

## Winning Advisers – Thursday 27 April 2017

Aspire, 2 Infirmary St, Leeds, LS1 2JP

### SCENE SETTER RESEARCH FINDINGS

In the run up to A Meeting of Minds - Winning Advisers, we asked the delegation to answer some questions – our goal being to capture your thinking at a moment in time. The following are their aggregated responses. We hope you find this snapshot interesting.

To give the data some more meaning, we have introduced data from our three preceding reports compiled for the Meeting of Minds - Winning Advisers events held over the past eighteen months. We hope the trending is helpful.

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## **I. WE STARTED BY ASKING OUR PARTICIPANTS – “WHAT DO YOU CONSIDER ARE THE THREE BIGGEST ISSUES FACING YOUR BUSINESS AND/OR INDUSTRY?”**

**Regulation:** As is always the case, regulation continues to be the dominant issue. Whether we are talking “MiFID II”, “that the goal post keeps moving”, or the non-accountability of the FOS; however regulation is clearly the biggest issue.

**Rising costs:** Second up is the issue of the rising cost of delivering advice. It seems most agree that the amount of money that firms have to pay in order to trade is getting out of hand.. There are increasing operating costs and regulatory costs... and obviously this links to the issue around fees and transparency...

**Recruitment** and **Pension freedoms** have been considered by many as an issue, an opportunity, and a strength.

It seems that getting the right people is a struggle but once they have them, they are your biggest asset and the idea of getting some fresh blood is considered a great opportunity for the firm.

In terms of Pensions Freedom, the audience appears to be split. Some see the changing landscape as an issue while others welcome the change and see it as a big opportunity for the industry.

### **Other comments which are worth a mention:**

- How to maintain standards and expand the business
- There seems to be an overwhelming amount of paperwork
- Incentives to 'sell' unregulated products
- Remuneration structures creating poor behaviour
- Changes in customer preferences that affect the way clients purchase financial products

## **THE SWOT ANALYSIS – WE ASKED OUR AUDIENCE TO PROVIDE A QUICK SUMMARY OF THEIR PERCEIVED STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS:**

### **2. STRENGTHS:**

**For the majority, it is clear that they feel their client relationships is their strength:**

- Long term relationships
- Individual personal service
- Trusted relationships with clients
- Ability to see the client's wider picture and take a truly holistic view
- Delivering to the client's expectation and managing that journey throughout

### **And the team:**

- Very efficient team
- Knowledgeable & experienced
- Solution driven rather than product sales
- Qualified
- Professional
- Reputable

### **Other strengths that set firms apart:**

- A low cost base
- Quality client bank
- The renewal fee income more than covers operating costs
- Ability as a company to adapt to change
- Niche in a growing market

### **3. WEAKNESSES:**

#### **As mentioned previously, people come up again...:**

- Understaffed
- It is very hard to find good people
- Getting people to work to a high standard results in management having to micromanage

All these issues hinder company growth

#### **Time, time and more time... is what is needed!**

- Too much time is spent on keeping up to date with industry changes and regulation
- Lead times during busy periods are too short
- Undertaking too much for a sole practice - and therefore taking too long to complete the work

#### **It's those "machines" again!**

- IT integration with back office and research systems
- Operating systems

#### **And broader based weaknesses:**

- Limited 'investment box of tricks'
- Inability to see the weaknesses
- The industry is perpetually hampered by government and regulators
- Marketing through professional connections
- There seems to be a lack of consistency of business levels throughout the adviser population

### **4. OPPORTUNITIES:**

#### **Every cloud has a silver lining:**

- Increasing wealth in their target market
- DB to DC shift
- Clients need financial advice more now than ever due to changing:
  - o Pensions Freedom
  - o Regulations
  - o Taxation
  - o Legacy planning
- Holistic planning advice; clients really appreciate the financial planning approach
- Potential to expand and bring in young talented people
- To go to the next stage both organically and by acquisition
- More new business enables business to become even more profitable
- Continual referrals
- Increase in efficiency and profitability through changing back office system
- Technology
- Great time to be in Financial Services as the opportunities are vast it is just finding the way in!
- Being able to adapt

- Model portfolios
- Robo advice

## 5. THREATS

Quite a lot of points raised under this heading have been raised before, so here are a few additional points:

- Fees being limited or undercut
- The role of Professional Indemnity
- Losing the personal touch and control if expansion happens
- Claims Management Companies taking direct action against firms and disregarding FOS

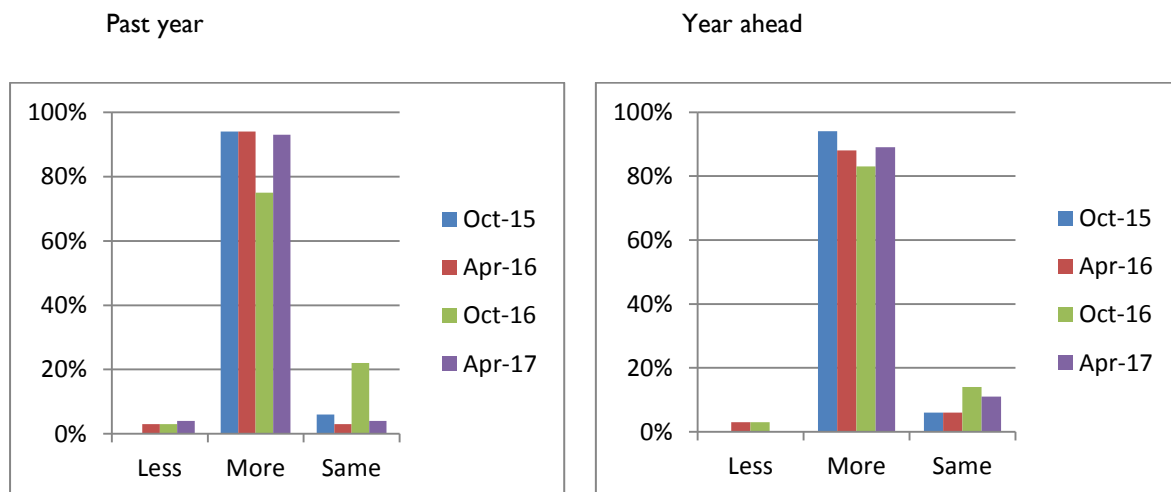
## 6. EVERY SIX MONTHS, WE ASK THE PEER GROUP HOW THEY FEEL ABOUT THE YEAR AHEAD. THERE IS NOTHING PARTICULARLY SCIENTIFIC ABOUT THE EXERCISE BUT THE RESULTS ARE REMARKABLY CONSISTENT WHICH WOULD INDICATE SOME SORT OF VALIDITY.

