

Winning Advisers – Thursday 11 October 2016

Tydney Hall Hotel & Gardens, Ridge Lane, Rotherwick, Hook, Hampshire, RG27 9AZ

SCENE SETTER RESEARCH FINDINGS

In the run up to A Meeting of Minds - Winning Advisers, we asked you to answer some questions – our goal being to capture your thinking at a moment in time. The following are your aggregated responses. We hope you find this snapshot interesting as well as reassuring – in other words your peers are experiencing the same challenges and excitements as you are!

To give the data some more meaning, we have introduced data from our three preceding reports – we hope the trending is helpful.

1. We started by asking our participants – “What do you consider to be the biggest issue facing your business and/or industry?	2
The SWOT Analysis – we asked our audience to provide a quick summary of their perceived strengths, weaknesses, opportunities and threats:	3
2. Strengths:	3
3. Weaknesses:	3
4. Opportunities:	4
5. Threats	5
6. In light of the vote to leave the EU, we asked you to imagine you were granted a private audience with Phillip Hammond (the Chancellor of the Exchequer) and asked what you would add to his wish list in terms of the exit negotiations?	5
7. Each six months, we ask your 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.	6
8. We then asked respondents to prioritise the eight most important value drivers when pricing up an adviser business:	7
9. 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 past three Meetings held..	8
10. We asked about their percentage use of in-house products versus externally sourced:	11
11. We asked about their percentage use of active versus passive:	11
12. We asked about their offering and the split between discretionary, advisory, execution only and other: 12	
13. And what sort of approach are they typically adopting:	12
14. Funds under management:	13
15. In terms of network usage, a third of our respondents do use some network services.	13
16. On average, each firm at A Meeting of Minds Winning Advisers employs just over 6 advisers (the vast majority of which are directly regulated. 6.18 to be precise ... very tricky that!	13
17. We asked how many firms employ Paraplanners and if yes – how many?	14
18. Which back office system do you use?	14
19. Which risk profiling tool do you use?	15
20. Which research tool do you use?	15
21. All about platforms:	16

22. We asked them how much of your business is pensions: 17
23. And finally – what is the split of that pension business between corporate and private: 17

I. WE STARTED BY ASKING OUR PARTICIPANTS – “WHAT DO YOU CONSIDER TO BE THE BIGGEST ISSUE FACING YOUR BUSINESS AND/OR INDUSTRY?”

Desperately seeking consistency, clarity and stability !

In no particular order ... the following give a sense of the the above sentiment.

- Brexit, global QE, inability of central policy makers to take effective action.
- Change. Constant movement in the Regulatory landscape, client price pressure, mass market, robo advice, compliance pressure and potential for future claim management attacks.
- Continued government interference with fiscal policy and retirement planning.
- FCA - constant rule changes - particularly to Pensions
- Increasingly restrictive legislation.
- Lack of clear regulation
- Market conditions, a changing political and legislative environment, high levels of regulation
- Over regulation.
- Overly burdensome regulation and political tinkering with pensions legislation.
- Pension Freedoms and Compliance

Bit old school this but clearly still felt: the decision makers seem largely oblivious to the benefit for all to receive quality advice. Unfortunately to many this is unaffordable, which is why commissions structured correctly enabled advice to be offered to all. The introduction of statutory requirements such as AE and the removal of commissions was not a positive or sensible decision for many.

And they don't trust us nor value what we do

- Consumer confidence,
- Despite strong progression towards a professional standing, there exists a general lack of trust of advisers within the wider general public.
- Lack of trust and value attached to the advice process for those traditionally not seeking an adviser relationship.
- Lack of widespread recognition of the necessity and value of financial planning.
- Maintaining trust in the integrity of the institutions.

And boy do we need some new advisers!

- Making the advisory sector of financial services attractive and accessible to young people who will take it into the future.
- Lack of people
- Lack of young people becoming financial advisers
- Short supply of quality advisers/paraplanners
- Finding new advisers

And we are expected to cope with all this and still make money!

- Cost effective delivery of advice services.
- Fee compression.
- Pressure on reducing costs in a lower growth environment.
- The delivery of advice to future generations who may not value face to face and a pension ISA which requires less advice than the current regime.
- The difficulty in being able to offer affordable advice to those who need it most and this is not helped by regulatory pressures.
- Interest rate policy.
- High cost of levies, PI and regulation.

- The continuing impact and costs of regulation.

A couple of people also mentioned ageing population... but for most that is seen as a good thing.

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

2. STRENGTHS:

Well – we are pretty amazing really. Experienced and competent people, great culture and wonderfully appreciative and loyal clients!! That sums it up!

Your people:

- Our people and products.
- The people who work for us.
- Experience and expertise within the company
- Our experience and team structure.
- We have depth in terms of people and expertise coupled with a comprehensive in house training process and well-developed financial planning process.
- Our people - this is undoubtedly a 'personal relationship' industry and by employing the right people we can ensure that our business can go from strength to strength.
- Depth of experience, knowledge and expertise combined with loyalty and strong morale.
- Dynamic, wide range of skills. Processes and our desire to see new young blood come into the industry which we back by funding and training them into their role.
- Highly personal service. Experience and qualification. delivery in plain English.
- Our consultants who genuinely care for their clients.
- Personal relationships.
- We have an excellent board and management team, which has allowed us to develop a strong investment.
- Our consultants who genuinely care for their clients.
- Highly committed staff, loyal clients, supportive shareholders.

Expertise and commercial model:

- Experience and ability to adapt.
- Independence.
- Nimble, bespoke financial planning business.
- Reputation and range of services.
- Employee Ownership Structure

Our focus on clients:

- Client bank and client focus.
- Our client base.
- Well established and loyal client base.
- Client centric focus.
- Long standing relationships with clients and advisers.
- Enthusiasm for an ethical regulatory culture from my clients.
- Our firm is over 50 years old and has a large, loyal, client bank, many of whom are third generation clients.
- Client bank, growing recurring income and business levels. Chartered.
- Personalised service, very client focused, relatively low overheads.
- Culture, strength of client relationships.
- Our client base.

3. WEAKNESSES:

Size matters! Sorry a bit clichéd but it is clearly a big issue for you. Achieving scale is the big issue! Vulnerability to staff turnover and hindrance to attracting new advisers.

- Size of business.
- Size.
- Key people in the organisation retiring at the same time.
- Reliance on the directors.
- Lack of competent advisers.
- Succession planning from within, and being of a reasonable size makes us less nimble than perhaps we could be.
- Succession planning.
- Key staff reliance.
- Size - only so many people to do the work, and finding good people that are good and don't just look good on paper. Culture fit is the biggest risk. People want to do less for more £ and that is upsetting.
- Scale and ability to take on new clients.
- Age of some advisers and clients
- The ability to be able to recruit quality staff. The only offerings we get are through agents and generally the people are not as good as they believe they are. So you end up having to pay a huge fee to the agents and a sizable salary. Best employees are always ones introduced as trainees and trained internally.
- Partner disagreements
- Risks associated with being a small business
- Relatively small team, need to attract more clients to grow the business.

