Getting what you pay for

Specialist fee-based financial advice for dentists by Martyn Bradshaw

From 2012 new rules from the Financial Services Authority (FSA) mean financial advisers will be required to provide their clients with clearer guidelines on the cost of their advice and how charges affect pension and investment products. The Financial Services Authority (FSA) will implement a wide range of changes intended to remove ‘commission bias’ to ensure recommendations are not influenced by product providers and to raise the bar on adviser qualifications.

Independent Financial Advice (IFA) is available from firms who offer financial products from the ‘whole of the market’ and offer a fee-based option. Firms who offer products from a limited range of products and without fee-based options can’t call themselves independent.

The distinction between different types of financial adviser already exists. Good quality IFA firms already promote fee-based advice and our experience is that fee-based planning is fast becoming the preferred route for dentists. Whilst fee-based advice will have you reaching for your cheque book, investment charges are usually reduced making this potentially cost-effective over the medium to long-term.

Our example compares fee-based and commission-based advice for a dentist making a pension contribution of £500 per month. The figures speak for themselves.

If your adviser is not independent they may not offer you this saving. Combine this with the fact that they impose limitations on fund and pension provider choice and the case for non-independent advice is difficult to understand. This is especially so for dentists, who often make larger than average personal pension contributions whilst requiring specialist advice.

If you have received advice from a bank or building society it is possible that your adviser was not independent, let alone experienced in advising dentists. This may deny you access to fee-based advice and risk specialist knowledge on areas such as the NHS pension. Even some national firms who offer dental specific financial advice, don’t offer independent financial advice. If you are currently taking advice from one of these firms make sure you ask hard questions of the adviser relating to investment charges, commissions and their very limited product range.

Dentists should settle for nothing less than independent financial advice from a firm specialising in financial planning for dentists.

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Final fund value</th>
<th>Pension income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee based route: £500 per month net</td>
<td>£400,000</td>
<td>£22,900</td>
</tr>
<tr>
<td>Commission route: £500 per month net</td>
<td>£381,000</td>
<td>£22,300</td>
</tr>
</tbody>
</table>

*e.g. your old male, £500 gross contribution, growth of 7% pa, retirement at age 60

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About the author
Martyn Bradshaw BA (Hons) Dip PFS, is a director of Practice Financial Management Ltd (PFM), one of the UK’s leading dental practice managers. Further information about PFM’s practice valuations and sales services can be found at www.pfm-dental.co.uk.

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