



INDEPENDENT ADVISORY SERVICES - KEY FACTS about our services and costs

To be read in conjunction with our Terms of Business.

1. The Financial Services Authority (FSA)

The FSA is the independent watchdog that regulates financial services. This document is designed by the FSA to be given to consumers considering buying certain financial products. You need to read this important document. It explains the service you are being offered and how you will pay for it.

2. Whose products do we offer?

IAS (“the Firm”) offers products from the whole market.

3. Which service will we provide you with?

The scope of the Firm’s activities can be split broadly into the following areas:

- Pensions and risk benefit advice for small companies and their employees.
- Pensions and financial planning advice for the self-employed.
- General financial counselling services (e.g. investment/insurance planning for individuals including an ISA/pension advisory service).
- General tax advice.
- Mortgage advice

In the course of these activities, we may advise on and recommend specific life assurance, pension, unit trust, OEIC and investment trust arrangements which are regulated under the Financial Services Act.

We will advise and make a recommendation for you after we have assessed your needs.

4. What will you have to pay us for our services?

The Firm offers a service on a remuneration basis agreed with you in advance. This may be wholly fee-based, commission-based or a mixture of the two, depending on the nature of the advice being sought and driven by you. You have the right to insist on entering into a purely fee-based agreement with the Firm if you so choose, in which case any commission that may be generated during the course of a transaction that we implement on your behalf will be returned to you in one form or another (described below). We will discuss with you in detail your payment options in advance and will explain to you the impact that commission-based remuneration has on the underlying product terms. Following on from this discussion, you should be in a position to



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make an informed judgement on the best way for you to meet our advisory costs together with a good indication of the amounts that are likely to be involved. Our intention at all times is to ensure that you understand product costs and charges and our aim is to ensure that you access appropriate financial products that are transparent and provide value for money. We will guide you, where we think appropriate, in arriving at a remuneration process that we think leads to the best outcome for you and that you are comfortable with.

Paying by fee

If you choose to enter into a purely fee-based agreement, you will pay us a fee for our advice and services, which will be payable on a basis agreed in advance and payable within 14 days of invoicing. We quote up-front fees where possible for the work to be undertaken though in rare instances where this is not possible (where our involvement is perhaps of an uncertain open-ended nature), we will quote an hourly fee rate for the work under consideration and account to you weekly for time spent. Such fees are generally not subject to VAT though we will advise you if VAT is to be charged in addition. Where a purely fee-based approach is sought and where commission would normally be involved in the implementation of the product recommendation(s), we will arrange for the product giving rise to the commission payment to be set up on “nil commission” terms. In the case of an investment product, this will have the effect of reducing the purchasing costs (e.g. either by lowering the annual management charge that would normally apply or by increasing the initial investment allocation rate). In the case of a policy of insurance (e.g. a life assurance policy), “nil commission” terms have the effect of reducing the premium that would normally be charged.

Just as you have the right to insist upon paying for our services via a fee, so we too have the right to insist on charging a fee for our services, though commission (where generated) may be used to defray such fees (described below). Any fees to be charged by us would, of course, be agreed with you in writing in advance.

Paying by commission through product charges

When called upon to give advice, this may lead to our recommending a specific investment product (or products) which, once implemented, would give rise to the firm receiving a commission payment from the product provider. Historically, a commission basis of remuneration has been the most usual mechanism employed by clients to meet their advisory costs. We would stress that commission-based advice is not, of course, free as you are indirectly meeting the cost of the advice (via the commission payment) through the underlying product charges which are higher than they would be if nil commission terms were employed at the outset.

As an example, commission on a typical lump pension contribution might amount to 4% of the contribution. At this level, the client can access a pension product carrying no initial charge and a 1% annual management charge, with no other charges applying. The effect of arranging the same policy on “nil commission” terms would be to reduce the annual management charge by 0.36%



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from 1% to 0.64%. On a, say, £200,000 pension fund, a 0.36% p.a. saving in the annual management charge is worth £720 in additional fund each year.

Because commission is paid at a flat rate, it can lead to the advisor being overcompensated where large investments are involved and undercompensated at the smaller end of the investment scale. For this reason, when acting for you on a commission basis, we will advise you up front on the prospective levels of commission involved and where these differ materially from the fees we would charge you if asked to act on a pure fee basis, we will advise you in advance on how we propose dealing with the shortfall/excess.

Where we regard the standard rates of commission payable to be excessive, relative to the time and expertise involved in providing the advice, we will agree with you in advance a basis for dealing with the excess commission. In the above pension commission example, we might reach an agreement that given the expected size of the contribution, a 2% commission payment (rather than the standard 4%) is appropriate recompense for the work to be undertaken on your behalf. This would lead a balance of 2% which we can retain on your behalf to cover the cost of future work (e.g. reviews) or which we can simply “give up”, leading to a 0.18% reduction in the annual management charge.

Paying by a combination of fee and commission (through product charges)

Occasions may arise when the cost of our advice is not going to be adequately defrayed by anticipated commission receipts in which case we would agree with you in advance should we propose charging you a fee in addition to the commission we expect to receive, together with the basis on which that fee is to be levied.