October 2015	8/10
April 2016	8.17/10
October 2016	7.9/10
April 2017	8/10

So does this mean things are looking up? Let's hope so!

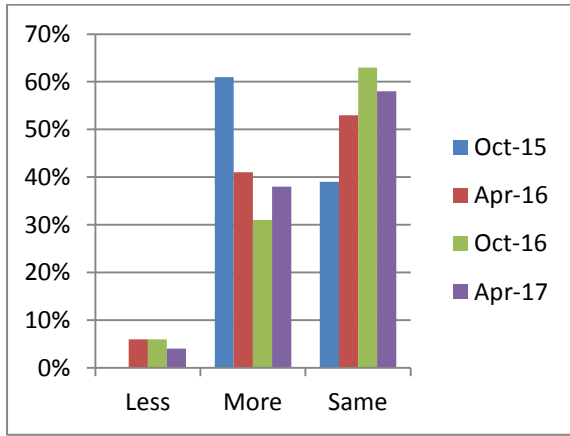
## 7. WE THEN ASKED RESPONDENTS FOR A SENSE OF HOW THEY SEE THE NUMBERS STACKING UP – OVER THE PAST YEAR AND THE YEAR AHEAD. WE HAVE DRAWN A COMPARISON WITH SENTIMENT EXPRESSED AT THE THREE PREVIOUS MEETINGS.

