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Budget changes: Advisers will need to rethink advice processes

Initial and on-going retirement advice is going to become increasingly complex and getting it wrong can do lasting damage to the lives of vulnerable retirees” warns Bruce Moss, eValue’s Strategy Director.

The Budget is an enormous opportunity for financial advisers as they are best placed to meet the requirement for impartial guidance and many retirees will in fact need advice rather than simply guidance. However many advisers are ill prepared as relatively few have given advice on pensions income drawdown which overnight is likely to become the default choice for retirees.

There is anecdotal evidence emerging that sales of annuities have declined considerably. “I have heard from one pension provider that 90% of people in the process of buying annuities have exercised their cooling off rights since the Budget” says Bruce Moss, Strategy Director at eValue. The immediate question that arises is whether enough advisers are capable of offering compliant advice in this complex area.

Risk will need to be thought about differently. Income sustainability will be the primary concern with the volatility of investments being of secondary importance. Annuities are the “no risk” option. The questions that advisers will need to address are:

- What level of income is sustainable?
- How should the funds be invested – low volatility funds are not necessarily low risk, it depends on the income being drawn?
- Should the minimum income needed to survive be secured with an annuity or when should an annuity be purchased?

“These are difficult questions and with new retirement income products offering limited guarantees coming to market. Initial and on-going advice is going to become increasingly complex” says Bruce Moss. “At and in retirement advice is potentially very rewarding for advisers, however getting it wrong can do lasting damage to the lives of vulnerable retirees. Advisers need to take care and ensure that they have appropriate advice tools and processes before rushing into this potential “honey trap””

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For further information:

Elizabeth Holt	Holt PR	020 8334 8354
Bruce Moss	eValue	07989 337 170
Joanna Hall	eValue	07903 819 077

Note to editors:

About eValue

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Advisa Centa is a subsidiary of eValue and comprises a powerful suite of easy-to-use and intuitive tools designed to support the financial advisory process, from engaging consumers on the need for advice to analysing individual portfolios and products with a view to enabling full optimisation of existing assets. Regular upgrading of tools on the basis of emerging trends and customer feedback, means that they are continually refreshed. Through its highly configurable offering, Advisa Centa also enables advisers to quantify and demonstrate their added value to clients.

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strategies, from engaging consumers on the need for advice to analysing individual portfolios and products with a view to enabling full optimisation of existing assets. Regular upgrading of the solutions on the basis of emerging trends and customer feedback, means that they are continually refreshed. Through its highly configurable offering, Moneybee can be used to help consumers understand the associated financial risks and ramifications related to major financial decisions that affect their futures.