



OPEN DOOR POLICY

BUILDING PROPOSITIONS

Price and Value Assessment Tool (PAVAT)

Price and Value is one of the key outcomes from the Consumer Duty and it applies to manufacturers in their design and distribution of their products. It equally applies to advisory firms as they are the manufacturers of their advice service. The key areas to consider when complying with the Price and Value Outcome from a charges perspective is to identify exactly what your charge should be, this should then be assessed against the benefits of the advice service which leads to an assessment of value.

In order to assess if a service provides value, firms must consider:

- The expected total price customers will pay including all applicable fees and charges over the lifetime of the relationship between customers and firms.
- The costs firms incur to manufacture and distribute the service.
- Assessing value at the design stage and before offering consumers, ensuring that the prices represent fair value for a foreseeable period.
- Monitoring and assessing the value of their services throughout their life, conducting regular reviews of their value assessment.

The Price and Value Assessment Tool (PAVAT) is designed to build a charging model which a firm can consider clear, fair and not misleading as well as supporting a Value Statement, taking Regulator expectations into consideration. The PAVAT in addition will help in providing scenarios where a firm can assess their tech allocation and spend, process efficiency and income model. It considers:

- Initial charges
- Ongoing charges
- Tiered or single percentage charging
- Admin only charging
- Complexity of the advice given
- Capacity to service ongoing clients
- Value Assessment
- Tech allocation
- Efficiencies and income modelling

The following pages will show you each of the areas which can be modelled, and the subsequent results. In between those are the output screens which are not shown here. For further information please contact Open Door Policy.

Content page of the PAVAT

This details each section of the tool and the area it covers

Input	Base data input, to be used when calculating initial and ongoing advice charges	Value Assessment	To calculate the percentage charge, accounting for minimums and maximums to identify where value begins
% Charge	If tiering is used, this will identify a blended charge for use when calculating initial and ongoing charges	Value Ratio	An assessment of the value of advice, considering the advice charge against potential investment growth
Effective Charge	For firms who use a hybrid fixed monetary charge alongside a percentage charge	Tech Allocation	To assess a firms current tech usage and costs against reallocating tech in order to derive greater value
Initial Charge	To identify the time taken to execute the initial advice process, minimum charges and thresholds	Process Efficiency	Tech adoption can embed efficiencies within the advice process. This will model potential savings within the advice process
Ongoing Charge	To identify the time taken to execute the initial advice process, minimum charges and thresholds	Income Modeller	Assess the income from a firms current advice model and then compare against a move to an alternative model
Admin Charge	To identify the cost in providing an administrative service. Typically a flat fee rather than a percentage	Charges MI	Summary and MI of a firms charging proposition
Capacity	Calculate the maximum number of ongoing clients which can be serviced, taking an estimate of new clients into consideration	Income MI	Summary and MI of a potential future income model

