Alpha

In collaboration with:

Adviser Home
DEVELOPMENT PLATFORM

Retail Distribution & Advice Practice

Summary Findings

Alpha 2023 Financial Advice Survey

Foreword

Dear Reader,

As the financial advice landscape continues to evolve at an unprecedented pace, it is crucial for professionals within the industry to stay informed of the emerging trends and strategies that are shaping the sector.

It is with this intent that Alpha, in collaboration with Adviser Home, have conducted our annual survey of UK financial advisers, building upon the insights gathered from our previous survey in 2022. This report presents an analysis of the current state of the UK financial advice market, offering perspectives on the opportunities and challenges facing advice firms.

Alpha comprises over 1,000 consultants globally and is deeply embedded in the UK Life, Pensions and Retail Investments industry, with work spanning the full value chain. This breadth of engagement informs our perspective and underpins the value we aim to deliver through reports like this.

In a year marked by both challenge and change, our findings delve into the transformational shifts occurring across the financial advice sector. From the rise of new technologies to the continued evolution of regulatory change, the dynamic nature of our industry demands a proactive approach to these developments to be successful in the future. This report provides a reflection of the current environment highlighting opportunities with data-driven insights and actionable recommendations.

We would like to thank everyone who took the time to respond to the survey. We trust that you will find the research helpful, and we invite you to engage with the contents of the report, to explore the opportunities it highlights, and to reflect on how they may shape your business.

Yours sincerely,

Bradley Northrop

Director; Life, Pensions & Retail Investments at Alpha

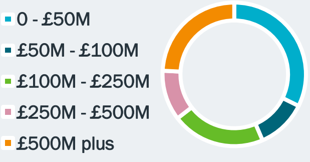
Contents

Introduction

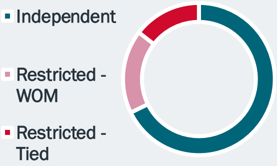
This survey provides an insight into the future of financial advice; a market experiencing continuous change and transformation. The results herein provide reflections for participants across the wealth value chain.

Demographics of Participants

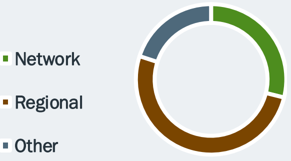
AUA Size
AUA BY BANDINGS



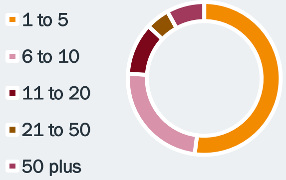
Type of Advice Business
BY TYPE



Adviser Business Model
BY BUSINESS MODEL



No. of Advisers
HEADCOUNT PER FIRM



Key Questions

How are advisers engaging with their clients and what do their clients see as the biggest drivers of value in using an adviser?

Where are the opportunities to evolve the advice process and how can technology act as an enabler?

How have advice firms adapted their business in response to Consumer Duty?

Key Headlines

Advisers continue to prioritise personalised client engagement through face-to face meetings, phone calls and email, recognising these as key drivers of value for clients.

Process efficiency and cost / income pressures continue to inhibit profitable growth, with most advice firms stating that technology is neutral towards or hinders their business.

Firms are adjusting technology, operating models, processes and charges in response to a range of factors, including regulatory changes like Consumer Duty.

Executive Summary

Executive Summary: Key Findings

Client Engagement & Value (P9-10)

➢ **Personalised client engagement is key to delivering positive outcomes**

- ✓ Advisers have recognised value for money **as being more important** since the introduction of Consumer Duty.
- ✓ Respondents are using a **wide range of metrics and data to evidence client value** and outcomes, making standardisation and comparison difficult.

84% of respondents place most value in building personal relationships with clients

Catering to Client Needs (P11)

➢ **Advisers and clients sometimes differ in priorities. particularly in intergenerational wealth planning.**

- ✓ **89% of respondents** currently offer, or plan to offer, intergenerational wealth planning.
- ✓ Only **19% of clients** are seeking advice on intergenerational wealth planning.

90% of respondents state that retirement planning is the primary topic for which clients seek advice

Creating a more Productive Advice Process (P12-13)

➢ **Business optimisation and process efficiency are critical in the evolving market.**

- ✓ Respondents identified process efficiency as the **second biggest challenge** facing their firms.
- ✓ Respondents identify improving business efficiency as the **second biggest opportunity** area for enhancing advice businesses.

45% of respondents agree that process efficiency is a big area of concern

Platform & Technology Strategy (P14-15)

➢ **Advisers are developing more comprehensive digital strategies, including back office and platform integrations.**

- ✓ **Back office and platform integrations** have the biggest impact on ability to efficiently serve clients.
- ✓ **55% of respondents use multiple adviser platforms**. The use of multiple providers and platforms can make it difficult to create operational efficiencies and have control over the end-to-end client experience.

26% of respondents believe that their current technology stack hinders their business

Regulatory Landscape (P16)

➢ **Firms are updating their servicing models post-Consumer Duty to align with regulations.**

- ✓ Almost **half of respondents** noted lacking MI required to evidence positive consumer outcomes.
- ✓ **19% of respondents** adjusted their fees, indicating a deeper understanding of their service costs.

