



**Tulip Press Release Monday, 16<sup>th</sup> April 2007**

## ***The Value (or lack of value?) of Professional Investment Advice for the UK's Wealthiest Investors.***

New research by Tulip Financial<sup>1</sup> shows that over half of the UK's professional wealth investment advisers (57%)-Figure 1) say that the commissions offered on investment products compromise the investment advice given to the rich by professional investment advisers. This belief is prevalent amongst both IFAs and Private Asset Managers, with one in four saying this happens often. And this is also a view held by many of the UK's wealthiest investors.

FIGURE 1: THE IMPACT OF COMMISSION ON ADVISER RECOMMENDATIONS

*"Do you believe that the levels of commission offered compromise the investment advice given by Professional Investment Advisers?"*

	All Professional Wealth Advisers	IFAs	Private Asset & Investment Managers
	%	%	%
Yes Often	22	22	22
Yes Occasionally	25	23	28
Yes, but rarely	10	8	14
No	43	47	36

These very wealthy investors, comprise the top,1% in the UK<sup>2</sup>, averaging well over £2 million in liquid investments. Figure 2 shows how their professional advisers recommend allocating their assets by investment class and how these wealthy investors do allocate their assets. The differences are striking, demonstrating that most do not follow in their professionals' advice.

Figure 2: The Asset Allocations of Wealthy Investors v Adviser Recommendations

	Adviser Recommended Allocation	Investor Actual Allocation	Advised v Actual Index
	%	%	%
Unit Trusts or OEICS	29.6	10.1	294
Corporate Bond Funds	12.3	3.5	351
Gilt Funds	10.3	2.1	490
Property or Real Estate Funds	8.9	4.4	202
Savings or Money Market Accounts	8.3	12.4	67
Individual Company Shares	8.2	30.4	27
Residential Property	2.6	8.9	29
Total Allocation to the top 7 categories	80.2	71.8	112

<sup>1</sup> "Investment Advisers to the Wealthy" © Tulip Financial Research Ltd: December 2006. For this report Tulip interviewed a representative sample of 100 IFAs and Private Asset Managers actively involved in advising wealthy clients with a minimum of £350k in liquid assets.

<sup>2</sup> This top 1% comprises the wealthiest 300,000 households in the UK.



Tulip checked, for seventeen investment categories, the asset allocation recommended by professional investment advisers and the actual allocations of the very wealthy, the wealthiest 1% in the UK with average investments of £2 million+. This 1% owns more than two thirds of the UK's £1.6 trillion privately held liquid investments.

Figure 2 shows that there are massive differences. The advisers recommend a 30% allocation to Unit Trusts or OEICS; the investors allocate 10%; the advisers recommend a 12% allocation to bond funds; the investors allocate 3.5%; the advisers recommend less than a 3% allocation to residential property; the investors allocate three times as much, 9%. Overall it's clear that the rich investor makes his or her own decisions and pays little attention to the views of the professionals.

The most significant difference is the predilection of advisers to recommend pooled funds and for the wealthy investor to opt for direct investment: for company shares rather than unit trusts, for residential property rather than property funds, for cash in savings or money market accounts rather than bond or gilt funds. And a core difference is the fact that pooled funds pay commission to advisers; the direct investments mostly do not.

**John Clemens, Managing Partner of Tulip Financial Research Ltd, commenting on these findings said:**

*"These findings highlight the fallacy of so-called free investment advice: advice funded by product commissions rather than fees. If investors want high quality, skilled, independent advice on allocating their assets, then they have to be prepared to pay for it. Otherwise they will be lead into commission-paying, pooled funds. Pooled funds have many values, they help the independent investor to diversify and limit risk, but they also limit choice and encourage investment in high commission paying funds which may not be the best of the bunch."*

*Many investors have done well by choosing their own portfolios of individual company shares, physical property and high interest savings accounts. And these investors can choose to take specific, informed advice as and when they need it by then paying fees for such advice. But it is not an option to expect both free and highly skilled t advice on investments.*

For more information about this new report "Investment Advisers to the Wealthy contact John Clemens, Managing Partner, Tulip Financial Research Limited on 020 7582 6870 or email John at [john.clemens@tulipresearch.com](mailto:john.clemens@tulipresearch.com).

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