Results of the PAVAT

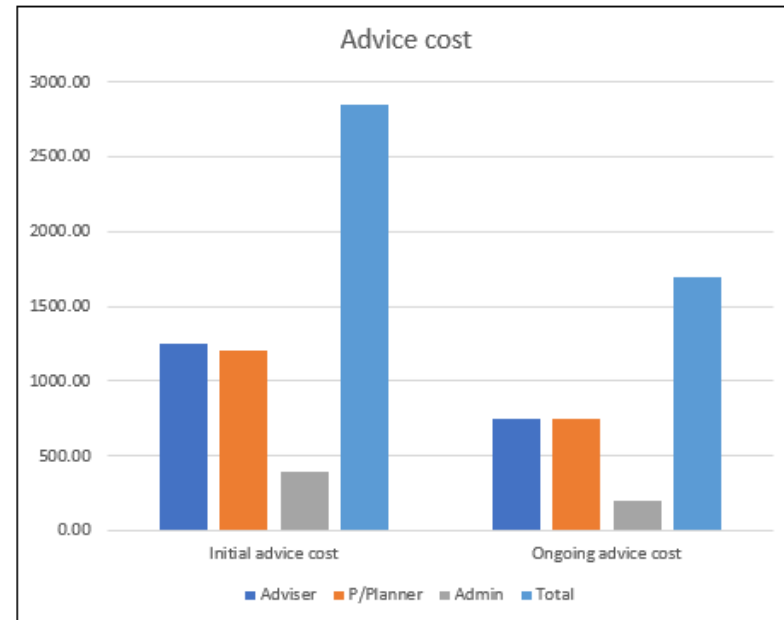
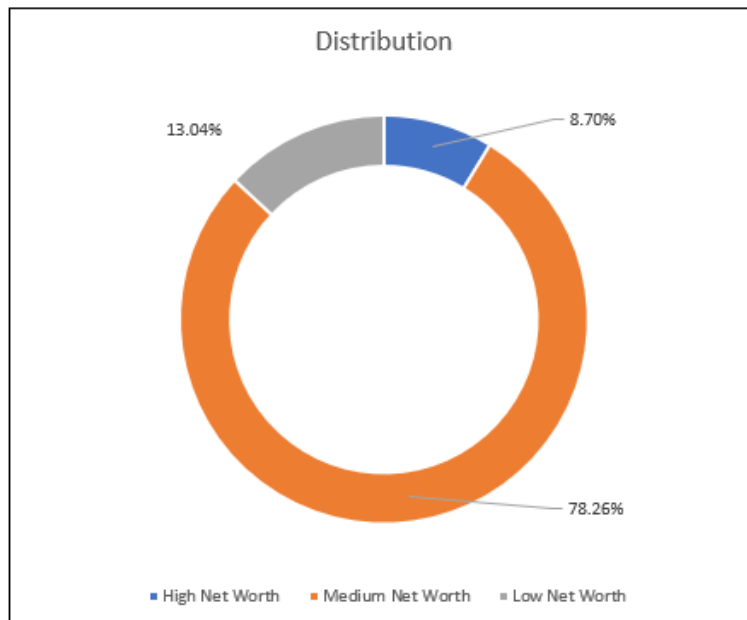
This details end result, summarising the charging model and areas where efficiencies can be made. It provides dashboard MI which can be used in the initial model and subsequently each year to help assess ongoing adherence to the Price and Value Outcome under the Consumer Duty.