### In terms of clients:

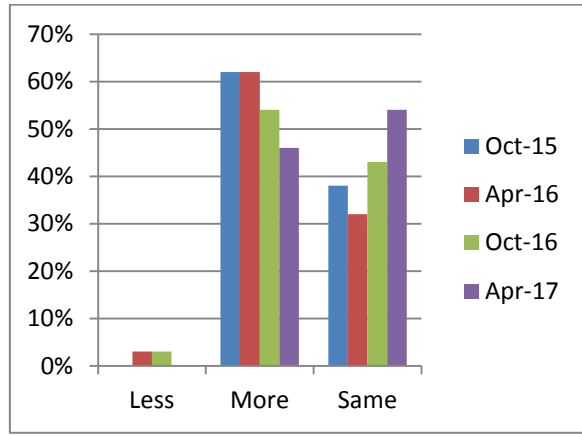


**In terms of headcount – client facing:**

Past year

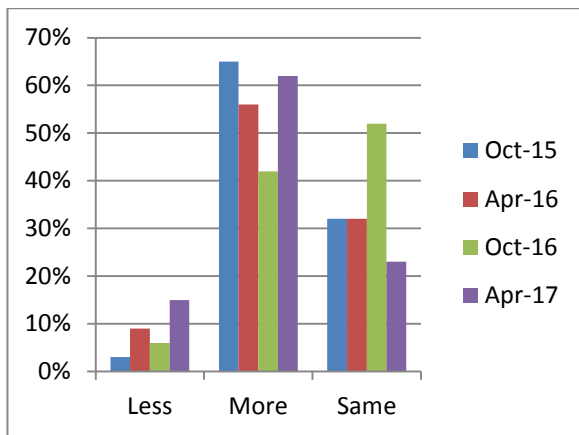


Year ahead

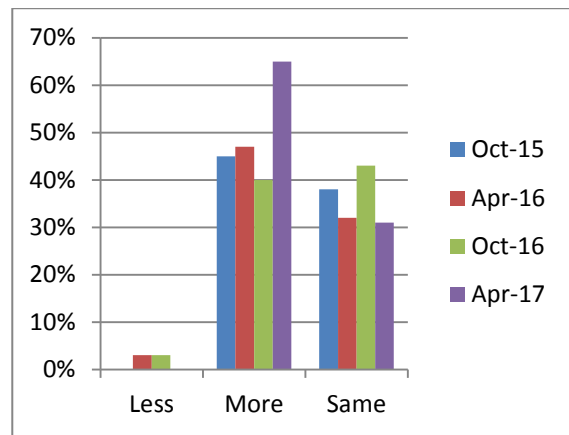


**In terms of headcount – back office:**

Past year

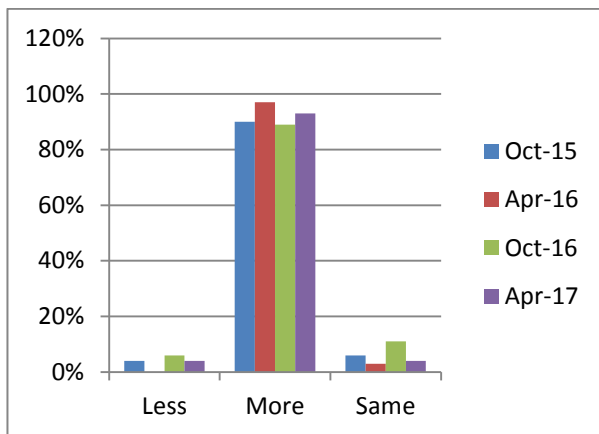


Year ahead

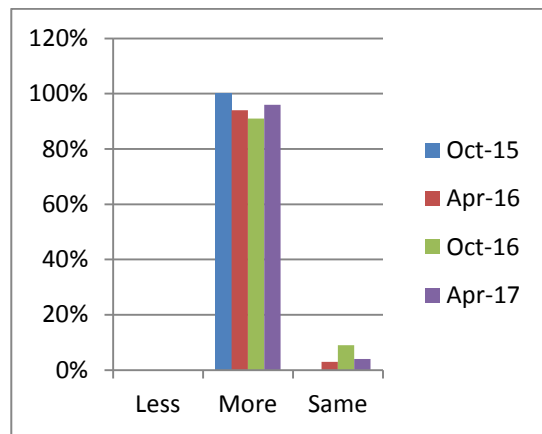


**In terms of assets under management:**

Past year

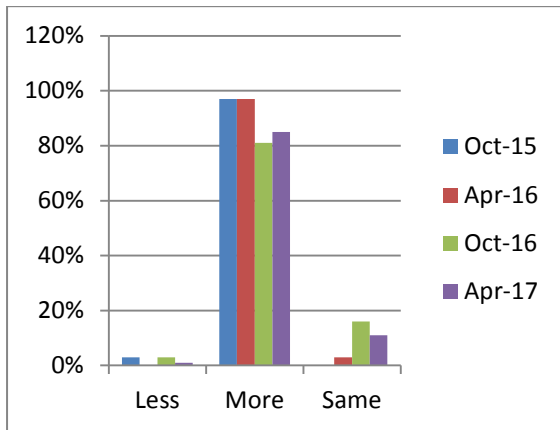


