

THE  
ADVICE  
GAP  
2024



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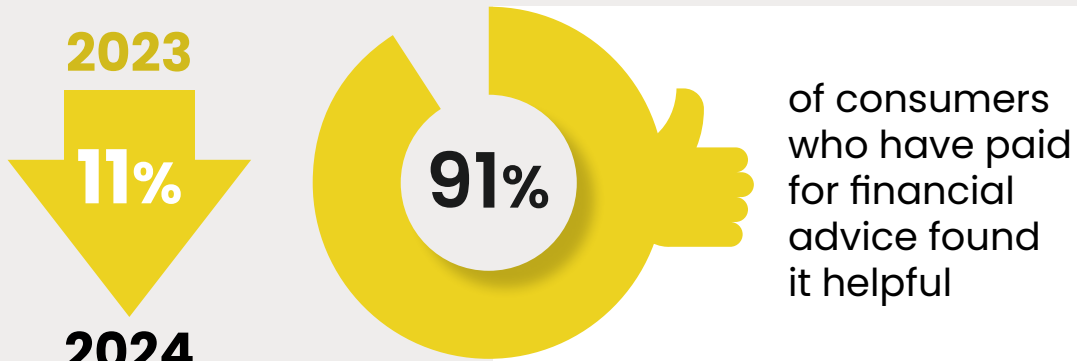
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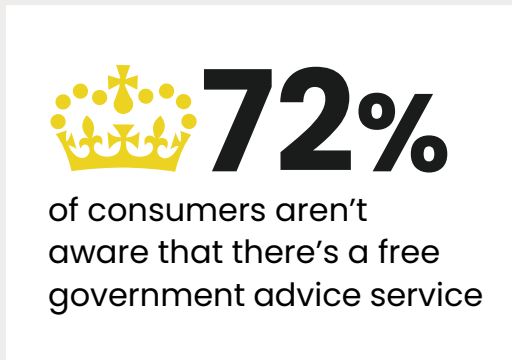
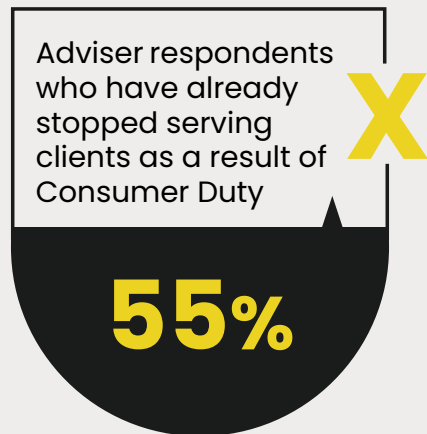
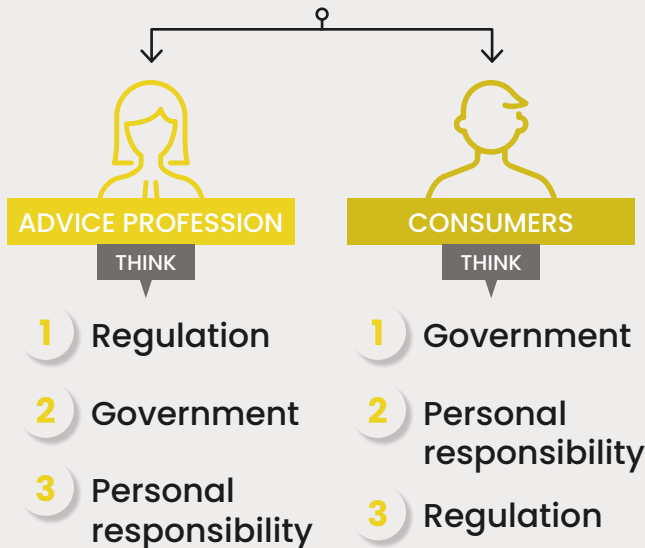
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# KEY FINDINGS



of consumers have paid for financial advice in the last two years

### BIGGEST ISSUE WITHIN THE ADVICE GAP?



of consumers would prefer advice to be delivered face-to-face were they to seek it

# INTRODUCTION



**Welcome to the 2024 edition of our Advice Gap research. Time does indeed fly, and this is now the sixth edition of this study, stretching all the way back to the Citizens Advice 2015 paper. We've picked up the baton again from this work, combining adviser research with consumer exploration, resulting in the lengthy report you are about to hopefully enjoy.**

We make no apologies for the depth of this study. The advice gap is a complex area, with multiple factors driving both the supply and adoption of advised services. For anyone involved in the advice sector, whether that's on the front line as part of an advice firm or a product provider serving advised clients, it is vital to understand what drives consumers to take advice, and more importantly, what is preventing them from doing so. Only by identifying and subsequently addressing these barriers can the advice gap be reduced.

Alarmingly, this year's research appears to indicate that the advice gap is getting worse. Our consumer research, conducted online on our behalf by YouGov, shows that 9% of the population have paid for advice in the last two years, falling from 11% in the 2023 study. Alongside this marginal fall, over three-quarters of our adviser research respondents say Consumer Duty has made it harder for them to serve clients with a low amount of investable assets, and over half of firms have stopped serving clients in this segment as a result.

In December 2022, the Government announced the Edinburgh Reforms. As part of these reforms, it was revealed that the FCA and the Government would commence the Advice Guidance Boundary Review, with a remit to examine the regulatory boundary between financial advice and other forms of support. Fast forward to 2024 and we are expecting the results from the consultation process surrounding this review to be published before the end of the year.

Whilst regulation is far from the only issue contributing to the advice gap, as this review moves from consultation towards final policy, the starting gun will be fired by many providers developing targeted support and/or simplified advice services. We hope our research will be an invaluable aid to anyone considering work in this space, showing not only the barriers to adopting advice that consumers identify, but also how both consumers and advisers might react to these new services.

Finally, as always a huge thank you to our adviser research panel for contributing to this paper. This is such an important subject so we've included as many of your views as possible, and we're eternally grateful for the time you all spent completing our surveys and requests for information.

All the best

Mike, Alison, Steve, Rich & Kate  
lang cat consulting and insight

# SPONSORS





### **Jenny Davidson**

Commercial Proposition Director, Quilter

In the UK, the advice gap presents a significant policy challenge amidst ongoing regulatory and political shifts. A robust financial advice sector hinges on consumer confidence and accessibility. Yet a gap persists.

This underscores our support for the FCA/ HMT Advice Guidance Boundary Review.

The focus is rightly on facilitating appropriate support at crucial moments in people's financial journeys.

For our part, we work with over 1,000 firms in our network and partner with thousands more via our platform. Through our academy, we are injecting fresh talent into the industry and collaborating with policymakers on the AGRB. Our commitment also extends to financial education, partnering with the charity MyBnk to bolster financial literacy nationwide.

Policymakers and politicians of all persuasions tend to agree that closing the UK advice gap is critical. Fostering a financially literate society, equipped with ample support, is pivotal for the long-term uptake and growth of the financial advice profession. When individuals are educated and informed, they are better positioned to recognise the value of professional financial planning in optimising their financial outcomes.

By empowering people with access to help, and the knowledge and resources, we can lay the groundwork for a culture that values and actively seeks financial planning.



### **Jamie Jenkins**

Director of Policy & Communications ,  
Royal London

This latest research on the advice gap tells a familiar story. Only a small percentage of people pay for advice but, for those who do, it's an overwhelmingly positive experience.

The Consumer Duty has created a great deal of work for advisers in reviewing their value proposition to clients. Naturally, this has led to some changes in segmentation models, but overall this should mark a further improvement in the value being delivered.

Advice is a very complex area, relying on deep technical expertise, increasingly broad market and product knowledge and very strong interpersonal skills. And the research shows that most people still want advice face to face, ultimately. Aligned with the significant liability attached, and it is expensive for advisers to deliver what clients want. But this is similar to other professional services.

But not everyone needs advice, or at least not at all stages of their lives. For many people, some simple nudges such as automatic enrolment into pension saving, combined with free guidance, may be enough. The problem is then the lack of a bridge between these early-stage interventions and the more complex advice needs that might arise as people approach retirement.

Hopefully, the Advice Guidance Boundary Review will start to plug those gaps, with affordable, interim steps, creating the desire for people to seek out advice when needed, and to see the benefit of paying for it accordingly.

**BACKGROUND TO  
THE ADVICE GAP**



**At its most simplistic level, we define the advice gap as those who have received paid-for advice (including mortgage advice as well as financial planning) in the last two years, vs those who haven't.**

If you believe that consumers and, more broadly, society would be better off if more individuals received advice, then the “gap” becomes a question of addressable markets. Out of the 91% of the population who are not receiving advice, what would need to change for them to become part of the 9% who do? We'll attempt to answer that question in this paper, using the insights gathered from both the adviser and consumer research.

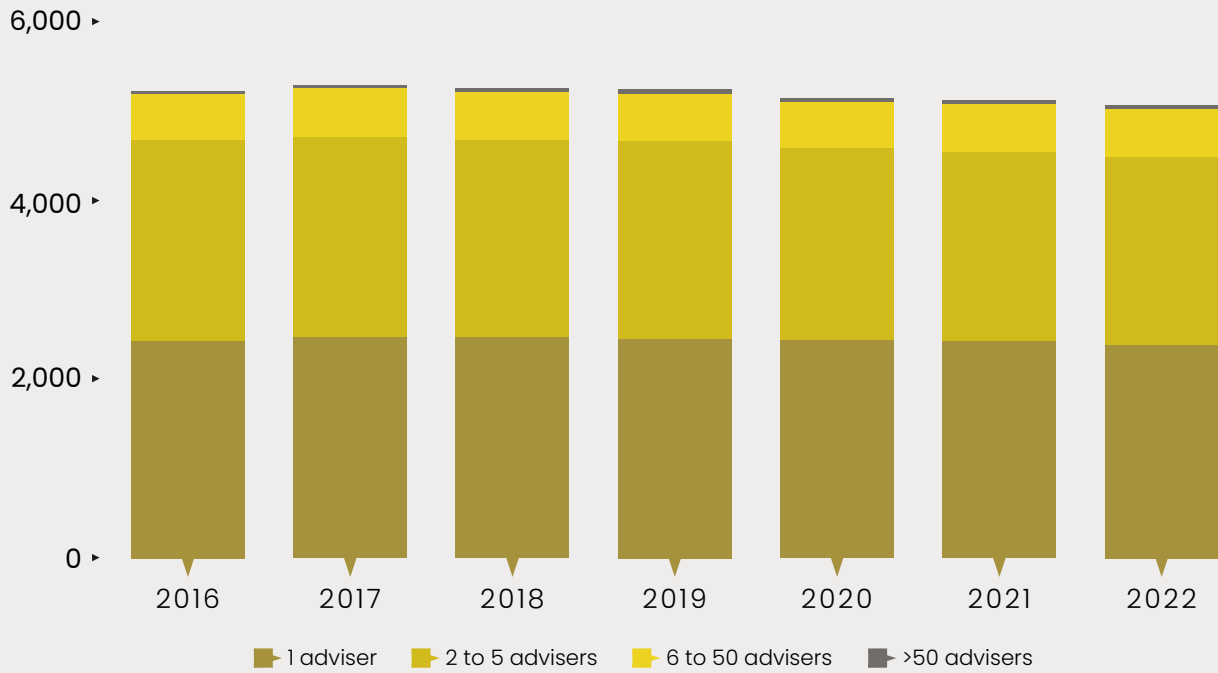
However, before we dive straight into solution mode, it is worth reminding ourselves of how the advice market is currently structured, and how the regulatory landscape is evolving to address the advice gap.

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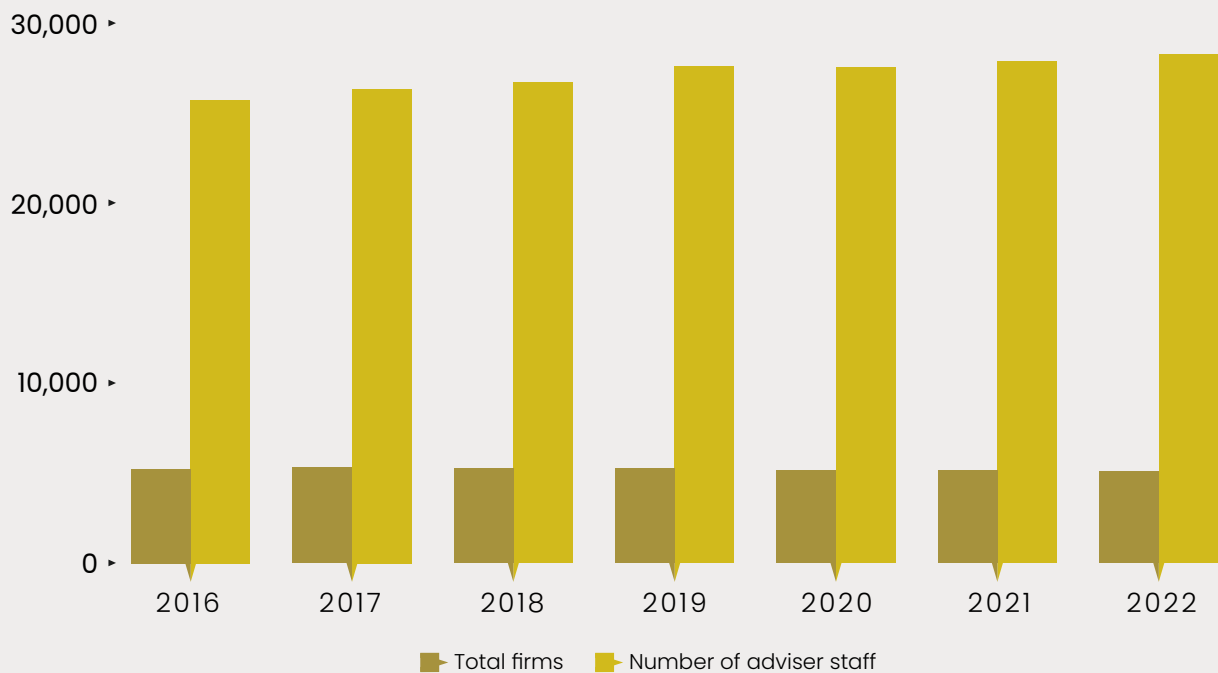
**BACKGROUND TO THE ADVICE GAP**

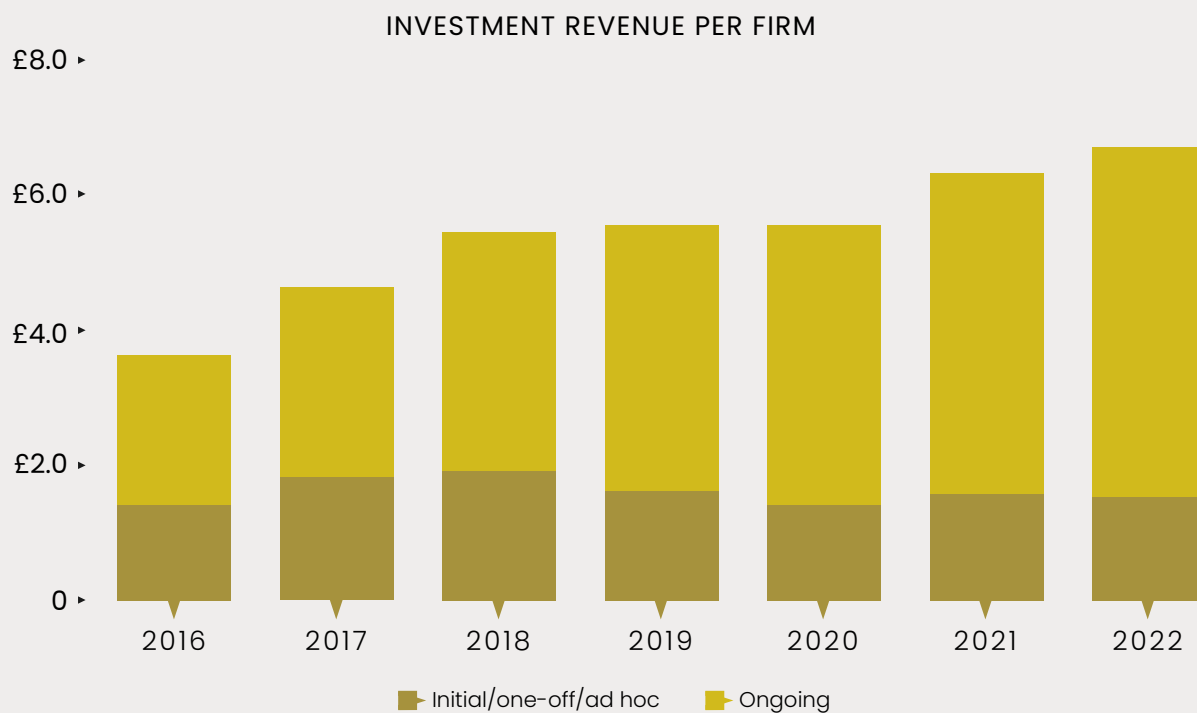
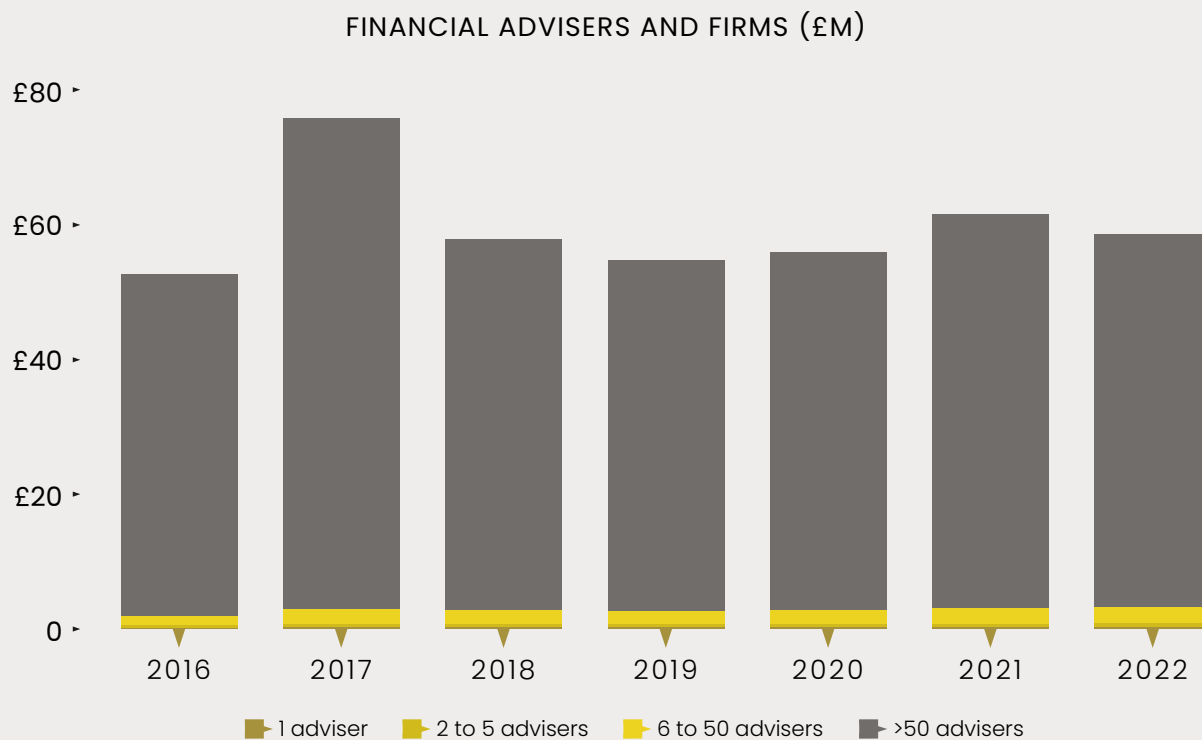
**THE ADVICE MARKET IN FOUR CHARTS**

NUMBER OF ADVICE FIRMS



FINANCIAL ADVISERS AND FIRMS





## BACKGROUND TO THE ADVICE GAP

### THE ADVICE MARKET

In terms of its structure, the advice market has remained both stable and resilient over recent years. In 2016, there were 5,218 financial advice firms, falling slightly to 5,062 in 2022. Within these firms, there were 25,700 staff who were able to advise on retail investment products in 2016, which had grown to 28,227 in 2022.