	Adviser	P/Planner	Admin
Initial advice time	5.00	8.00	4.00
Initial advice cost	£ 1,250	£ 1,200	£ 400
Minimum charge			
Minimum charge threshold			
Maximum charge			
Maximum charge threshold			

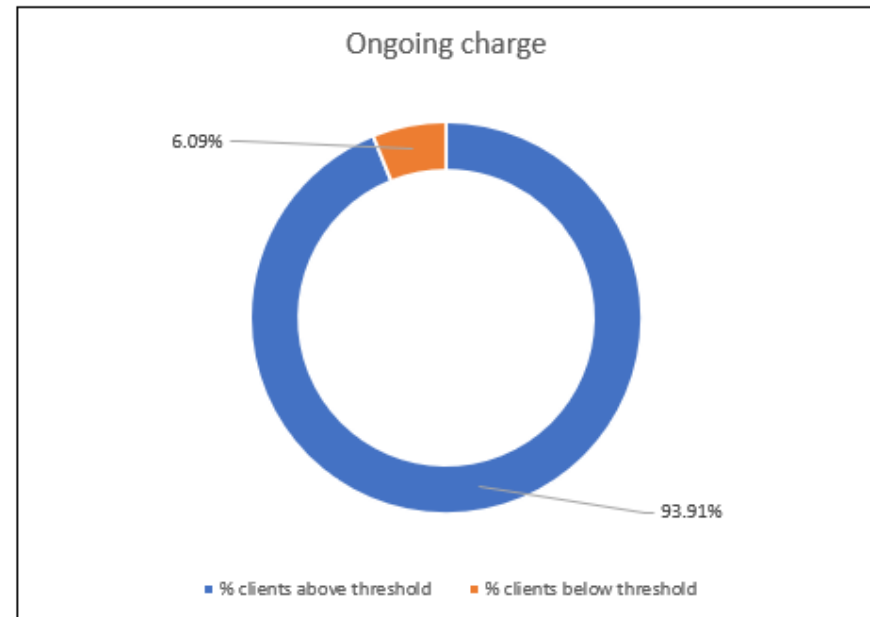
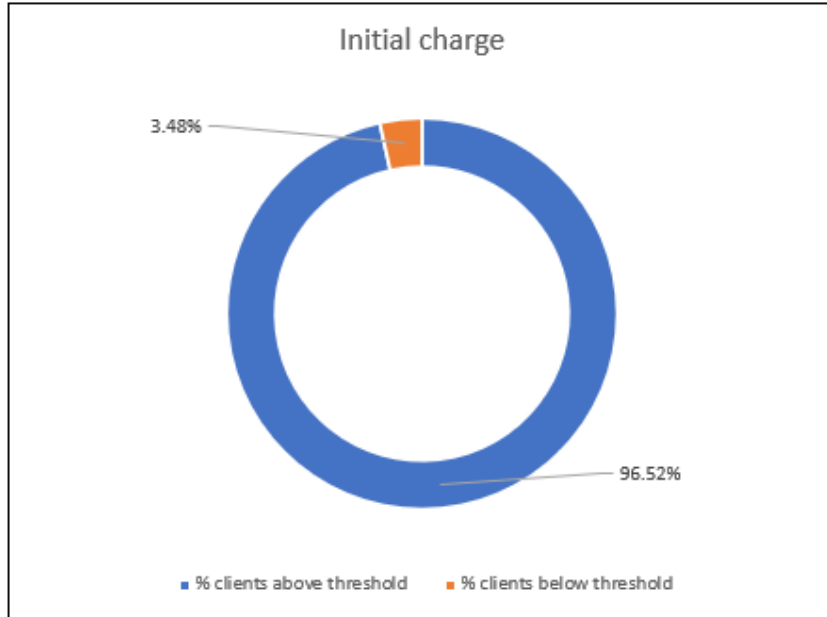
Total
17.00
£ 2,850
£ 2,850
£ 142,500
£ 9,000
£ 1,500,000