Lawd it all takes so long!

- Over analytical with our processes as we are perfectionists.
- Admin.
- Time taken to process cases due to a compliance regime that stifles business.
- Regulation and the constant change - despite 'light touch regulation' we still spend incredible amounts of time ensuring that all of the i's are dotted and t's crossed just to meet compliance standards. This work does not provide a better or 'safer' outcome for the client.
- Long and expensive processes.

4. OPPORTUNITIES:

In true IFA style – every cloud has a silver lining! All the weaknesses can be turned into opportunities.

Growth here we come!

- To grow!
- Restructuring to allow growth
- Plenty of growth potential
- Unlimited market
- The ever growing SME sector and their requirement for funding.
- Continuation of our business plan, to grow (primarily through organic growth), by offering a comprehensive service to clients of the right calibre.
- Expansion opportunity especially when linked with updated infrastructure.

Where there is confusion, let us provide clarity!

- Public financial confusion.
- New flexibility in pensions.
- Pensions Freedom.
- New 2015 Pension rules
- The Retirement arena, complexity of issues and significant advice need.
- Pension freedom, getting people to engage with advice and advice teams. Delivering alternatives to a computer solution.
- Significant sectors of the market are under advised and poorly served by current advisers.

Potential for M&A activity:

- Acquisition.
- Passing of assets to younger generation.
- Potentially buying up competitors.
- Mergers and acquisitions, market share, new locations/offices, professional connections, strategic partners, IFAs exiting the industry, referral centres.

New ways of working/introducing innovations:

- Switching to new investment model - DFM
- New investment strategy
- To further distil our client base.
- Professional connections, technology.
- Being innovative to adapt to ever changing legislation and financial planning requirements.

And the truly optimistic amongst you:

- Best time I have known in thirty years to work as an IFA
- There is always opportunity - for instance Brexit is a threat and an opportunity.

5. THREATS

The R word still features heavily, as does the lack of scale and the lack of younger advisers entering the industry ... I have therefore picked out some slightly nuanced comments!

- A regulator that refuses to give advice on regulation.
- Brexit / lack of business confidence as a result.
- Commoditisation of advice.
- Decreasing number of advisory firms following retirements and mergers reducing choice to clients.
- FCA - PI - these both have the potential to stop me trading.
- Industry decision-makers disconnect.
- Not enough hours in the day.
- Not there at the moment but in time the introduction of sophisticated 'robo advice' - not likely to appeal to our client bank who prefer the very personal service we offer - but the establishment of a good quality robo advice business, which is scalable, will in time place pressure on the cost of advice.
- Online competition from discounters .
- Outside influences ranging from politicians and others in positions to have an impact on our industry. Often well meaning and with the interests of consumers at heart, but the outcomes may not be as intended.
- Scammers!
- Vertical integration of Platforms

6. IN LIGHT OF THE VOTE TO LEAVE THE EU, WE ASKED YOU TO IMAGINE YOU WERE GRANTED A PRIVATE AUDIENCE WITH PHILLIP HAMMOND (THE CHANCELLOR OF THE EXCHEQUER) AND ASKED WHAT YOU WOULD ADD TO HIS WISH LIST IN TERMS OF THE EXIT NEGOTIATIONS?

A few “unhelpful” responses – not entering into the spirit of the question:

- I don't know what his wish list is.....
- I wouldn't.

Quite a few of you seeking Nirvana and I don't mean the band! Have highlighted those in red!

- A Regulator that only thinks about UK issues and is prepared to give advisers advice.
- An ability to negotiate non EU trade deals immediately.
- *Being able to trade as we can now, but to lose the politics and to have the freedom to have laws and rules and regulations that work for us.*
- Consult with the City and us before you do anything rash.
- Do a deal that helps the City.
- *Freedom of movement of people, services, goods and capital.*
- Freedom to negotiate favourable trade terms with any member state.
- Higher NRB and no/much higher lifetime limit on pensions.
- Ask him to think about how this will affect our ability to advise expats in European territories and what effect it will have on policy decisions.
- In a period where there is undoubtedly going to be uncertainty at least give people certainty over their ability to plan for (and make provision) for their savings. In other words please leave the savings and pensions arena alone now - we have seen change upon change in these areas and it is eroding clients' belief that plans made today will remain valid in the future, which of course leads to a reluctance to properly plan now.
- Issue legal proceedings against VW for £15 bn for the emissions scandal. It's bonkers that no legal action has been taken.
- Leave the single market and arrange our own trade deals with individual countries e.g. Germany
- *Maintain and improve trading conditions ie passporting.*
- *Performing the miracle of keeping the UK as the financial centre of the European financial services sector and maintaining economic stability.*
- Provision of independent support of EU
- Reduction in unnecessary and expensive regulation.
- *Remain in the single market.*
- *Retain access to the open market.*
- *Single market must be the most important consideration. That followed by retaining our borders in France.*
- *The independence of UK financial services; trade agreements if practical*

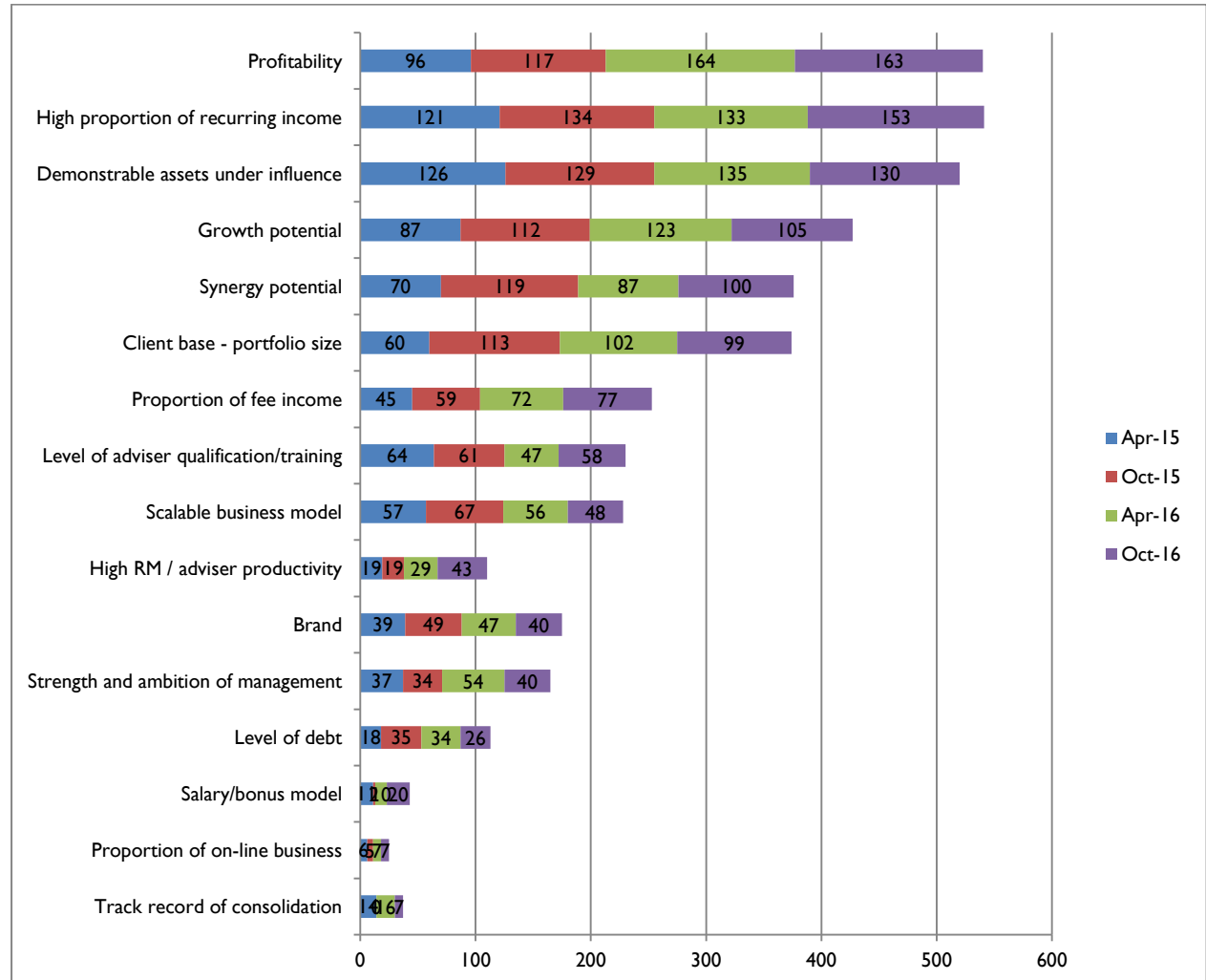
7. EACH SIX MONTHS, WE ASK YOUR PEER GROUP HOW THEY FEEL ABOUT THE YEAR AHEAD? THERE IS NOTHING PARTICULARLY SCIENTIFIC ABOUT THE EXERCISE BUT THE RESULTS ARE REMARKABLY CONSISTENT WHICH WOULD INDICATE SOME SORT OF VALIDITY.

