

To switch or not to switch, that is the question



Loosmore

Continuing his exclusive series for *Professional Adviser*, Mark Loosmore from technology consultancy AT8 Group analyses planning tools for advisers. Each week Mark selects a tool currently available to UK IFAs and assesses its strengths and weaknesses. Our aim is to help advisers compare and contrast solutions so they can identify the tools that may be most suitable for their businesses.

This week: Pensions Profiler

We have enjoyed reviewing some of the holistic specialist financial planning tools over the past weeks. These applications have tangible benefits as the industry moves towards fees and battles through the tough market conditions. These tools have been varied and interesting from both a business and software perspective. Some have been feature rich and colourful, while others have been functional but bland.

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should not be at the expense of functionality and intellectual processing support that these tools are designed for.

Last week, we had the opportunity to have a demonstration of 'Pensions Profiler', one of the suite of products from O&M systems.

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Pensions Profiler is focused on the world of pension switching which, while not as glamorous as holistic financial planning, is a significant – albeit niche – revenue stream for many IFAs, and a growing one. Indeed, in a recent survey of IFAs, only 11% said they

were not involved in pensions switching, while 30% of respondents saw this as a growth area and only 2% saw this as a shrinking service.

Conservative appearance

Pensions Profiler itself is not the most attractive looking application we have seen. It is rather two dimensional and conservative in appearance, especially when contrasted to the colourful holistic planning tools such as Voyant. But, and it is a big 'but', it is functional and robust, showing the knowledge and expertise of its creators at O&M and as such provides a real value-add to any IFA looking to include pensions switching as part of their business model.

Profiler provides Lipper-sourced data on all the different pensions funds showing past performance for all, or a selection of funds to help with research and comparisons. It will compare performance of more than 10,000 funds and produce switching reports for clients including old-style personal pensions.

Pensions switching has of course long been under the spotlight of the FSA and was more recently the subject of a thematic review published in December 2008.

Having the rigour and surety of using a tool such as Pensions Profiler is becoming essential to show a compliant process with the correct outcome for customers. O&M has taken this compliance angle a step further and built the FSA template for pensions switching into their system. This is the template that the FSA themselves used when carrying out their review and many IFAs are already adopting the template into their own processes.

However, to have a tool that helps automate the part competition of the template (filling in the tables at the back of the template from existing data) is a real bonus as both a compliance tool and a time saver.

Exchange link-up

Another nice new feature O&M has put into Pensions Profiler is that it has linked up to The Exchange to provide accurate quotations (where available from providers) and enable new business processing (again, where available from providers). Access is easily triggered from the system and in the case of quotations with no additional data entry.

I have always been a fan of any system that reduces the re-keying of data and that streamlines the sales process, so O&M and The Exchange are to be applauded for their efforts here. My enthusiasm for this function is a little diminished because the system is not yet supported by all the product providers across all their funds. Indeed, the fund

coverage for quotations is running at about 50-60%, so we would encourage the providers to extend their electronic reach if possible.

While I do like Pensions Profiler overall, despite the use of graphs to compare performance, the outputs are rather flat and grey (but good for advisers who don't use colour printers). O&M have made no attempt to produce a suitability report, so the document is most likely to be used as an appendix to their own suitability report. As such, it is designed to support the advice given to the client, but they would probably need help in understanding some of the complex issues covered.

Pragmatic access licensing

Pensions Profiler retails at £45 per user per month, made up of a core product licence of £40 and an additional £5 client access licence. If more than one user is required, but not concurrently, then the IFA need only buy more Client Access Licences at £5 per user, which is a refreshingly pragmatic approach.

In summary, Pensions Profiler is a useful application that is worthy of consideration for any IFA involved in pensions switching. Don't expect a dynamic or exciting look and feel, but you will get solid data to base client recommendations on and help you follow a compliant path to do so.

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FSA ACTION ON PENSION SWITCHING

The FSA announced in December last year it is taking action to improve the quality of advice given to customers to switch into a personal pension or self-invested personal pension (SIPP). It follows a review that found variable standards across a sample of 30 firms.

It said it will be writing to more than 4,500 firms that advise on pension transfers, setting out its findings, the standards it expects of firms and the action firms should take to ensure customers receive suitable advice.

The regulator plans to undertake more assessments in the third quarter

of 2009. Firms that fail to take steps where necessary will face further action.

The main causes of unsuitable advice were:

- switches involving extra costs without good reason;
- recommendations that did not match the customer's attitude to risk and personal circumstances;
- failure to explain the need for, or put in place, ongoing reviews when these were necessary;
- loss of benefits from existing pension schemes without good reason.

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