Year ahead

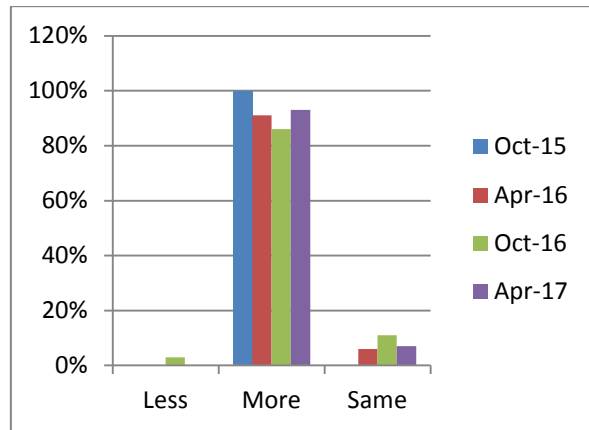


**In terms of revenues:**

Past year

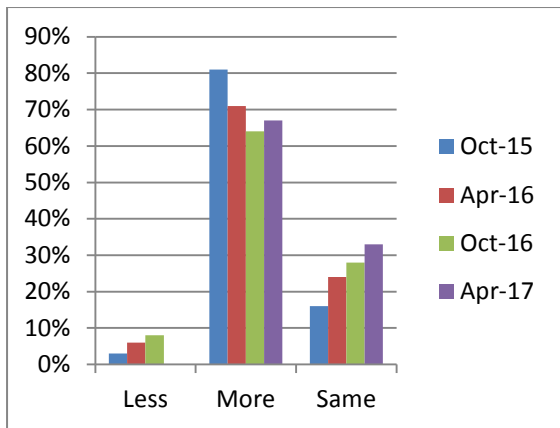


Year ahead

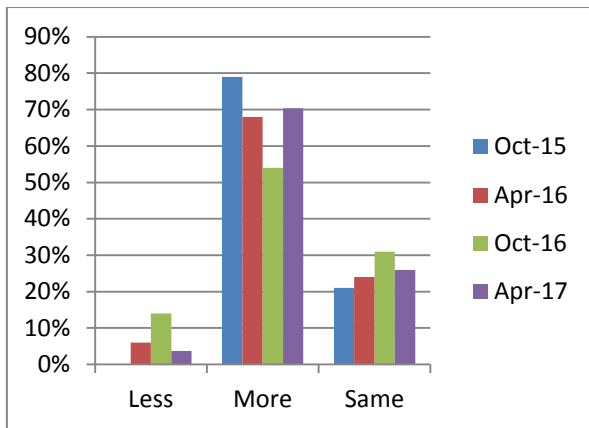


**In terms of costs:**

Past year

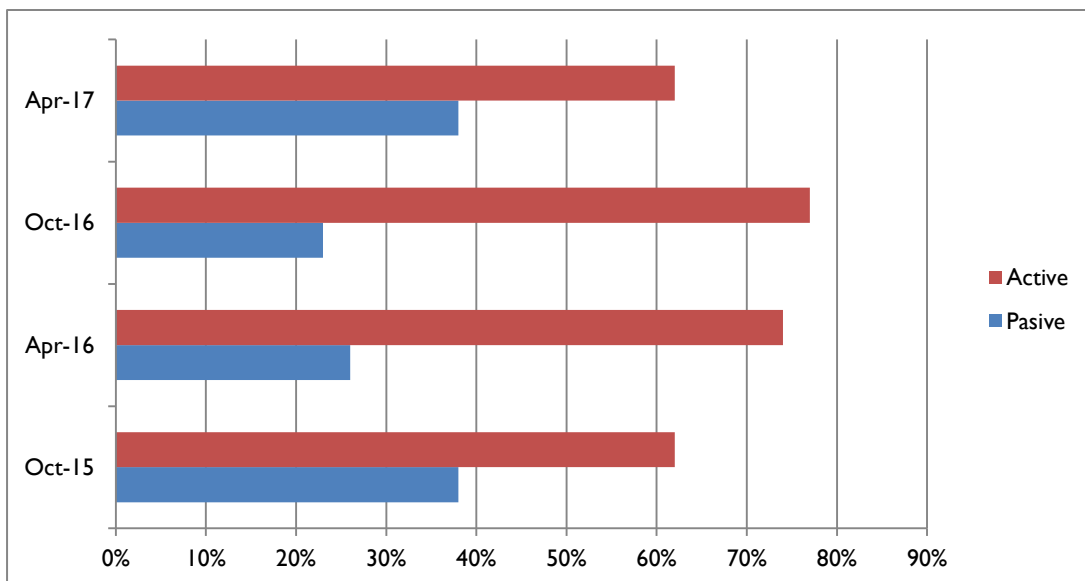


Year ahead



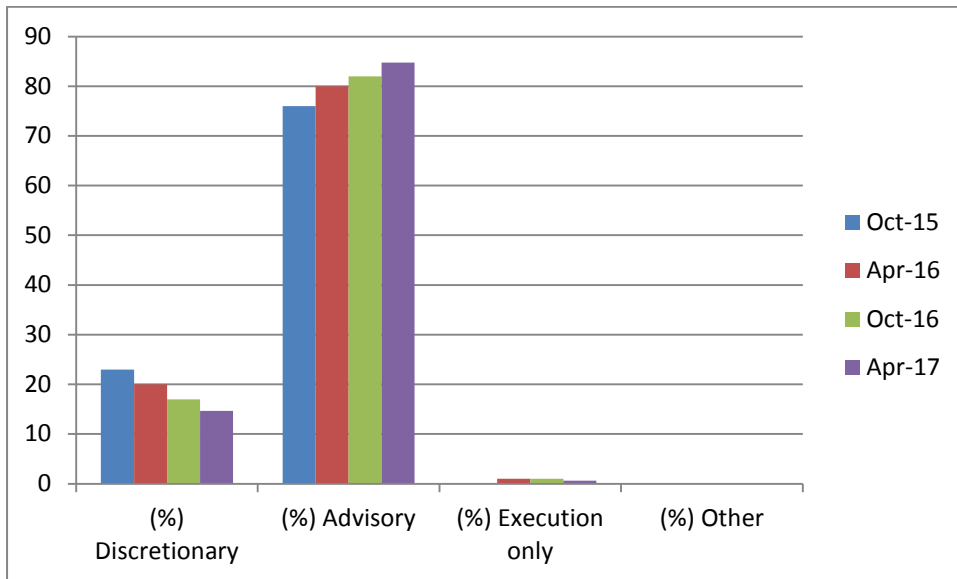
**8. WE ASKED ABOUT THE PERCENTAGE OF ACTIVE USE VERSUS PASSIVE:**

It looks like the industry is going towards a more 50-50%!

