



A panel of leading financial planners at the Discovery Financial Planning Summit 2017. From left to right, Gary Plein Co-Founder and Principal of Aspire, Guy Bolam Director of BolamRose and Mark Duckworth Chief Executive Officer of Openwork.

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## Retail Distribution Review: a positive outcome for South African financial planners

The implementation of Retail Distribution Review (RDR) holds potential for increased income, financial planners heard at the Discovery Financial Planning Summit in Sandton today.

“The average income of the UK financial planner went up from a pre-tax figure of 98 000 sterling to 178 000 sterling,” said Mark Duckworth, chief executive officer of UK-based Openwork. He says that while the introduction

of RDR saw the UK market lose some advisers – moving from 31 000 to 22 000 – the light at the end of the tunnel is that clients are prepared to pay for financial advice.

Duckworth hails RDR as a “fantastic” development, saying it raised professional standards and increased the average income of the advisers left standing. “The reality is that there are not enough financial advisers. There are five times more solicitors and 11 times more doctors than there are financial advisers. So demand is high and annual fees have gone up threefold,” he says.

Guy Bolam, director of BolamRose, agreed. “Pre-RDR in the UK, fear was prevalent. We knew commissions were going and costs would increase, so we expected profits to be down or to break-even initially, but that never happened. The attrition in the market and the low number of advisers coupled with the fact that perceived professionalism increased, led to clients being more willing to pay for advice and a professional service.”

Gary Plein, co-founder and principal of Aspire Independent Planners, said RDR led to an improvement in terms of holistic financial planning. “Planners are now more inclined to look at the holistic picture when dealing with a client, rather than dealing with a once-off product purchase,” he says. International trainer for financial planners, Bill Bachrach, says the adviser’s job is to get people to do something they are not hardwired to do. “It’s not enough to merely give advice, you have to build trust and lead clients to implement your advice, even if it is not what they want to do,” he says.

Locally, phase one of RDR has been completed and implemented in terms of the insurance regulations. Caroline da Silva, deputy executive officer at the Financial Services Board (FSB), told the summit that RDR was about making the financial advice model more sustainable. The FSB is currently looking at particular advisers’ needs analysis and replacement advice. “It’s not pretty. So, we’re looking at tightening up the governance around commissions on replacement products,” she says. In terms of categorisation of advisers, the FSB is now proposing a two-tier approach – where the adviser is either a tied adviser or a registered financial adviser. “If you are a tied adviser, you may only sell products for the provider you are tied to. If you are a registered financial adviser, you can sell any product from any financial services provider (FSP). However, you cannot use the term independent adviser if there is any product supply incentive from any FSP,” she said.

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Discovery Limited is a South African-founded financial services organisation that operates in the healthcare, life assurance, short-term insurance, savings and investment and wellness markets. Since inception in 1992, Discovery has been guided by a clear core purpose – to make people healthier and to enhance and protect their lives. This has manifested in its globally recognised Vitality Shared-Value insurance model, active in 27 markets with over 20 million members. The model is exported and scaled through the Global Vitality Network, an alliance of some of the largest insurers across key markets including AIA (Asia), Ping An (China), Generali (Europe), Sumitomo (Japan), John Hancock (US), Manulife (Canada) and Vitality Life & Health (UK, wholly owned). Discovery trades on the Johannesburg Securities Exchange as DSY.

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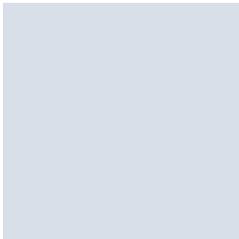
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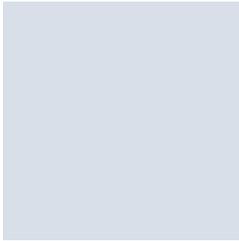
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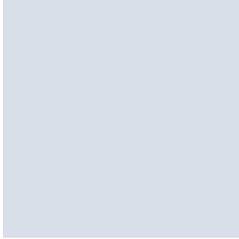
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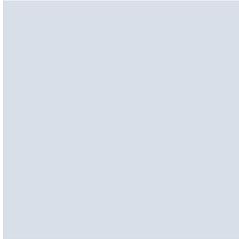
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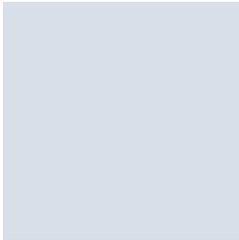
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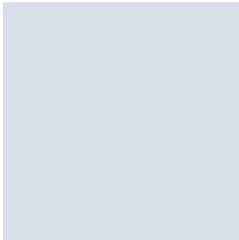
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