81% of respondents have changed the way they provide advice in response to Consumer Duty

Client Servicing & Pricing (P17)

➢ **Consumer Duty has driven through a step change in how firms approach segmentation**

- ✓ **26% of firms** are now considering client segmentation as opposed to 0% in last year's survey.
- ✓ However, **no material shift was observed in the pricing mechanisms** deployed by advisers, with % AUM based pricing still the primary mechanism.

100% of respondents segment their clients vs 74% last year

Executive Summary: Opportunity Areas

Drawing on the key findings of our survey, we've outlined the areas in which the expectations of product providers are shifting to combat changes and trends.

Growth Strategy

- Advice firms are pursuing diverse strategies for growth, with ongoing trends like **vertical integration** and **the acquisition-to-integration pivot** for PE consolidators playing an important role in shaping these growth strategies.
- Amidst evolving growth strategies, there is a noticeable rise in firms deploying **'adviser as a platform'** and **bespoke white-label solutions**. This reflects a concentrated effort to enhance client experiences and assert control over end-to-end propositions.

Adviser Proposition

- Ongoing regulatory impacts, such as the effects of **Consumer Duty** and the **Advice Guidance Boundary**, continue to shape financial advice service propositions.
- The evolving regulatory landscape aligns with a continued focus on client outcomes and value, steering away from transactional advice and favouring **holistic, goal-based planning.**

Business Environment

- Broader changes in the market are impacting how businesses operate and their overall strategy, driven by factors beyond individual advisers or specific market segments.
- Regulatory and technological enhancements, including advancements in **AI** and the evolving **Advice Guidance Boundary**, may present new client acquisition opportunities and methods to better engage and manage ongoing client relationships.

Client Needs

- Millennials and Generation Z are set to accumulate wealth faster than previous generations, initiated by **investing at a younger age**. However, the **aging population of advisers** poses a challenge in capturing the market of these young investors.
- Many young investors are turning to digital means for financial guidance, including **social media**. Therefore, **digital adoption** is encouraged in the financial advice market.

Detailed Responses and Takeaways

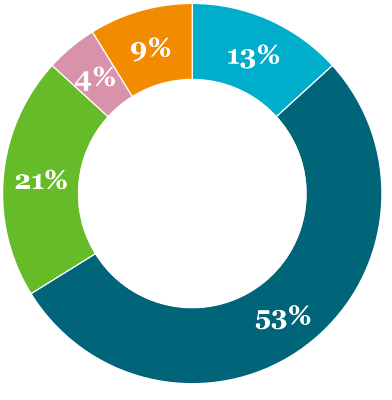
Client engagement and value (1 of 2)

Examining client interaction frequency and preferred engagement channels is key to enhancing client satisfaction and retention.

Which of these client segments are your core market?

% of Advisers

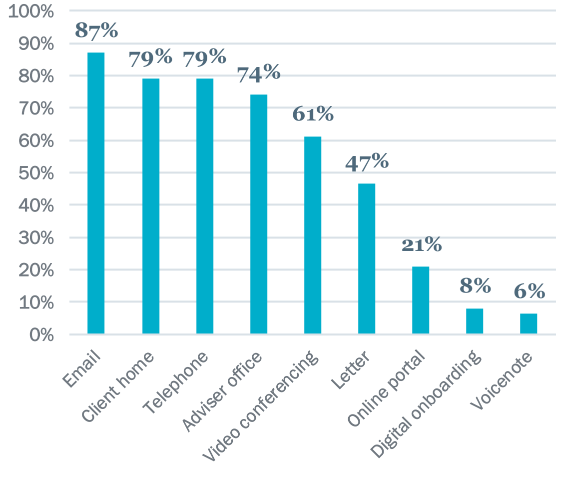
- Mass market (<£75k investable assets)
- Mass affluent (£75k-£500k investable assets)
- High net worth (£500k - £1m investable assets)
- Ultra high net worth (>£1m plus investable assets)
- *Other



*Other
A combination of all answers

Which channels do you use to engage with clients?

% of Advisers (respondents could submit multiple answers)



How often do you typically interact with an existing client?

% of Advisers

*Other
Yearly contractually but normally 2 – 3 times a year in addition to this
Formally once – other than that anytime – depends on what is going on in their lives

Key Takeaways

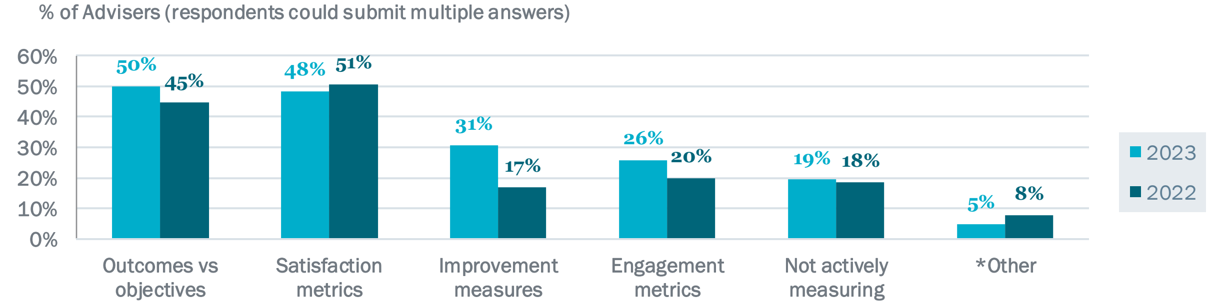
→ Despite the greater efficiency of digital methods, most respondents prioritise establishing personal connections with clients throughout the advisory process– either face-to-face, via home visits, or through phone calls.