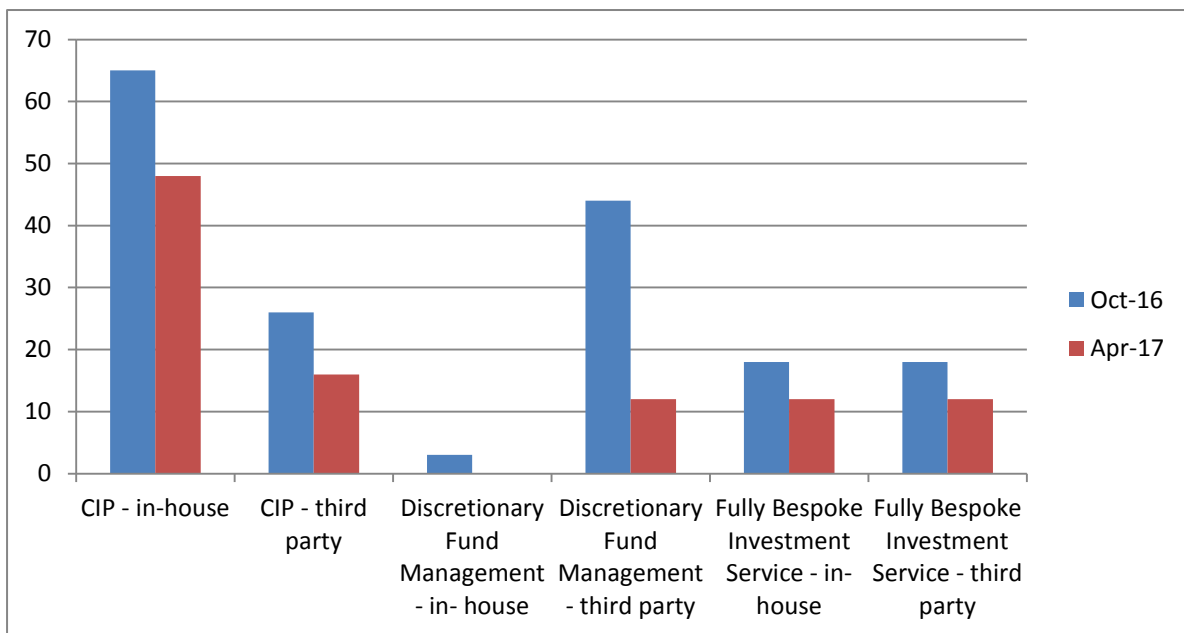


## 9. WE ASKED ABOUT THEIR OFFERING AND THE SPLIT BETWEEN DISCRETIONARY, ADVISORY, EXECUTION AND OTHER:

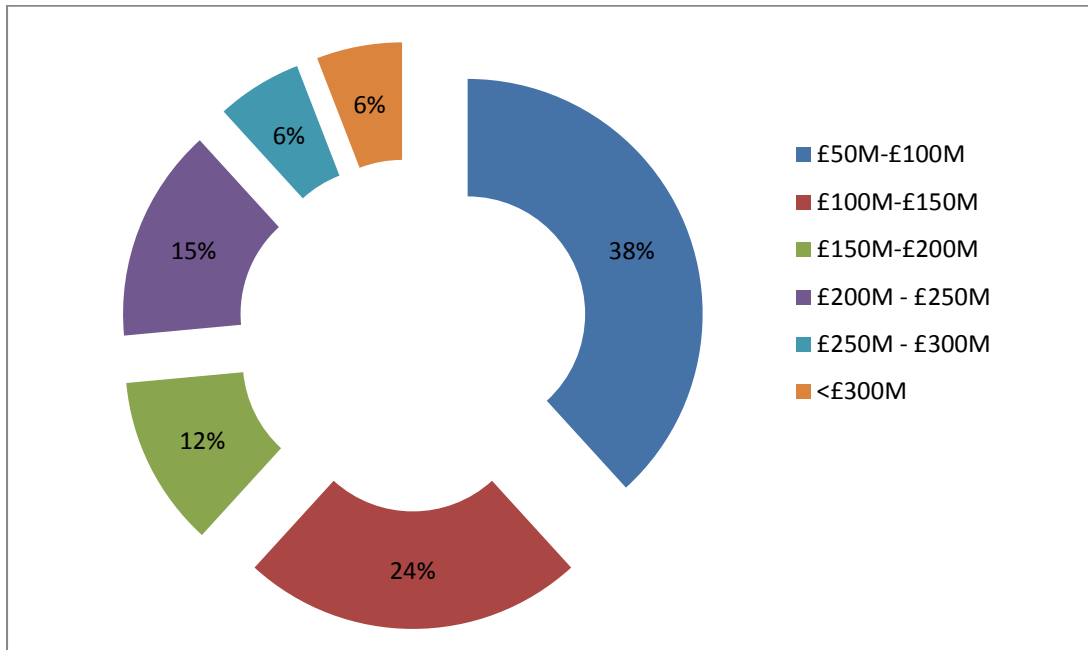
A steady trend towards advisory as one would expect...



## 10. AND WHAT SORT OF APPROACH ARE THEY TYPICALLY ADOPTING:



## 11. FUNDS UNDER MANAGEMENT:



The average company at A Meeting of Minds Winning Advisers is responsible for some £149m FUM. The value of the audience in terms of assets under management is £8.19BN.

## 12. IN TERMS OF NETWORK USAGE, SOME 50% OF OUR RESPONDENTS DO USE SOME NETWORK SERVICES:

Firms that received a mention:

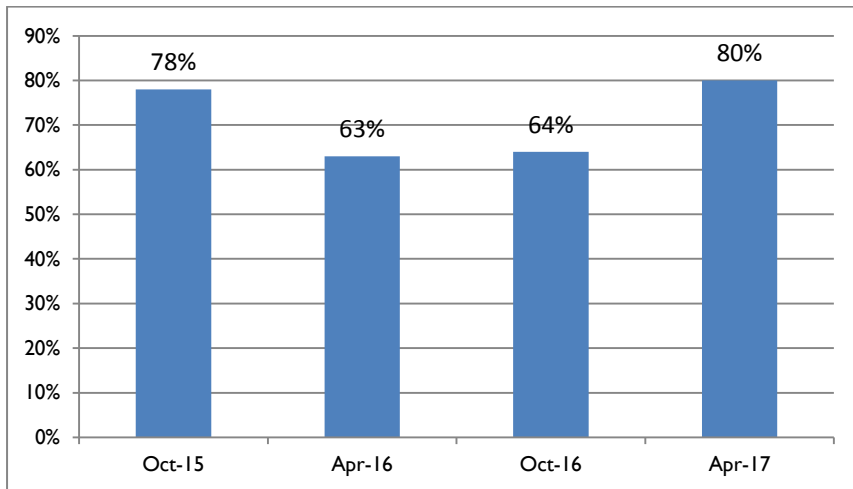
- Bankhall
- Beaufort Group
- Haven Risk Management
- Paradigm
- Personal Touch
- Sense Network (2 mentions)
- SIFA
- Simplybiz
- Threesixty (3 mentions)

## 13. ON AVERAGE, EACH FIRM AT A MEETING OF MINDS WINNING ADVISERS EMPLOYS JUST OVER 4.7 ADVISERS.



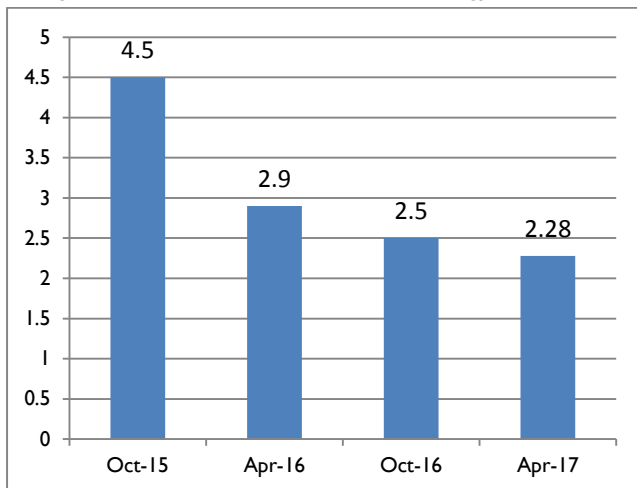
## 14. WE ASKED HOW MANY FIRMS EMPLOY PARAPLANNERS AND IF YES – HOW MANY?