This slight reduction in firms, in conjunction with an increase in the number of advisers indicates a sector that is consolidating into larger firms. While there is some indication that this is occurring, and the number of larger firms is slowly increasing (with the converse happening for smaller firms), smaller firms still dominate the market. In 2022, almost

90% of firms had less than five advisers, with 47% of firms only having one.

Revenues for the sector have grown steadily from £3.67bn in 2016 to £6.65bn in 2022. Although 2020 saw a small dip in revenues as a result of the pandemic, for every other period the sector has been moving in the right direction.

However, one noticeable change is in the shape of this revenue. In 2016, 37% of retail investment advice revenue came from initial, one-off or ad-hoc advice. Fast forward to 2022, and this is now only 22% of advice sector revenue, with ongoing advice fees accounting for the remaining 78%.

TABLE 1: NUMBER OF ADVICE FIRMS

	2016	2017	2018	2019	2020	2021	2022
1 adviser	2,427	2,466	2,466	2,448	2,429	2,423	2,381
2 to 5 advisers	2,235	2,238	2,210	2,207	2,152	2,116	2,093
6 to 50 advisers	518	539	528	536	508	532	537
>50 advisers	38	38	42	45	48	47	51
<b>Total firms</b>	<b>5,218</b>	<b>5,281</b>	<b>5,246</b>	<b>5,236</b>	<b>5,137</b>	<b>5,118</b>	<b>5,062</b>

This alteration in revenue shape is due to the number of clients advice firms are now serving, increasing year on year from 2.4 million in 2016 to almost 3.5 million individuals in 2022. The growth in client numbers, and the resulting increased focus

on serving these clients, has led to a small decrease in the quantity of initial advice services being provided, down from just over 1 million in 2016, to just under 960,000 in 2022.

TABLE 2: NUMBER OF CLIENTS

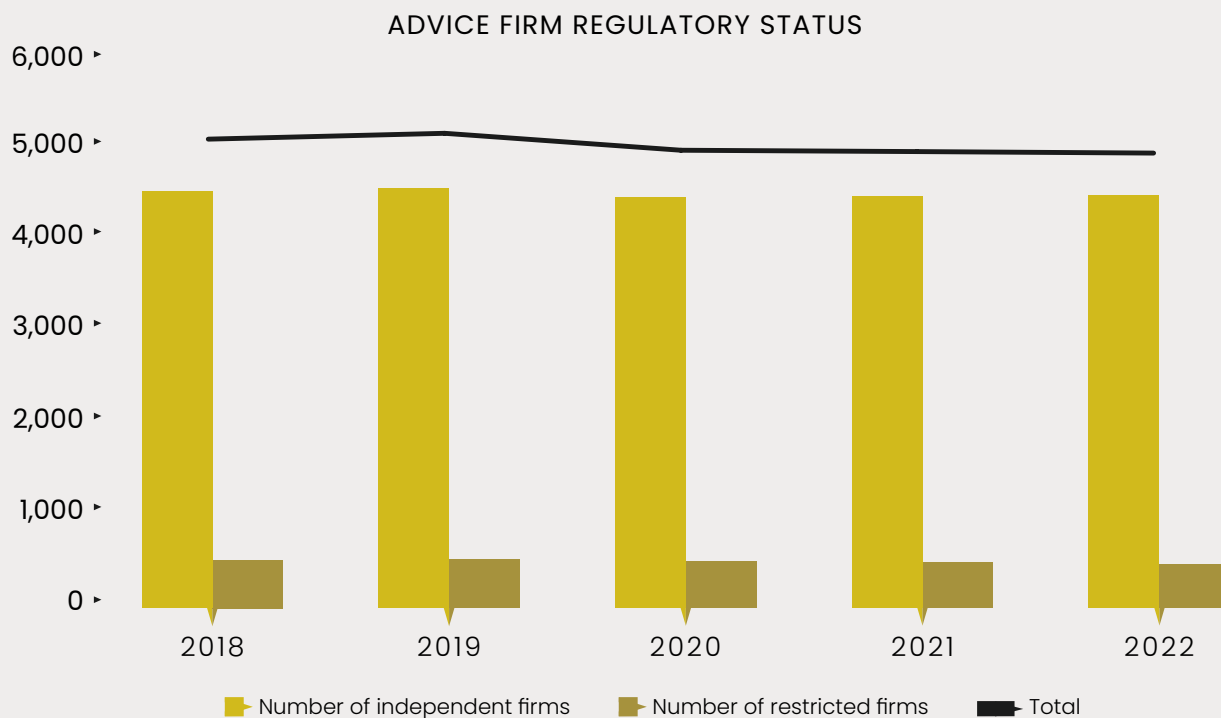
	New in year	Ceased in year	Total at year end
2017	454,525	91,076	<b>2,412,341</b>
2018	445,398	123,984	<b>2,619,084</b>
2019	661,010	149,099	<b>2,908,660</b>
2020	381,647	127,567	<b>3,086,096</b>
2021	409,138	174,925	<b>3,211,243</b>
2022	435,198	187,677	<b>3,468,450</b>

TABLE 3: NUMBER OF INITIAL ADVICE SERVICES

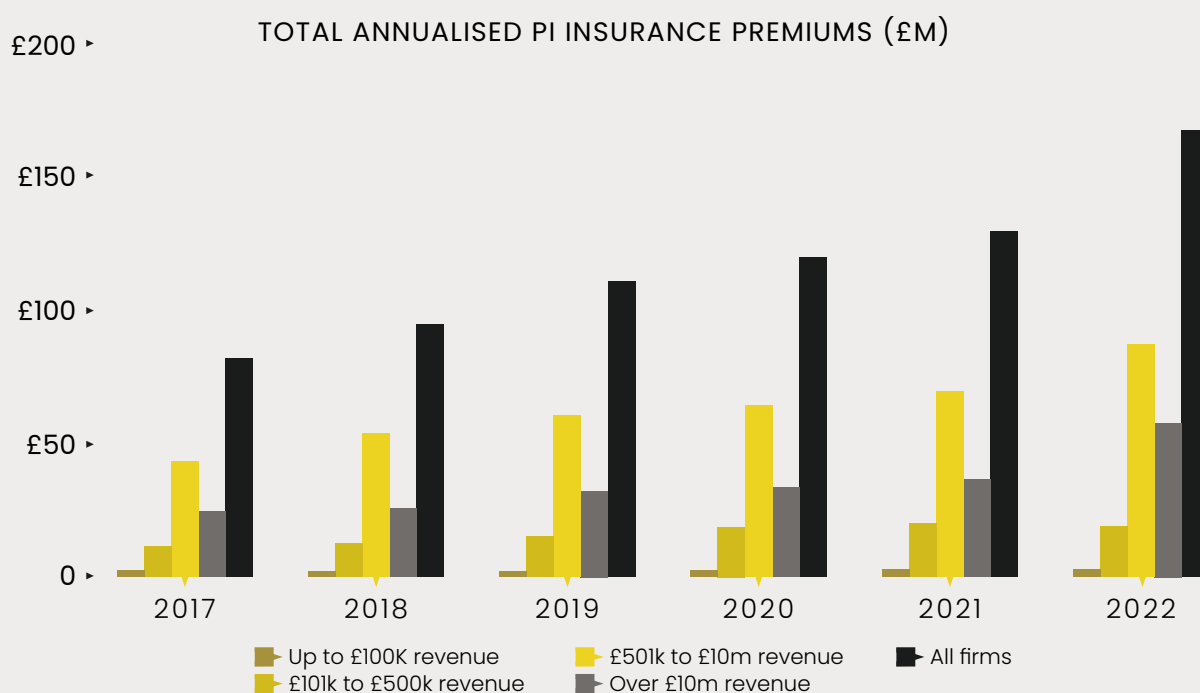
	Independent	Restricted	Total
2017	444,669	603,052	<b>1,047,721</b>
2018	616,078	494,143	<b>1,110,221</b>
2019	486,246	539,656	<b>1,025,902</b>
2020	390,548	550,677	<b>941,225</b>
2021	398,828	659,734	<b>1,058,562</b>
2022	475,753	481,905	<b>957,658</b>

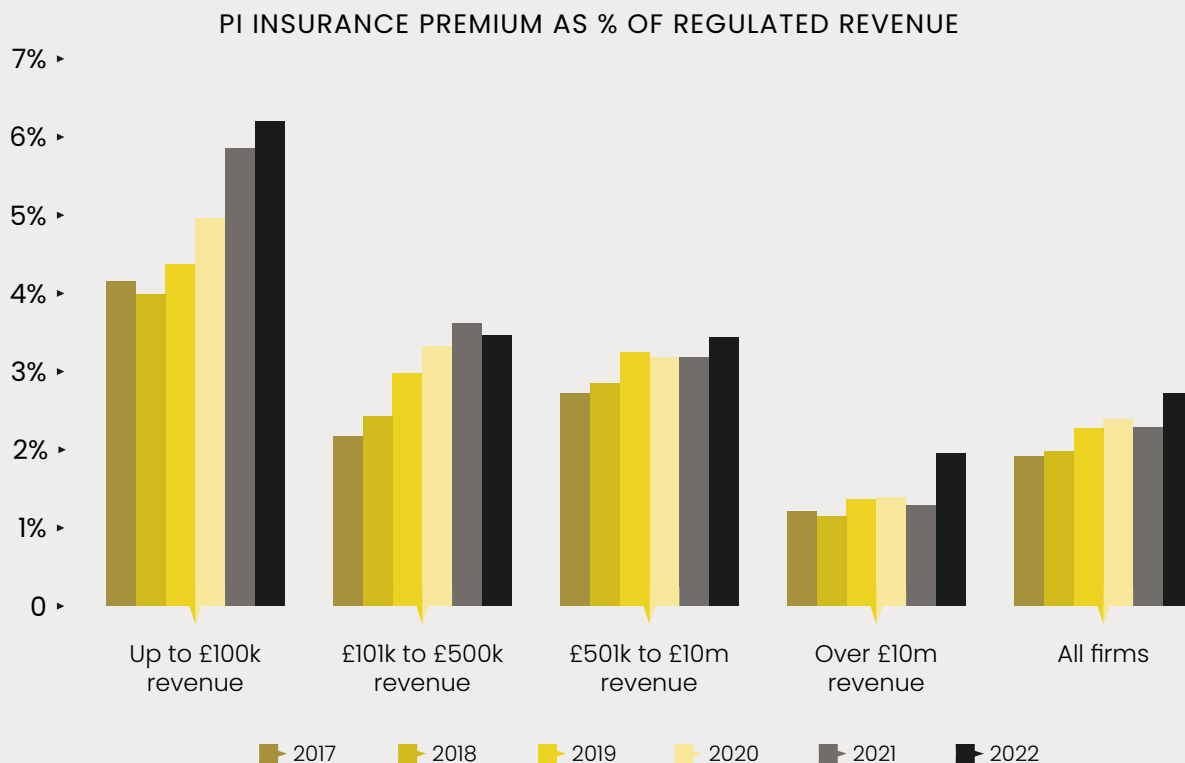
The split between independent and restricted firms has also remained steady over recent years. In 2022, 90% of firms offered independent advice, which is broadly unchanged since 2018. Yet, while restricted advice firms only make up 10% of the market, they generate a third (32%) of the sector's overall revenue.

## BACKGROUND TO THE ADVICE GAP



However, one aspect of the advice market that has seen considerable growth is professional indemnity (PI) insurance premiums, which doubled between 2017 and 2022. While larger firms are bearing the brunt of these premiums in absolute terms, smaller firms tend to pay a larger proportion of their overall revenue.



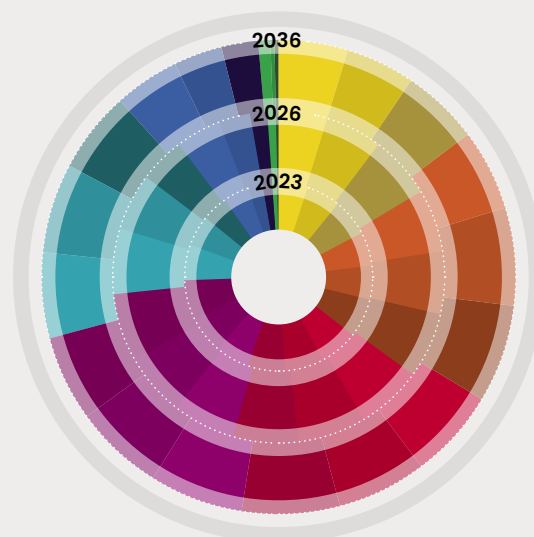


## CONSUMER DEMOGRAPHICS

According to the latest ONS estimates, the UK population is projected to grow by 6.6 million people (9.9%) between mid-2021 and mid-2036, from an estimated 67.0 million to 73.7 million. This includes 541,000 more births than deaths and net international migration of 6.1 million people. Of course, there is a substantial number of unknowns in the estimate, including global migration patterns, changes to government policy and future health crises, but even if the increase is a fraction of this amount, there will be a substantial rise in the number of people needing access to financial services.

In particular, the number of older people is rising, with the percentage of the population aged 85 or over forecast to increase from 1.6 million (2.5% of the total population) to 2.6 million (3.5%) by 2036.

## AGE GROUP SPLIT, UK POPULATION



- |       |       |       |            |
|-------|-------|-------|------------|
| 0-4   | 30-34 | 60-64 | 90-94      |
| 5-9   | 35-39 | 65-69 | 95-99      |
| 10-14 | 40-44 | 70-74 | 100 & over |
| 15-19 | 45-49 | 75-79 |            |
| 20-24 | 50-54 | 80-84 |            |
| 25-29 | 55-59 | 85-89 |            |

Source: 2020-based interim national population projections: year ending June 2022 ONS

## BACKGROUND TO THE ADVICE GAP

### CONSUMER ENGAGEMENT

The latest [FCA's Financial Lives survey](#) highlights an increase in pension take-up thanks to auto-enrolment. [In 2022](#), 57% of all UK adults (29.9 million) had a pension in accumulation, compared with 51% (25.9 million) in 2017. However, overall engagement with financial services remains low.

According to Financial Lives, a third of the UK population (18.2 million adults) had

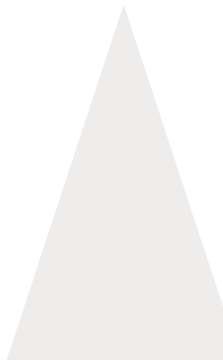
levels of numeracy so low that 'they were not able to demonstrate understanding of financial concepts like interest, compound interest and inflation'. In addition, 20.3 million (38%) rated their knowledge of financial matters as low.

This lack of understanding and desire to engage has implications for closing the advice gap, as well as firms' capacity to identify vulnerable customers.

### UK ECONOMY AND COST OF LIVING

Low economic growth and high inflation have constrained household budgets in the last few years, impacting not only day-to-day spending but also savings and investment behaviour. In January 2023, 70% (37.1 million) of UK adults said their financial situation had worsened over the previous six months, according to Financial Lives, while 56% had stopped saving or investing, lowered their saving amounts, or used their savings to meet their daily expenses.

However, this trend is less prevalent with pension savings. The survey found that just 6% of active pension scheme members had stopped contributing to a pension or reduced their contributions, while 6% of DC pension holders aged 55+ had fully encashed their pension, or had taken out a lump sum, to cover day-to-day expenses.



## REGULATORY INITIATIVES

### CONSUMER DUTY

Since its inception in July last year, Consumer Duty has very much been at the centre of the FCA's activities. The extension of the rules to firms' back books will take place in July, but several sectors (including investment platforms and wealth management) have already been the subject of regulatory scrutiny for the way they have implemented the rules, or not.

All firms can expect Consumer Duty to underpin the FCA's regulatory work in future. The publication of good and bad practice in February 2024 is a sign of where the focus will be, for example, whether firms are offering value or if clients are paying for benefits and services they don't need.

### FUTURE OF ADVICE

The Advice Guidance Boundary Review is intended to be a game changer for closing the advice gap, with the regulator mulling over responses to its three proposals. The Labour Party, in its policy paper 'Financing Growth' has explicitly said it supports the consultation and goes further in saying it recognises the importance of ensuring alignment between the new proposals and the statutory remit of the Money and Pensions Service. We shouldn't therefore expect any sudden changes of direction driven by political change.

We're likely to hear the outcome of the FCA's consultation later this year. However, if there are too many versions of advice/guidance/help on offer, customers may not understand which service they've experienced, and what liability they have, so further work on disclosure is likely in any eventuality.

**ADVISER  
RESEARCH**



**Having looked at the structure of the advice sector, it's time to look at what the advice profession has to say about the advice gap. As with all our adviser research, this was conducted via our Adviser Panel, comprising around 1,400 very nice advice professionals. We've had 219 responses to the survey this year, which was a mix of new questions and questions we've asked before.**

It's been a year of significant change for the advice community since our last Advice Gap study, with Consumer Duty, comparatively volatile markets and a high inflation, high interest rate environment to navigate. And as always, the insights we gain from our panel are both interesting and informative.

In the following section, you'll see quotes from advice professionals peppered throughout in quotation marks. These come from an open question in the survey which simply asked: "Anything else you'd like to say?". It's fair to say we didn't expect quite as many responses, amounting to the best part of 10,000 words. There's a range of responses, but it is striking that a lot of people have very clear feelings about the advice gap, how and why it came about, and the best way to fix it. But the variety of the responses reflects the complexity of the issue, and it looks like there are around 8,438 ways to skin this proverbial cat.

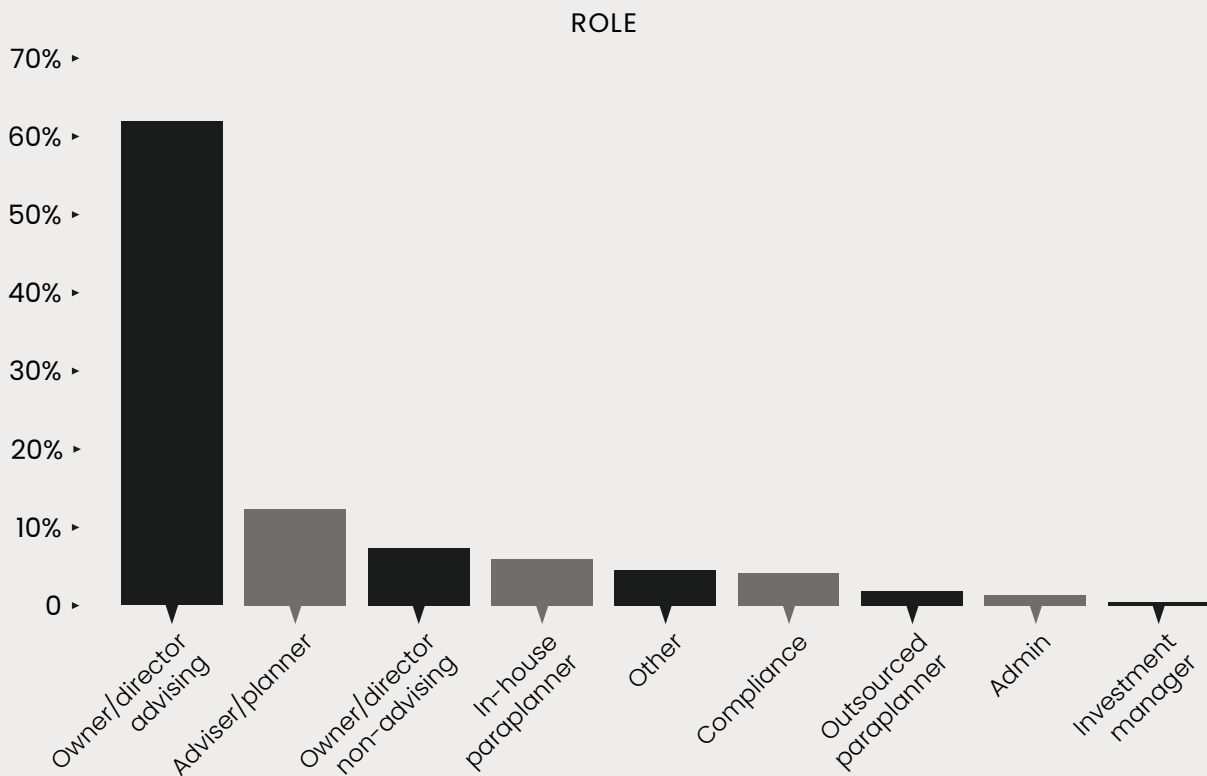
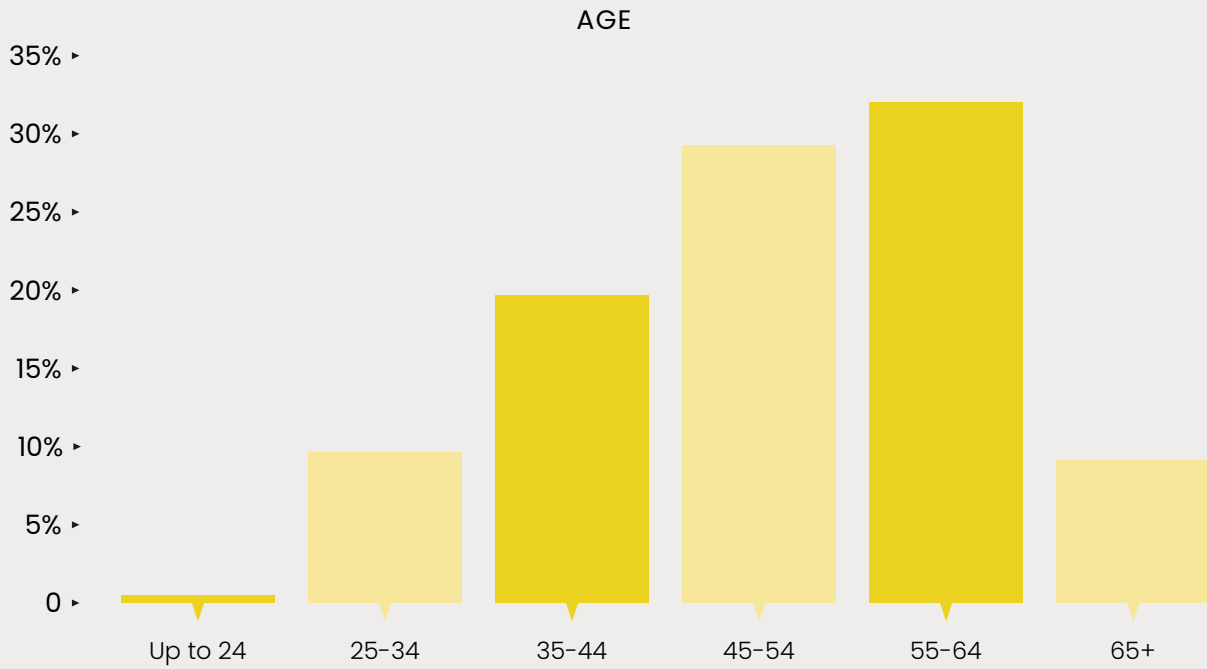
What's also resonating as a low hum in the background from these findings is that the advice profession wants to help, but in a way that isn't prohibitive to conducting business, falls foul of regulations or gets their collective hands burned further down the line.