→ The respondent pool shows divergent meeting frequencies in responding to clients' changing preferences, highlighting the need for continued review of servicing models and perceptions of value.

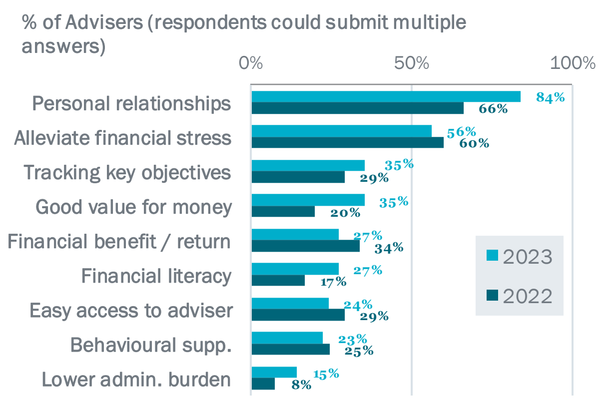
Client engagement and value (2 of 2)

Advice firms continue to provide value to their clients in numerous ways, though the method that firms use to evidence this is starting to evolve.

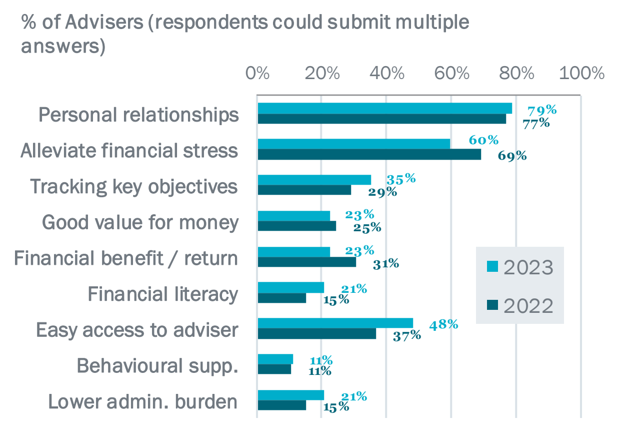
How is your business evidencing client value and good client outcomes in your advice process?



What do you think your clients most value in the services you provide for your clients?



What do you think is of most value in the services you provide for them?



Key Takeaways

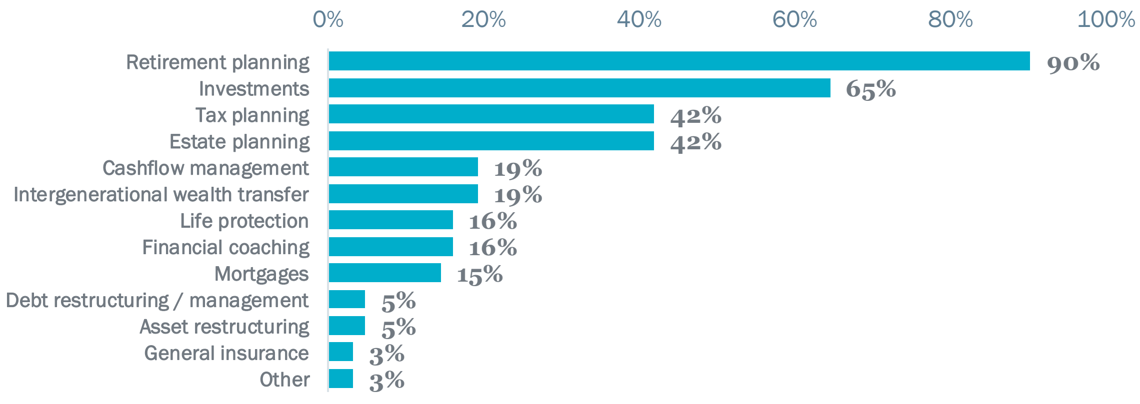
→ Advisers viewed value for money as more important, possibly due to the introduction of Consumer Duty and the cost-of-living crisis creating a greater emphasis on evidencing value explicitly as part of the advice proposition.

→ Advisers are using a range of approaches to actively measure good value and evidence good client outcomes in line with Consumer Duty, with only 1 in 5 advisers not actively measuring.

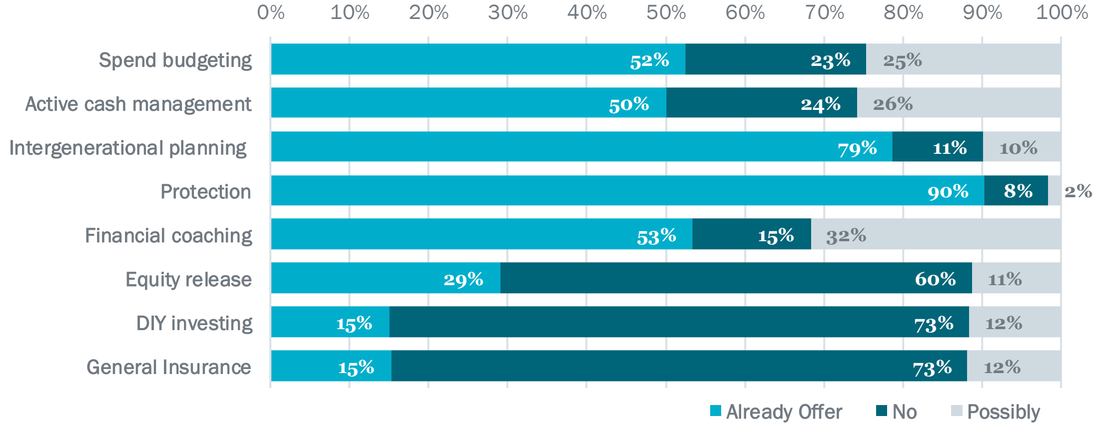
Catering to client needs

Understanding the alignment between client needs and offered services is pivotal. Firms need to tailor their offerings to meet the evolving demands of their clients, fostering stronger client-adviser relationships and positioning them for growth.

