

THE
LANG
CAT

STATE of the ADVISER NATION

WAVE FOUR, JANUARY 2022



**EXCERPT &
DATA OUTLINE**

State Of The Adviser Nation: WAVE FOUR 2021/22

Welcome to this free sample of the lang cat's omnibus annual adviser market study, State of the Adviser Nation. This is Wave Four, which saw 445 respondents complete 87 questions over about 30 minutes each – no small ask. We're grateful and indebted to everyone who took the time to respond.

State of the Adviser Nation looks at four key areas:

- ▶ the UK advice profession
- ▶ technology
- ▶ platforms
- ▶ investment propositions

Inside these is a wealth of complexity, variability and nuance: something we don't shy away from in our reports. It is reductive and unhelpful to claim that 'advisers do this...' or 'advisers use that...'. This is a profession of well over 5,000 firms stuffed full of qualified, intelligent, fiercely proud individuals who see themselves as the guardians of their clients' wealth, and to claim they see the same way about anything is fanciful.

State of the Adviser Nation, then, tries to get behind the headlines to sentiment as well as practicality and current practice, to give readers a sense of where things might go – always understanding that it won't be linear.

The purpose of this document is to give you a sense of what's included should you decide to purchase State of the Adviser Nation. The 68-page report is aimed at organisations who want to understand the advisory sector and financial planning profession in more detail. It's not aimed at firms themselves, though we do supply a free copy to all respondents in thanks for their time.

In the coming pages you'll find a list of all 62 figures in the report, as well as the introduction and the first few pages of the 'UK Advice Profession' section to give you a sense of how the report is written.

THE DAMAGE

The report is priced at £5,000 plus VAT. For that you get:

- ▶ the report itself
- ▶ a data pack containing 84 charts and graphs, ready for you to use in your own market analysis documents, board and strategy packs
- ▶ a playback of the research and a Q&A session with one of the report's authors
- ▶ access to previous waves for comparison and tracking purposes

If you'd like to get your own copy of the full State of the Platform Nation or to discuss subscribing to our regular insight service please email Steve Nelson, the lang cat's insight director, on steven@langcatfinancial.com or get in touch with your usual lang cat contact.

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State Of The Adviser Nation Wave Four 2021/22: LIST OF FIGURES

SECTION TWO: THE UK ADVICE PROFESSION

- 2.1 *Estimated 2021 turnover*
- 2.2 *Increase (%) in PI cover / FOS levy / FSCS levy*
- 2.3 *Increase (%) in PI cover / FOS levy / FSCS levy split by AUI*
- 2.4 *Attitude towards DB transfers compared to a year ago*
- 2.5 *Business constraints compared to a year ago*
- 2.6 *“To what extent do you agree with the following statements on diversity within the sector?”*
- 2.7 *“Which of the following best describes your thoughts towards taking on new clients within the firm?”*
- 2.8 *“In five years time I expect the business to be owned by...”*
- 2.9 *“When was the last time your business was approached by a consolidator?”*
- 2.10 *“What would a consolidator need to offer you to consider selling?”*
- 2.11 *“In five years’ time I’d like my business to be...”*
- 2.12 *“In five years’ time I’d like my business to be...” split by AUI*
- 2.13 *Non-influencer biggest frustrations with the sector*
- 2.14 *Non-influencer biggest daily frustrations*
- 2.15 *“To what extent are you concerned about your business being swept up by a consolidator?”*
- 2.16 *“What are your thoughts on Employee Ownership Trusts?”*
- 2.17 *“What do you believe are the most important things you do for your clients?”*
- 2.18 *Own planning values vs. firm*
- 2.19 *Important things for clients (where respondent rated themselves as 1-6 on the traditional scale)*
- 2.20 *“How do you measure customer satisfaction?”*
- 2.21 *“Which of the following has your firm done with regards to customers’ Total Cost of Ownership?”*
- 2.22 *Measure applied to customer’s TCO – split by AUI*
- 2.23 *“Which of the following best sums up your view of Assessment of Value statements?”*
- 2.24 *“Would you be in favour of other parts of the sector completing their own AoV?”*
- 2.25 *“What one word or phrase would you use to describe the UK advice profession in 2021?”*