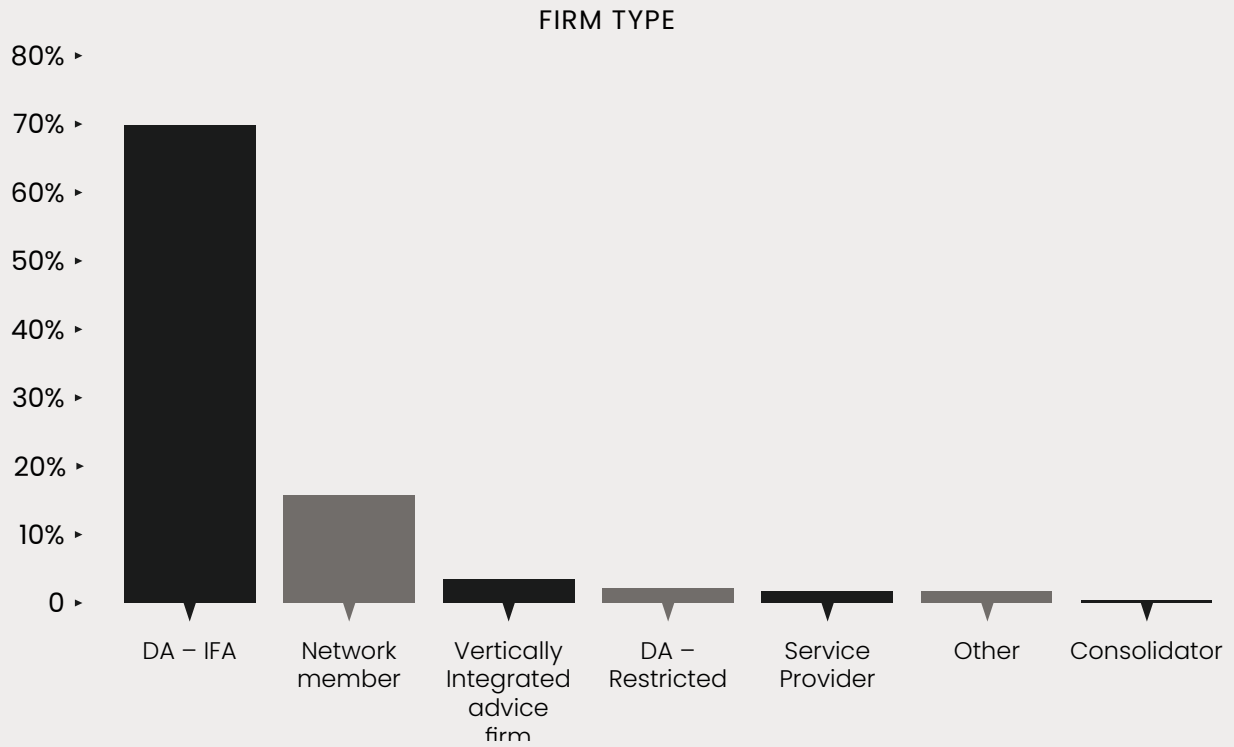
There were many thought-provoking insights from the advisers' position at the coal face, and we thank them for it.

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ADVISER RESEARCH

WHO TOOK PART

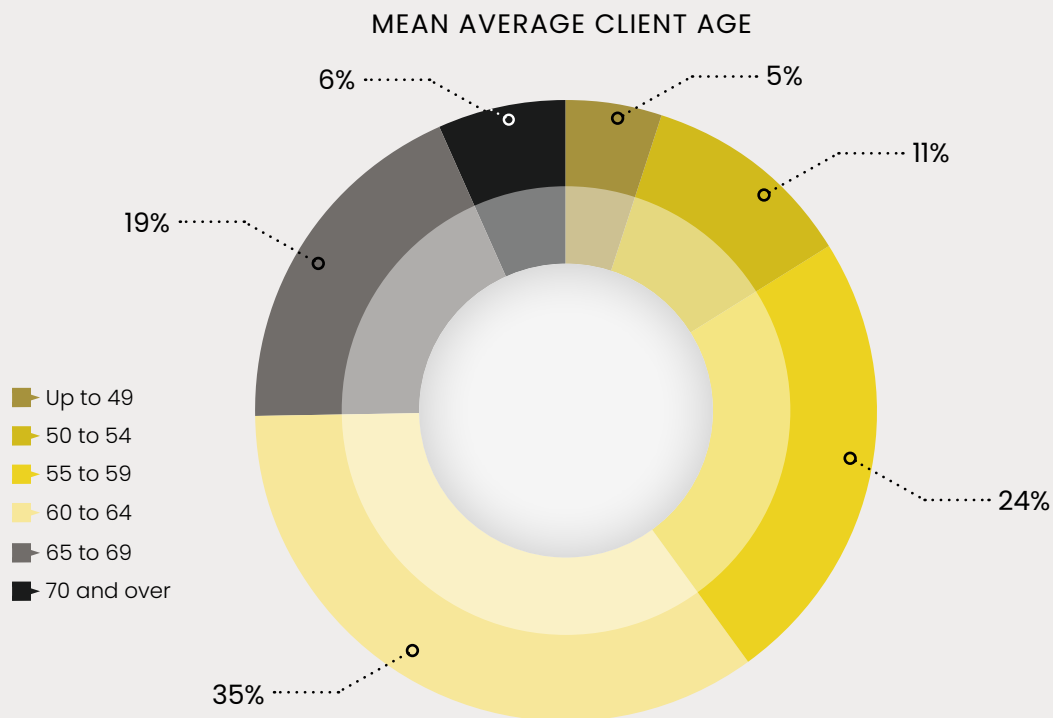




## ADVISER RESEARCH

## CURRENT PRACTICES AND CHARACTERISTICS

We'll start at the highest level of qualifying what the advice profession thinks about the advice gap, by identifying trends across the clients they serve already.



It's important to note that, of course, each advice firm will have its own distribution of clients, but it's instructive to see what firms perceive to be their mean average client age. In a sense, what we see here is an aggregate bell curve of many bell curves. Underneath all of this is an extremely inelegant mean average client age of 59 and mode average of 60.

Inelegant as it may be, this doesn't surprise us. Our analysis of platforms reflects a very similar age breakdown. There's a slightly higher under-60 segment than we may have expected, but it's clear that retirement planning is the centre of gravity for the advice profession.

However, the focus on this life stage suggests that most advisers are making sure their clients are maximising their accumulated pot, rather than building wealth. Entirely understandable for a profession whose skills tend to be focused on making every pound in a pension pot stretch as far as possible.

“

*It's generally considered way too late in people's lives to be of much value to address. We need to be looking at accumulation early on and educating people as to the need for this.*

”



The portfolio size of a typical client is broadly in line with last year's data, but there are some subtleties.

With the appropriate level of caution over low sampling at the far left of the chart, fewer advice firms are serving clients at the more modest end of the spectrum. The flip side of this is that there are more serving the mass-affluent region of £350k to high-net-worth clients with over £1m.

“

*[There is] too much regulation to allow IFA firms to provide advice at the lower end.*

”

Though these are minor changes, it suggests the advice gap has widened since 2023. It's the first time in this section that we reflect on the impact of Consumer Duty (but it won't be the last).

“

*We would all like to do more for lower-value clients, but we can only do so much pro bono work. The cost of complexity of the regulation means that more people are being pushed into this space.*

”

**ADVISER RESEARCH**

In *State of the Advice Nation* wave 6, we asked about the impact of Consumer Duty on advice firms. While most said they had made minor changes, a fair chunk had made tangible changes to their businesses as a result of the regulation. The most common changes centred around communication with clients, but changes to client segmentation models were a close second. We've heard anecdotally that target segments have been narrowed and refined, rather than broadened to serve a wider client base.

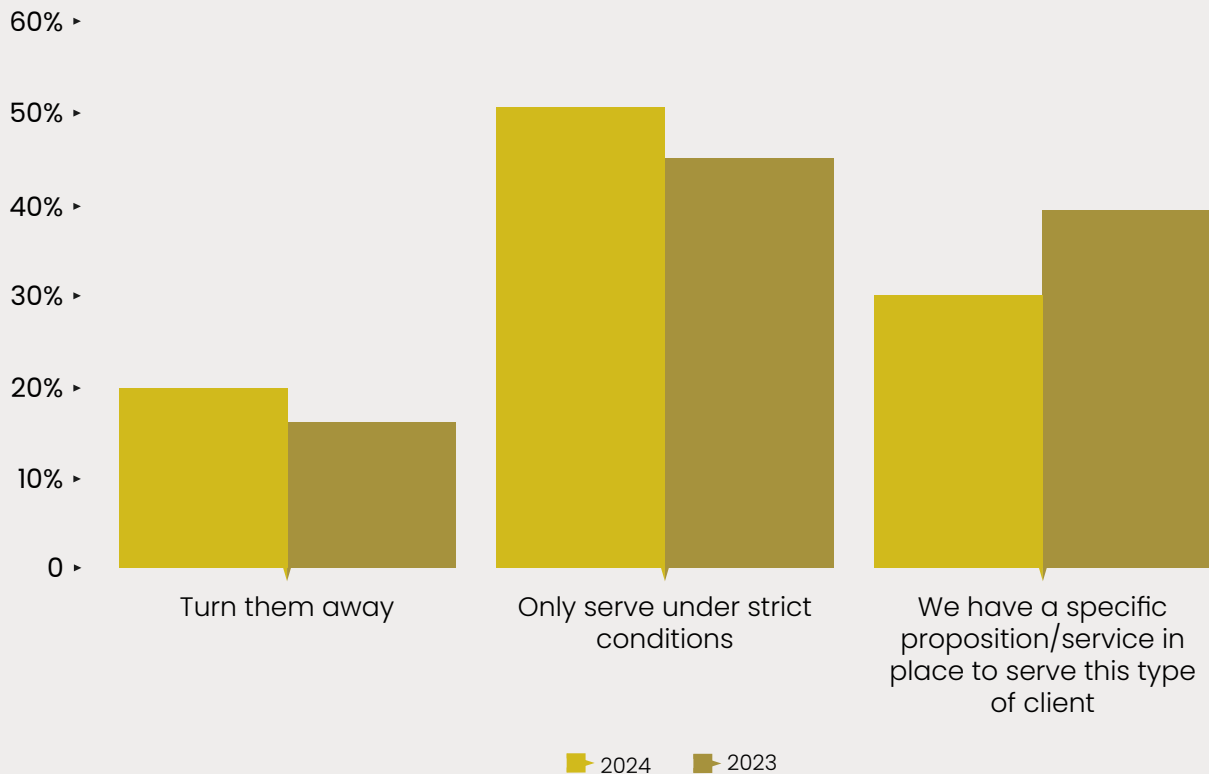
At that time (the survey was in the field in Q4 2023) some advisers said that the additional requirements for documenting and evidencing the advice process had

led them to reduce the number of clients that they serve, and that typically these would be smaller balance clients.

Though not an absolute consensus, many felt the additional requirements of Consumer Duty increased adviser base costs, making some clients unaffordable.

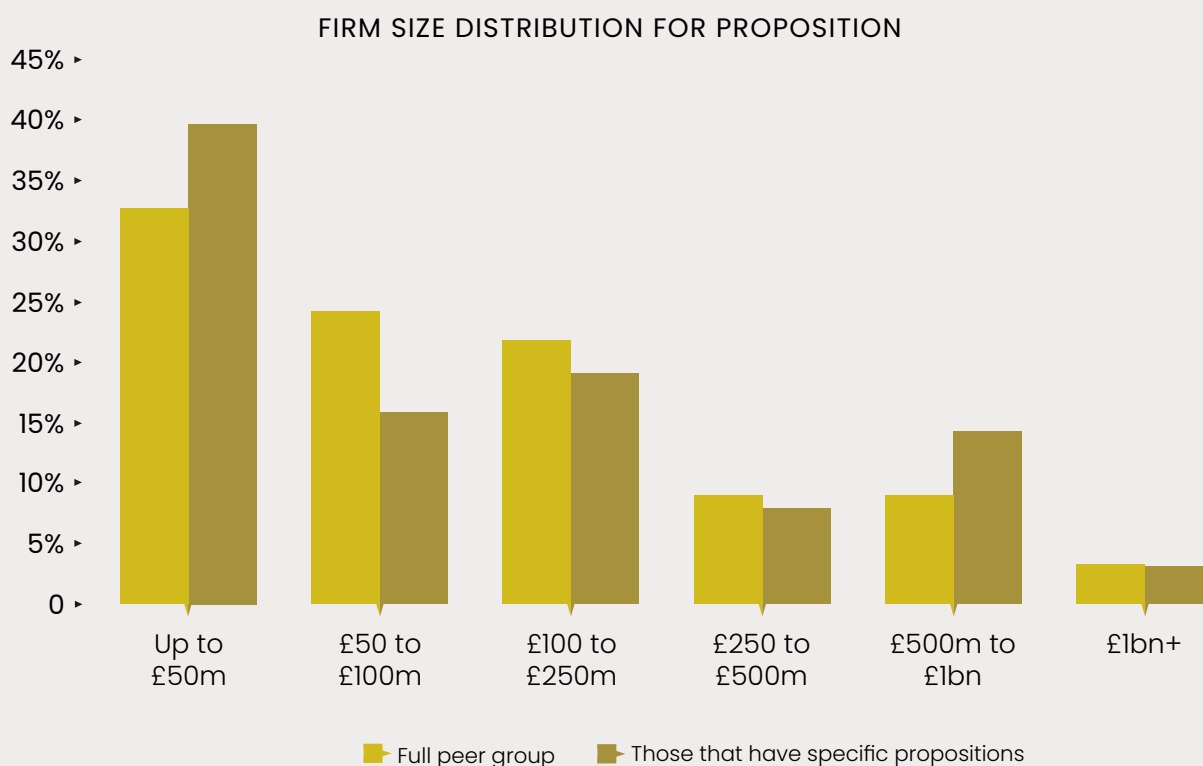
“ *[The advice gap] is becoming wider. With all the additional compliance that is required, it is harder to service clients with smaller amounts of monies. Doesn't make financial business sense.* ”

WHAT WOULD YOU DO IF A POTENTIAL CLIENT WITH £20K TO INVEST APPROACHED YOU?



So what happens to lower balance clients, in this instance £20k, which is far below the typical average portfolio size we saw previously?

Again, there appears to be an uptick in firms turning away less wealthy clients, or only accepting them in specific circumstances. The sharpening of client segmentation models as a result of Consumer Duty is likely to have had an impact here.



There's also a hefty drop in firms offering a specific service for those with modest sums to invest. We also asked those with a proposition in place, what it looks like. Broadly, they fall into one of five categories: 1) advice-lite, 2) providing information, 3) referring to another solution (in-house or third party), 4) would need to find out more about the

client, or 5) that they would take on this client anyway. The last two here are self-explanatory, (though it's worth noting that a good chunk of respondents in category four would be more likely to take on the client if part of a family with financial advice needs). We'll expand on the first three overleaf.

## ADVISER RESEARCH

### 1. ADVICE-LITE

This relates to comments centred around a reduced advice proposition for a reduced fee. These vary from discounted initial fees, perhaps spread over a longer period, and/or reduced or removed ongoing charges.

“  
*Transactional only advice with initial fee only and no ongoing service.*  
 ”

Subscription and fixed fee models were also prevalent here, as was maximising technology for efficiency and instilling good saving and investing habits.

“  
*This is the foundation of my business. I would still charge an initial fee and a % ongoing from the investment, but this would be backed up by a monthly subscription financial planning fee where we would meet regularly to build this and other financial habits.*  
 ”

*We'd only consider funds of this amount if we could genuinely add value to the client. If so, we have a reactive service, whereby the client will pay an initial fee for the advice, no ongoing. Then once/if their assets reach £100k, a conversation can be had as to whether they require ongoing service from us.*

*Light touch, primarily online-based service with lower annual ongoing fees.*  
 ”

### 2. PROVIDING INFORMATION

Here the client is identified as not suitable to take on, but firms typically share information so the would-be investor can make more informed decisions themselves.

“  
*If I was to turn them away, I would give them some time to point them where they could get started self-servicing.*  
 ”

### 3. REFERRALS

In this category, we see some interesting link-ups with partner firms, or referrals to a simpler, lower-cost solution that will help the individual build their wealth to become suitable for advice in the future.

We see some mentions of narrower, direct propositions such as Vanguard, as well as some applying a transactional arrangement where the client takes responsibility for investing via a D2C platform, but based on the adviser's advice.

