

# Adviser charging on Cofunds

You should read this document if you wish to pay your adviser using the Cofunds Adviser Charging service. Please also read ‘Your Guide to Investing with Cofunds’. If you have any questions, please speak to your adviser.

## What is the Cofunds Adviser Charging service?

This service is designed to make it easy for you to pay your financial adviser for their services. It enables you to pay your adviser directly from your Cofunds Cash Account. In this way, you can manage your investments and the cost of advice in one place.

If you choose to use the service, Cofunds will:

- automatically calculate any adviser charges due, based on the terms you have agreed with your adviser
- deduct adviser charges from your Cofunds Cash Account or Pension Trading Account and pay them direct to your adviser on your behalf
- offset any product commission against the adviser charges you have agreed, where required
- detail all adviser charges on your half-yearly consolidated confirmation note and your annual Cofunds statement

### **Please note:**

- It is up to you and your adviser to agree the services they will provide, what these will cost and how payment will be made
- The Cofunds Adviser Charging service relates to adviser charges that are funded using your Cofunds Cash Account or CPA Pension Trading Account and, if applicable in conjunction with commission payments to your adviser
- It does not relate to any adviser payments that you have agreed to be taken from your chosen investment products (e.g. from your pension) on the Cofunds platform

***For more about the Cofunds Cash Account and how it works, see ‘Your Guide to Investing with Cofunds’***

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## What type of adviser charging does it handle?

The Cofunds Adviser Charging service can support most types of adviser charge agreed with your adviser, including fixed payments and payments based on a percentage of the value your investments.

The service can also be used if you have agreed to pay your adviser through a combination of adviser charges and commission deducted from your chosen investment products. If you have agreed to pay adviser charges but select a product that pays commission, Cofunds can calculate what commission should be rebated to you or offset the commission against the adviser charge you have agreed with your adviser.

For example, you may have agreed to pay your adviser a monthly adviser charge of £100, but they are already receiving £25 a month in commission on a product that you have bought. The actual adviser charge deducted from your Cofunds Cash Account will therefore be £75 a month.

### Changing how advisers are paid

In the past, many advisers were paid by taking commission from the products they recommended. Under new proposals, product providers will have no influence over what an adviser is paid. Instead the cost of advice will be agreed between the adviser and the client. This aims to reduce the risk that advice is biased towards a particular product or provider.

For the next few years, advisers can still receive commission on the products they recommend. However, the Financial Services Authority has proposed that, from 2013, advisers should no longer be able to take commission when providing investment advice. The Cofunds Adviser Charging service is therefore a valuable way for you and your adviser to prepare for these proposals.

## How is the payment made to my adviser?

The Cofunds Adviser Charging service lets you make both one-off and monthly payments to your adviser. These will be deducted on certain dates<sup>1</sup>. If you have a number of Cofunds Cash Accounts, payment can be spread across them if you prefer.

### One-off payments

For a one-off payment your adviser will complete an Adviser Remuneration Application Form. You will then need to sign the form. The agreed payment will then be deducted from your Cofunds Cash Account(s).

Payments will be detailed on your annual Cofunds statement.

### Monthly payments

You can arrange with your adviser to pay them on a monthly basis, which can help spread out the cost of advice. This could be a fixed amount or calculated as a percentage of the latest value of your portfolio – see the example below.

To do this, you first agree the monthly payment with your adviser, who will then instruct Cofunds. A letter confirming the arrangement will be sent to you. Each monthly payment will then be detailed on your consolidated confirmation note and your annual Cofunds statement.

### Monthly payment example

You have decided to pay your adviser a monthly adviser charge, based on the latest value of your investments. You agree that you will pay 0.5% a year in monthly instalments.

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<b>If your investments are worth £100,000 that would mean:</b>	
Your total annual adviser charge is:	0.5% of £100,000 = £500
So each month you pay:	£41.67
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<b>If the following year your portfolio rises to £106,000:</b>	
Your total annual adviser charge is:	0.5% of £106,000 = £530
So each month you pay:	£44.16

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Note: For simplicity, the adviser charge in this example has been based on the annual value of the portfolio. This example does not take account of any commission payments that may also be payable to your adviser.

Please see "What type of adviser charging does it handle?" for more information. In practice, if you have agreed to pay your adviser based on a percentage of the value of your investment, the charge will be calculated daily based on the current value of your investments. This illustration does not include VAT<sup>2</sup>, which may be payable in some circumstances – please speak to your adviser.

<sup>1</sup> Payment deduction dates:

One-off payments: the Monday before the last Thursday of the month in which your instruction is received.

Monthly payments: the Monday before the last Thursday of the month. This is paid to your adviser in arrears.

<sup>2</sup> Value Added Tax (VAT):

VAT may be payable on adviser charges in some circumstances – please ask your adviser. If VAT is payable, it will be calculated on the fee due after any commission has been offset.

## What happens if there's not enough money in my Cofunds Cash Account?

Usually, you will need to make sure that there is enough money in your Cofunds Cash Account to meet any payments agreed with your adviser, as well as any other withdrawals you wish to make (for example, if you have a regular withdrawal in place).

However, you can choose to set up a Sale for Regular Payment to help manage payments you have set up to go out of your Cofunds Cash Account for ISAs and Investment funds, or Pension Trading Account for the Cofunds Pension Account (CPA).

Where you have instructed us to make payments from your Cash Account and/or CPA Pension Trading Account, but do not have enough money in that account to meet the required payments, you can set up a Sale for Regular Payment to instruct Cofunds to sell a portion of your ISA, investment funds or CPA investments to raise the required amount.

Please speak to your adviser for more information, and see the Sale for Regular Payment Instruction form ([www.cofunds.co.uk/docs/SfRPInstruction.pdf](http://www.cofunds.co.uk/docs/SfRPInstruction.pdf)) for details.

## What should I do if I want to amend or stop an adviser charging arrangement?

Please speak to your adviser if you want to amend or stop your adviser charging arrangement. To arrange this, Cofunds must receive your request at least five working days before a payment is due to be collected from your Cofunds Cash Account(s).

### Stopping your arrangement

You can stop an adviser charging arrangement at any time by either instructing Cofunds directly or speaking to your adviser (who will then stop the arrangement on your behalf). To instruct Cofunds, please write to:



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