April 2015	- 8.35
October 2015	- 8.00
April 2016	- 8.17
October 2016	- 7.90

So perhaps a tad gloomier than you have been ... but frankly it isn't surprising!

8. WE THEN ASKED RESPONDENTS TO PRIORITISE THE EIGHT MOST IMPORTANT VALUE DRIVERS WHEN PRICING UP AN ADVISER BUSINESS:

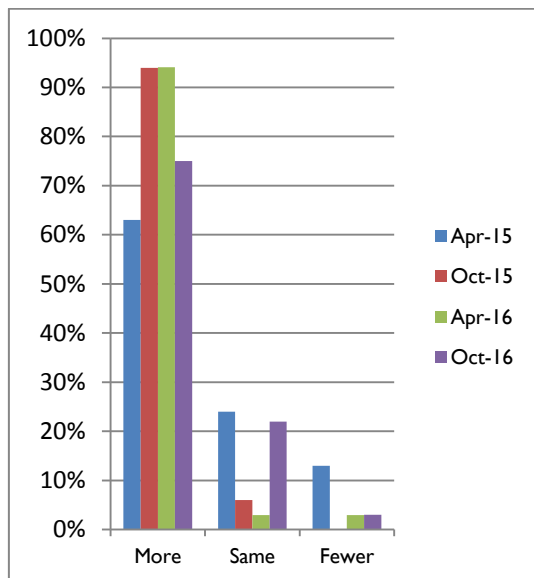
We have weighted the responses. Respondents clearly think that profitability, recurring revenue and assets under influence are the key drivers when valuing their businesses. Followed by potential for growth with client base and synergy potential level pegging.



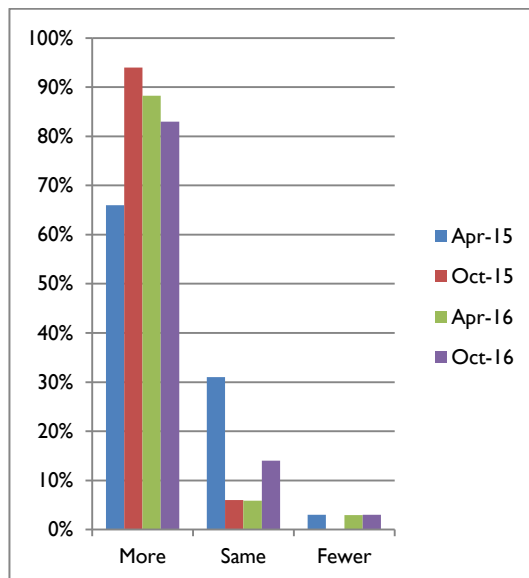
9. WE THEN ASKED RESPONDENTS FOR A SENSE OF HOW THEY SEE THE NUMBERS STACKING UP – OVER THE PAST YEAR AND THE YEAR AHEAD. WE HAVE DRAWN A COMPARISON WITH SENTIMENT EXPRESSED AT THE PAST THREE MEETINGS HELD

In terms of clients:

Past year

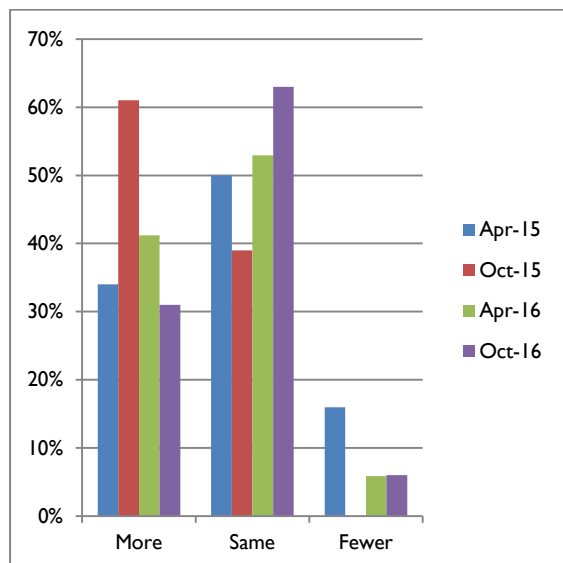


Year ahead

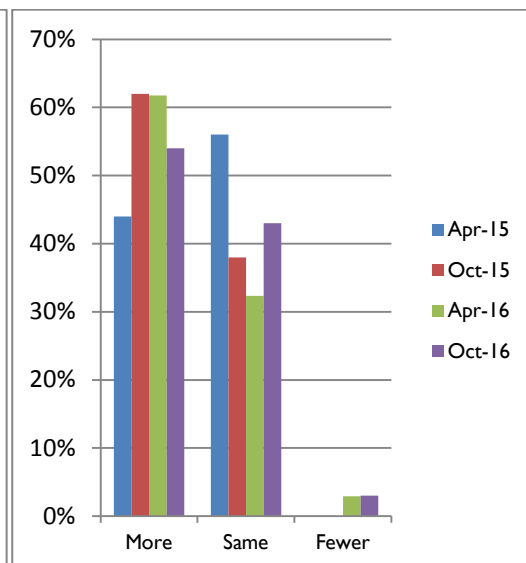


In terms of headcount – client facing:

Past year

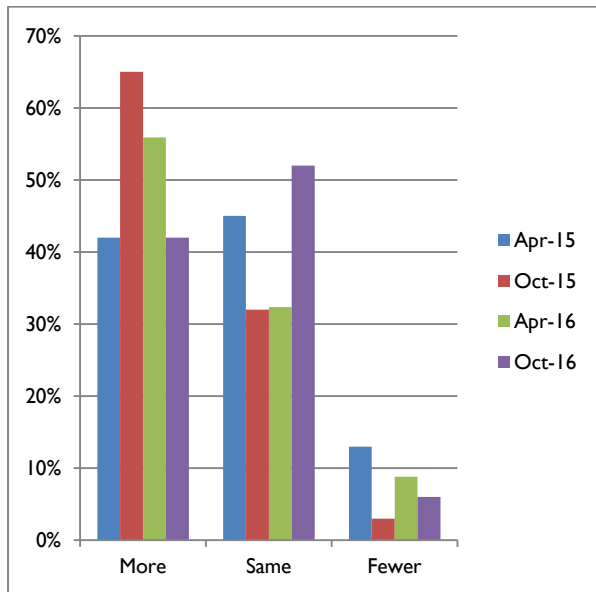


Year ahead

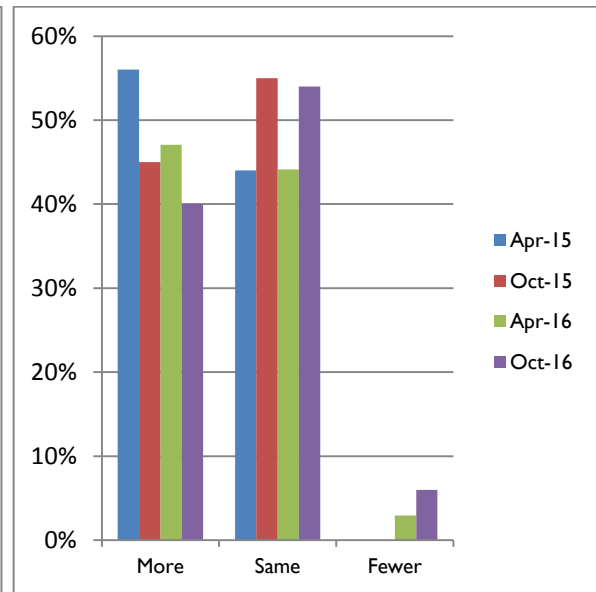


In terms of headcount – back office:

Past year

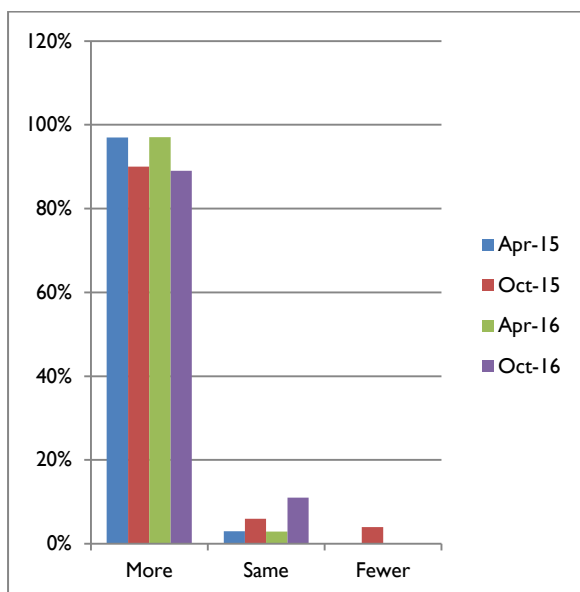


Year ahead

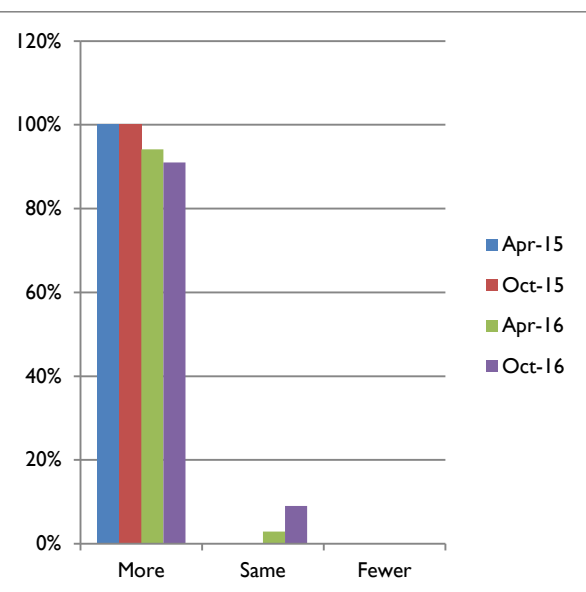


In terms of assets under management:

Past year

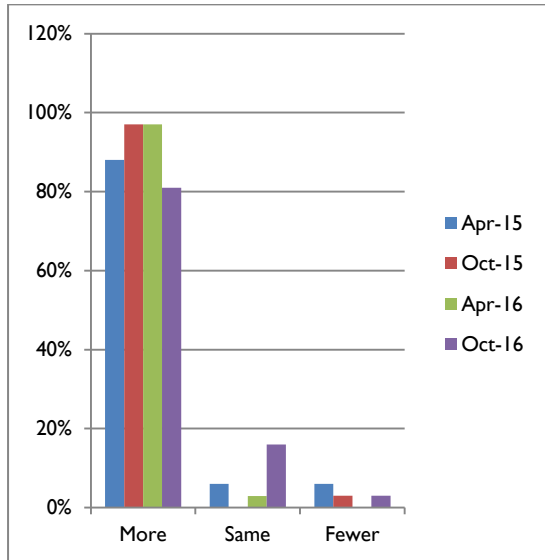


Year ahead

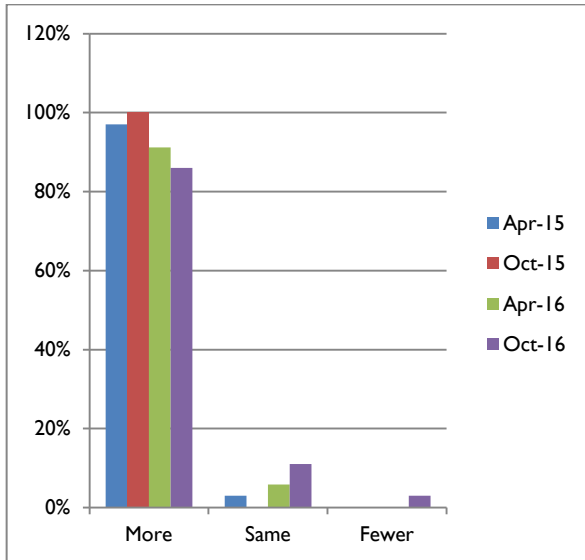


In terms of revenues:

