

## **Client Charter and Fee Schedule**

**Effective 1/7/2011**

### **Introductory information**

With effect from 1/1/2013 the provision of financial advice in the UK will be radically changed. For the first time there will be a complete legal separation between the purchase of a financial product and the cost of financial advice.

Logically the two are separate, but historically the provision of financial advice and the cost of the resulting product have normally been grouped together. The Government's and Regulator's aim is to make sure that the public once and for all separate the link between advice and products.

In practice this means the end of built-in commission payments to Financial Advisers, and an increase in fee based financial advice. The public are likely to divide into 3 main groups: those that recognise the need for, and will pay for, Independent Financial advice; those that will go it alone and cut out the cost of advice altogether; and those that will deal with Banks/Building Societies and will be sold a plan from the list available, under a "restricted advice" format.

Rather than introduce clients to this new structure at the last minute, we have decided to introduce our new service proposition from 1 January 2011. This will give us and our clients two years to get used to the new charging basis, and allow us to fine tune our proposition so that it delivers exactly what clients expect, and what they are comfortable paying for.

Ethical Investors is clearly keen to maintain the relationships with clients who value our services; whilst many of our clients have an understanding of the work we do, we are sure that many will not fully understand the breadth of 'behind the scenes' work undertaken. These services are described overleaf and a core number of these will be provided to all clients irrespective of their ability to pay.

# 1) Services provided to all Ethical Investors' clients

Irrespective of the amounts invested or plans set up by Ethical Investors' clients can expect the following, with no additional fees payable:-

- Ethical Investors' Newsletter, at least annually – an update of ethical and financial issues.
- We will process changes of address – notify Ethical Investors once and we will inform all companies with whom you have arranged a plan via Ethical Investors.
- Change of bank – we will inform any companies that you pay premiums to and process the appropriate paperwork.
- Change of Death Benefit Nomination – if you wish to change the nomination details on plans such as pensions, we will provide you with the appropriate documentation and ensure the companies process the changes accurately.
- Fund Manager Meetings – we undertake regular reviews of the ethical funds recommended to our clients, ensuring the companies maintain their published ethical policy and to discuss performance issues. Whilst many advisers take the ethical criteria of ethical funds at face value, we do not. We are constantly reviewing the underlying stocks and shares held by the funds, meeting with fund managers to discuss their investment decisions and to discuss the overall management of the fund. We believe that we know more about the funds that we recommend to our clients than any other financial adviser in the UK. Over 21 years, our 'policing role' has been vitally important in keeping many ethical funds on track and operating in line with their stated values. Although carried on behind the scenes, this activity is one of the most important of the many roles we assume at Ethical Investors.
- Access to our Fund Fact Sheets – these provide information on the ethics of each fund, a fund manager profile as well as an overview of the nature of each fund.
- Error Correction – insurance and investment companies make mistakes. These mistakes are surprisingly common but we strive to identify and correct these errors without the client's knowledge and inconvenience.
- Death claims – if a client dies, we offer to act on behalf of the client to deal with their executors/family in respect of any plans arranged through Ethical Investors. At a time when others may be charging a fee to the estate, Ethical Investors will provide help and support at no cost.
- On-line Ethical Fund Database – casual visitors to the Ethical Investors website will be able to see a list of all ethical and environmental funds available, but Ethical Investors clients will soon be able to access a protected section of the site which provides more detail on each fund.
- Fund changes and closures – in the event of ethical criteria changing, or closure of a fund, we will contact every client affected by the changes and offer advice on what to do.
- Profit Distribution – last, but by no means least, all clients are part of our Profit Distribution, having a say in the direction in which our profit is directed to charity. We retain our commitment to distribute at least 50% of our net trading profits to charities and good causes each year. The bulk of our donations will be channelled through our own charitable foundation – **Ethical Giving** ([www.ethical-giving.org](http://www.ethical-giving.org)).

