

## Contractor guide to financial advice fees following Retail Distribution Review (RDR)

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Contractors seeking professional financial advice on [pensions](#) and investments have been required to pay fees from 1 January 2013 as part of the [Financial Conduct Authority's \(FSA\) Retail Distribution Review \(RDR\)](#).

According to [Angela James](#) of [Contractor Wealth](#), a financial advisor who specialises in contractor financial advice, the sweeping changes introduced by the RDR are the FCA's attempt to improve transparency.

"Since 1 January 2013, contractors have paid fees for financial advice on pensions and investments, because their financial adviser is no longer allowed to receive commission," she says.

"Also," she adds, "the RDR has introduced tough new mandatory professional standards for financial advisers that will help improve the quality of pensions and investment advice offered to contractors."

### Financial products affected

Not all financial products are affected and contractors should only be expected to pay fees when being advised on regulated pensions and investments. James explains: "Contractors can still seek advice from a financial adviser on 'protection gap' products and on [mortgages](#).

"The so called protection gap is used to describe the number of individuals with an inadequate safety net in the event of illness or death. This includes financial products such as [income protection](#), critical illness cover, [life insurance](#), medical insurance and death in service cover. These types of policies are particularly important for contractors because, unlike employees, they have to make their own arrangements for such protection."

James highlights that not all investors may need to seek professional advice, and a basic level of financial advice is supplied for free by the [Money Advice Service](#). But by its very nature, such sources of information will cater more for permanent employees than contractors.

However, she warns that contractors either need to have relatively straightforward affairs or be very finance-savvy to make their own investment decisions. The danger remains that investors could fail to maximise the return on their pensions and investments or inadvertently take on undue risk by failing to take professional financial advice.

In James' experience, self-investors often lack the necessary diversification across different asset classes to avoid problems in times of volatile market conditions and this can seriously dent long term returns.

### Fee basis – ongoing, fixed, hourly?

James says that charging mechanisms will vary from adviser to adviser and contractors should confirm from the outset the basis on which they will be charged: "One adviser may decide to offer to research and set up a pension on a fixed-fee basis; another might charge by the hour.

"The vast majority of contractors work on a time-charged or fixed-fee basis, so the concept of paying in this fashion will be familiar. But, in the same way that they carefully specify their deliverables to their clients, contractors should expect the same from their financial adviser."

### Claiming financial advice as a business expense



[Angela James](#)

Pension Specialist

Contractor Wealth

Angela is a qualified Senior Financial Planner at Contractor Wealth and specialises in pension advice and financial planning for contractors.

Contractor Wealth are a specialist in offering tailored financial solutions for contractors, together with the building of excellent client relationships. [Read Full Profile...](#)

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Angela James, Contractor Wealth

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The advantage that [limited company](#) contractors enjoy over employees when paying fees for financial advice is that in some cases the cost can be claimed as a legitimate business expense.

James concludes: "Contractors should assess the relative benefits of each type of adviser and their costs against their own needs before making a final choice."

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