Past year

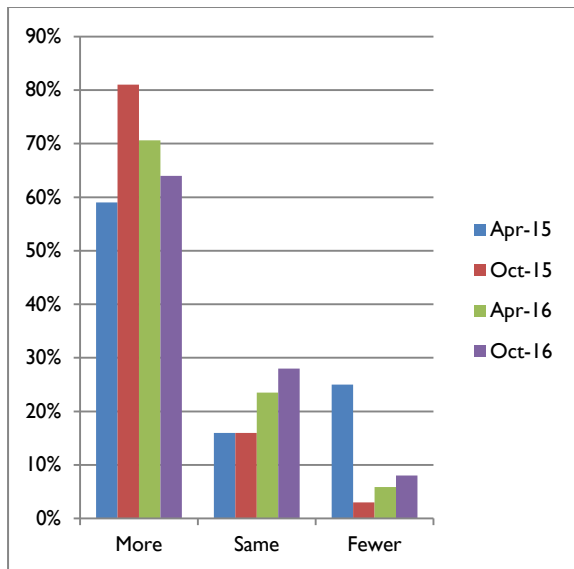


Year ahead

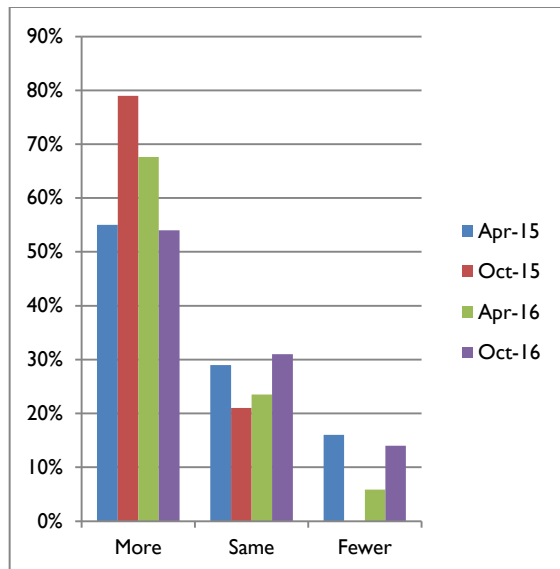


In terms of costs:

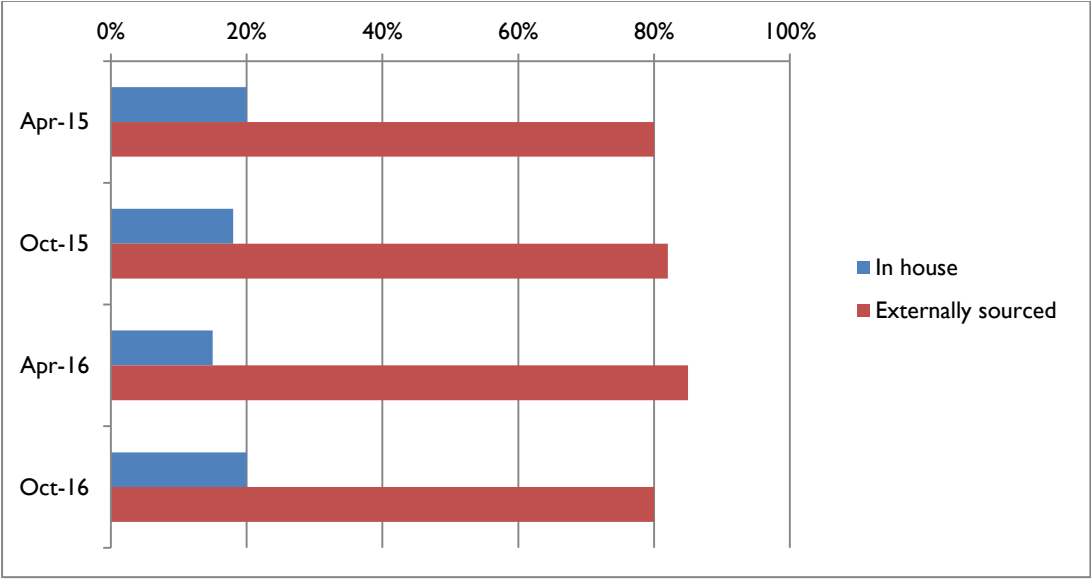
Past year



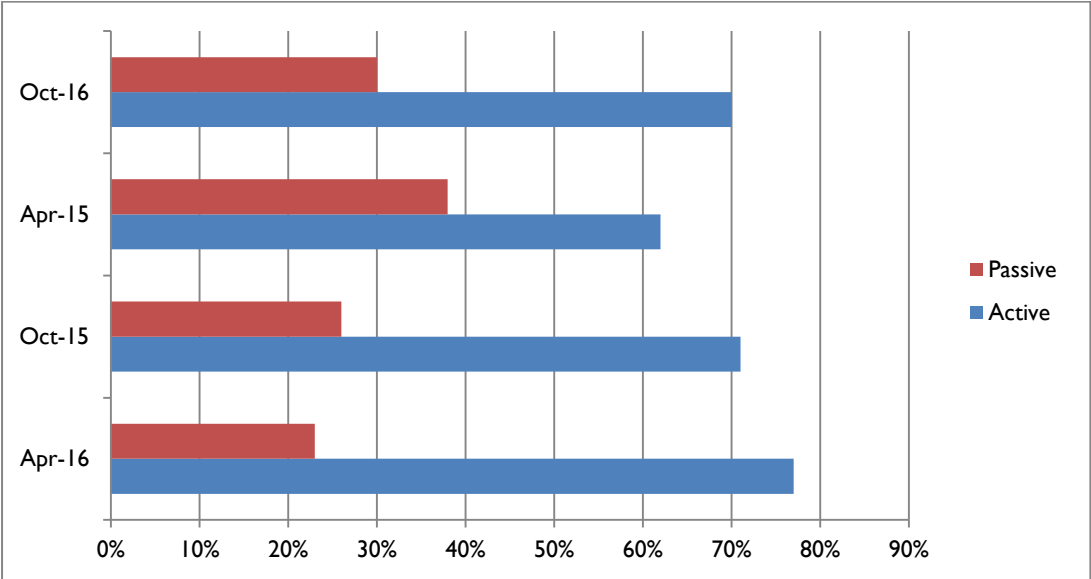
Year ahead



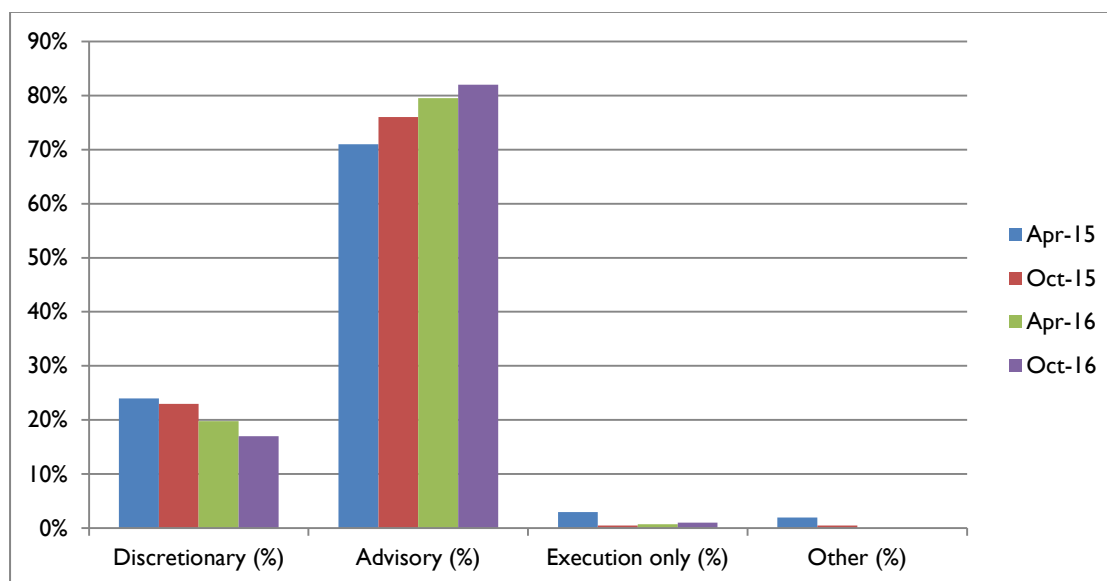
10. WE ASKED ABOUT THEIR PERCENTAGE USE OF IN-HOUSE PRODUCTS VERSUS EXTERNALLY SOURCED:



11. WE ASKED ABOUT THEIR PERCENTAGE USE OF ACTIVE VERSUS PASSIVE:

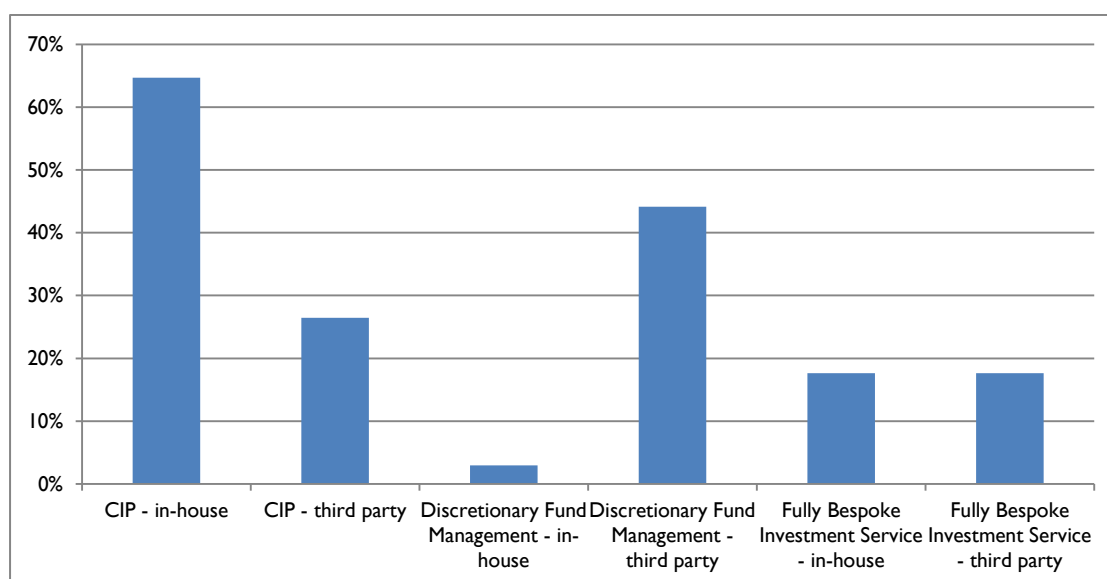


12. WE ASKED ABOUT THEIR OFFERING AND THE SPLIT BETWEEN DISCRETIONARY, ADVISORY, EXECUTION ONLY AND OTHER:

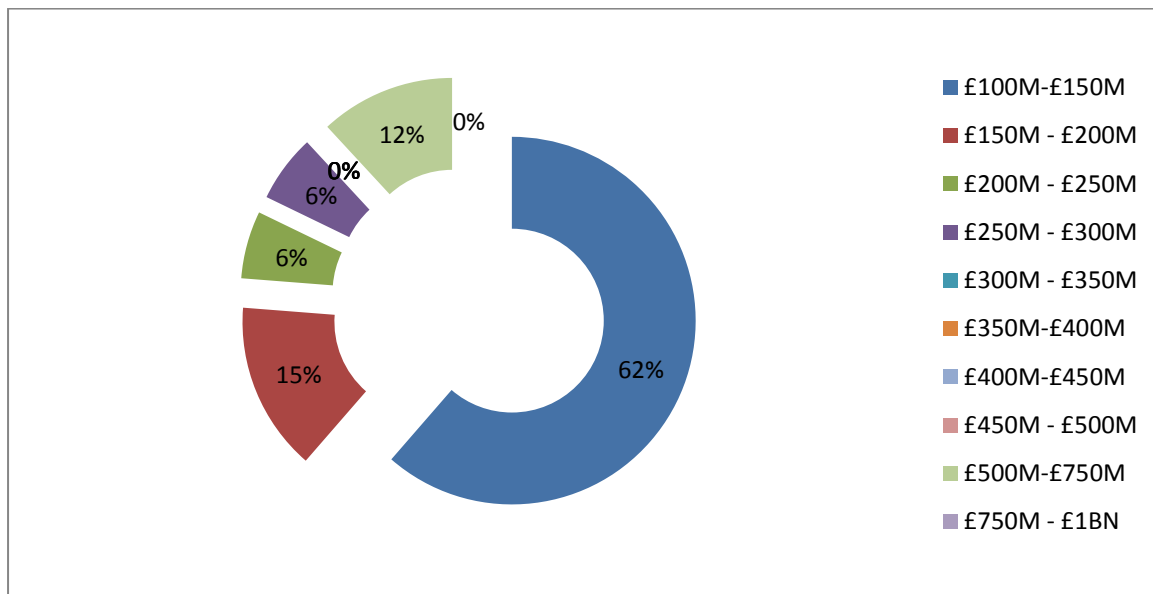


13. AND WHAT SORT OF APPROACH ARE THEY TYPICALLY ADOPTING:

This is the first time we have asked this question so have nothing to compare against. We have taken a percentage of the number of people who responded.



14. FUNDS UNDER MANAGEMENT:



The average company at A Meeting of Minds Winning Advisers is responsible for some £206m FUM, therefore the value of the audience in terms of assets under management is just under £12bn.