This appears to demonstrate that more firms on average are employing paraplanners than last year.



### Employ paraplanners

Of those that said yes to employing paraplanners, below is a table of the average number of paraplanners. As you can see there is a decline from an average of almost 5 to just over 2 paraplanners per firm. Could this change be due to the advances in technology?



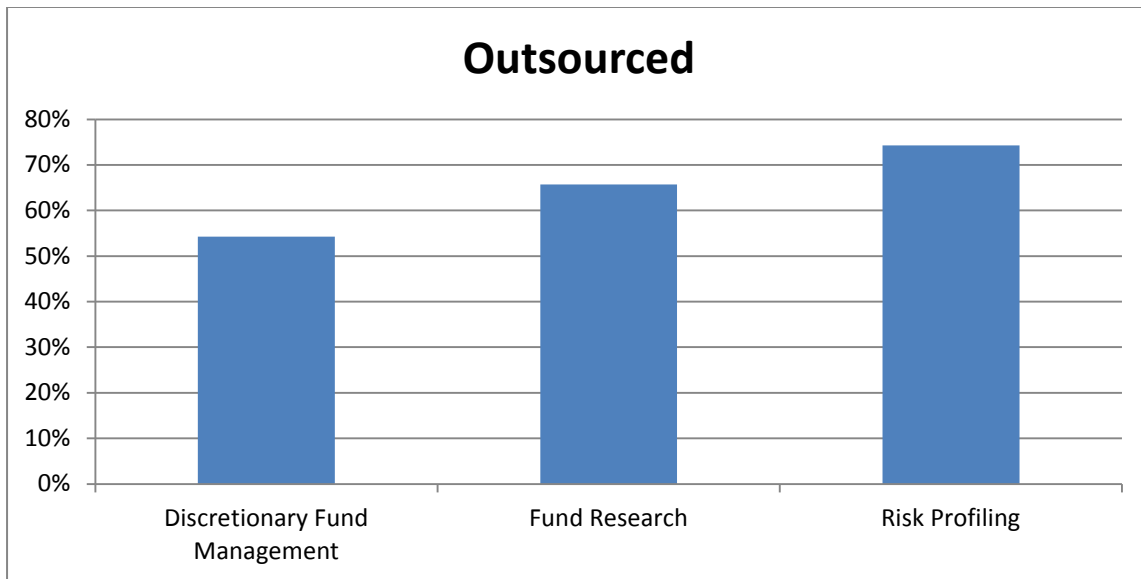
### Average number of paraplanners per firm

## 15. WHICH BACK OFFICE SYSTEMS ARE USED?

- AO
- Bespoke
- Bluecoat FinPlan
- Custom built CRM and Project management tool
- Enable (2 mentions)
- Intelliflo (3 mentions)
- Intelligent Office (4 mentions)
- Iress (3 mentions)
- Plum
- Prestwood (2 mentions)
- Toolbox - Personal Touch's Own System
- True Potential (3 mentions)
- XPlan

## 16. WE ASKED FIRMS WHETHER OR NOT THEY OUTSOURCE CERTAIN ASPECTS OF THEIR BUSINESS:

As you can see from the graph below, those that outsource certain aspects of the business, Risk Profiling has the highest percentage.



### Risk profiling - outsourced to:

- Defaqto
- Dynamic Planner (8 mentions)
- E-Value
- FE analytics
- Finametrica (8 mentions)
- IO
- Morningstar - but about to return to FinaMetrica
- Old Mutual risk profiling tool.
- Oxford Risk (2 mentions)
- Sense network
- Synaptic
- True Potential

