

Do your Suitability Reports tell the right story?

The table below records some practices we have found when reviewing suitability reports.

Take a moment to consider which column your own firm's reports most closely reflect but remember the list is NOT exhaustive.

Topic	Good practice	Poor practice
Restate clients' circumstances, objectives and priorities	Clear statement of what client wishes to achieve and what they have in place already to help with this.	Lack of detail and no clear statement of what the client is trying to achieve, leading to any recommendations appearing 'disjointed'.
Source of any funds	Clear statement of source, together with confirmation of any balances being retained elsewhere and relevant information on returns achieved by existing arrangements. Clear statement regarding the client's expectation of return achievable by proposed investment.	No mention of where investment funds have come from, no confirmation of retained balances and no indication of why proposed course of action is likely to provide better returns.
Taxation	Clear statement on implications of recommendations on client's tax liabilities. Maximum use of tax-free and tax-favourable investment options.	Failure to make use of tax favourable investment opportunities. No explanation of potential tax liabilities arising from recommendations. No recognition of CGT gains being offset against other losses. Reference to withdrawals from Bonds being "tax-free income".
Attitude to Risk	Clear explanation of client's risk tolerance and preferred profile. Good explanation of how recommendations meet these requirements	Little or no explanation of client's attitude to risk. No clear matching of recommendation to profile. Misleading statements regarding risk profile of products/actions recommended.
Costs	Concise and clear explanation of costs, charges and potential penalties	Little or no mention of cost to client if recommendations accepted.
What happens next?	Client provided with clear indication of service to be provided – reviews, valuations, referral to specialists etc.	Client is not informed of follow-on actions and services by firm. No post-sale service proposition offered
Language used	Clear, concise, absence of jargon or inclusion of glossary. Client's actual words quoted.	Confusing, vague, over-use of jargon and unclear why recommendation appropriate.

Remember – suitability reports are intended to be a clear statement to the client of WHY and HOW your recommendations meet their needs.