“  
*Direct offer via platform - likely initial fee but no ongoing relationship.*  
 ”

*We've recently set up Plan Smart Financial with a view to using technology (the JustFA platform in our case) to target clients with smaller amounts to invest - these are typically clients who are being turned away by traditional financial planning businesses. It's early days but we might be onto something!*

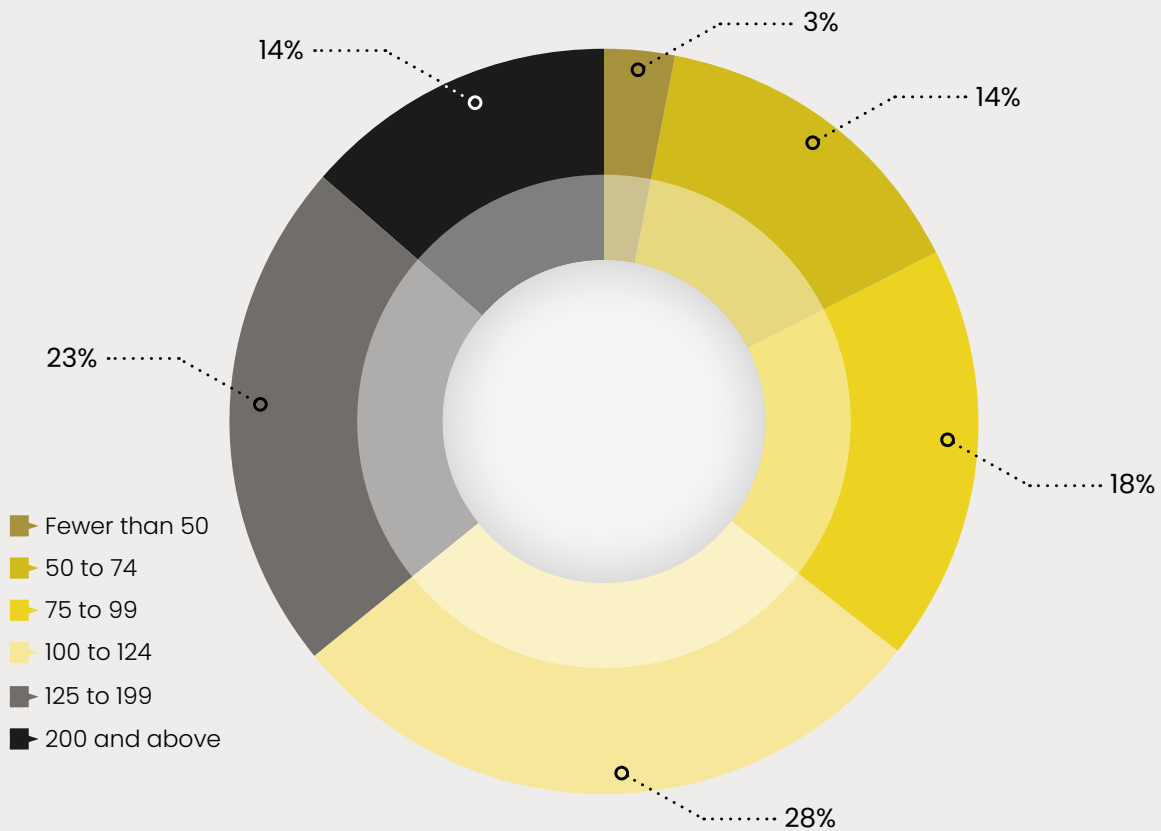
*We have a partner firm who is more geared towards low-value clients who we would refer them to.*

*It's a massive opportunity - Consumer Duty and tech advances should make this area more appealing to advice firms and especially younger advisers with a long-term view who can perhaps 'go on the journey' with younger clients who might*

*not meet current IFA minimum wealth criteria. It's ridiculous that those who are 'wealthy' can easily find an IFA (who it could be argued by definition has less impact on the wealthy client's financial security) whereas those who genuinely need advice (and the advice can add significant value) find it much harder.*

..... 99

IDEAL MAXIMUM CLIENTS OR FAMILY GROUPS PER ADVISER



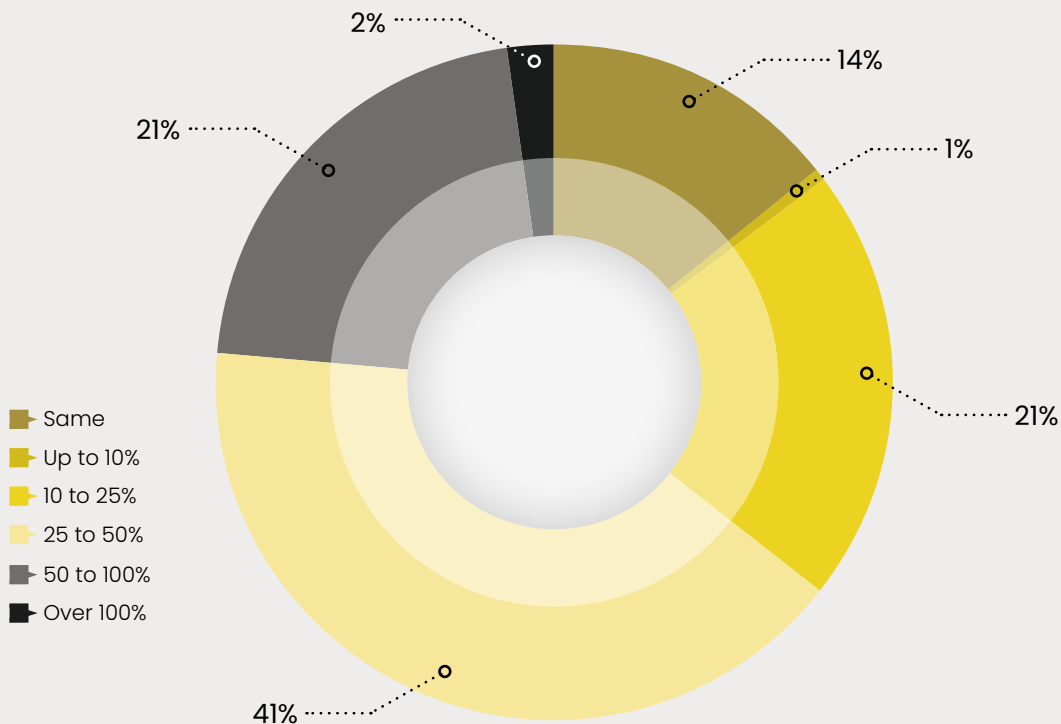
**ADVISER RESEARCH**

What’s the ideal number of clients per adviser at advice firms in the UK? Across all the entries here, the mean average is 120 clients per adviser, and the median is 100, which is consistent with our expectations. It has hovered around this number for some time, even before the Consumer Duty, which perhaps suggests that efficiency gains from better tech are

being offset by the higher regulatory bar, as well as long-term inefficiencies in some industry-wide processes.

To confirm this hypothesis we poked a little deeper, asking how many more clients could be served if all technology worked seamlessly and some of the more painful processes were a thing of the past.

IN A NIRVANA STATE, HOW MANY MORE CLIENTS COULD AN ADVISER SERVICE?



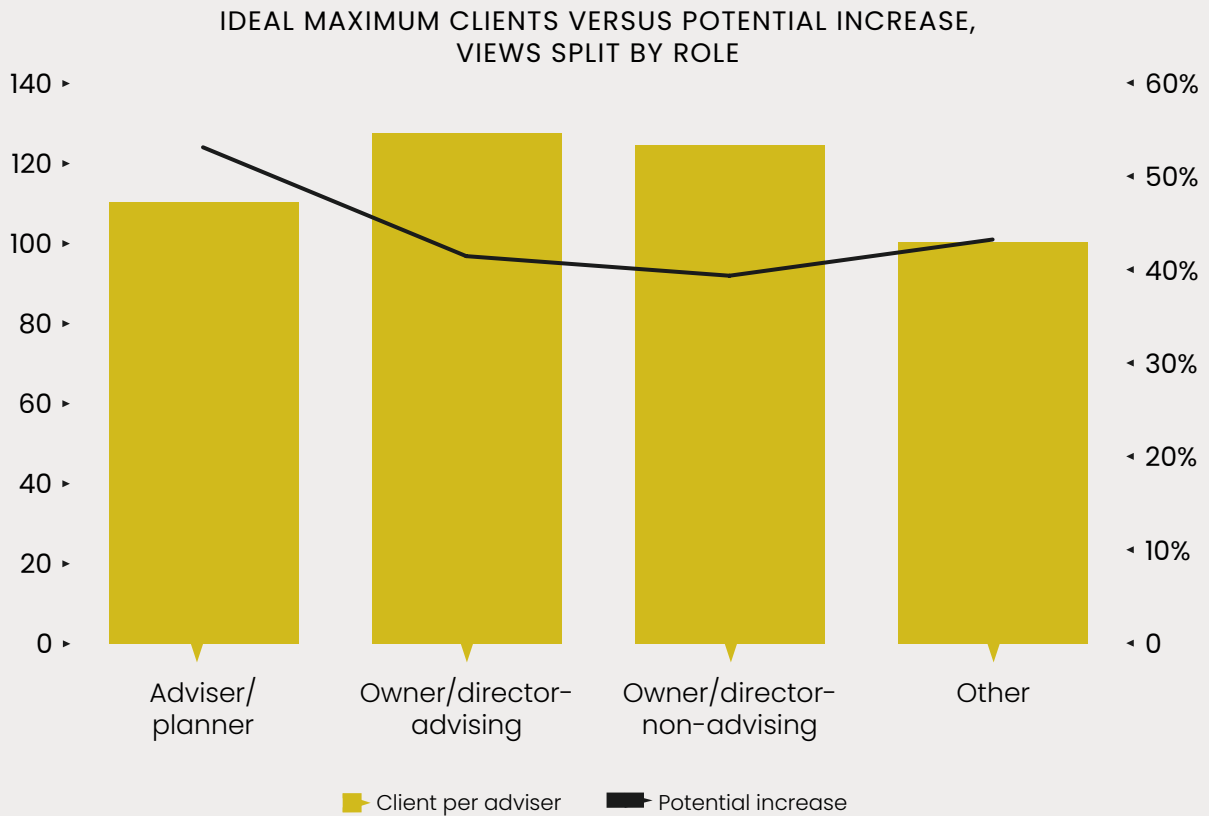
Regulation is often cited as a significant barrier to being able to service more clients, but we know from our work with advisers and providers working in the

industry that there’s a fair amount of inefficiency in the way technology is used and how well it exchanges data with other elements of advice tech.

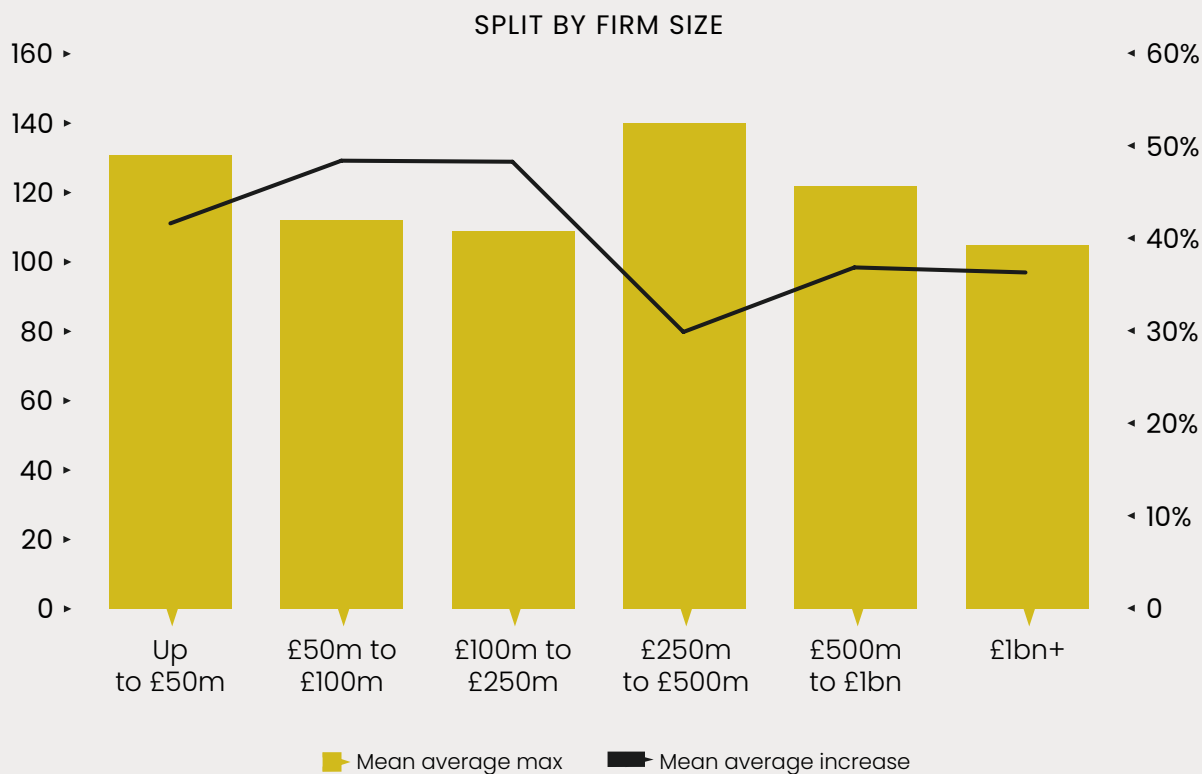
There’s still an uncomfortable amount of rekeying identical information into different systems, as well as a few specific areas which slow down the process to a snail’s pace (Letters of Authority being an oft-cited example) and cost significant resources.

“ I believe technology will play a key part in closing the advice gap and allowing advice firms to serve a wider range of clients.

One way of enabling advisers to service more clients is to remove these inefficiencies.



## ADVISER RESEARCH

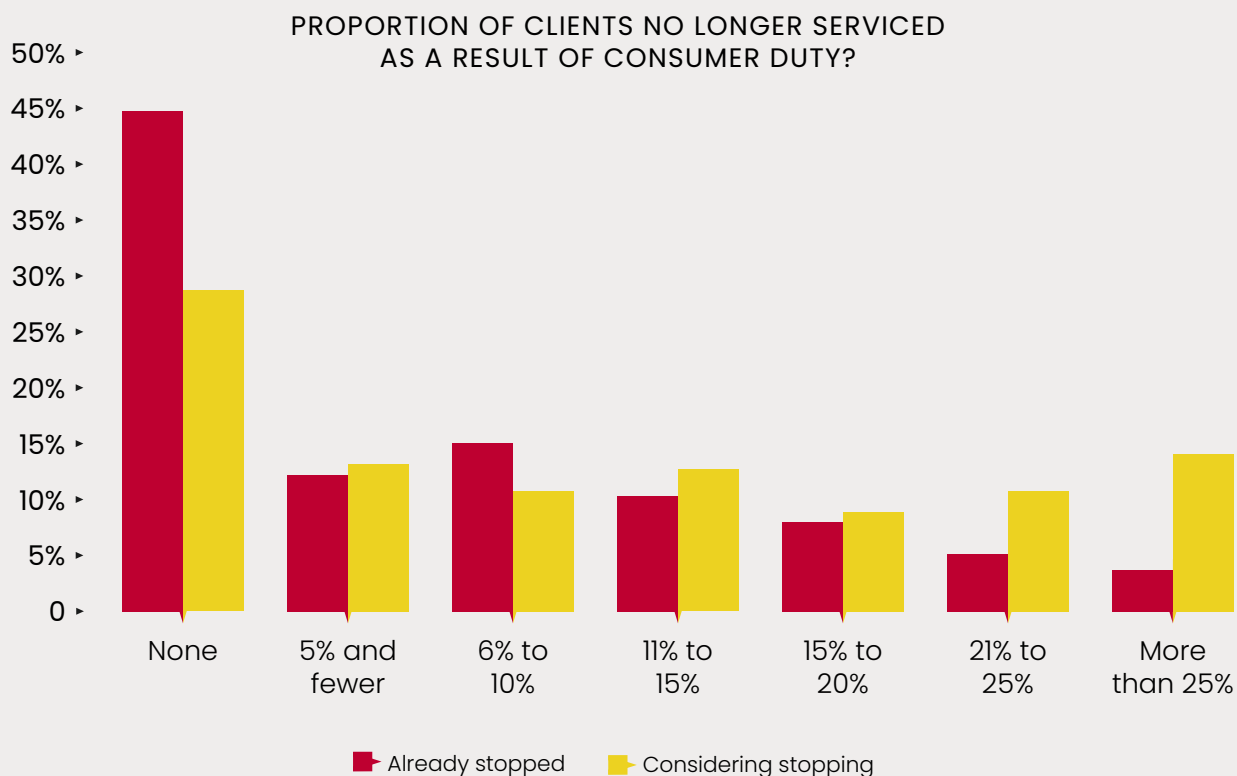


Things get even more nuanced when we cut the data for these two questions by role and firm size.

Our findings suggest that the closer you are to the coal face, in terms of advice role, the more likely you are to understand the effects of inefficient tech and/or processes. But if these were fixed, the number of clients and family groups per adviser could reasonably increase by 40-50%. If we extrapolate that out to the five million advised people in the UK (along with a small pinch of salt), those accessing advice could be upped to seven million.

This would have a significant effect on closing the advice gap for people who need advice but can't find an adviser. Although this could just be more of the same sort of clients already being serviced – it doesn't necessarily mean a widening of firms' client segmentation models.

It's clear from this section though that inefficient processes and technology not being harnessed to its fullest, are holding back firms from increasing the number of clients they service.



A common thread running through our research with the advice profession over the years is that increased regulation – whether it’s intended to improve the quality of advice or not – affects the minimum standards and work required to service clients. When this is raised, so too is the minimum cost to provide advice to a client.

This opinion has been more prominent since the far-reaching Retail Distribution Review (RDR) in 2013. Some ten years later, we have another piece of regulation of comparative scale and breadth in the Consumer Duty, and it’s to that we turn our attention next.

“ *... I believe that the FSA created [the advice gap] with RDR and the FCA have subsequently made it wider by layering greater expectations on firms which leads to a higher entry price.* ”

Consumer Duty introduced – among many other things – increased evidencing and documentation of decisions made in the advice process. The intention, similar to RDR, was to raise the bar for the standard of advice. As a result, the base cost, for some firms at least, is likely to have increased to some extent.

Few firms were already adhering to the Consumer Duty rules entirely before they were introduced and it’s reasonable to assume that some customers will no longer fit in a firm’s client segmentation model.

### ADVISER RESEARCH

To get an idea of the impact, we asked firms to indicate how many clients they had stopped serving, or were considering stopping serving as a result of Consumer Duty.

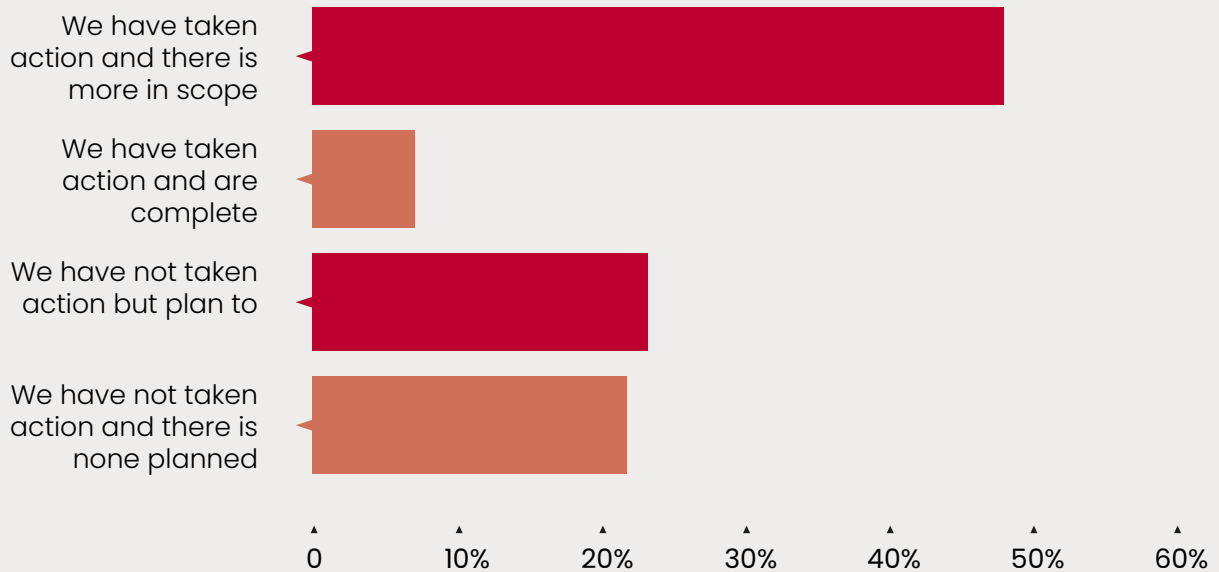
For this analysis, we discounted blank responses from those in non-advising roles, but included them as zero per cent for those in advice positions. A pragmatic approach would be to consider that a proportion of those zeroes should be counted as "I don't know yet".

Where action has already been taken, the mean average is 12.7% of clients. Using the average clients per adviser calculations earlier in this section, that equates to just over 15 clients per adviser, per firm. For those in scope of being cut loose, the non-zero average is 17.1% of clients.

If we again extrapolate this to the total number of advised clients that exist – around five million, that's around 600,000 clients that have already stopped receiving advice, and approximately 800,000 more at risk. That's around 1.5m clients in total, which is a significant addition to the advice gap.