What are your client's seeking advice on mostly?



Which of these services do you offer / expect to offer in the future?



Key Takeaways

→ Most respondents state that their clients are primarily seeking advice on retirement planning and investments.

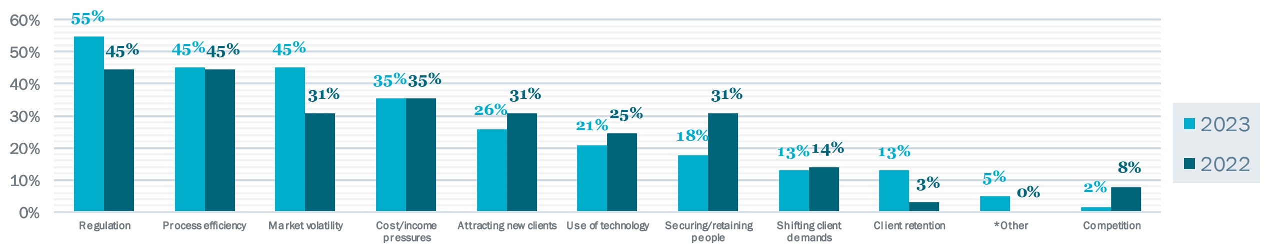
→ Despite the anticipated £5.5tn asset transfer to Gen Y and Gen Z investors over the next 30 years, clients do not see intergenerational wealth transfer as a priority, highlighting a disconnect between adviser offerings and perceived client value.

Creating a more productive advice process

Within the financial advice industry, productivity has been flat for a generation. Inefficient processes, blurred responsibilities, lack of integrations, limited focus on client outcomes and the involvement of multiple third parties in the value chain have created inefficiencies.

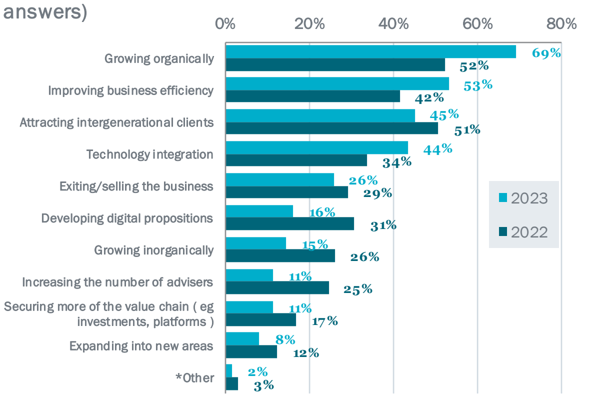
What are the biggest areas of concern for the advice business you own/work for?

% of Advisers (respondents could submit multiple answers)



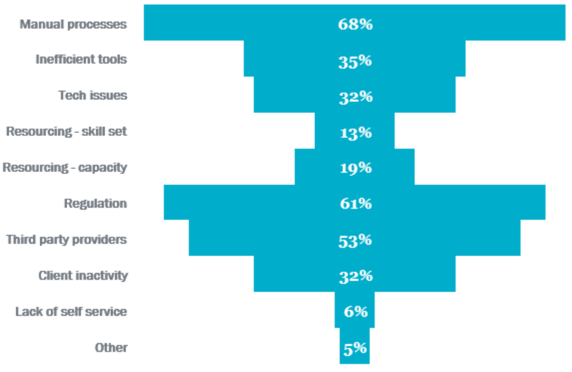
Where do you see the biggest opportunities for your business in the future?

% of Advisers (respondents could submit multiple answers)



What barriers do you face in a typical client case that limit the efficiency of the process?

% of Advisers (respondents could submit multiple answers)



Key Takeaways

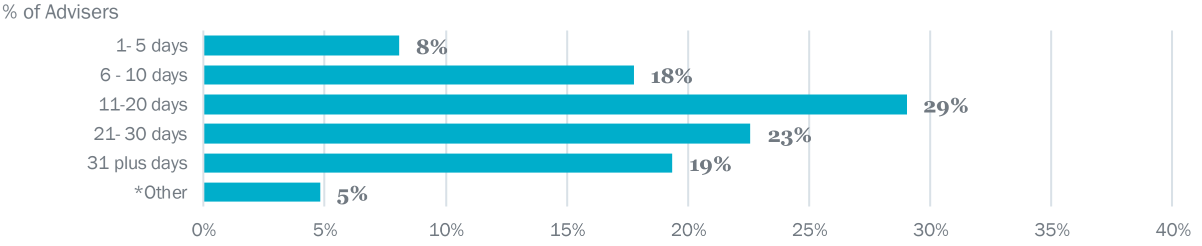
→ Respondents prioritise introspective activities, emphasising organic growth and improving business efficiency as the biggest future opportunities for their businesses.