SECTION THREE: TECHNOLOGY

- 3.1 *Technology system usage vs 2020*
- 3.2 *“What is your view of running an ‘adviser as platform’ model?”*
- 3.3 *“What do you think will be the split of client meetings between face-to-face and online?”*
- 3.4 *“How do you currently use technology?”*
- 3.5 *“Which of the following do you think reflects your clients’ expectations?”*
- 3.6 *“How indispensable are the following technologies to your business?”*
- 3.7 *“Would you pick the same kit again?”*
- 3.8 *“To what extent do you agree that due diligence should be carried out on underlying technology providers?”*
- 3.9 *Advised AUI by tech provider*

SECTION FOUR: PLATFORMS

- 4.1 *"How best would you describe the business you place with the following platforms?"*
- 4.2 *"How would you score each platform in terms of familiarity and favourability?"*
- 4.3 *"What features and functionality do you feel are most important to you when choosing the right platform partner?"*
- 4.4 *"Thinking about the less tangible aspects of platform selection, which is the most important to you?"*
- 4.5 *"What does good customer service mean to you?"*
- 4.6 *"Which of the following best reflects your experience with negotiating special deals on platform pricing?"*
- 4.7 *Special deals, split by firm size*
- 4.8 *"Over the last year, did you consider making changes to where you place platform business?"*
- 4.9 *"Did you make a change to your platform provider?"*
- 4.10 *"You're now in charge of a platform and have been given £££s to spend, use it wisely. Where do you allocate this new budget?"*
- 4.11 *Desired spread of allocated budget*

SECTION FIVE: INVESTMENT PROPOSITIONS

- 5.1 *"Which of the following best describes your use of CIPs?"*
- 5.2 *"Roughly what proportion of clients do you place in your main CIP compared to secondary or tertiary CIPs?"*
- 5.3 *"How would you define your usage of the different CIP types?"*
- 5.4 *Usage by CIP*
- 5.5 *"Where do you place business on behalf of clients?"*
- 5.6 *Market share, third-party segments*
- 5.7 *"How constrained is the CIP construction process within your firm?"*
- 5.8 *"What are the most important factors you look for when you're adopting or reviewing your CIP(s)?"*
- 5.9 *Approximate costs*
- 5.10 *Costs split by firm size*
- 5.11 *"Do you run a suite of model portfolios?"*
- 5.12 *"Which of the following apply to your investment committee?"*
- 5.13 *Core and Additional options split*
- 5.14 *"Across your full suite of models, how many individual portfolio options are there?"*
- 5.15 *"Do you use the same portfolios for all risk levels?"*
- 5.16 *"Do you mix and match portfolios for the same client?"*
- 5.17 *"Where would you like your business to get to in the next 5 years for the following CIP types?"*

INTRODUCTION

“ I’m going out to Punxsutawney for our country’s oldest groundhog festival. ”

“ According to the legend, tomorrow, if the groundhog sees his shadow, we’ll have six more weeks of winter. ”

“ Keep your fingers crossed. Sounds like a lot of fun. ”

“ This is your third year in a row isn't it? ”
 “ Four, Nan. ”

Hello and welcome to the fourth wave of *State of the Adviser Nation*, the lang cat’s annual omnibus research into the UK financial advice profession. You’re all very, very welcome here.

What’s significantly less welcome is that we write this still in the clutches of *The Endless Great Unpleasantness of 2020-22*, with a new variant hitting the press at the same time as this report reaches its final stages. At least we don’t have to write the word unprecedented again, because it all feels totally, well, preceded. But without Bill Murray to make it funny.

So why call our research **credible**? For that, we need to go back to the origin story of *State of the Adviser Nation*. The birth of this study came from a collective sense of frustration around what we felt (and still feel) is a proliferation of simplistic, over-reaching statements from research that claimed to speak on behalf of the whole profession.

We said this last year too but no-one wants to read more analysis on what the ‘new normal’ is, so we’ve kept the covid-related questioning to an absolute minimum in this study. One solitary question in fact.

“All advisers think this.”

“Most advisers want that.”