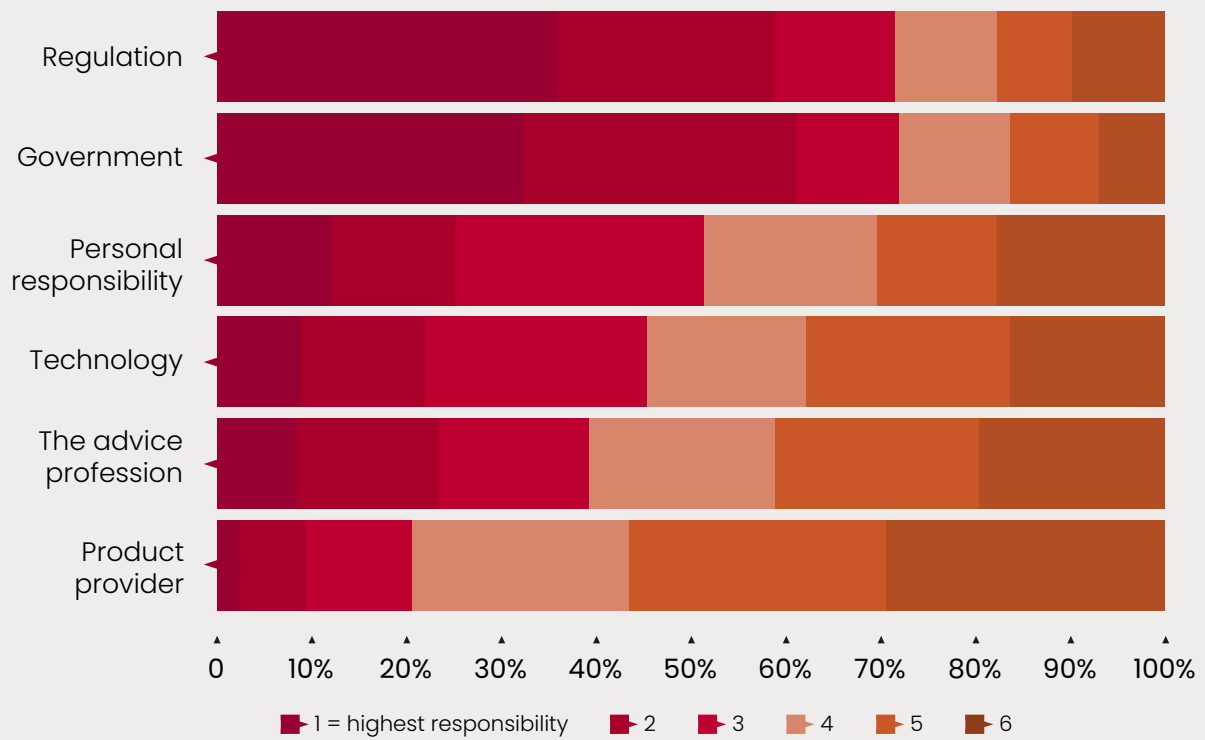
“ The time cost of advice regulation is far too high for us to be able to consider taking on non-commercial / low-value clients and every new set of rules issued by the FCA tends to increase the advice gap.

ADVICE FIRMS SPLIT BY ACTION SEGMENT



“ *The industry has the ability to serve those in the ‘advice gap’. However, many choose not to do so down to pure economics (e.g. not profitable to do so/not enough return on it/ lack of resource/time etc.) This does not however mean we cannot be out in our local communities educating/ running masterclasses and uplifting the basic knowledge of those to support where we can.* ”

WHOSE RESPONSIBILITY IS IT TO CLOSE ADVICE GAP?



## ADVISER RESEARCH

“  
*It's a problem the Government needs to address, regulation has made it almost impossible for businesses to profitably service smaller clients/making advice too pricey for those seeking it.*  
 ”

Before we dig into where the advice profession thinks the responsibility lies in closing the advice gap, it's worth noting that this question appeared immediately before four focusing on regulation.

There's a clear consensus (something that doesn't happen very often in our researching of the advice profession) that responsibility lies right at the very top.

This dominated the verbatim responses to the open questions that have peppered this section of our report.

Looking at the previous chart, regulation was seen as being most responsible for closing the advice gap. This is perhaps easiest to unpack if we consider that most advice firms are small (95% have five advisers or fewer), and the increasing base-cost of delivering advice, due to more stringent regulation, has already led to firms having to cut some clients loose.

“  
*When many adviser companies are small, I cannot see how they can profitably look after these clients. If the Government provided some kind of subsidy, it would help, and people would be better off in the long run leaving less of a drain on society & benefits.*  
 ”

*Regulation has certainly made it harder, and the fixed costs of providing advice mean that the 'starting' portfolio needed is now out of sight for a lot of people.*  
 ”

An important consideration is whether financial advisers should be involved in closing the advice gap at all, or if they should instead focus on serving the minority of the population that currently benefits from advice.

“  
*The gap is not 'advice' but 'guidance' and 'coaching'. Most consumers don't actually need advice. Advisers should be dealing with the top 5% of the population who have more complex needs.*  
 ”

If the minimum bar is now simply too high for 'full' advice from a cost versus benefit perspective, then respondents offered some alternative methods for closing the advice gap.

“

*As much as most advisers want to help all prospects, the average adviser cannot solve the advice gap. It's imperative that Government (of whatever hue) and regulators realise this and help educate people up and down the country on the personal responsibility they need to take; or make it feasible to provide advice and guidance to people with lower pots who don't need 'full fat' lifestyle financial planning (yes, everyone could benefit, but not everyone NEEDS it).*

”

Some hinted at the interplay between social policy and personal responsibility.

“

*A very challenging area, and one that will take generations to get right; especially when you consider the poor levels of financial literacy that exists.*

*There needs to be more education in schools/colleges/unis as part of general education. Regulation has hamstrung advisers into not being able to advise many people as it is not profitable or too risky. Government controls regulation to some extent, FCA needs to hold accountability. Providers and tech alone cannot solve. We cannot abandon younger people now and tell them to walk away especially when they are likely to inherit monies and may need advice later and may have already been 'turned off' from advice.*

”

## ADVISER RESEARCH

Some suggest a societal shift is needed first.

“

*It has widened since RDR and will widen further due to the Consumer Duty. The issue is that initiatives designed to try and help potentially fill the gap (like the pensions dashboard, pension for life, limited advice etc) never take off because they cost a lot to implement and there isn't a real motivation to fix the problem just yet.*

”

Some were hopeful that technology could unlock a broader approach.

“

*If the technology piece was solved i.e. a digitised/human experience, I feel the advice gap could be closed quite quickly if advisers were open to changing their business model. (Most advisers - including me - only really want to service the HNW and UHNW clients).*

”

But some respondents think the advice profession can do more, and that part of the responsibility lies with the sector.

“

*We have created the advice gap by focusing on wealthier clients who generate higher fees. We have not been imaginative enough in developing a service offering that can support a wider base of clients at a lower price point. Not every firm will want to cater for this sector, but through innovation of service there will be a business model that can fill that advice gap.*

*I think it is much simpler to tackle than people make it out to be, it just requires a bit of a different way of charging and the industry doesn't like change. I also think there needs to be an industry reframe around what support people actually need. It is often much simpler than we think it is, but we overcomplicate it and cloud it in smoke and mirrors to make us look good.*

”

And the last word on this question goes to a particularly considered response that transcends most of the issues at play.

“ —————  
*It has to be considered in two separate segments: ongoing advice and initial advice. We can provide ongoing advice relatively cheaply for ultra-low value clients, and we have a special segment in our CIP for them. It's the initial work that's the killer, particularly when they have old policies with unusual terms / poor fund range. Working out what the best route is for them is [very] time-consuming, and charging a full fee is far too high a proportion of their investment.*

*Typically, the person with plenty of money has a nice shiny set of new low-cost policies on a platform, while the person who most needs the money is having to deal with old-fashioned policies with poor fund range and high (sometimes hidden) charges. This is something the regulator should be looking at. Any policy over a certain age, with Total Cost of Ownership greater than 1%, the provider should be making an active case for why this is the best solution for the client.*

*Yes, we should be teaching basic financial skills in schools and yes, we should encourage financial literacy, but if it takes me two weeks and five phone calls to wring the truth out of a provider, what chance does the average person have?*

—————”

## ADVISER RESEARCH

### FCA PROPOSALS

In December 2023, the FCA put forward its proposals for closing the advice gap in the discussion paper on the Advice Guidance Boundary Review.

There are three main sections within the paper.

First there's the FCA's work around exploring and defining the boundary between advice and guidance. Some firms, often larger providers, tend to steer clear of the boundary between regulated and unregulated advice, for fear of inadvertently stepping over it and triggering a supervisory landmine. Clarity on where the dividing lines are should give firms the confidence to stray a little closer to the boundary, with larger firms able to move the needle more broadly and have a greater impact on the advice gap.

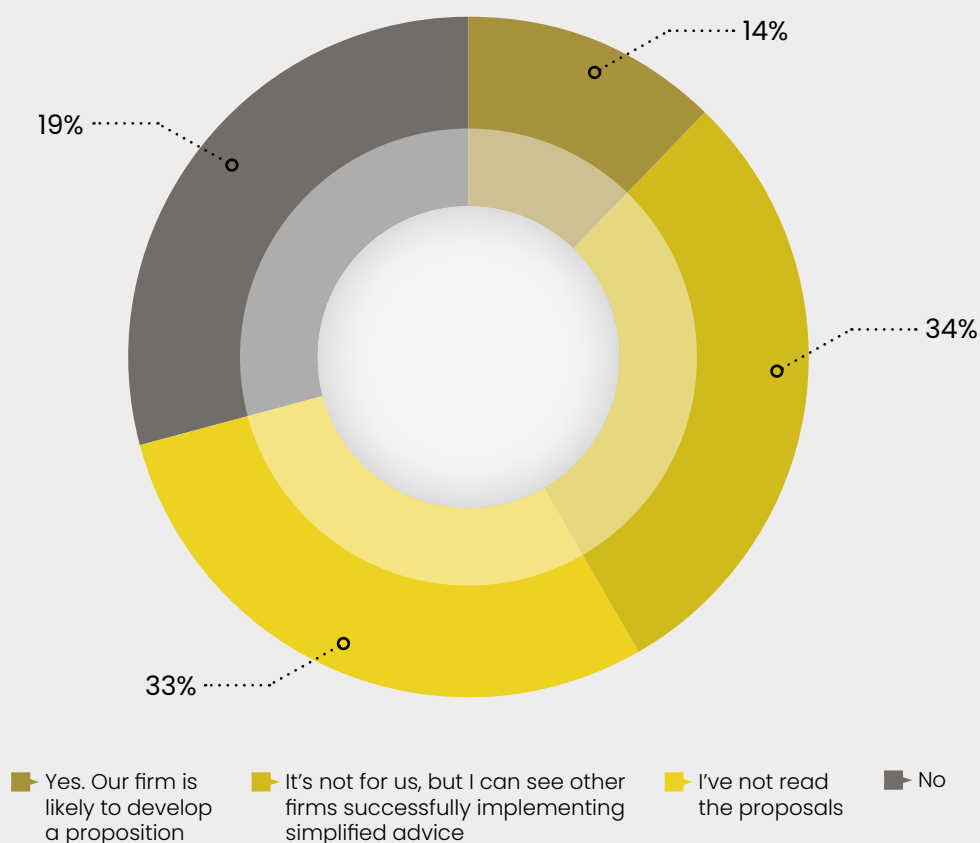
The second chunk of the paper focuses on targeted support for individuals who need more help. Interestingly, this has the potential to draw on the work that firms have (or should have) already undertaken to comply with Consumer Duty. At its heart, Consumer Duty is about segmenting your customer base and demonstrating that the products and services you offer meet the needs,

characteristics and objectives of customers in your identified target market(s). As the Duty applies to all firms, this means that firms of all sizes should be able to explain options to customers based on what might be suitable for 'people like you'.

The FCA thinks this can be delivered digitally and that interaction via helpdesks should be done via script. In our opinion, there's a careful balance to strike here, as scripts tend to be fairly unpopular with clients. That of course can be refined through the consultation, and done well, we think this suggestion is likely to have the greatest effect.

The third option, and the main thrust of this next section is the work on simplified advice. This further develops proposals set out by the FCA in November 2022, to which the response was tepid at best. Some elements of this proposition are still to be defined, but at the moment, it's described as 'taking into account only relevant information about a specific consumer need', and as of today it doesn't apply to decumulation decisions, though there have been calls from some quarters of the industry to include this in future.

DO YOU THINK THE FCA'S PROPOSALS FOR SIMPLIFIED ADVICE WILL HAVE A POSITIVE IMPACT ON REDUCING THE ADVICE GAP?



The simplified advice proposition is in its infancy in terms of development, which is probably why a third of respondents haven't read the proposals yet. However, just one in seven currently see this as a service they would develop.

Closer to one in four respondents don't agree that simplified advice will help to close the advice gap. We asked those respondents to offer some context to the single-word response and a good chunk of the answers centre around the future liability of the advice, as well as some lingering memories of advice styles past.

“ Too vague and they will not put the industry in a position where they feel safe with no blowback from the regulator in years to come.

” The concerns over future liability are understandable.

## ADVISER RESEARCH

This is a key element to running a tight ship at an advice firm today, and it becomes even more important when we consider that the average adviser is approaching retirement age and that many owners of the smaller firms dominating the advice landscape are also advisers themselves. It's reasonable that some will not have the appetite to add a service they perceive as risky at a point when exiting the industry may be sharpening into focus.

Many respondents also harked back to what they see as previous attempts at simplified advice that haven't gone well. There is a fear that history may repeat itself, jeopardising more recent work to improve customer outcomes.

“

*It will lead to a return of sales-led, product-driven approach with poor consumer outcomes.*

*Simplified advice does not fit in a complex world, FCA seems to be going round in circles and heading back towards the old provider led tied sales solutions, which didn't end well before.*

Many respondents noted concerns about how the Financial Ombudsman Service (FOS) and PI insurers would deal with complaints:

“

*We need to know FOS and Insurers are on board - the risk to firms is that FOS do not see it as 'simplified advice' should a complaint arise.*

*I would love it to work. The PI insurers will put most small firms off it. It's not the current proposals it is what is added to it in time.*

*The proposals look fraught with contradictions and the risk of retrospective reinterpretation with no FOS adjudication adjustments proposed. Too much risk.*

”

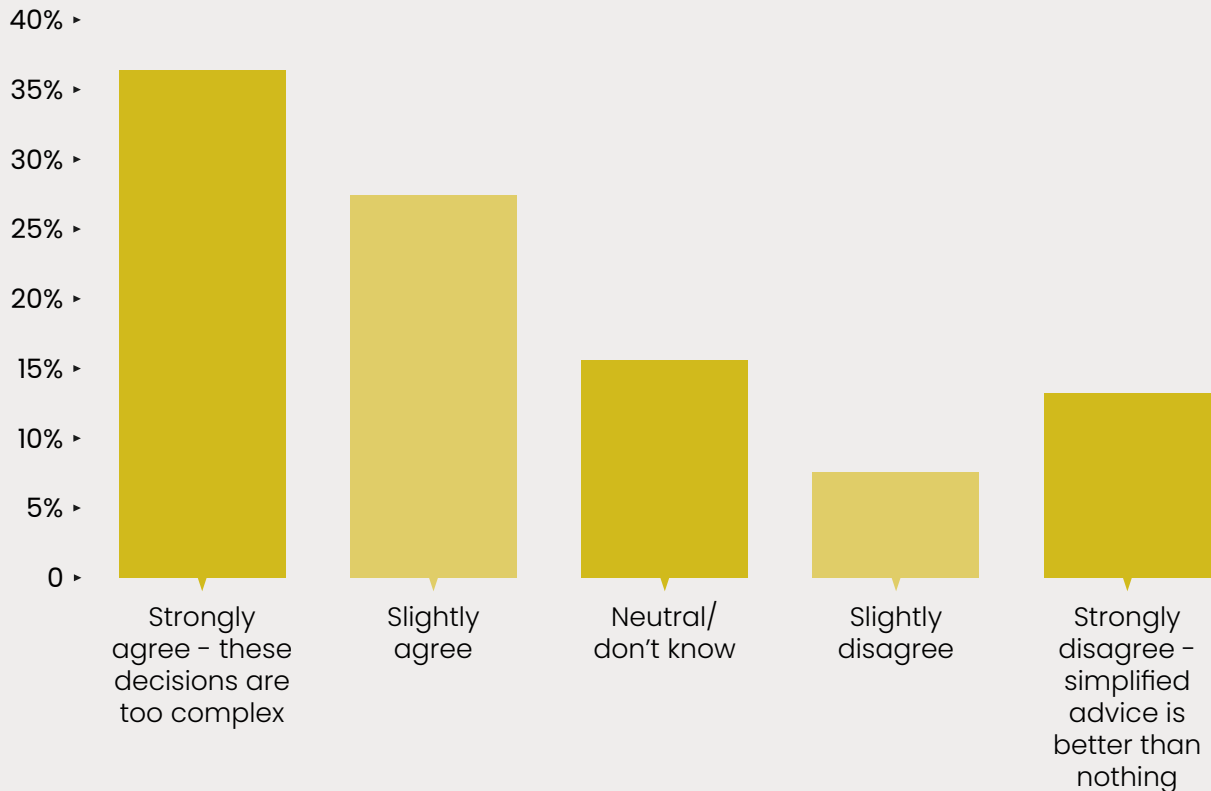
Some called on the sector to be more imaginative.

“

*The advice profession needs to be far more flexible on its stance over who they will and will not deal with and build a light touch / low cost / simplified advice process. Those with less wealth etc don't need cash flow forecasts, complex trusts or multi-fund managed portfolios.*

”

THE CURRENT PROPOSED SCOPE FOR SIMPLIFIED ADVICE EXPLICITLY EXCLUDES PENSION DECUMULATION DECISIONS. TO WHAT EXTENT DO YOU AGREE WITH THIS?



The current proposals for simplified advice exclude decisions around withdrawing from pension pots, and nearly two-thirds of respondents agree that this is the right thing to do. Clearly, choices made in decumulation can have significant and irreversible ramifications, from sequence risk from withdrawing too much too soon, as well as the Money Purchase Annual Allowance, but it raises the broader question of what the advice profession thinks investors should do in the absence of financial advice.

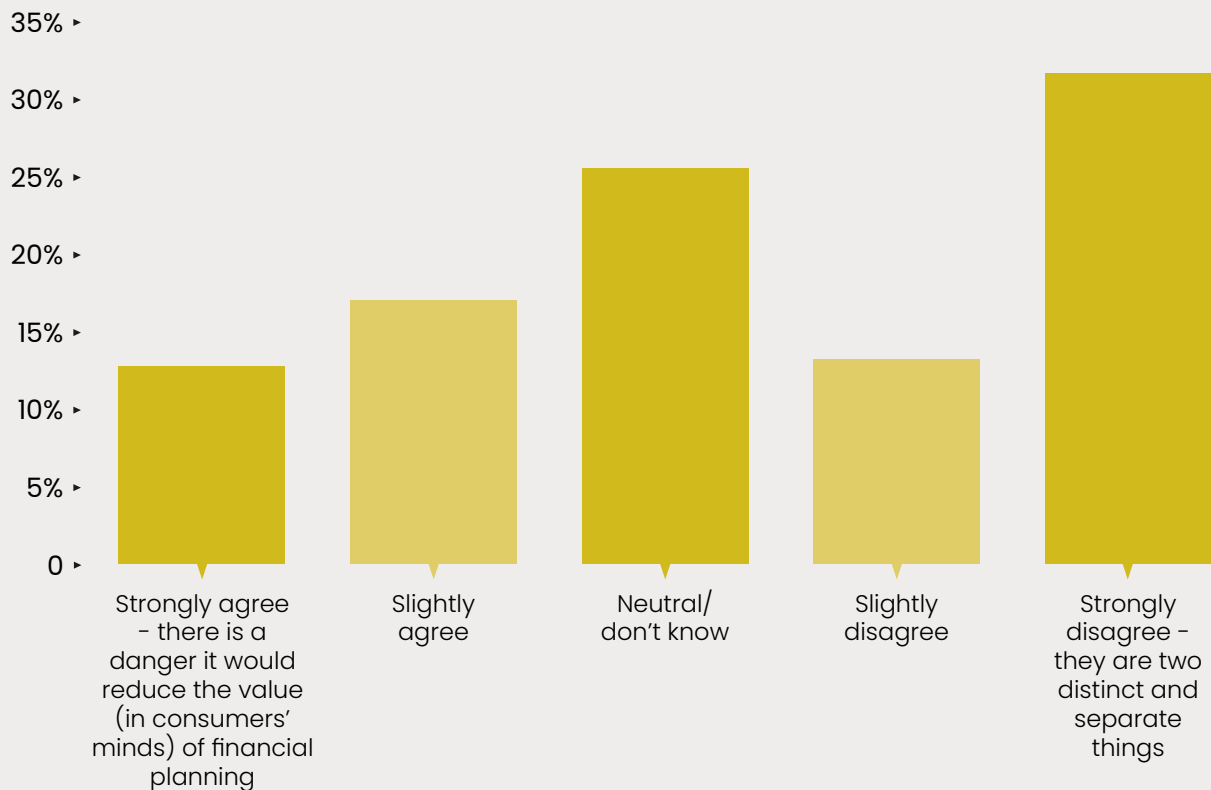
Just one in thirteen respondents slightly disagreed with excluding decumulation decisions from simplified advice, while one in eight strongly disagreed, thinking that simplified advice would be better than nothing. As well as this cohort, there have been calls from some corners of the financial services industry to expand the scope to include decumulation decisions, citing their complexity as reason to include, rather than exclude, them.