→ 53% of respondents view third-party providers as a barrier to limit efficiency, indicating an opportunity for improvement through enhanced integration and reduced manual processes.

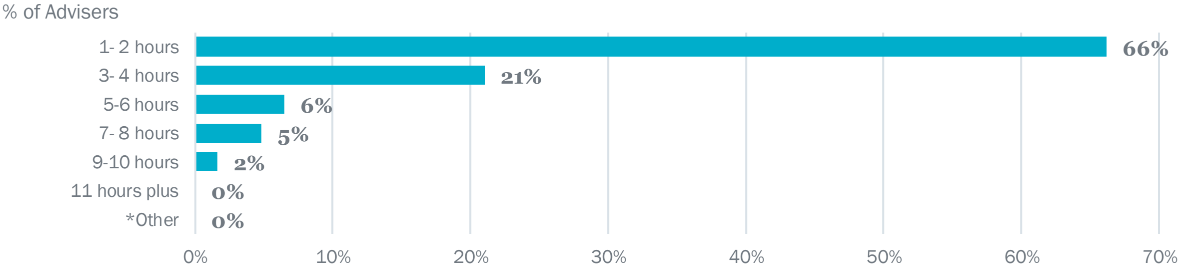
Optimising advice timelines

There remain significant opportunities to make the advice process more efficient and improve service standards and timelines. Integration of value chain components and technology remains a key challenge to overcome.

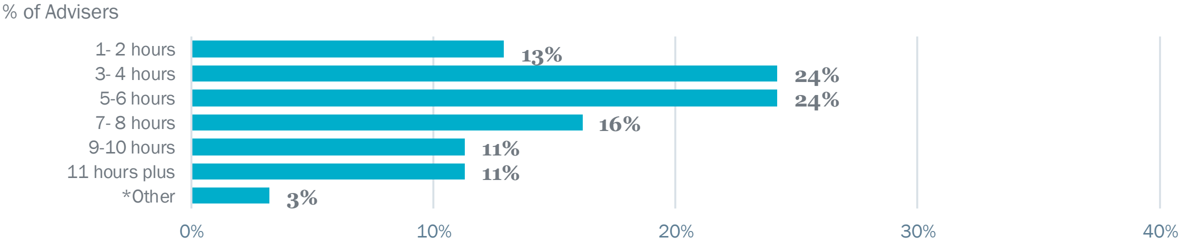
How many days does it take on average from the date of initial referral / lead to completed suitability report?



How long does it take on average to complete the fact find?



How long does it take on average to complete the suitability process (including advice research and preparation)?



Key Takeaways

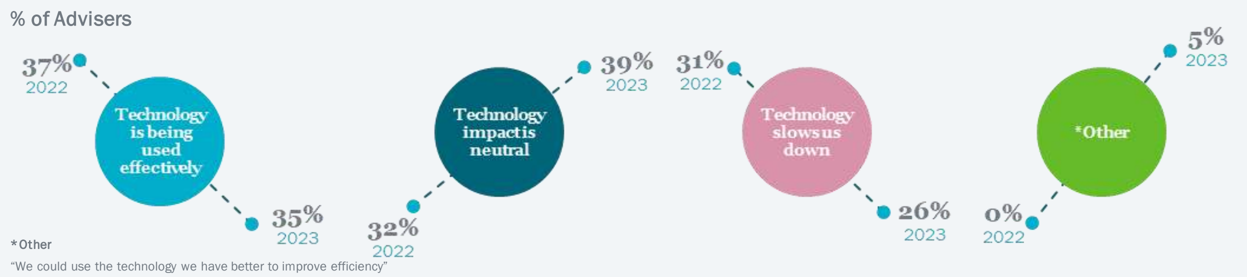
→ Firms are taking a cautious approach to documentation / MI and as such, the increased time taken may reflect the learning curve that firms are experiencing.

→ 60% of respondents are taking over 5 hours to complete the process, highlighting an opportunity for optimisation to address potential pain points.

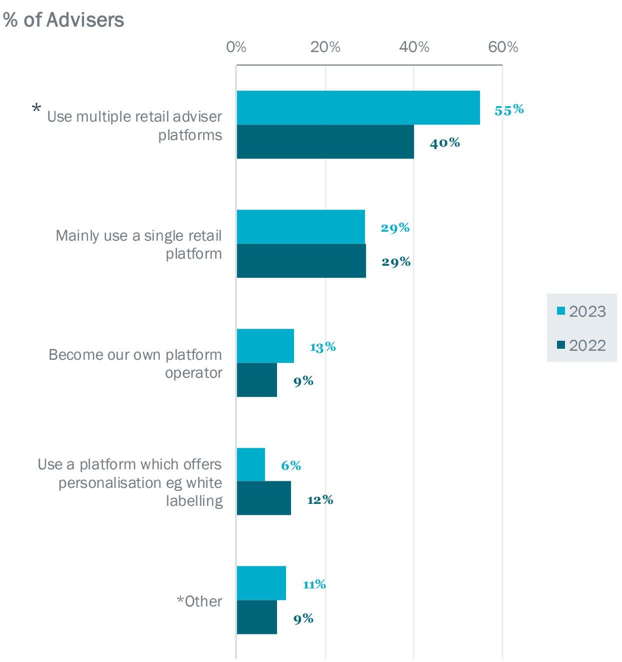
Platform and technology strategy (1 of 2)

The financial advice industry continues to be slow to adopt new technologies. Minimal attitude shifts from 2022 to 2023 indicate that firms are taking a cautious approach towards implementing technology improvements.