Instead, you’ll find a report absolutely packed with interesting, relevant and **credible** insight into the UK advice profession. More on that last word in a second.

We knew from our work within the sector and from speaking to scores of firms each year that it’s more complex than this.

- ▶ In section 1, we look at **advice businesses in the UK today**. You’ll find out their aspirations for growth, how they measure client satisfaction and more widely, how they feel about the profession. You’ll also find out loads, loads more
- ▶ In section 2 you’ll go one level deeper and hear about the **technology** that underpins these businesses. What’s most important to an advice business? What drives it crazy? You’ll learn this from page 26 onwards
- ▶ In the penultimate section you’ll hear about what the profession has to say about **the platform sector**. Who is the poster child for the sector? What do firms think about the (supposedly) emerging Adviser as Platform model? Read on from page 38
- ▶ And in the final section you’ll get unparalleled insight into **centralised investment proposition (CIP) segmentation and construction**. We know that most of the profession use CIPs but to what degree? And what drives selection? Join us on page 50 to find out

Quick freshman probability lesson here. Say 80% of firms agree with X, 80% of firms agree with different point Y and then in a separate section, 80% of firms think Z. Individually, that’s a decent consensus on three separate issues. But collectively, because of arithmetic, **there’s only a 49% chance** that any one firm is in agreement on all three. Quickly extrapolate that across a few more questions and you soon realise that the chance of two firms looking alike is vanishingly small.

To hammer home this point [**SPOILER ALERT**] there are precious few questions throughout this study that gain anything like an 80 percent level of agreement on an issue.

That’s, in part, why it’s a dead-end to try and speak on behalf of an entire profession, but at the same time it’s also what makes this part of the sector so fascinating. We think you feel the same and we think that’s why you’re reading. We’re glad you’re along for the ride.

METHODOLOGY

FIGURING OUT WHAT TO DO

- ▶ The previous wave (three) of State of the Adviser Nation contained 86 questions and took respondents a mean average of just over 30 minutes to complete
- ▶ With any study of this magnitude, there is a magical, almost mythical sweet spot where:
 - ▶ One manages to ask anything and everything with an almost unlimited desire *whilst*
 - ▶ Retaining the respondents' interest, motivation and patience *using a combination of*
 - ▶ Appropriate length, pacing, design and incentives
- ▶ The project is designed and signed off exclusively by the lang cat insight team. While we regularly talk to our insight subscribers and gather feedback on our work, no-one places or pays for a question. It's entirely our construction
- ▶ Similarly, there is no commercial link to the respondents of this study. We don't buy mailing lists or distribution access. We review this each year but see no reason to change
- ▶ This is very much an *issues-led* study as opposed to scrutinising individual products and services. There are two main exceptions:
 - ▶ Where we assess usage levels of specific platforms, investment ranges and technology providers (whilst always providing space for 'other')
 - ▶ Where we get respondents to assess their view of the reputation and familiarity of the leading platforms in the intermediated sector
- ▶ The lang cat is a member of the Market Research Society (MRS) and, as with each of our research exercises, the study was designed and executed in line with the principles of the MRS code of conduct
- ▶ The study attempts to gather insight across a wide range of key themes within the sector. There are a few specific topics that are conspicuous by their absence in the study. We made a conscious decision to exclude too many questions on:
 - ▶ Regulation/PROD/MiFID II et al – we think respondents are fatigued with specific questioning on these subjects
 - ▶ Covid – as we mentioned in the intro, no-one needs more covid questioning in their life right now
 - ▶ ESG Investing – we will conduct a separate exercise in 2022

Keep your eyes peeled for boxes like these dotted throughout the report. We'll use these where we feel the analysis requires a slightly different perspective. It could be where we draw on trends or patterns (this is the 4th iteration of the study). It could be where we re-cut the data from a different angle. Or it could simply be where we feel a question style or wording needs a little bit more explanation.