## ADVISER RESEARCH

We'd broadly agree with the argument to include decumulation. The limit for simplified advice is currently £85,000, which would mean most of the more complex pension arrangements are likely to be excluded, but outside of pounds and pence limits, this would need significant work and perhaps a more prescriptive set of rules to protect against foreseeable harms. For example, a framework for identifying and excluding more complex pension arrangements.

“ *It [the advice gap] doesn't have to exist, we need the regulator to understand that regulated advisers – restricted or whole of market – are a better option than TikTok advisers. Therefore, they need to really understand what simplified advice REALLY means.* ”

IF THE SCOPE FOR SIMPLIFIED ADVICE WAS EXPANDED TO INCLUDE PENSION DECUMULATION DECISIONS, DO YOU AGREE IT WOULD HAVE A NEGATIVE IMPACT ON YOUR EXISTING ADVICE SERVICES?



To round off this section, we found that nearly half of our respondents don't think including decumulation decisions in simplified advice would create competition for existing advisers.

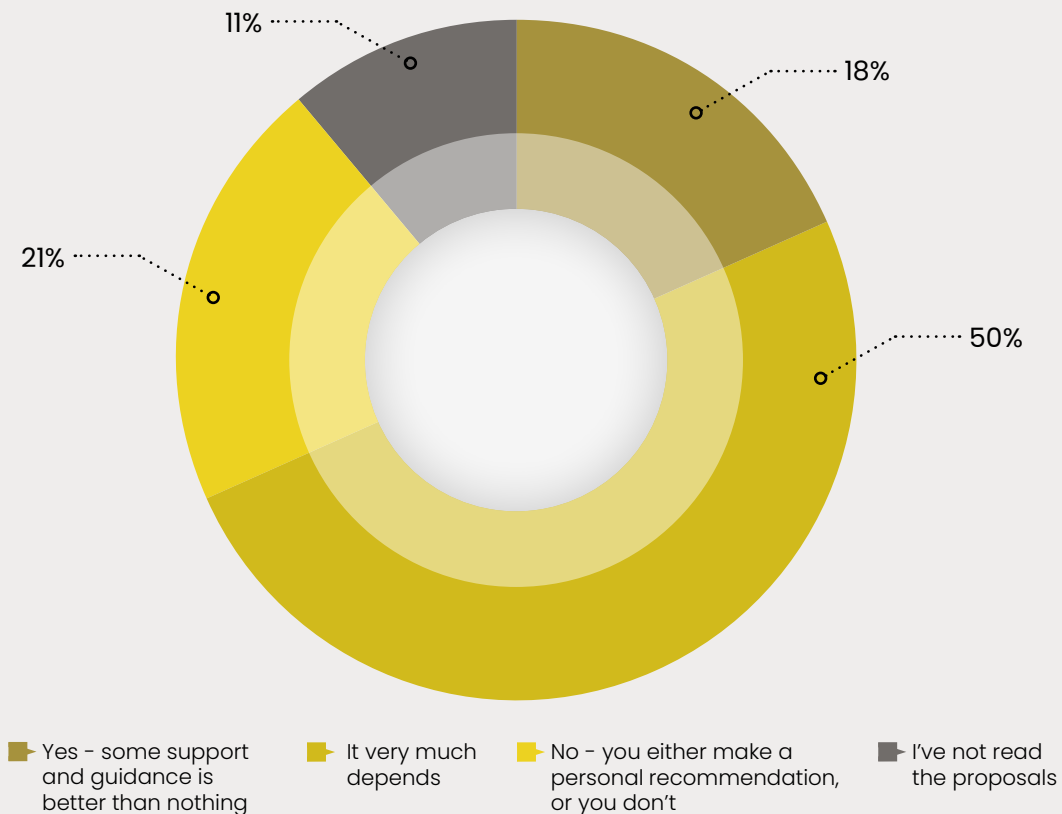
For those that agree to some extent, and think that it could devalue financial planning, we'd argue that's unlikely (while acknowledging this is a purely hypothetical exercise at the moment). We think, conversely it could lead to a better appreciation of the value of financial planning/holistic advice. It would require significant effort to get right, but it has the potential to help clients understand

the differences between simplified and holistic advice.

A huge undertaking, clearly, but perhaps the biggest challenge to overcome is the complexity and huge variation of pension products in the market.

“ *It has come about because of the decimation of product due to regulation - therein lies the problem. Need more flexible pension arrangements, and understandable.* ”

DO YOU BELIEVE PROVIDERS OFFERING TARGETED SUPPORT SERVICES, IN LINE WITH THE LATEST FCA PROPOSALS, WILL HAVE A POSITIVE IMPACT ON CUSTOMER OUTCOMES?



## ADVISER RESEARCH

Our final couple of data points focus on the targeted support proposals in the regulator's review.

Broadly, this is higher level information provided to consumers to help make more informed decisions, with limited data inputs, explaining 'people like you do x'.

The intention appears to be to provide some base knowledge to improve understanding of financial products and

options. It's a broad brush approach, but we think it builds on the wider aims of Consumer Duty, where significant focus has been on defining the target customers of financial products and investments. This next stage would include how to communicate this to customers.

How targeted support is implemented, and by whom, is key to its success. Until that is clearly defined, it's difficult to qualify whether it will improve customer outcomes.

### IF LARGE PROVIDERS START OFFERING TARGETED SUPPORT SERVICES TO CLIENTS, HOW WOULD THIS IMPACT YOUR SUPPORT AND RECOMMENDATIONS?



It seems logical that targeted support would reside in the realms of product providers, but that comes with its own challenges, as we see from the verbatim comments below. This feels like an area of the proposals where stronger, more prescriptive views are needed, rather than principles-based ones.

“ —————

*It's potentially exposing a large cohort of investors, previously able to receive advice, to the unsophisticated, non-advised, cheap catch-all products of a commoditised market.*

*I believe product providers are **TOTALLY** the wrong people to be offering any kind of targeted support service.*

————— ”

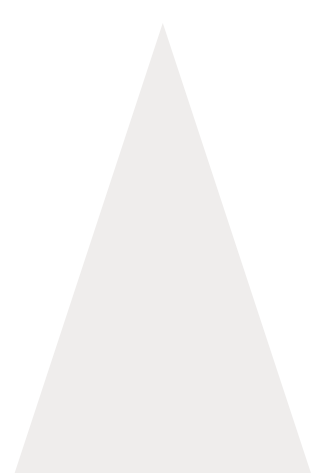
And a closing thought on the regulator.

“ —————

*There is no sign of joined-up thinking within the regulator. Their demands make it far more time-consuming to advise clients. Therefore, to make a decent living we can only afford to deal with wealthy enough clients. What follows is the advice gap, as sure as night follows day. Whatever did they expect to happen?*

————— ”

That's it for the advice profession's view of the advice gap. We'd just like to repeat our thanks to all the wonderful advice professionals who took part in our survey and provided such in-depth and passionate views. We love you all. Now grab a mug of your favourite beverage – it's time to see what consumers have to say.



**CONSUMER  
RESEARCH**



The bulk of this research was conducted by YouGov PLC on 5 June 2024 with a follow-up exercise (covered from page 78) conducted on 14 June 2024. Both surveys were carried out online with a sample size of 2,024 and 2,073 respectively. The figures have been weighted and are representative of all adults (aged 18+) in Great Britain.

Our sample shows that:



9% of GB adults define themselves as receiving paid-for advice in the last two years



Whereas 11% define themselves as receiving free advice in the last two years



13% identify as needing financial advice but ultimately didn't progress



52% state that they neither received nor needed advice



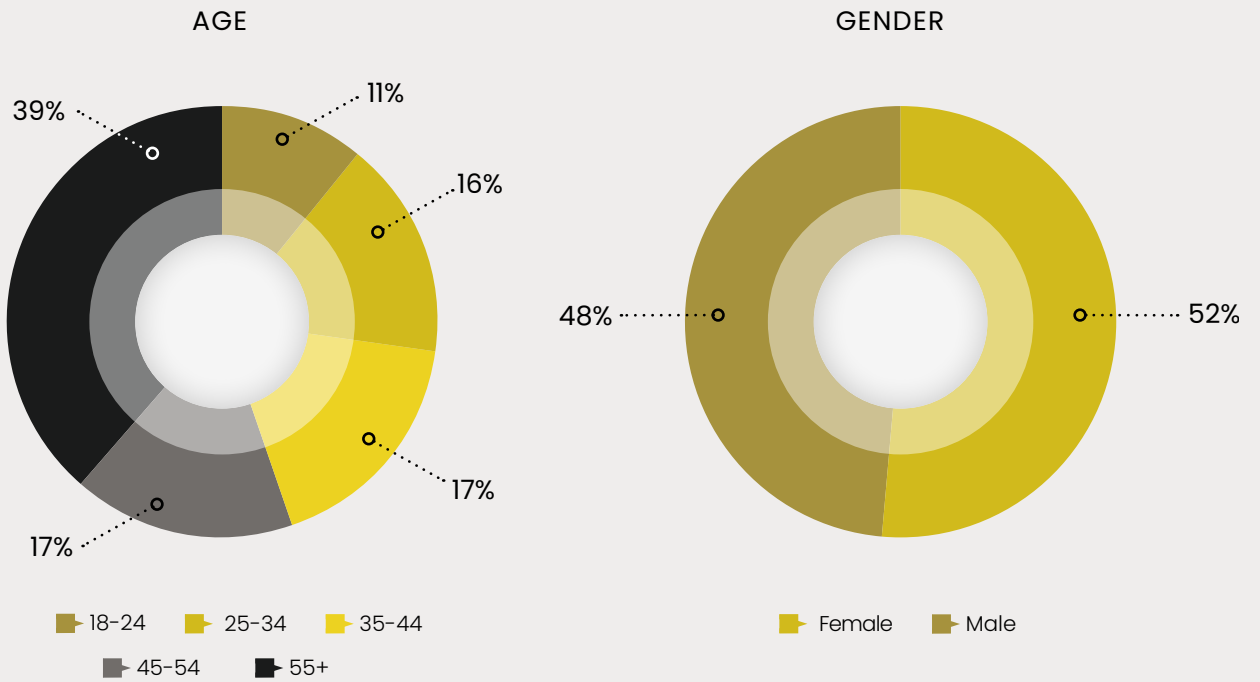
The remaining 14% either simply don't know (11%) or prefer not to say (3%)

In this part of the paper we will walk through each of the first four cohorts in this list, looking for insight into their decision-making processes and priorities. We will then home in on those not receiving advice and look to see how the industry aligns with their knowledge levels and needs.

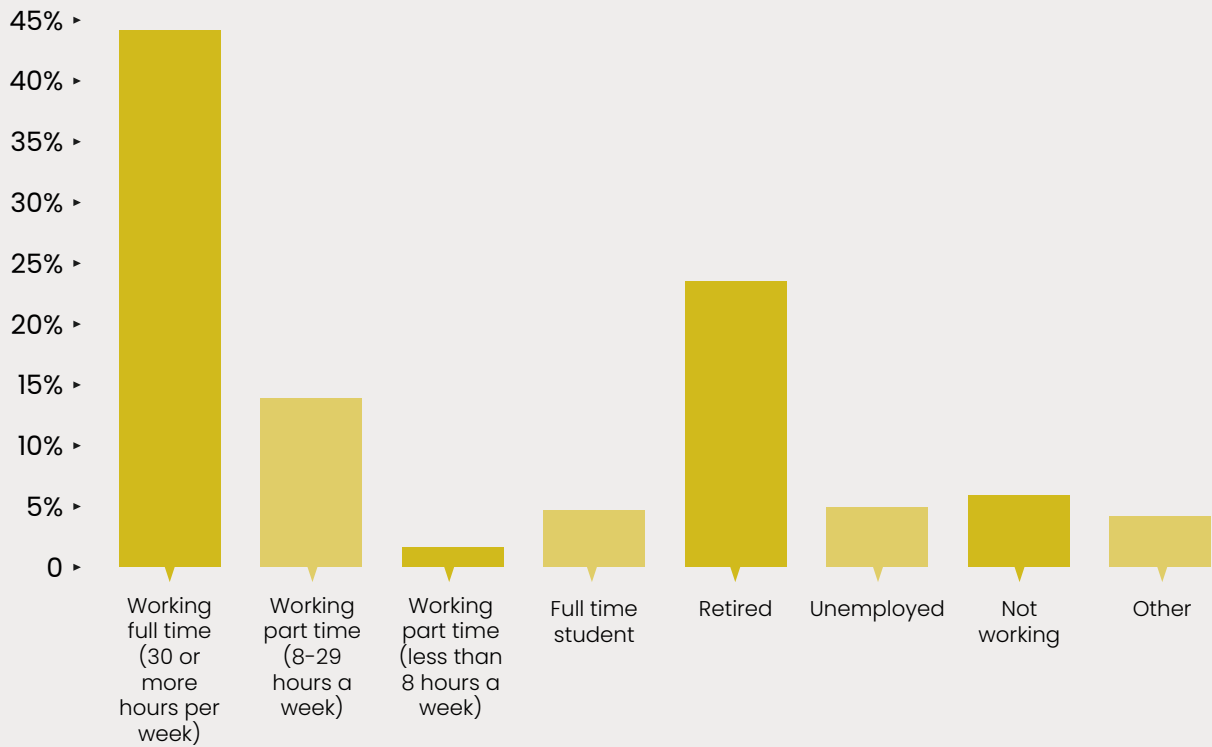


CONSUMER RESEARCH

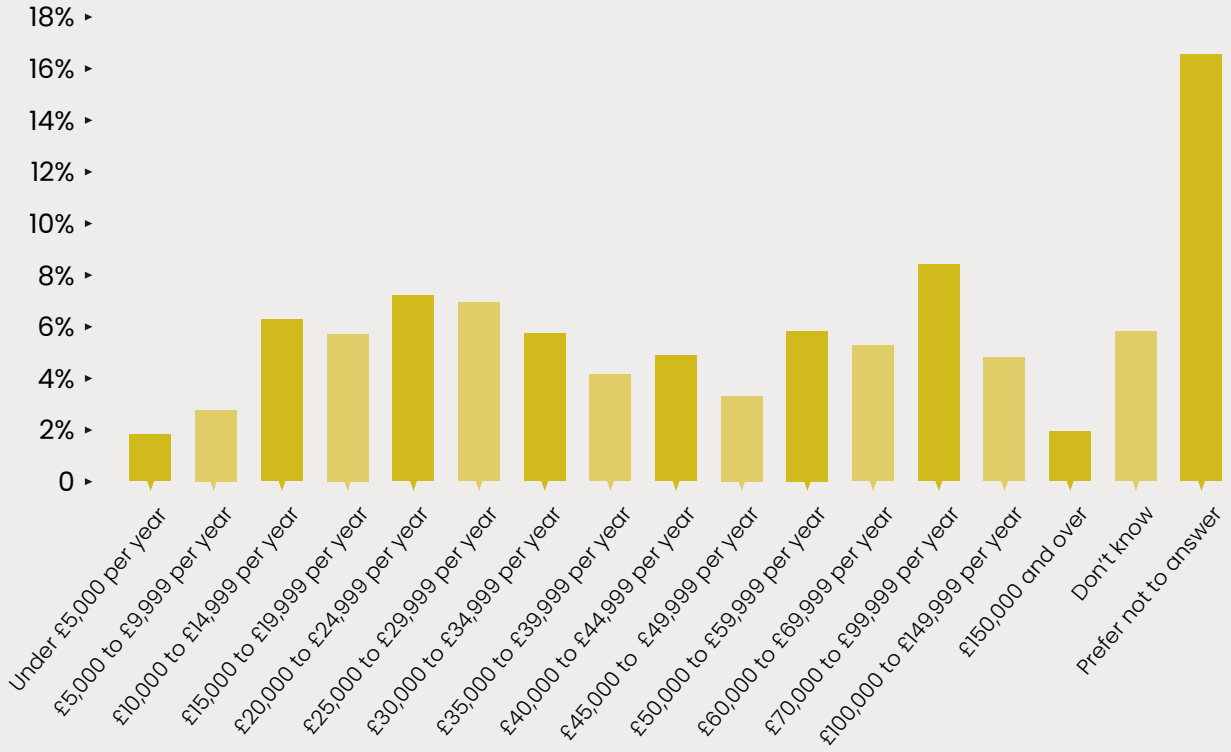
WHO TOOK PART



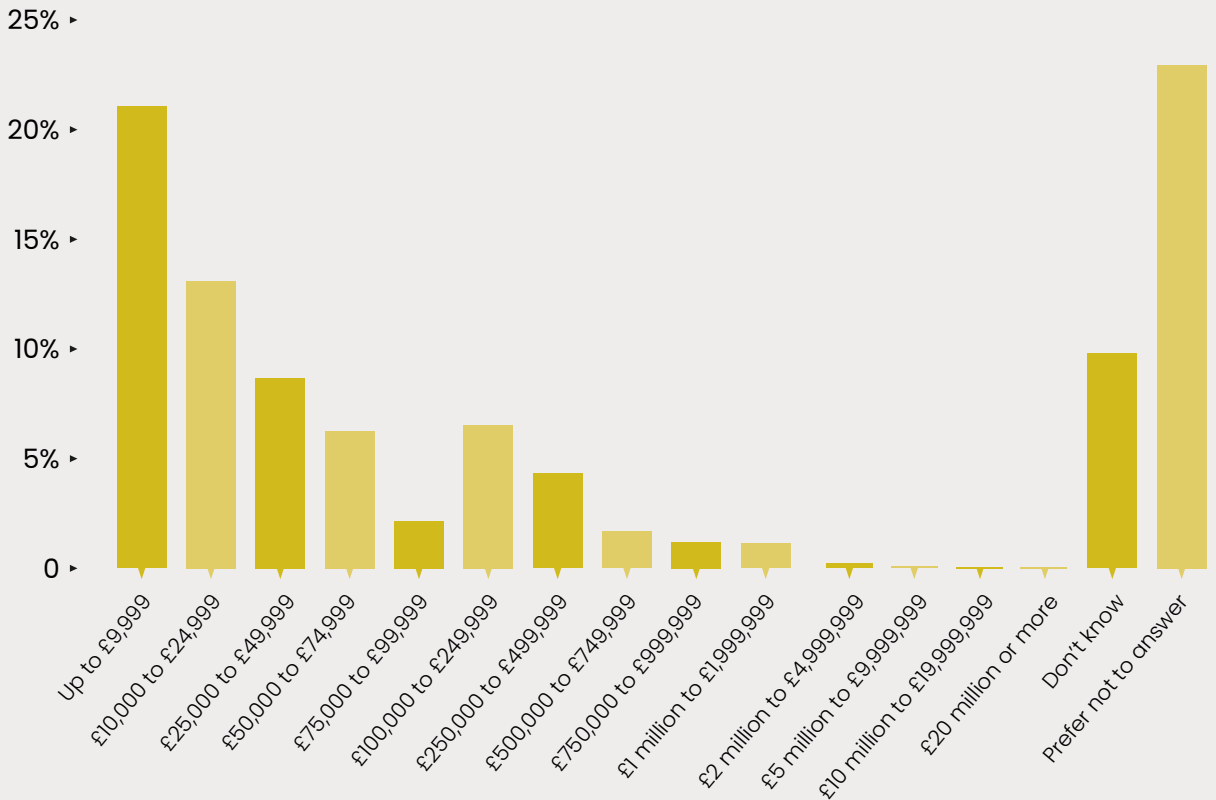
EMPLOYMENT STATUS



GROSS HOUSEHOLD INCOME



ESTIMATED WEALTH AND ASSETS



**THOSE RECEIVING  
ADVICE**



**First let's take a look at the cohort of the British population who identify as having received advice and look to see what we can learn.**



