

Financial advice leaves people £40k better off !

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Those who receive financial advice are on average £40,000 better off than those who don't, a new report has found.

Research, published by the International Longevity Centre and Royal London, found those who received financial advice between 2001 & 2007 accumulated significantly more liquid financial assets and pension wealth than those who didn't by 2012 to 2014.

The report, called The Value of Financial Advice, examined the impact of advice on two groups: the 'affluent', who are wealthier and more likely to have degrees and be homeowners, and the 'just getting by', who are less wealthy and more likely to be single, rent and have lower education levels.

It found that the 'affluent but advised' accumulated on average £12,363 (or 17%) more in liquid financial assets than the affluent and non-advised group, and £30,882 (or 16%) more in pension wealth, making a total of £43,245.

Meanwhile the 'just getting by but advised' accumulated on average £14,036 (or 39%) more in liquid financial assets than the just getting by but non-advised group, and £25,859 (or 21%) more in pension wealth, bringing a total of £39,895.

Ben Franklin, head of economics of ageing at ILC-UK, said: "The advice market is not working for everyone. "A high proportion of people who take out investments and pensions do not use financial advice, while only a minority of the population has seen a financial adviser. Since advice has clear benefits for customers, it is a shame that more people do not use it." "The clear challenge facing the industry, regulator and government is therefore to get more people through the 'front door' in the first place."

The report also finds that financial advice led to greater levels of saving and investment in the equity market.

The 'affluent but advised' group were 6.7% more likely to save and 9.7% more likely to invest in the equity market than the equivalent non-advised group.

Of the 'just getting by but advised' group 9.7% were more likely to save and 10.8% more likely to invest in the equity market than the equivalent non-advised group.

Those who had received advice in the 2001 to '07 period also had more pension income than their peers by 2012 to '14.

The 'affluent but advised' group earned £880 (or 16%) more per year than the equivalent non-advised group while the 'just getting by but advised' group earned £713 (or 19%) more a year.

Sir Steve Webb, director of policy at Royal London and former pensions minister, said:

"This powerful research shows for the first time the very real return to obtaining expert financial advice. "What is most striking is that the proportionate impact is largest for those on more modest incomes. Financial advice need not be the preserve of the better off but can make a real difference to the quality of life in retirement of people on lower incomes as well."

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