F rom 2012, new rules from the Financial Services Authority (FSA) mean financial advisers will be required to provide their clients with clearer guidelines on the cost of their advice and how charges affect pension and investment products. The FSA will implement a wide range of changes intended to remove ‘commission bias’ to ensure recommendations are not influenced by product providers and to raise the bar on adviser qualifications.

Independent financial advice is available from firms who offer fee-based advice comparing financial products from the entire financial market. Firms who offer products from a limited range of products without fee-based options, can’t call themselves independent.

A preferred route
The distinction between different types of financial adviser already exists. Good-quality firms already promote fee-based advice and their experience is that fee-based planning is fast becoming the preferred route for dentists. While fee-based advice will have you reaching for your chequebook, investment charges are usually reduced making this potentially cost-effective over the medium to long-term.

Our example compares fee-based and commission-based advice for a dentist making a pension contribution of £500 per month. The figures speak for themselves.

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Final fund value</th>
<th>Pension income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee based route</td>
<td>£500 per month net</td>
<td>£408,000</td>
</tr>
<tr>
<td>Commission route</td>
<td>£500 per month net</td>
<td>£381,000</td>
</tr>
</tbody>
</table>

*35-year-old male, £625 gross contribution, growth of seven per cent pa, retirement at age 60*

If your adviser is not independent, they may not offer you this saving. They may also impose limitations on fund and pension provider choice, so the case for non-independent advice is difficult to understand. This is especially true for dentists who often make larger than average personal pension contributions while requiring specialist advice.

If you have received advice from a bank or building society, it is possible that your adviser was not independent, or perhaps experienced in advising dentists. This may deny you access to fee-based advice and specialist knowledge on areas such as the NHS Pension. Even some national firms which offer dental-specific financial advice, do not offer independent financial advice. If you are currently taking advice from one of these firms, make sure you ask hard questions of the adviser relating to investment charges, commission and their very limited product range.

Dentists should settle for nothing less than independent financial advice from a firm specialising in financial planning.

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**Are you getting the right advice?**

Jon Drysdale explains how dentists can benefit from fee-based financial planning

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**About the author**

Jon Drysdale is an independent financial adviser and director of Practice Financial Management Ltd (PFM), a leading provider of financial and business services to the dental profession. PFM is regulated by the Financial Services Authority. PFM offers individual financial review meetings with dentists and professional fee-based financial planning options. Visit www. pfmdental.co.uk to arrange this or call us on 01904 670820.

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**Contribution Final fund value Pension income**

| Fee based route | £500 per month net | £408,000 | £23,900 |
| Commission route | £500 per month net | £381,000 | £22,300 |

*35-year-old male, £625 gross contribution, growth of seven per cent pa, retirement at age 60*

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**Fee vs commission based advice**

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