42% found their specialist advice through recommendations by friends, family or colleagues – 27% through own research



61% stated that they were able to get this advice when it was convenient for them, a further 40% stated they were able to get help quickly



A net 91% stated the advice they received was helpful (very helpful + fairly helpful)



Reasons for paying for advice – 56% stated they value the service provided by the advice, 37% stated that taking financial advice gave them peace of mind that they would have enough money in future



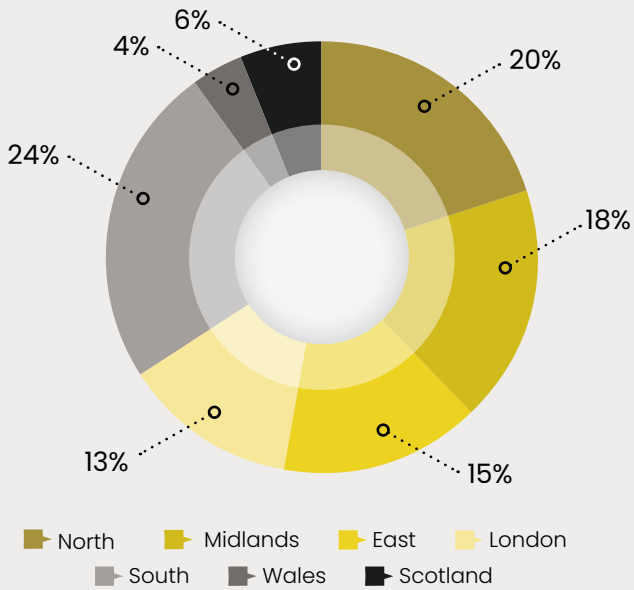
Of those who have received paid-for advice in the last two years 51% are male, 49% female



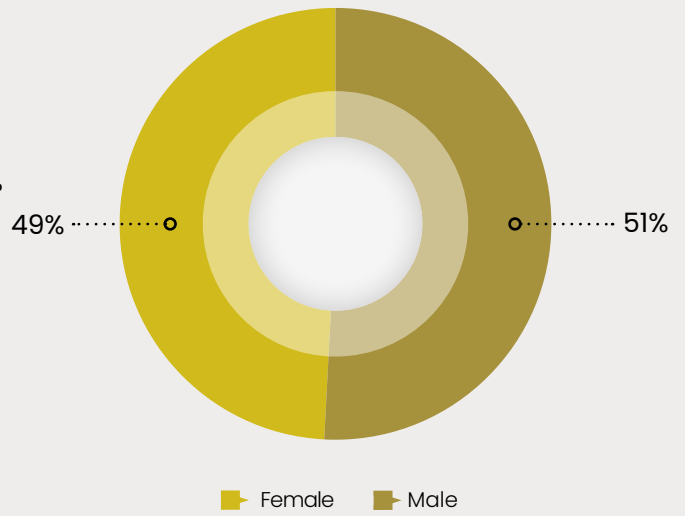
**THOSE RECEIVING ADVICE**

**PAYING FOR ADVICE**

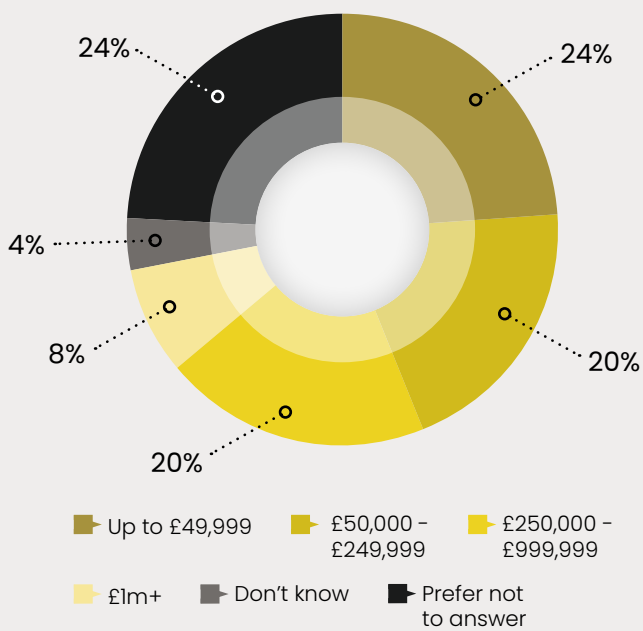
LOCATION



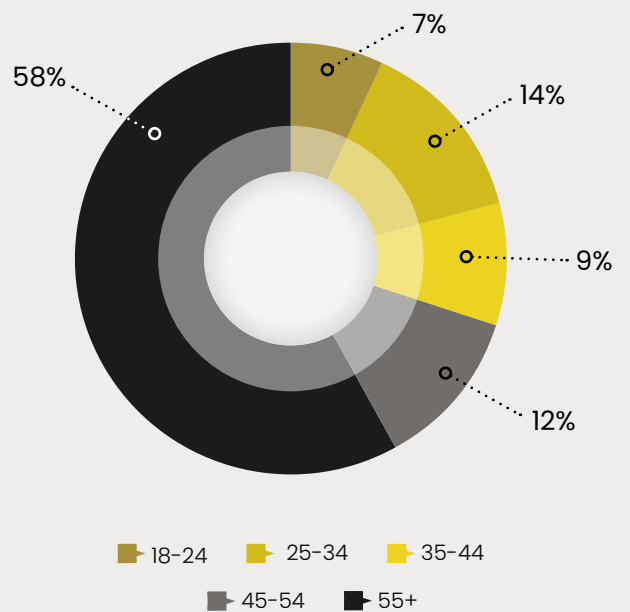
GENDER



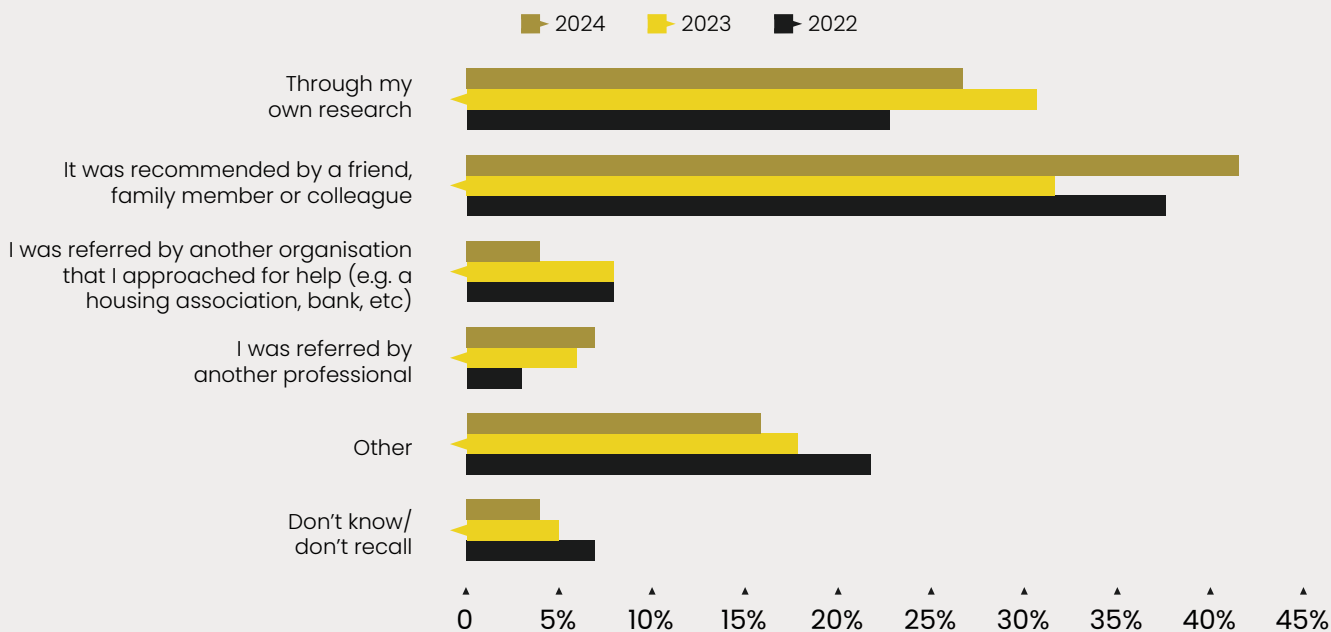
INVESTABLE ASSETS



AGE



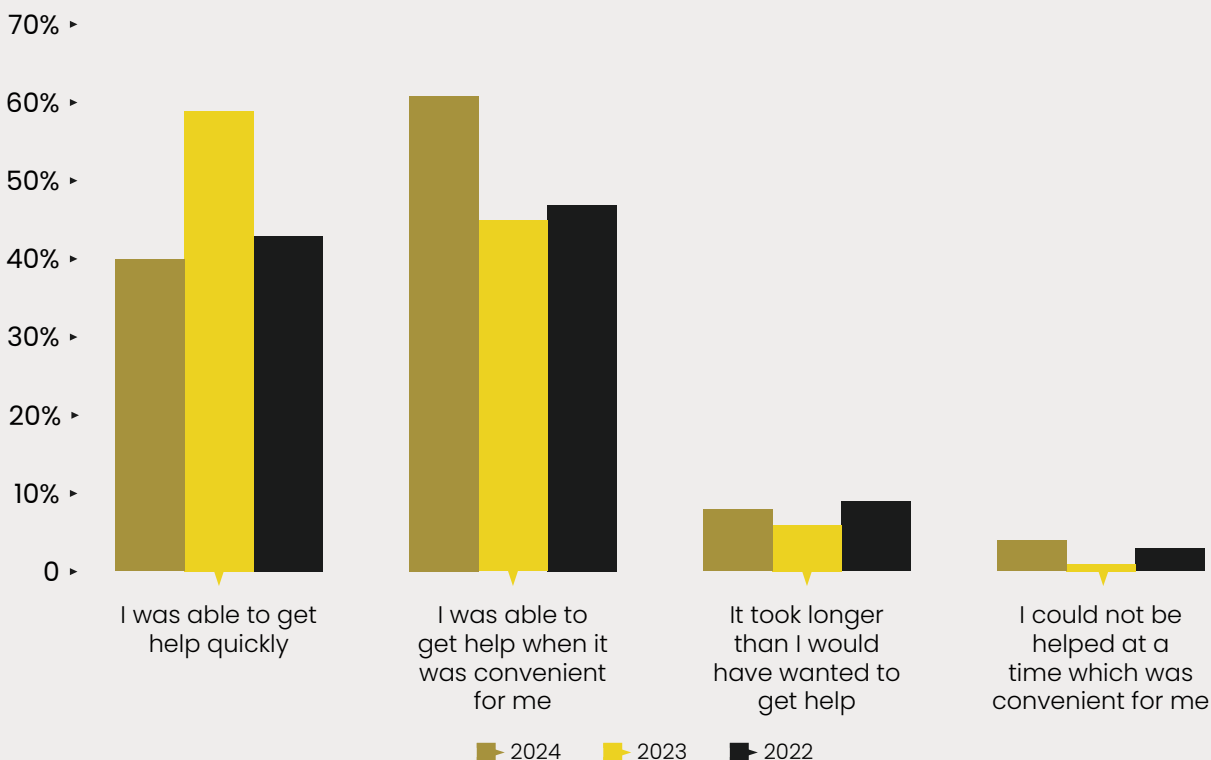
HOW THEY FOUND SPECIALIST FINANCIAL ADVICE: PAID ADVICE



Interpersonal recommendation stands out by a distance in 2024, widening the gap between that and accessing advice via their own research. This chimes with our

regular qualitative and quantitative research with the advice profession where it's widely accepted that referrals are the number one source of new business for the profession.

EXPERIENCE RECEIVING SPECIALIST FINANCIAL ADVICE: PAID ADVICE

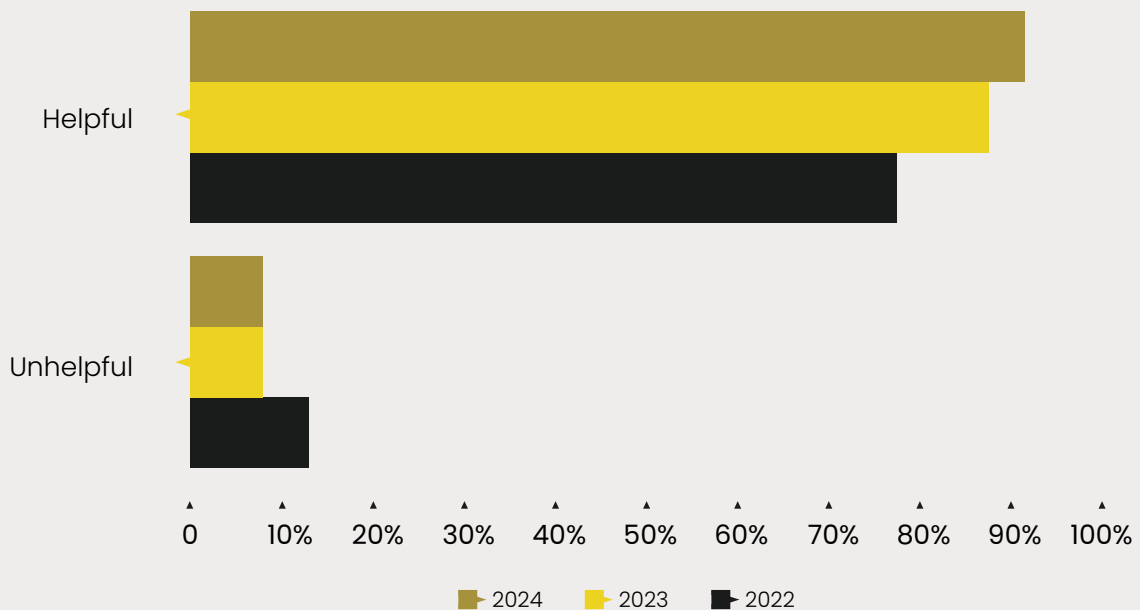


## THOSE RECEIVING ADVICE

In line with previous Advice Gap waves, consumers were faced with four statements relating to the ease of obtaining advice and asked to select all that apply to them. Again, only a minority of consumers, fewer than one in ten, stated that it took longer than they'd have liked to get help or indeed that the timing wasn't convenient for them, albeit there's a slight uptick in negative sentiment

year on year. One to watch with caution next year. The most interesting change is the reduction in those stating that they were able to get help quickly and a mirror image increase of those stating the timing of help was at a convenient time to them. We believe the likeliest interpretation of this is a return to more "normal" conditions as the cost of living crisis begins to mellow.

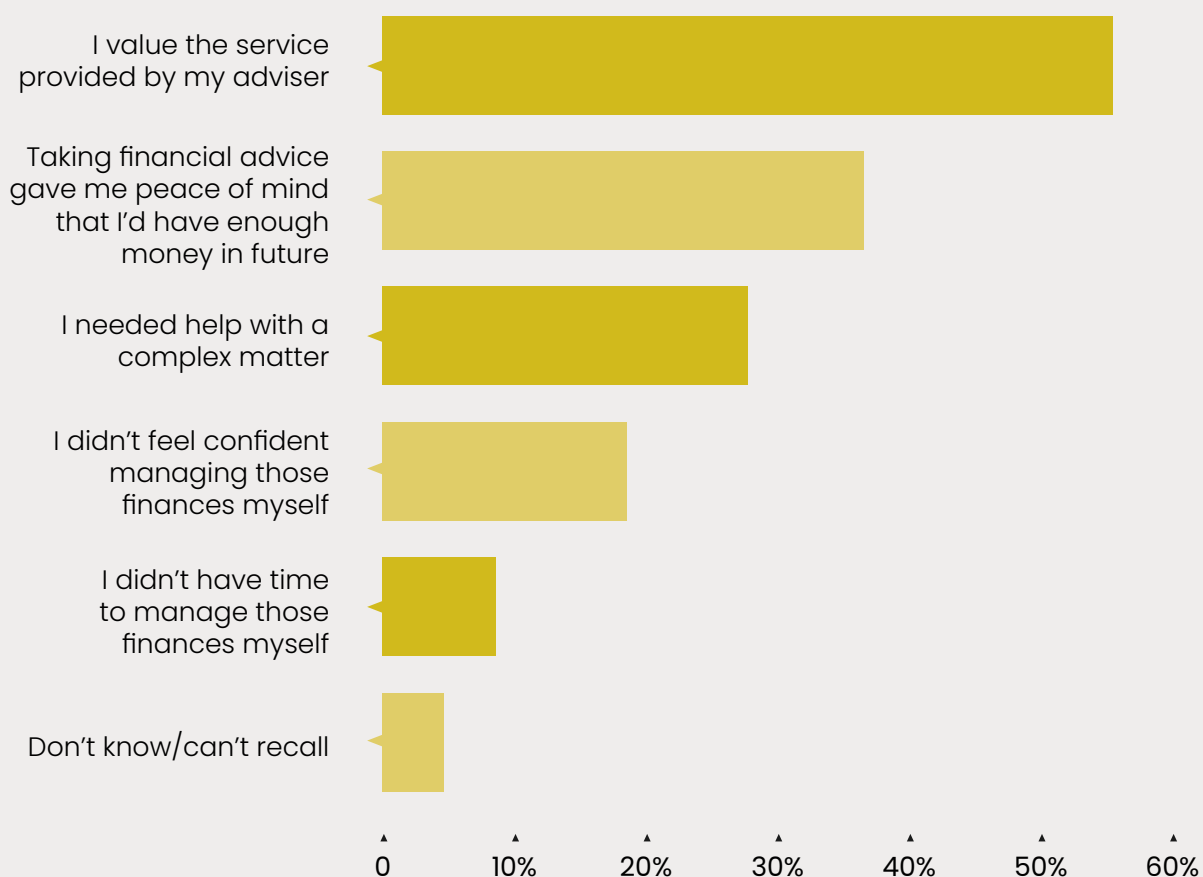
### HOW HELPFUL WAS YOUR EXPERIENCE OF PAID ADVICE?



A heartening positive trend for the advice profession (and wider financial services sector) is the ongoing upwards momentum for those stating that their advice was either very or fairly helpful, 91% in total, an increase of 14 percentage

points over the past two years of this study. With the regulatory focus on ongoing servicing (and by extension, satisfaction), this is a useful statistic for the advice profession to lean on.

## REASONS FOR PAYING FOR ADVICE



With the regulatory focus also on value for money, we note with interest that those self-selecting a perceived value of the service provided as one of the primary drivers in obtaining advice has increased from 40% in 2023 to 56% in 2024. Obtaining peace of mind has also increased significantly year on year, up 12 percentage points to 37%.