Renewal Investment Commissions

Renewal investment commissions may be paid in respect of certain investment products and are commonly associated with the OEIC/unit trust investment management industry where the investment manager pays a share of the annual management charge to the introducing advisor. This is relevant to our ISA advisory service (described below). The amount of renewal commission to be received by IAS, if any, will be disclosed to you at the outset and will be used either to defray on-going servicing costs or to cover the initial advisory costs, where these have been discounted.

Paying by commission to meet the cost of our Individual Savings Account (ISA) advisory service

The Firm operates an ISA advisory service for clients at present using, where possible, Fidelity's Fund Supermarket as the umbrella organization for linking together 1000 plus OEIC funds under the one hat and for providing administration and on-line valuation services. We have found that this approach provides clients with the most effective way of managing collective PEP/ISA investments and simplifies the process of making annual contributions and monitoring



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performance. We advise on all aspects of fund selection and deal with all paperwork as this applies to consolidation, re-registration and annual contributions. The Firm has been providing advice in this area since inception on a commission basis.

Commissions paid in respect of an OEIC/unit trust investment break down into two parts: initial and renewal. Initial commission is generally paid up to a maximum of 3% of the amount invested. This leads to an immediate initial investment cost to the client of at least 3%, assuming full commission is taken. Renewal commission is paid each year as a % of the funds under management out of the annual management charge. Renewal commission typically does not exceed 0.5% p.a. and may be less, depending on the underlying fund selected. The renewal commission is effectively paid by the fund management group out of its annual management charge. A fund carrying a, say, 1.5% annual management charge will typically pay 0.5% of the 1.5% to the introducing advisor.

Depending on the circumstances and the prospective ISA sums under management, we are generally able to waive some or all of the initial commission for your benefit, retaining only the renewal commission to meet our initial and on-going advisory costs. Our aim is to enter into partnership with our clients, enabling them to obtain low cost (often no cost) access to the widest possible range of funds, guided by us on risk and fund selection. We accept that it may take several years before a client's ISA funds under management have built up to the level where the annual renewal commission earned by us is sufficient to cover the strict "time" costs we have incurred in providing the advice but we look to build a long term relationship with our clients and know from experience that our approach to giving advice in this area is well received.

As required by the FSA, we will offer a fee-based service to all our ISA clients who wish to adopt this approach though we have never been asked to do so since any time-costed system of remuneration would increase client costs significantly in the early years, compared to the commission-based remuneration model. A fee model is likely to reflect a minimum of 3 hours of work a year at a cost of not less than £450 p.a. Our commission model delivers a service in the early years at a fraction of this cost though may produce more than £450 p.a. in the long run, once ISA funds have accumulated. We have no evidence that clients in general prefer to pay fees for advice of this nature but we will, of course, deal with you on the ISA/collective investment front on whatever fee/commission basis you choose which we will discuss and agree with you up front.

Commissions received by IAS in respect of non-investment business (e.g. risk benefits)

As a matter of practice, because of the nature of the insurance marketplace, the firm does not encourage a fee-based approach to certain non-investment classes of business, e.g. where we are required to advise on appropriate life assurance or disability insurance arrangements. In such circumstances, we seek to provide you with access to competitively priced insurance cover drawn from the marketplace of insurance companies who attract new business from third party intermediaries such as IAS and who pay commission for such new business introductions. Unless



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otherwise agreed at the outset, we will not charge you for our research efforts in this area nor will we charge you should you decide for whatever reason not to proceed with our recommendations? We will account to you for any commission earned.

We are, however, (as required by our regulators) always prepared to provide you with such advice on a fee basis, should you prefer, but would then charge you on a time/cost basis for research and implementation, including dealing with documentation, underwriting difficulties (should these arise) and trust issues. Our research will be limited to those companies who are geared up to providing information to third party intermediaries such as IAS. It is not practical (or indeed always possible) to obtain information from some of the newer entrants to the life assurance market (e.g. supermarkets) and we do not do so.

Our experience of setting up life policies suggests that the process involves a day's work from start to finish (if all goes smoothly) which means that if asked, we would quote a fee of £1,200 to set up a life policy and to deal with the associated trust assignment. Whether a fee-based approach makes financial sense over the commission model will depend on the premium saving to be secured on "nil commission" terms and is only ever likely to be considered appropriate for policies with extremely large sums assured.

5. Who regulates us?

Independent Advisory Services [Suite 13, Boundary House, Boston Road, London W7 2QE] is authorised and regulated by the Financial Services Authority. Our FSA Register number is 181095.

Our permitted business enables us to advise you on life assurance products, pension arrangements for individuals/companies, collective investment vehicles including insurance bonds, unit trust/OEICs and investment trusts, and mortgage finance.

You can check this on the FSA's Register by visiting the FSA's website www.fsa.gov.uk and look for tab FSA Register and follow this link or by contacting the FSA on 0845 606 1234.

6. What to do if you have a complaint

If you wish to register a complaint, please contact us **in writing**:

You should write to Independent Advisory Services, Complaints Department, Suite 13, Boundary House, Boston Road, London W7 2QE.

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service.



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7. Are we covered by the Financial Services Compensation Scheme (FSCS)?

We are covered by the FSCS. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered for 100% of the first £30,000 and 90% of the next £20,000 so the maximum compensation is £48,000. Further information about compensation scheme arrangements is available from the FSCS.