### Fund research - outsourced to:

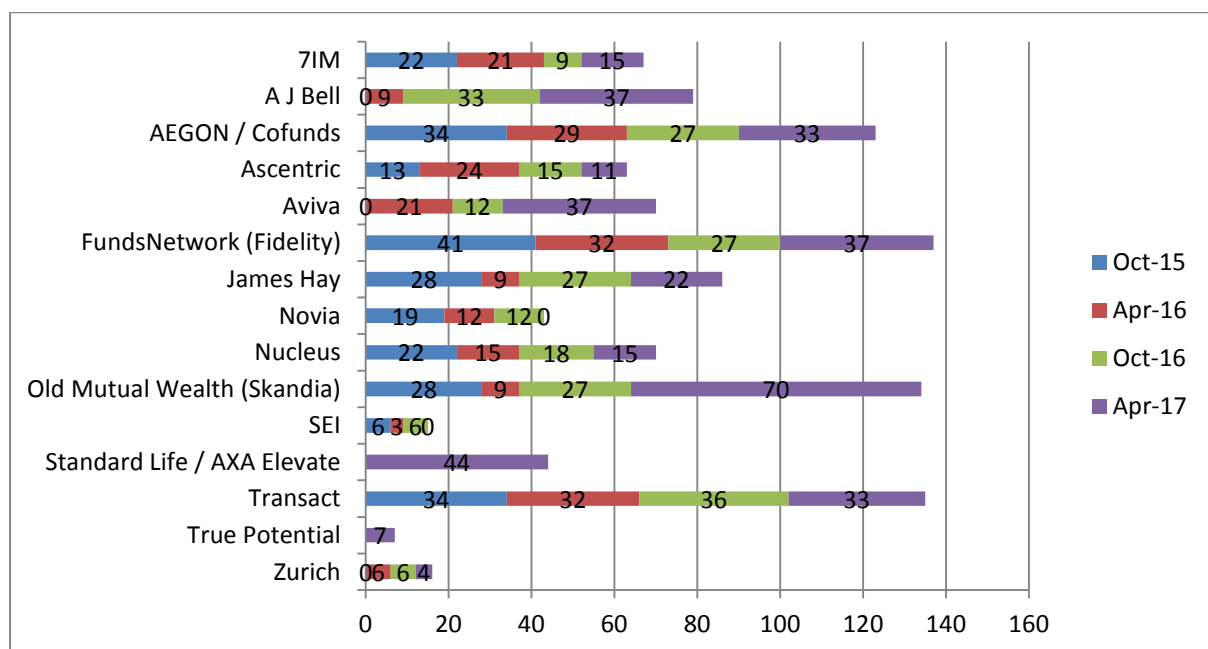
- ARC
- Bankhall
- Clever Adviser
- Defaqto (3 mentions)
- DFMs
- Dynamic Planner (2 mentions)
- Finalytiq
- Financial Express (9 mentions)
- Morningstar
- O&M (2 mentions)
- PFM
- Sense network
- Synaptics (2 mentions)
- Threesixty (2 mentions)
- Trustnet

**DFM - outsourced to:**

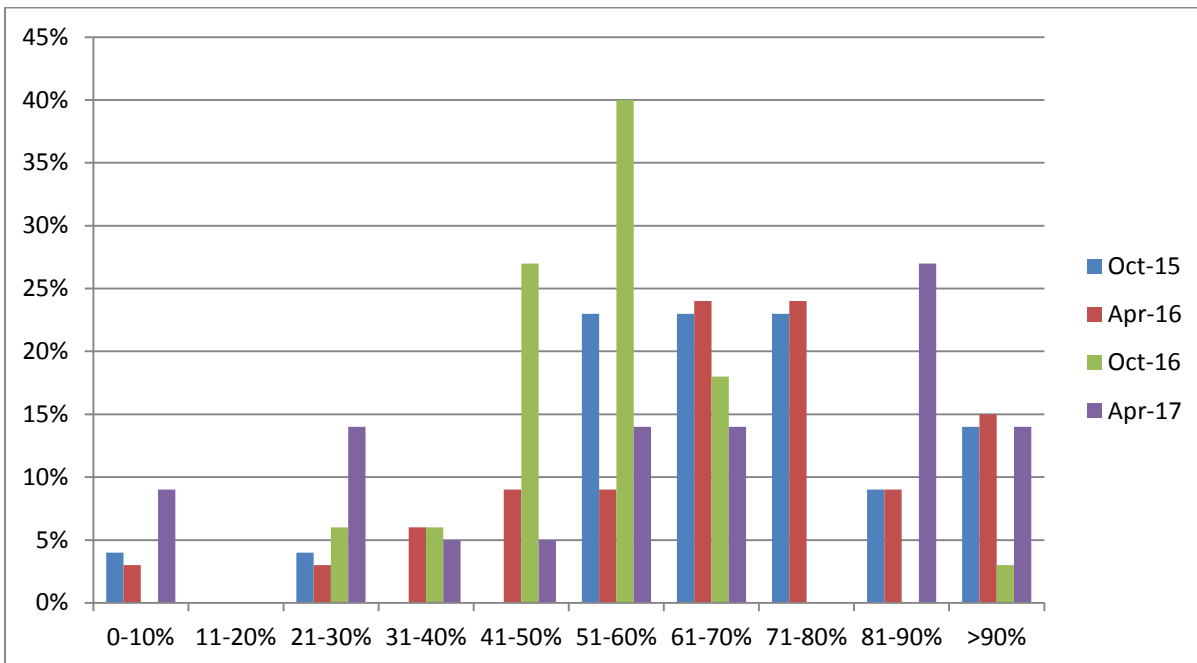
- 7IM
- Beaufort Investment Management
- Best Invest
- Bordier
- Brewin Dolphin (4 mentions)
- Brooks Macdonald (2 mentions)
- Cazenove (3 mentions)
- Charles Stanley
- Clever Adviser
- Close
- I Funds
- IBOSS
- Investec
- LGT Vestra
- Margetts Fund Managers
- Momentum
- Old Mutual
- Parmenion (2 mentions)
- Quilter Cheviot (3 mentions)
- Rathbone Greenbank
- Redmayne Bentley
- Rothschild
- Ruffer
- Russell
- Square Mile
- Standard Life
- Tilney
- UBS
- Various (2 mentions)

**17. ALL ABOUT PLATFORMS:**

Maybe there is too much information in this graph, the idea is to show you in a broad brush way how the platforms are doing in terms of looking after the needs of this cohort. It seems Old Mutual is doing something right as they've put themselves at the head by a long mile; while the Standard Life/ AXA Elevate aggregation is not doing too badly however, compared to when they had their individual platforms not much has changed. Cofunds and FundNetwork are recovering momentum. Although they don't appear below it seems Parmenion and Alliance Trust keep gaining ground so we may see them in the next Meetings' graph - or will it all drastically change in the upcoming year with the Asset Manager Review?

