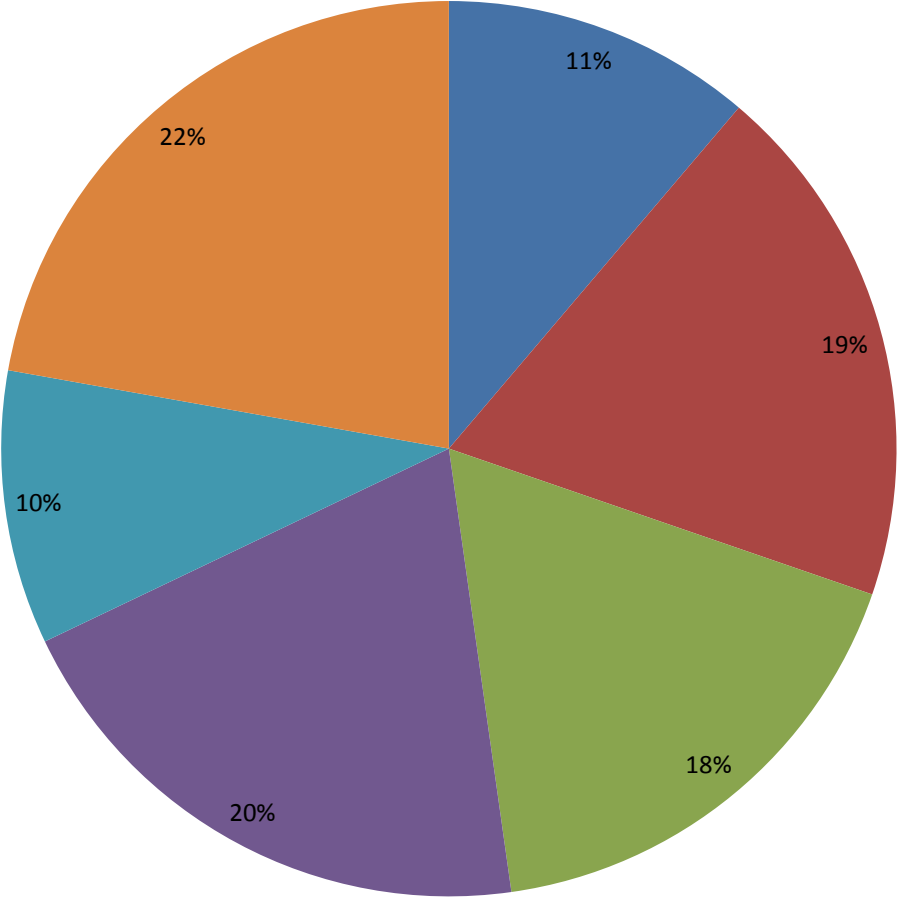


## Corporate Values



■ YES ■ NO ■ NOT SURE

# Ethical Actions



■ ROLE MODE MAN/SM ■ MAN CODE ■ REMUN ■ PROD DESIGN ■ CULTURE WITHIN ■ HEAVIER SANCTIONS