Ongoing advice time	3.00	5.00	2.00
Ongoing advice cost	£ 750	£ 750	£ 200
Minimum charge			
Minimum charge threshold			
Maximum charge			
Maximum charge threshold			

10.00
£ 1,700
£ 1,700
£ 242,857
£ 6,300
£ 900,000

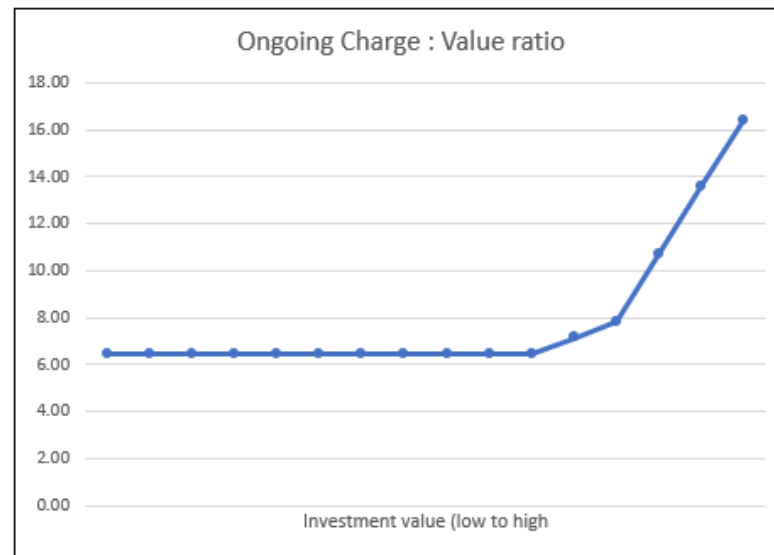
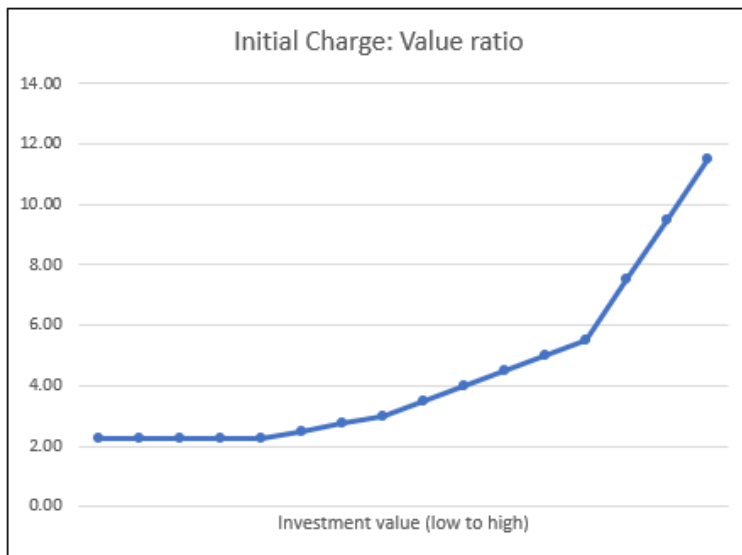
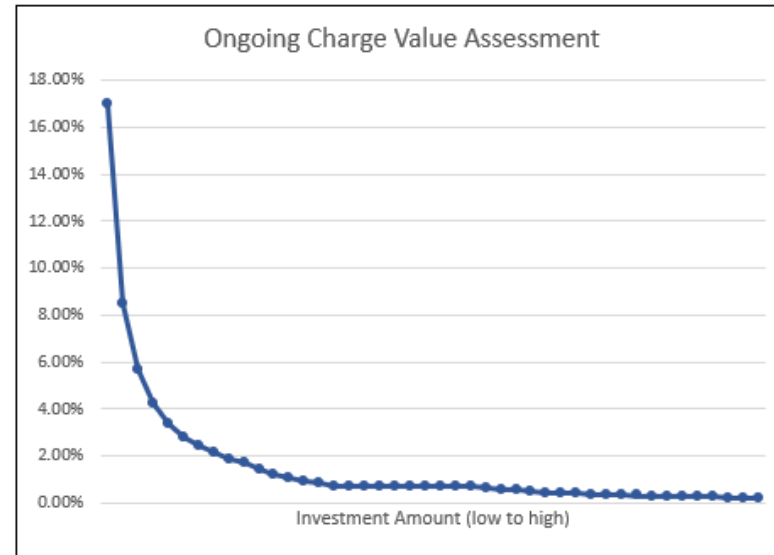
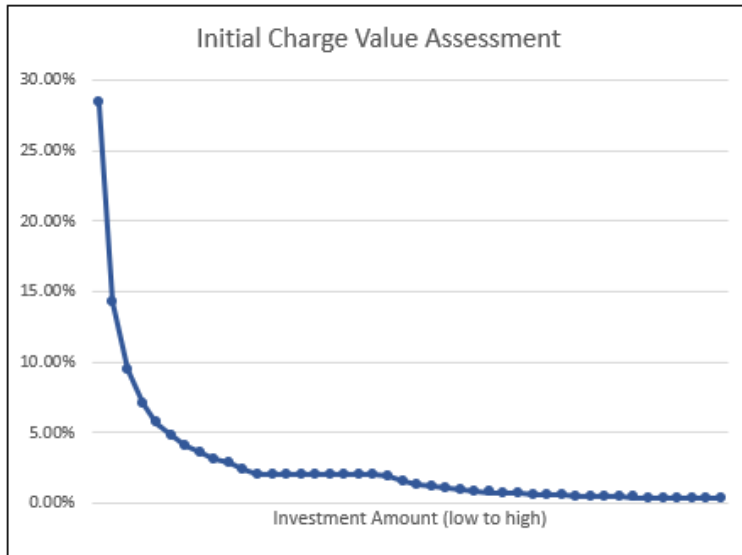