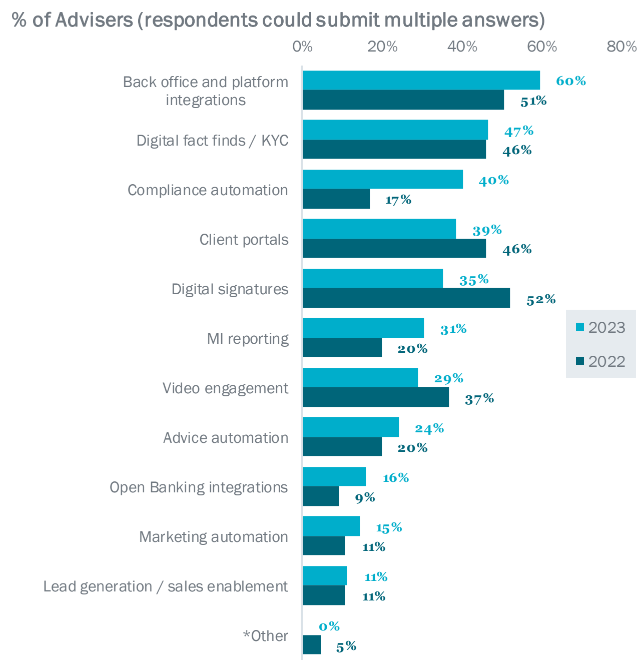
Does your current technology stack enhance or hinder your business?



How does your business intend to use platforms for your clients in the future?



What area of technology do you envisage having the biggest impact on your ability to serve clients in the future?



Key Takeaways

→ The industry's slow technology adoption persists, with little shift in positive perceptions among respondents from 2022 to 2023.

→ Firms may look to tactical solutions such as robotic process automation to deliver efficiencies between platform and adviser. In this context, platforms such as Moneyinfo, Seccl, Hubwise, and Wealthlink are becoming increasingly relevant, offering various degrees of integration and automation.

** Please note that if a firm is considered to be "Restricted – WOM", they will use multiple platforms*

Platform and technology strategy (2 of 2)

Advice firms continue to leverage an array of third-party technology providers with a growing number of new entrants starting to get traction in the market.

Which technology providers do you use e.g., risk tools, asset allocation, digital advice, client profiling, CRM or any others?

% of Advisers (respondents could submit multiple answers)

Financial Planning Tools

Provider	%
FE Analytics	65%
CashCalc	32%
voyant	26%
Solution Builder	26%
Morningstar	26%
Dynamic Planner	23%
Oxford Risk	15%
ev	6%
WealthWizards	6%
Mortgage Brain	5%

Practice Management Tools

Provider	%
intelliflo	42%
iress	11%
salesforce	11%
SimplyBiz	10%
enable	3%
plannr	3%

*Other – Time4Advice, twenty7tec, Aladdin, Dynamics 365, Moneyinfo, Truth, Moneytree, CommPay, Vouched For, Network CRM

Key Takeaways

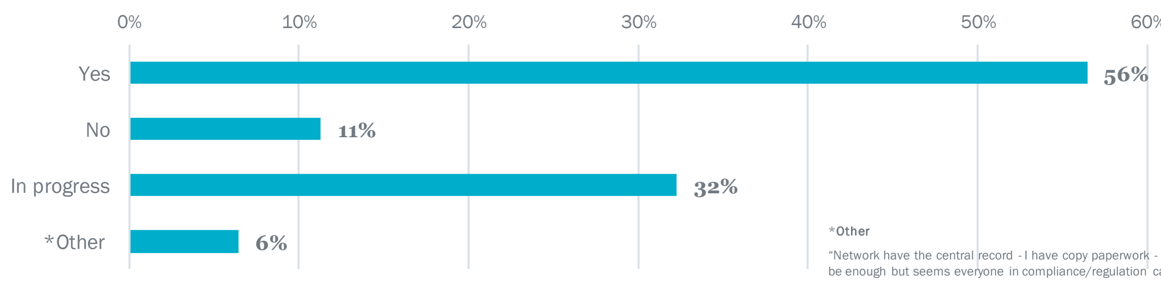
- The variety of planning and cashflow tools used highlights the need for ecosystem integration, with businesses seeking to connect different systems for a streamlined, holistic experience. Intelliflo remains the leading practice management tool among respondents.
- The introduction of enterprise-level tools such as Microsoft Dynamics, Salesforce and other such systems into the market signals a significant trend towards firms requiring further capabilities which don't currently sit within the Financial Planning toolset.

Regulatory landscape

With Consumer Duty, the regulator is seeking to go beyond the usual checks and balances on processing and governance to drive a complete cultural shift, requiring firms to evidence client outcomes at the centre of their business.

Do you have the necessary MI to demonstrate positive consumer outcomes in line with the Consumer Duty?