## 2) Fees for New Business

Advice Area	Fee	Notes
<b>Pensions</b>		
set up new <b>Stakeholder Pension</b>	£330  <b>OR</b> £330	One-off fee; no ongoing servicing resulting in an annual charge on the plan of 0.55%  <b>OR</b> One-off fee; ongoing servicing/advice = 0.3% pa of fund value.
Set up a new <b>Personal Pension</b>	£500	Ongoing investment advice recommended
Set up new <b>SIPP</b>	1% (subject to a minimum fee of £650) of the amount invested/transferred	Ongoing advice with SIPP investments is strongly advised as set out under the schedule on Page 4
Changing funds within a pension	£50	One-off fee
Advice on pension consolidation/switching/transfer	Standard hourly rate	One-off fee

### Annuities

Basic Annuity Service	£175	Provides a quotation for the best provider on the market for your circumstances (including a check of medical details and enhanced annuity quote if relevant). You are free to then arrange the annuity and any transfers/OMOs yourself.
Full Annuity Service	£300 fee, for Standard annuity Or £400 for enhanced terms annuity (assumes up to 2 plans being used to buy an annuity)	We arrange all transfers/OMOs, applications, monitor and process through to completion and payment of annuity.

### Investments

Lump sum investment	3% of the amount invested	No further fees once £100,000 invested.
Investments made monthly	3% of the amount invested for the first 3 years of the proposed investment <b>Or:</b> A fixed fee of £215	No further fees once £100,000 invested.

### Other Services

Protection (life assurance, permanent health insurance, critical illness)	We can waive commission and your fee is the saving on the premium over the first 2 years	If you prefer, we can continue to be paid on a commission basis for these products
All other advice (e.g. Trusts, IHT planning)	Standard hourly rate	

### Hourly Rates:

**Advisers - £125**

**Administrators - £45**

### 3) Fees for On-Going Services

Ethical Investors offers a range of on-going advice services on different fee scales. The service provided is dependent upon the ongoing fees paid and can generally be taken as a percentage of the underlying assets invested via Ethical Investors, or can be paid to us as a monthly retainer.

All services listed below will be in addition to the services listed on the Page 2, which are available to all clients of Ethical Investors. *Please note that the 'bands' of services are available to those clients who assets are held on a consolidated platform or within a similar arrangement. Clients with the majority of investments held direct with fund managers are subject to an alternative Service/Fee arrangement – details available on request.*

#### Investments

Many investment contracts contain an ongoing 'Fund Based Commission' (FBC) payable to the adviser and included in the ongoing Annual Management Charge. Our fee is 0.5% per annum, i.e. for every **£1000** invested via Ethical Investors we will receive **£5** per annum.

#### Pensions

Stakeholder pensions pay the adviser a small up-front commission to advise on and set up the plan (if no fee is paid). After this, there is normally no other fee or commission payable to the adviser. If a client wishes to receive ongoing support, an on-going fee can be built into the cost of the plan, or a retainer paid to Ethical Investors to access these additional services.

Clients with SIPPs will be considered on the same basis as investment clients, as above.

#### ===== Ongoing advice and Support =====

Clients with up to £10,000 invested are offered the services described in part 1, on page 2.

##### **Band 1**

Between £10,000 and £25,000 invested (income to Ethical Investors of £50 to £125 per year);

- Up to 1 hour of adviser related time, or equivalent administration time.

##### **Band 2**

Between £25,001 and £75,000 invested (income to Ethical Investors of £125 to £375);

- 1- 3 hours of adviser time (pro rata), via email, telephone or meetings. Annual investment report.

##### **Band 3**

For total investment values between £75,001 - £150,000 (income to Ethical Investors of £375 - £750 pa);

- 3-6 hours of adviser time (pro rata), via email, telephone or meetings, plus half-yearly investment reporting.

##### **Band 4**

For investments over £150,000 (income to Ethical Investors greater than £750 per year);

- Bespoke support to be agreed individually with each client.

(VAT – fees are not currently subject to VAT, but the position is under review by the Inland Revenue)

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**Regulated by the FSA**

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