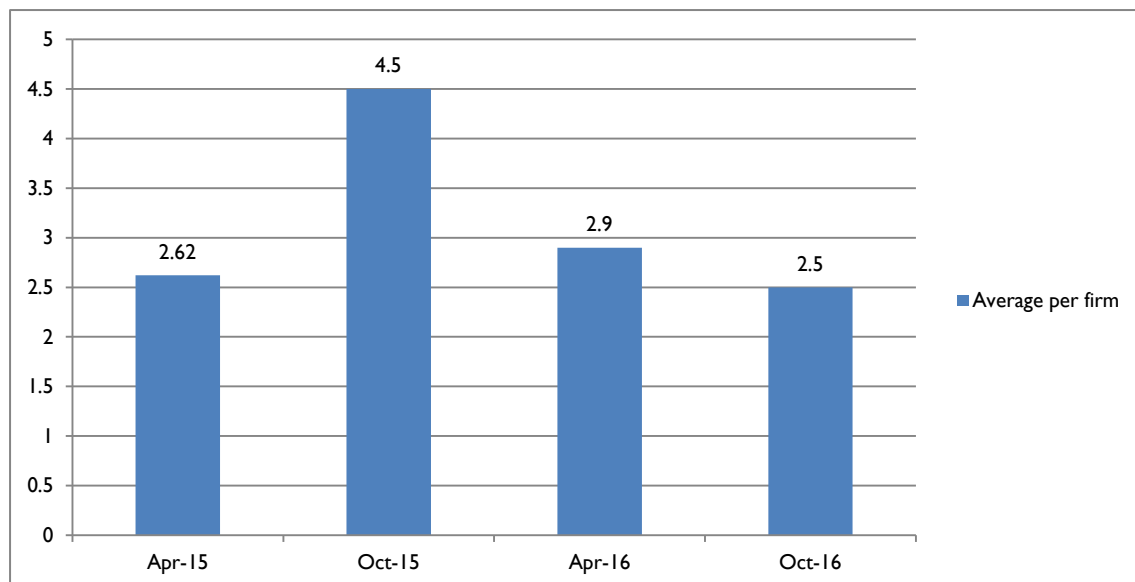
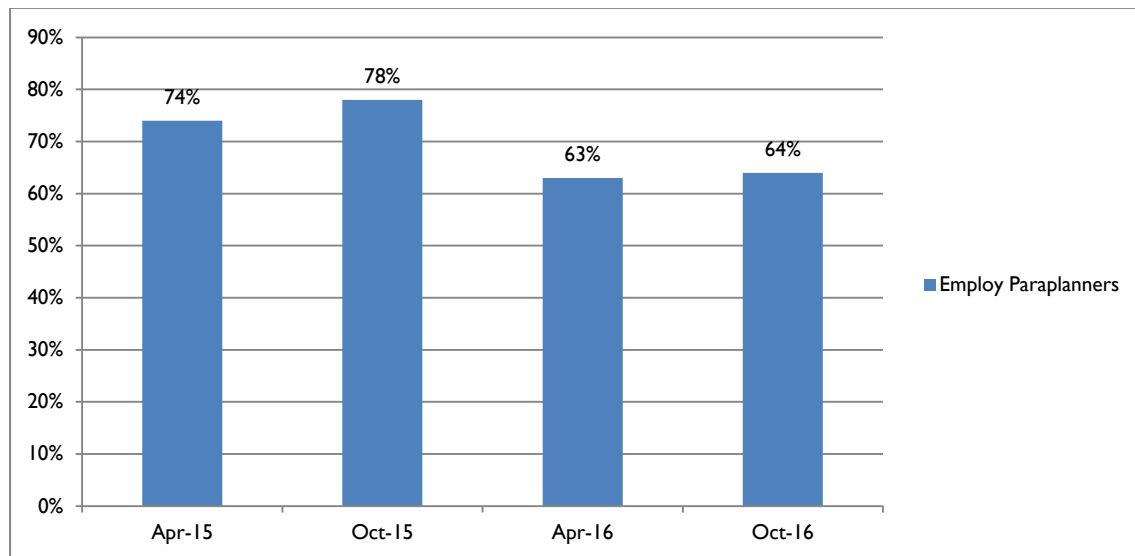
15. IN TERMS OF NETWORK USAGE, A THIRD OF OUR RESPONDENTS DO USE SOME NETWORK SERVICES.

Firms mentioned:

- 360 x 2
- Best Practice x 1
- Paradigm x 2
- SIFA x 1
- Simply Biz x 8

16. ON AVERAGE, EACH FIRM AT A MEETING OF MINDS WINNING ADVISERS EMPLOYS JUST OVER 6 ADVISERS (THE VAST MAJORITY OF WHICH ARE DIRECTLY REGULATED. 6.18 TO BE PRECISE ... VERY TRICKY THAT!

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



18. WHICH BACK OFFICE SYSTEM DO YOU USE?

- Ist
- Adviser Cloud (2)
- Adviser Office (4)
- AO but changing to IO in February 2017.
- Assyst (2)
- Avelo First (old and actively looking at this)
- Bespoke
- Bluecoat Finplan
- CCD (2)
- Enable / Fusion
- Finplan
- Intelliflo (14)
- Voyant & Deposit Sense
- Time4advice

- True Potential (2)
- We have built our own using Microsoft Dynamics CRM:

19. WHICH RISK PROFILING TOOL DO YOU USE?

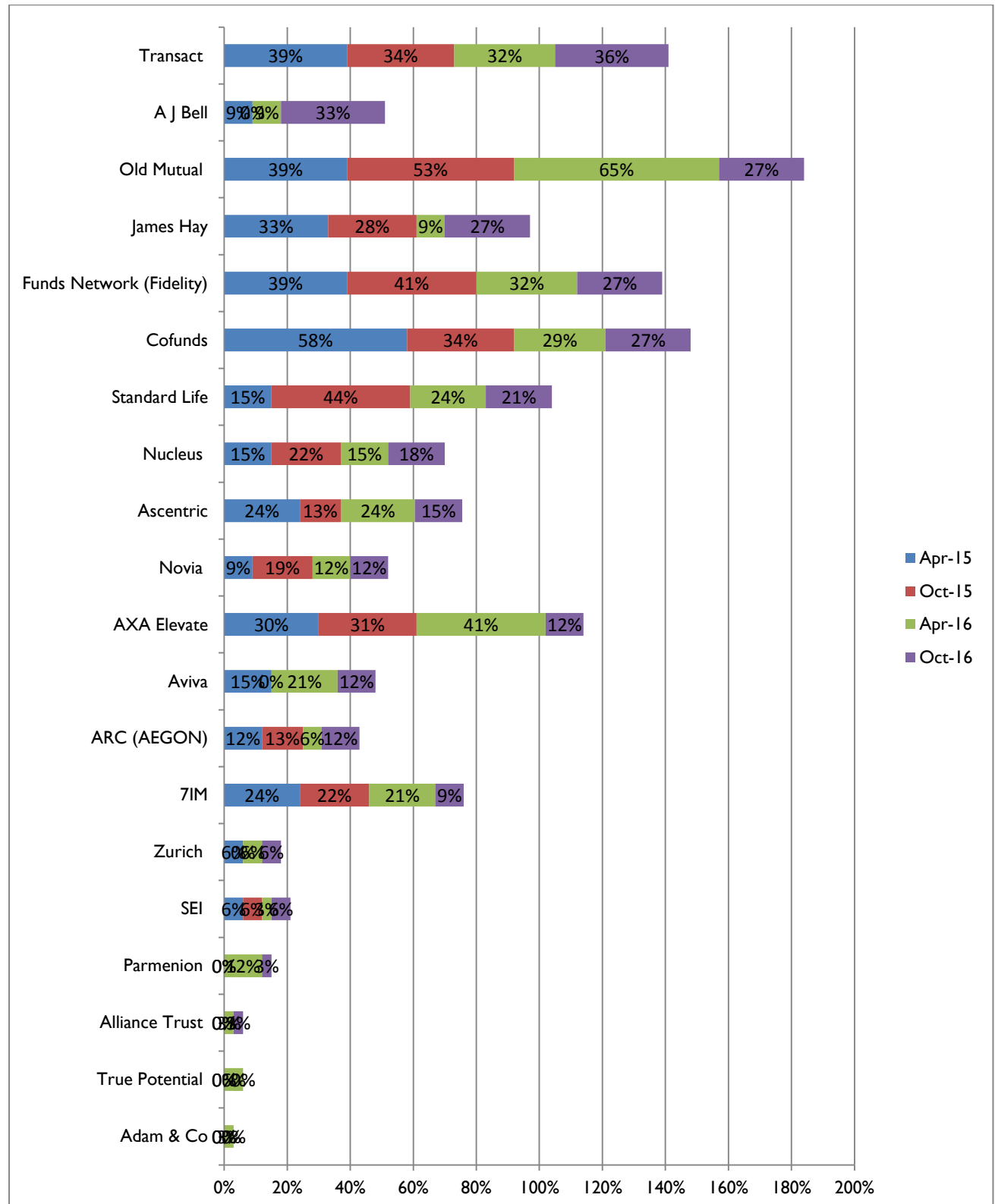
- Advisa Centa
- Dynamic Planner (5)
- eValue
- Finametrika (5)
- In house (6)
- Morningstar (4)
- None (4)
- Old Mutual Wealth (3)
- Oxford Risk (3)
- Parmenion
- Suggestus
- Verbatim (2)