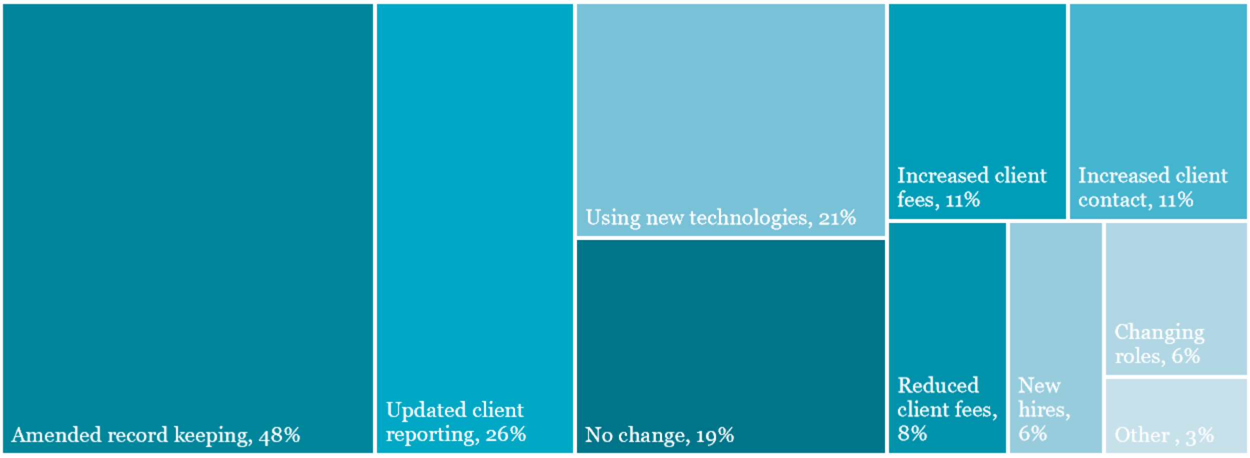
% of Advisers (respondents could submit multiple answers)



*Other
"Network have the central record - I have copy paperwork - it should be enough but seems everyone in compliance/regulation can move the goal posts at will"

How have Consumer Duty considerations impacted the way you provide advice to your clients?

% of Advisers (respondents could submit multiple answers)



*Other "I have now established a formal review process – before it was more informal with notes taken and logged. All clients preferred my old way of dealing – now giving out pointless docs, signing forms etc each year is causing me more work / losing time and clients can't see the point. They want a quick precise conclusion – if they are doing okay or not"

Key Takeaways

→ Nearly half of respondents lack essential MI to robustly demonstrate positive consumer outcomes, indicating a persistent challenge in aligning with continued regulatory change.

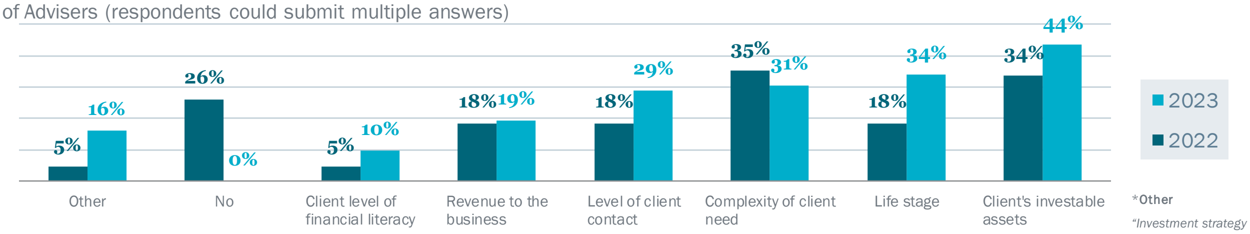
→ 11% of respondents increased their fees, suggesting a more granular assessment and understanding of total servicing costs and potentially signalling a shift towards more sustainable business models.

Client servicing and pricing

Changes in the advice market and client demographics/preferences are-having a material impact on the servicing and pricing models offered by advisers, with more clients than ever being classed as not economically viable to serve.

Do you segment your clients by proposition/ service? If yes, please state how?

% of Advisers (respondents could submit multiple answers)



*Other

"Investment strategy and risk profile"
All equally important"

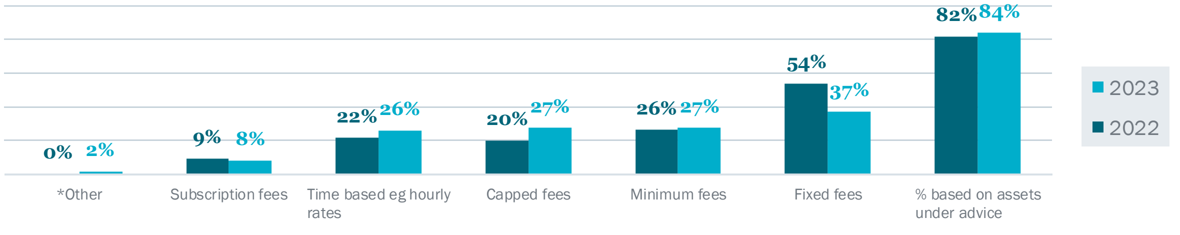
At what AUM/AUA threshold would you estimate a client is not economically viable for your business?

% of Advisers

	2022	2023
Under £50k	24%	24%
Under £75K	16%	13%
Under £100K	21%	24%
Under £150k	13%	13%
Under £250K	8%	10%
Other *"No clients are turned away" – 2 counts recorded* *"Under £30,000" – 3 counts recorded* *"Under £20,000"*	18%	16%

Which of these pricing/fee mechanisms do you currently use in your business?