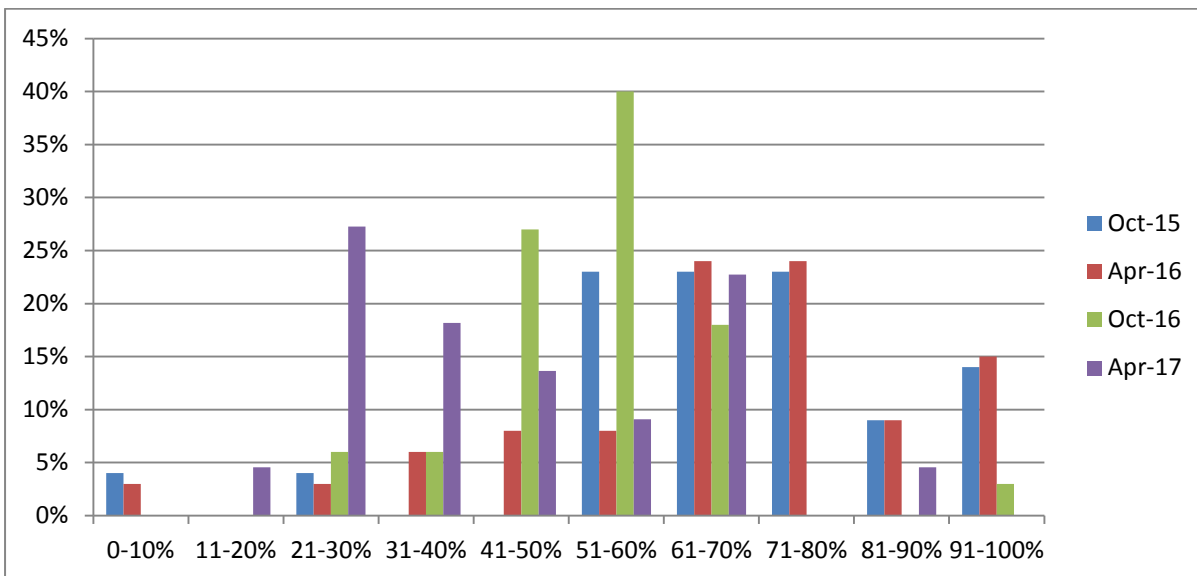


**18. WE THEN ASKED WHAT PERCENTAGE OF FUNDS UNDER MANAGEMENT FIRMS HOLD ON PLATFORMS.**



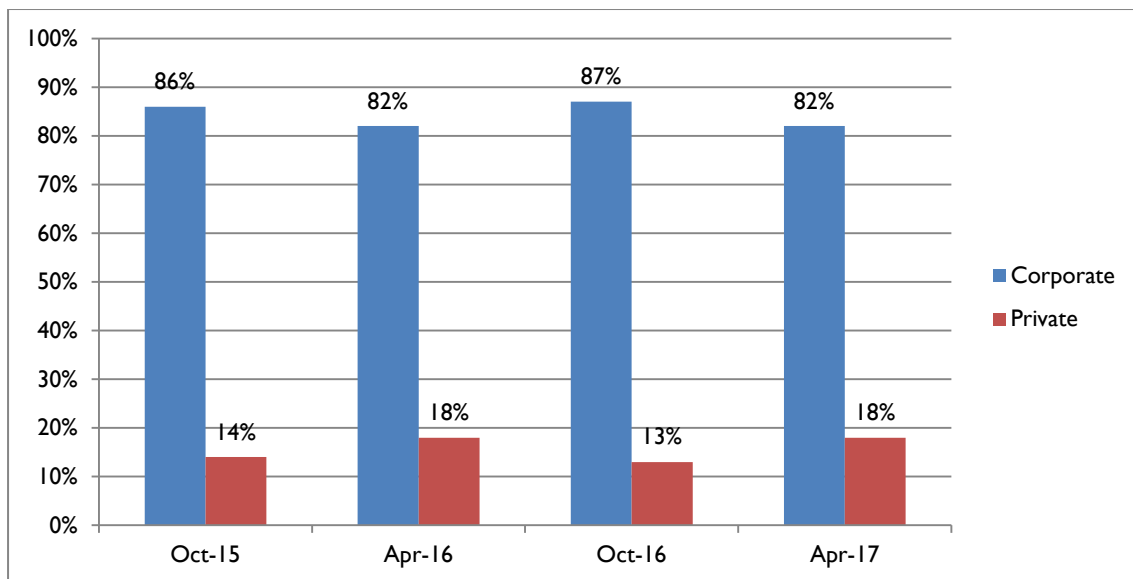
**19. THE AVERAGE AGE OF YOUR CLIENT BASE IS 59 SO IT'S NOT SURPRISING THERE IS SUCH A FOCUS ON PENSIONS FREEDOM, HOWEVER WE WERE SURPRISED WITH THE GRAPH BELOW AS WE EXPECTED MORE OF A HIGHER PERCENTAGE ON PENSIONS.**

**20. WE ASKED HOW MUCH BUSINESS WAS PENSIONS:**



## 21. AND FINALLY – WHAT IS THE SPLIT OF THAT PENSION BUSINESS BETWEEN CORPORATE AND PRIVATE?

No need to explain that one!



We very much hope you have found the profile of your industry an interesting read and that it is broadly in line with what you would expect.

If you have any questions about any aspect of the research do please call Evie Owen or James Goad at Owen James on 01483 861334

Thank you for reading!