20. WHICH RESEARCH TOOL DO YOU USE?

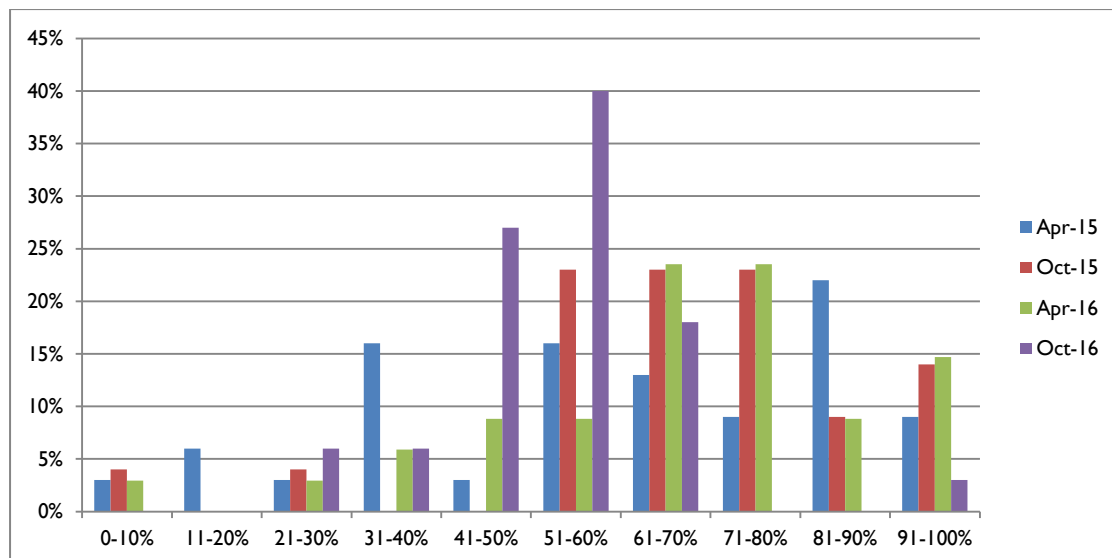
- Analytics (5)
- Assureweb
- Defaqto (4)
- eValue Advisa Centre
- Exweb (2)
- FE (7)
- FVC and Avelo Exchange
- Independent
- Micap (2)
- None (3)
- O&M (3)
- Selectapension
- Selectapension, Exchange
- Synaptic (2)
- threesixty
- Trustnet
- Various (5)

21. 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. Transact are clearly doing very well but A J Bell seem to be stirring the pot big time.

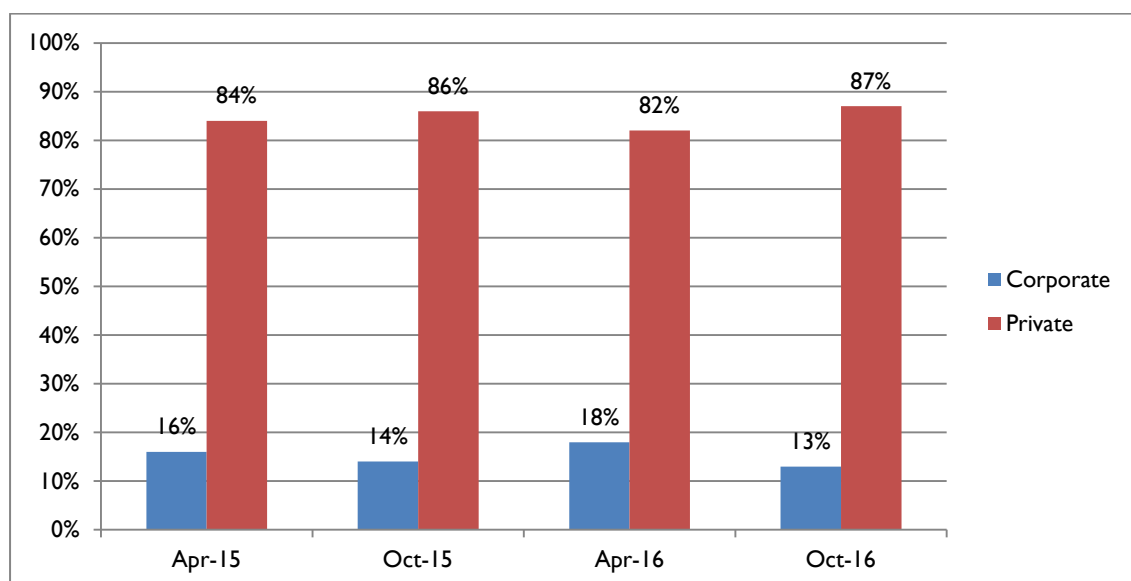


22. WE ASKED THEM HOW MUCH OF YOUR BUSINESS IS PENSIONS:



23. AND FINALLY – WHAT IS THE SPLIT OF THAT PENSION BUSINESS BETWEEN CORPORATE AND PRIVATE:

Now that is fairly conclusive!



We very much hope you have found this profile of your industry of interest and broadly in line with what you would expect. If you have any questions about any aspect of the research do please call Owen James at 01483 861334 and speak to Evie Owen or James Goad.

Thanks.