% of Advisers (respondents could submit multiple answers)



Key Takeaways

→ Consumer Duty has driven through a step change in how firms are approaching segmentation, with 26% of firms now considering client segmentation as opposed to 0% in last year's survey.

→ However, no material shift was observed in the pricing mechanisms deployed by advisers, with % AUM based pricing still the primary mechanism. Alternative models for different client segments are being deployed / piloted in parts of the market.

About Alpha

An Introduction to Alpha FMC

Key Differentiators

- Industry specialists
- Assured Delivery
- Industry Knowledge & Network
- Proven Methodologies & Project Accelerators
- Global Reach & Capability
- Insightful Benchmarking Data

Global Consultancy

17 OFFICES

1000+ CONSULTANTS

971 CLIENTS

Alpha is head and shoulders above the competition when it comes to knowledge of the industry'
Executive Director

We have worked with over **50%** of the largest UK Life, Pensions and Retail Investment Market

'Alpha's greatest strength is having good people, and with Alpha you can be sure of what you are getting' **CEO**

3x Winner at the Funds Europe Awards

Practices

- 01 Ins – Insurance
- 02 ESG – ESG & Responsible Investment
- 03 PRi – Pensions and Retail Investments
- 04 Ei – ETF & Indexing
- 05 Fi – FinTech & Innovation
- 06 Ig – Investment Guidelines
- 07 Rg – Regulatory Compliance & Risk
- 08 Dg – Digital & Agile
- 09 Di – Distribution
- 10 Inv – Investments
- 11 Ma – M&A Integrations
- 12 Oo – Operations
- 13 Bm – Benchmarking

Our Financial Advice SMEs

The individuals within the Alpha team combine industry experience with subject matter expertise

Dan Mahony | Executive Director

Dan leads Alpha's Life, Pension and Retail Investments business. He has particular expertise regarding the UK intermediated distribution market and product innovation.

Dan's extensive experience lies in senior operations management within the UK life industry, with a proven track record of delivering successful business change. He has also led numerous distribution change and strategy initiatives, across intermediated, direct-to-consumer and corporate sales functions.

Bradley Northrop | Director

Bradley has extensive experience in the financial adviser market, both in consulting and industry.

Bradley has consulted many of the leading financial advice firms in the market helping them to improve business performance and manage key strategic change programmes.

Bradley recently led the development of wealth and retail advice strategies at several firms in the market helping to evaluate strategic development opportunities, design digital / hybrid advice propositions and define their target operating models.

Emily Stapleton | Senior Manager

Emily has a broad range of experience working with platform and wealth management clients across: strategy definition, operating model assessment and design, and vendor selection.

Most recently Emily has led the business and proposition strategy definition at two leading UK advice platform firms, considering business verticals across D2C and advised solutions (incl. full advice, hybrid and episodic)

Hattie Elkins | Senior Manager

Hattie is a Senior Manager in Alpha's Retail Distribution & Advice practice who works with our clients on strategic and change initiatives, supporting them to shape their market participation and take-to-market strategies and the corresponding propositions and operating models to achieve their vision.

Hattie has supported clients in understanding the drivers of inefficiency in their business, to define a more optimised operating model to enable efficiency and enhance experience.

Our Financial Advice SMEs (continued)

The individuals within the Alpha team combine industry experience with subject matter expertise

Joe Harris | Senior Manager

Joe is the Architecture lead within the Insurance division and has over 6 years' experience working with technology across financial services, with a specialism in financial advice.

Joe has performed technology strategy, design and implementations across practice management, financial planning and wealth management, including large scale data migrations. He also has experience in developing go-to-market solutions, working collaboratively with technology vendors to build out use cases fit for the market.

Matt Jeffery | Senior Manager

Matt has over 10 years' experience in the investment industry. Prior to entering consulting, Matt qualified as a Financial Adviser, managing the financial affairs of city professionals. Matt also spent time running key strategic projects for the London business of one of the UK's largest Wealth Managers.

During his consulting career Matt has built up strong expertise across the value chain, helping his clients in projects across operating model design, supplier selection, corporate strategy, M&A, outsourcing, and product and distribution strategy. His recent experience has focused on both client and adviser experience throughout the wealth journey.

Sonya Keshvara | Manager

Sonya has over 7 years' industry experience as a practitioner and consultant, having obtained the Diploma in Financial Planning and worked as a Paraplanner providing both retirement and holistic advice, prior to moving into consulting.

Most recently, as part of a transformation project for a consolidator IFA firm, Sonya established organisational structure and processes and procedures workstreams. Her other recent experience includes proposition design, operating model design, business transformation, and vendor selection.

Daniel Reece | Consultant

Daniel in Alpha's Retail Distribution & Advice practice with a broad range of experience working with platforms across strategy definition, operating model design, and technology.

Daniel has supported several advised platforms in proposition and operating model review programmes, analysing current state and making future state recommendations to meet requirements

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The Alpha Group provides a comprehensive range of services across the asset, wealth management and insurance industries. Our team of 1000+ consultants work around the globe to help our clients solve their business, operational and technology challenges. This report is based on Alpha knowledge and industry experience. We would like to thank all our colleagues for their expert contributions.

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