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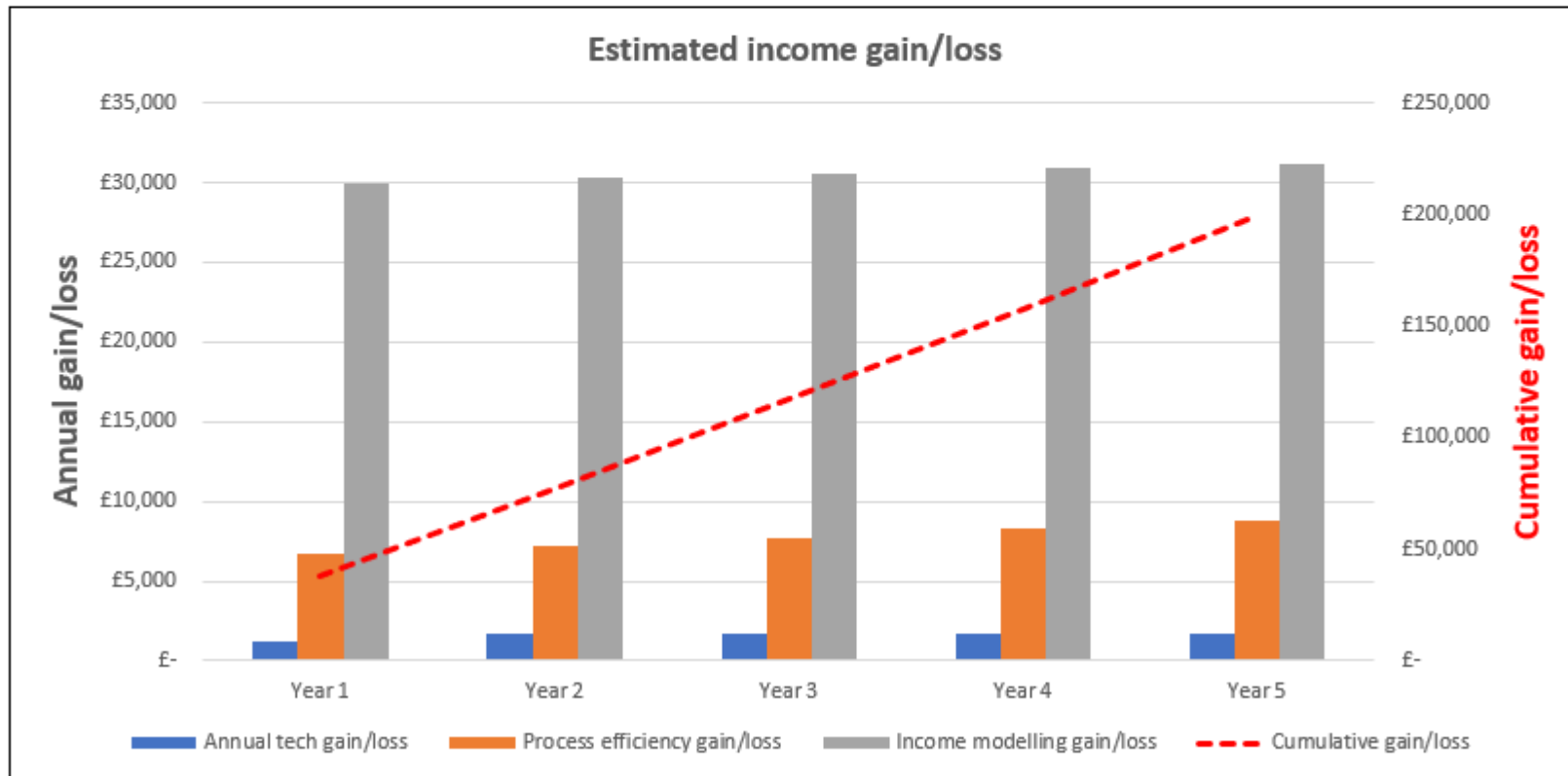


	Threshold	Clients above threshold	% clients above threshold	% clients below threshold
Initial charge	£ 142,500	111	96.52%	3.48%
Ongoing charge	£ 242,857	108	93.91%	6.09%

Price and Value Assessment Tool (PAVAT)



	Year 1	Year 2	Year 3	Year 4	Year 5
Annual tech gain/loss	£ 1,180	£ 1,680	£ 1,680	£ 1,680	£ 1,680
Process efficiency gain/loss	£ 6,720	£ 7,230	£ 7,740	£ 8,250	£ 8,760
Income modelling gain/loss	£ 30,000	£ 30,300	£ 30,603	£ 30,909	£ 31,218
Total gain/loss	£ 37,900	£ 39,210	£ 40,023	£ 40,839	£ 41,658
Cumulative gain/loss	£ 37,900	£ 77,110	£ 117,133	£ 157,972	£ 199,630



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