DOING IT

- ▶ The fieldwork for this project was carried out in September and October 2021
- ▶ The lang cat runs a panel of approximately 1,200 members of the advice profession, irrespective of role. We actively seek views from a cross-section of the profession
- ▶ We commit to conduct a maximum of one quantitative research exercise per month on a rolling average. We conducted eight exercises in 2021, State of the Adviser Nation being the biggest by a significant margin
- ▶ The research panel forms the bedrock for our respondent base but we also recruit from a combination of wider non-panel mailing lists, social media, live events and general day-to-day work in the sector
- ▶ Our 445 respondents comprised both panel members and non-members. All are members of the UK financial advice profession
- ▶ Respondents were rewarded with a range of incentives: the report that you're reading right now, a subscriber-only report on family linking on platforms and a free streaming ticket to our #langcatlive event in February 2022
- ▶ No question was mandatory other than those needed for survey routing, e.g. "Do you have a centralised investment proposition and which type do you use?"
- ▶ All results are aggregated and anonymised in line with market research practice. No response is attributed to a specific individual
- ▶ The study contained a total of 87 questions, one more than wave three, but due to routing (particularly in the investment section where it is unlikely firms will run each option of centralised investment proposition) most answer five to ten questions fewer than this
- ▶ Most of the 87 questions are represented in this report, however the reader should note any that don't appear are covered in the associated data pack

The last thing to say before getting on with the results is to thank you for your continued support. Whether you took part or you've bought this report, you make a huge contribution to our ongoing ambition to build the biggest, best and most useful adviser study in the UK.

We hope you enjoy the report and do get in touch with us with any questions or feedback.

Thank you



MARK POLSON
Principal
the lang cat



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SECTION TWO

THE UK ADVICE PROFESSION

ABOUT OUR RESPONDENTS

Everything you need to know about the 2021 cohort, all in one place.

DEMOGRAPHICS

ROLE

- 46%** owner/director - advising
- 17%** adviser/financial planner
- 13%** in-house paraplanner

STRATEGIC DECISIONS

- 71%** are solely or partly responsible for strategic decisions within the business
- 29%** are not

FIRM TYPE

- 73%** directly authorised
- 12%** network member
- 5%** directly authorised – restricted

SERVICE LENGTH

- 47%** more than 25 years
- 31%** 15 to 25 years
- 9%** 10 to 15 years

FIRM REACH

- 78%** one office
- 12%** more than one office in similar location
- 10%** national

ADVISER LOCATION

- 35%** Southern England
- 21%** North and Yorkshire
- 18%** devolved nations

- ▶ The mix of adviser roles to other non-advisory functions is roughly 2:1, with just under two-thirds working in advisory positions, of which the majority are owners/directors
- ▶ Paraplanner respondent numbers have upped, giving them a 13% stake in the survey (vs seven percent in 2020)
- ▶ 'Other' includes those working in marketing, operations, tech, consultancy and office management
- ▶ Our sample is heavily weighted towards 'experienced decision makers', with 71% of respondents claiming sole or part responsibility for strategic decisions within their business. Furthermore, three-quarters have at least 15 years of experience in financial services
- ▶ The majority of respondents' business location is in one place, and only one-tenth are nationally representative. However, firms are evenly spread across the UK, with a slight weighting to the south of England (excluding London), consistent with results from last year

BUSINESS MANAGEMENT AND INSIGHT

AUI

- 73%** under £250m
- 12%** £250-£500m
- 12%** above £500m

CLIENTS

- 56%** have 100-1,000 clients
- 26%** have under 100 clients
- 18%** have over 1,000 clients

SEGMENTATION

- 36%** split clients by life stage
- 32%** split clients by portfolio size
- 48%** don't segment for a range of reasons

PLACED BUSINESS

- 80%** platform
- 12%** life company
- 10%** SIPP

FEE STRUCTURES

- 36%** mixed approach
- 27%** percentage fee
- 19%** tiered percentage

MIN/MAX FEES

- 66%** have a minimum fee
- 34%** have a maximum fee

- ▶ The bulk of our respondents advise on under £250m in client assets
- ▶ Just under 12% of respondents' firms are responsible for AUI over £500m, which is in line with last year
- ▶ When it comes to the number of clients served, smaller numbers take the lead, with over a quarter of firms claiming to have under 100 clients. Again, however, we saw ranges from three to 200,000, reflective of a wide range of respondents
- ▶ Client segmentation threw up some interesting variations. However, a basic overview highlights a natural split of advisers segmenting by life stage (36%), portfolio size (32%) or not segmenting. Just under half of the respondents do not segment, the most popular reason being they opt to look at clients individually (32%)
- ▶ Furthermore, respondents were invited to select more than one option. Popular combinations include at least life stage or portfolio size as one of the methods used alongside another method
- ▶ 80% of advisers place new business via a platform, up from 75% last year. However, this was to the detriment of life companies, SIPP and direct with DFM, which saw a slight drop yet remained relatively consistent with last year
- ▶ The most common approach is a hybrid fee structure of both percentage and fixed fees when it comes to charging clients. In this scenario, fixed costs were typically reserved for straightforward work or discounts, with percentage fees typically applied to more time-consuming and complex tasks
- ▶ Finally, minimum fees seem to be favoured over maximum prices, with only a third of respondents reporting using maximum fees. Just over a quarter have both maximum and minimum fees



ADVISERS' 2021 IN A NUTSHELL

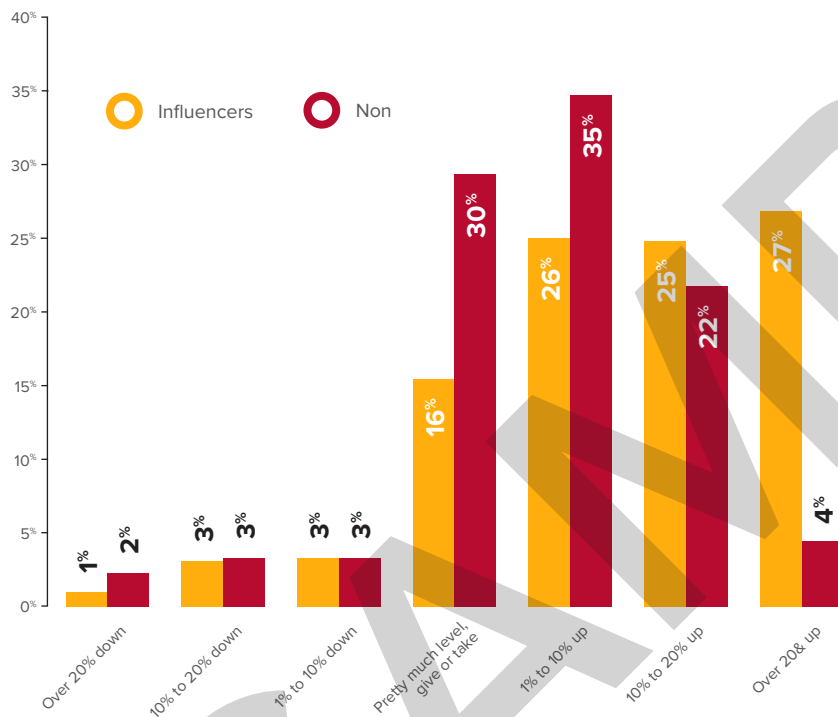
Let's look back at how advisers fared across 2021, and check their expectations for the year ahead.

For some of the following charts, we split responses into 'business influencers' – those who have a say in decision-making and strategy within an adviser firm – and those who define themselves as not. Everyone, of course, is vitally important within a business so forgive the crude language here. Overall, the ratio is about three to one in favour of the 'influencers'.

TURNOVER

It's clear 2021 has been a positive year for our respondents. For example, 78% of business influencers and 62% of non-influencers report an uptick in turnover compared to 2020 levels.

Figure 2.1: Estimated 2021 turnover



For context, in wave three, 30% of respondents expected an increase in turnover compared to 2019.

On the whole, business influencers are more bullish, with 27% expecting turnover to be at least a fifth up on 2020 figures, compared to only four percent of non-influencers.

When we asked advisers what had the most significant impact on revenues, new business, the pandemic and lockdowns, reduced costs, fee structures and stock market growth were all cited.

“ The pandemic certainly focused people’s thoughts. ”

“ Mainly due to stock market growth. ”

“ We expected a drop in turnover with the pandemic, but we have been up on previous year's turnover right through to now. Amazing! ”

“ We anticipate a hangover lasting six to twelve months before the long-term impact of the prevailing conditions can be defined clearly. ”

“ The reduced operating costs during the pandemic were a big factor. However, we also see increased levels of new business as we get back to normal. ”

“ New business prospecting down although new business from existing clients (top-ups etc.) has remained constant. Renewal has also stayed steady. ”

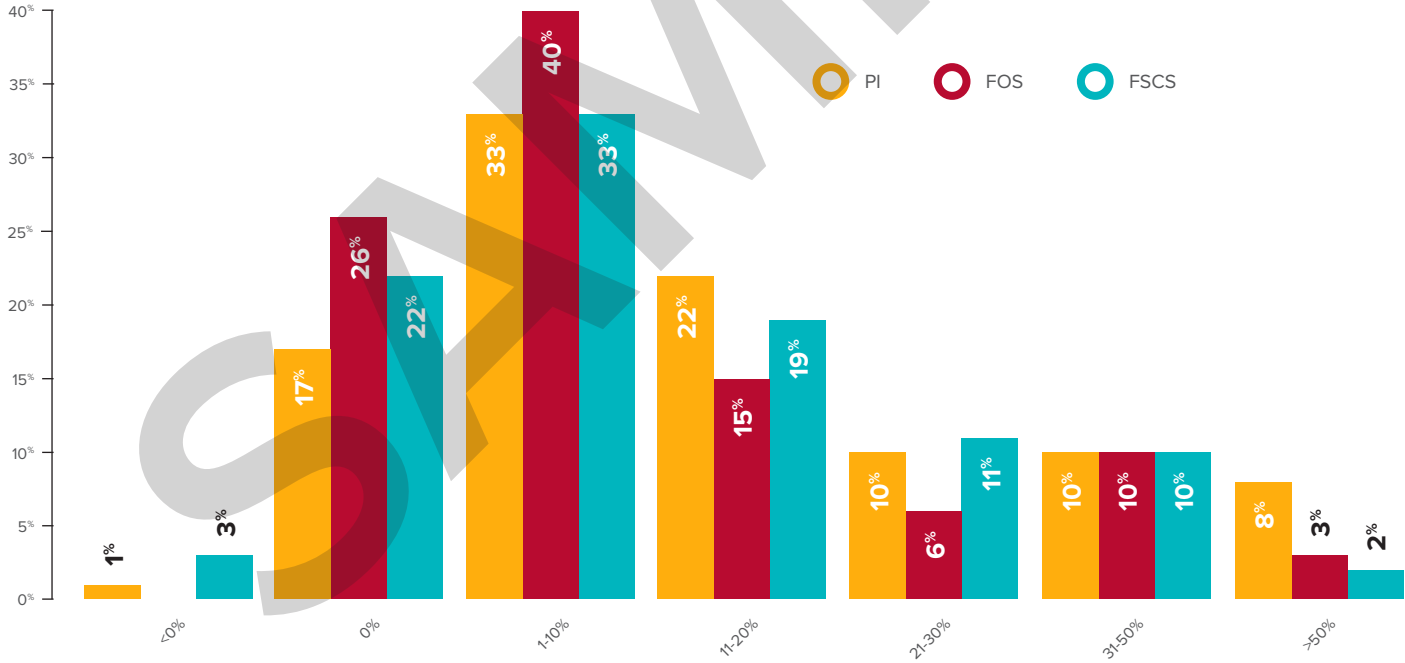
“ This has been a phenomenal year, maybe because we had nothing else to do, or that we had a big capital spend that we knew we had to pay for but more referrals, more money and more clients than ever before. ”

“ I was amazed. 23% up year-on-year with regards to ongoing fees, and no, I didn't increase my fees either! ”

REGULATORY FEES

While an increase in positive revenue is excellent news for advice firms, an increased regulatory burden causes (often public) headaches. Regulatory fees have a habit of only going one way – as evidenced by our respondents.

Figure 2.2: Increase (%) in PI cover/FOS levy/FSCS levy



Our data shows a polarisation between those experiencing single-digit increases (PI around 45%, FOS around two-thirds and FSCS just over half) and those experiencing inflation-busting regulatory costs.

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