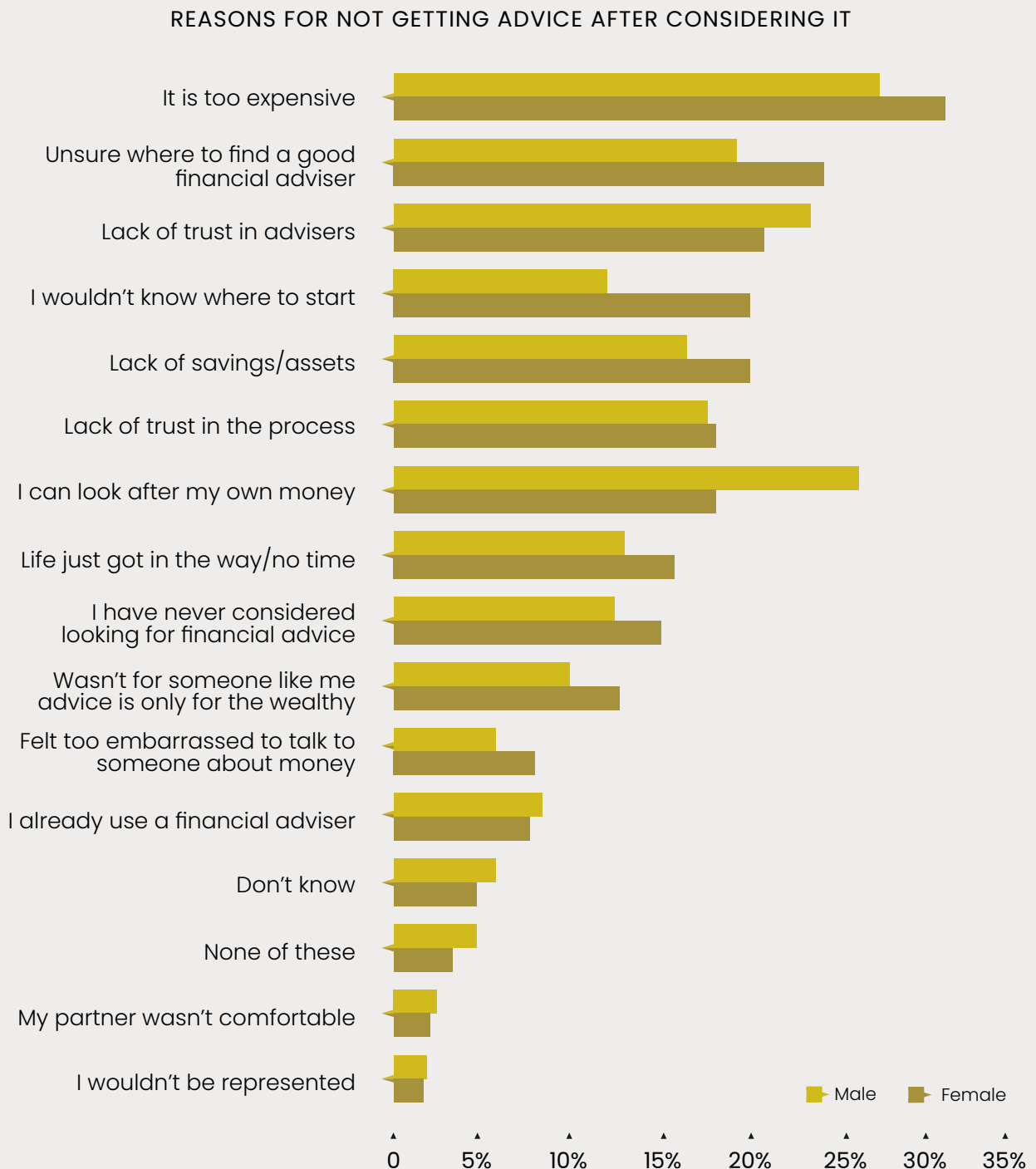
**THOSE WHO  
CONSIDERED BUT  
DIDN'T GET ADVICE**



**Next let's take a look at the cohort of the British population who identify as having considered financial advice but ultimately discounted it, representing 13% of our sample.**

---

## THOSE WHO CONSIDERED BUT DIDN'T GET ADVICE



There's an interesting split between genders, with women leaning toward a feeling of uncertainty – with greater uncertainty than men over where to find a good financial adviser (25%) and not knowing where to start (21%).

Meanwhile, male respondents show more self-confidence, with 27% stating that they can look after their own money, a significantly higher figure than for females.

The most concerning statistic for the sector here is that 30% of the total population write off the advice process entirely, due to them perceiving it as being simply too expensive.

#### REASONS FOR NOT GETTING FINANCIAL ADVICE AFTER CONSIDERING IT

	18-24	25-34	35-44	45-54	55+
I can look after my own money	18%	17%	18%	21%	29%
Lack of trust in advisers	16%	23%	21%	24%	25%
It is too expensive	31%	33%	35%	36%	24%
Lack of trust in the process	17%	19%	16%	19%	19%
Unsure where to find a good financial adviser	24%	29%	24%	24%	18%
I already use a financial adviser	2%	3%	3%	6%	16%
Lack of savings/assets	20%	22%	23%	26%	13%
I have never considered looking for financial advice	12%	18%	16%	13%	13%
Wasn't for someone like me – advice is only for wealthier people	10%	18%	15%	13%	8%
I wouldn't know where to start	28%	24%	23%	16%	7%
Life just got in the way/no time	19%	23%	19%	20%	6%
None of these	5%	5%	3%	3%	5%
Don't know	8%	6%	6%	5%	4%
Felt too embarrassed to talk to someone about money	13%	12%	7%	8%	3%
My partner wasn't comfortable	3%	4%	3%	1%	2%
I wouldn't be represented	5%	2%	1%	2%	1%

Taking these same themes and adding an age group overlay on them highlights a few areas where there are significant differences. The 55+ cohort are likelier than others to feel that they have their house in order and use their experience

to manage their own money, as well as expressing a lack of trust in advisers. Whereas those in the younger age groups have greater barriers in terms of thinking the process is too expensive and lacking understanding of where to start.

**THOSE  
WHO HAVEN'T  
RECEIVED ADVICE**

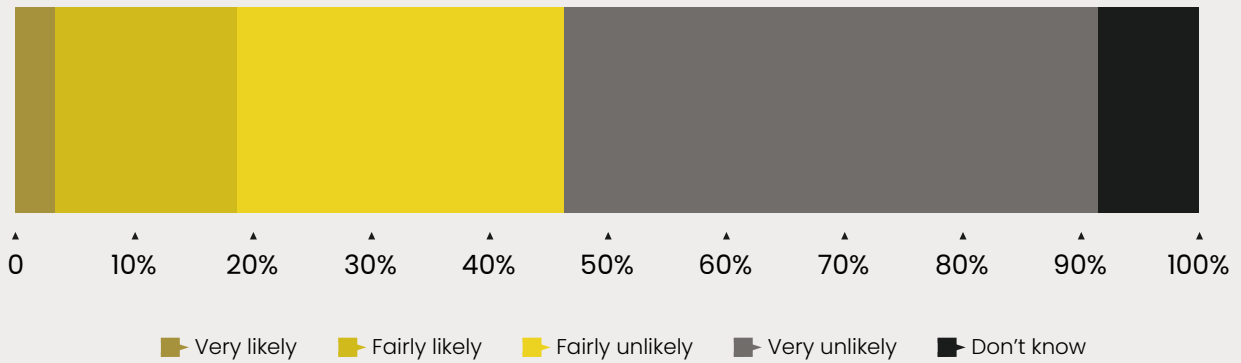


**Next let's look at the cohort of the British population who identify as not having received any advice at all, representing the vast majority of the British population.**

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**THOSE WHO HAVEN'T RECEIVED ADVICE**

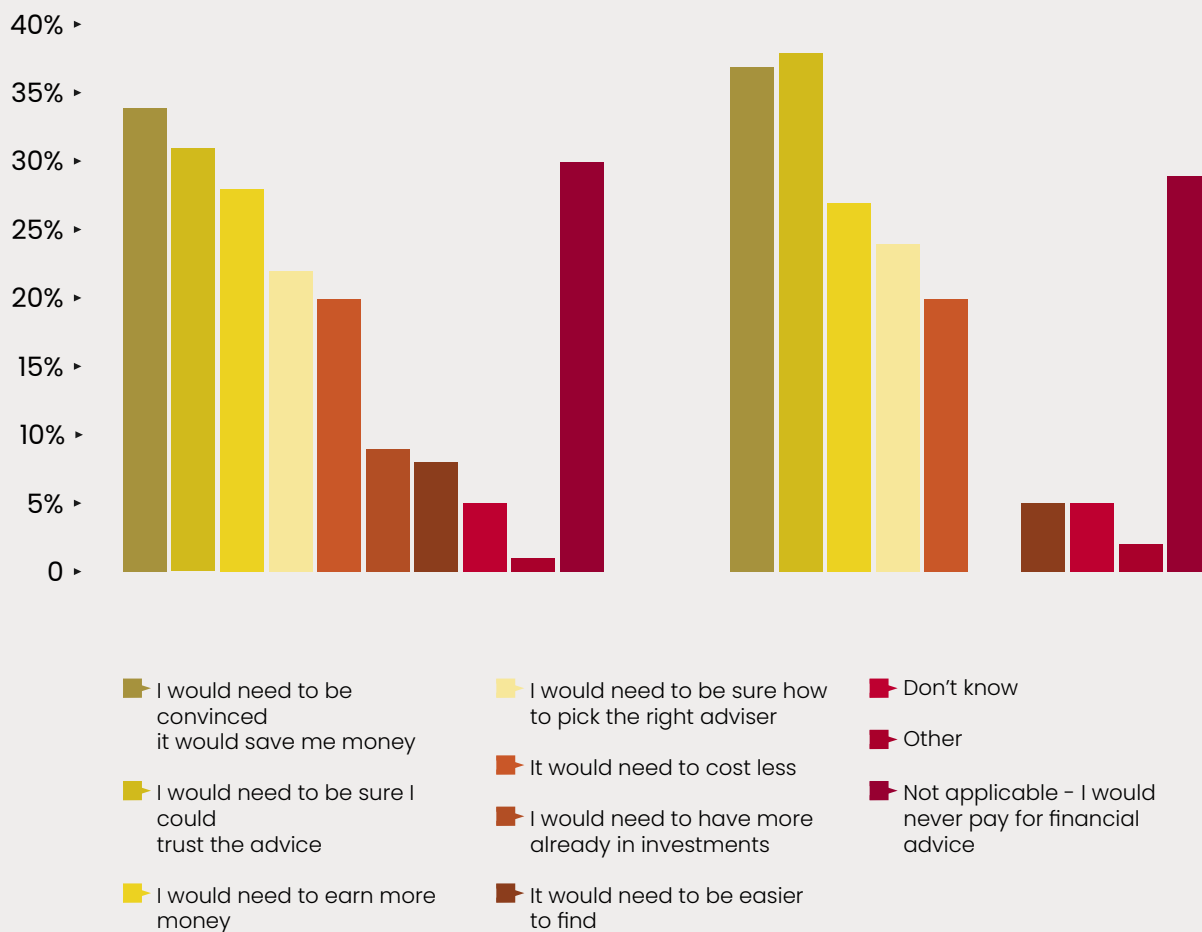
## LIKELIHOOD OF PAYING FOR FINANCIAL ADVICE IN THE FUTURE



Fewer than one in five believe they will pay for advice at some stage in the future, but of that segment, only a fifth identify that as being very likely. Almost one in ten state that they simply don't know.

Let's find out what would need to change for consumers to pay for advice in the future.

WHICH, IF ANY, OF THE FOLLOWING WOULD NEED TO CHANGE FOR YOU TO PAY FOR FINANCIAL ADVICE IN THE FUTURE?

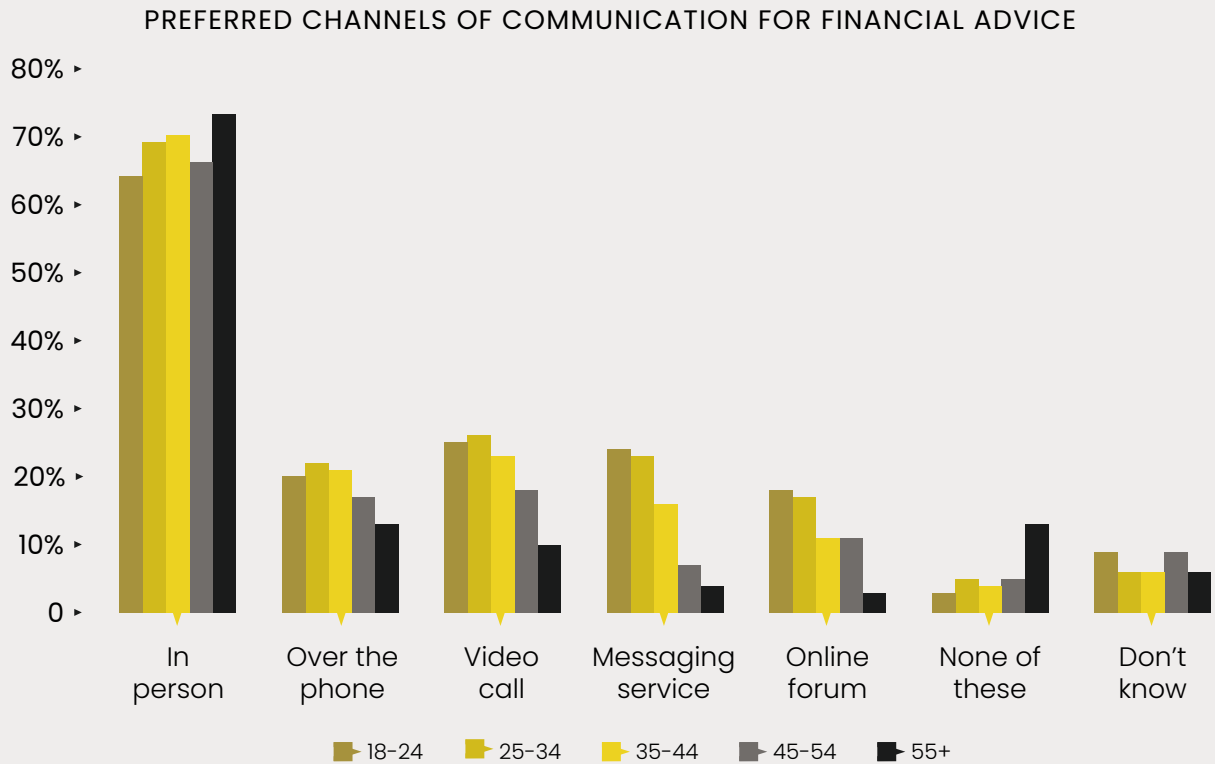


In a change from last year's wave, saving consumers money has replaced trust as the number one factor (albeit by a narrow margin) that would motivate consumers to pay for financial advice. All other factors are broadly in line with last year's wave, although we're keeping an eye on

the fact that 8% of consumers stated that advice would need to be easier to find, up from 5% last year.

Let's now look at potential advice delivery. Were people to seek advice, what would be their preferred medium?

## THOSE WHO HAVEN'T RECEIVED ADVICE

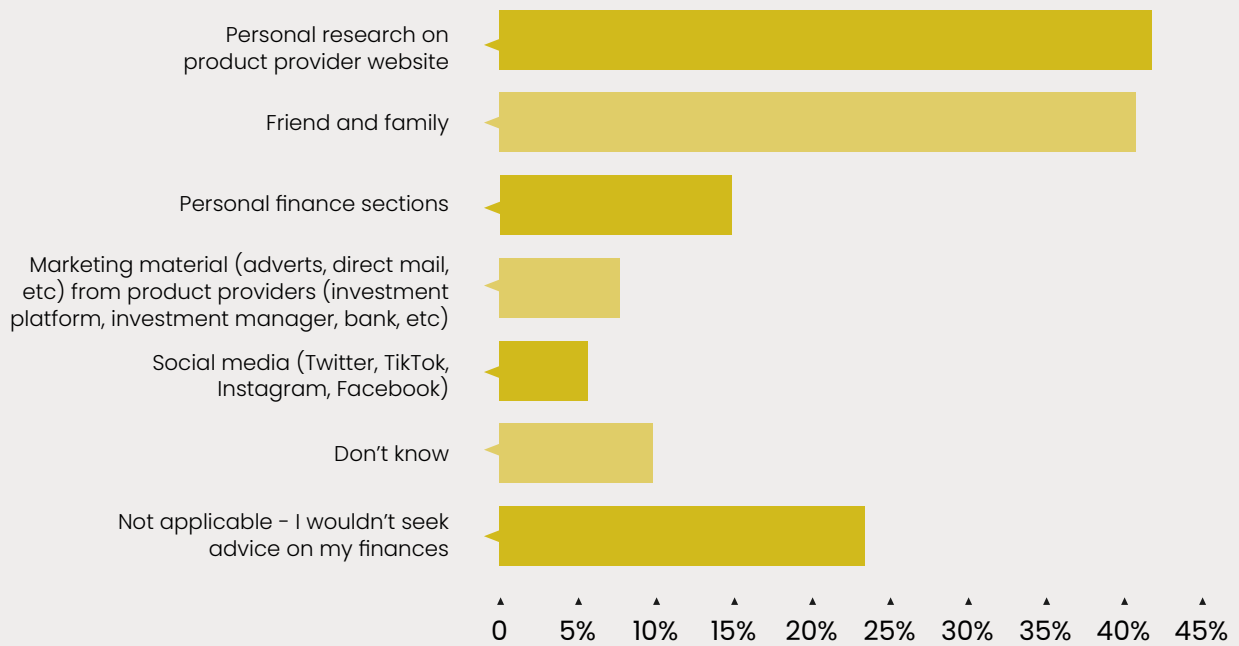


It's no surprise to observe a technology-led shift in the data as one moves up the age brackets. Older consumers display a progressively lower appetite for things like video calling, messaging services and online forums.

But there's a clear cautionary tale here for those who believe technology will become the be all and end all that leads the advice revolution. Our data shows otherwise, at least on the service delivery side of things. Irrespective of age, people show a clear preference for face-to-face advice.

If consumers aren't seeking advice, then where are they going instead for sources of information relating to their finances?

### ALTERNATIVE FINANCIAL ADVICE SOURCES



Conducting one's own research via provider sites and talking to friends and family remain the two stand-out sources for help with finances for those unwilling to pay for advice. All results are in line with

our previous wave and until it becomes more robustly monitored and regulated, we're heartened that the social media numbers remain low.

**CONSUMERS  
AND "INDUSTRY":  
DECISION-MAKING  
AND CONFIDENCE**

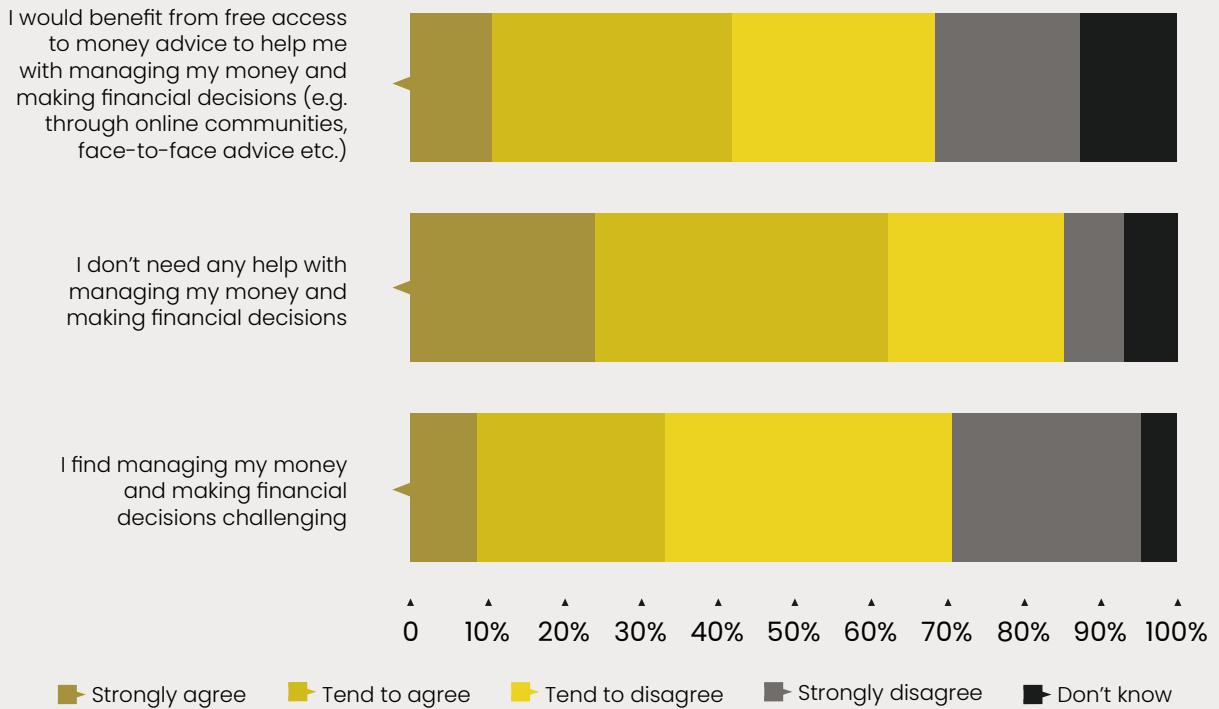


We've looked at the different cohorts of the population and examined the primary drivers that contribute to whether they seek advice or, more often than not, don't. Now let's look at the intersection between consumers and the financial services sector itself.

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## CONSUMERS AND "INDUSTRY": DECISION-MAKING AND CONFIDENCE

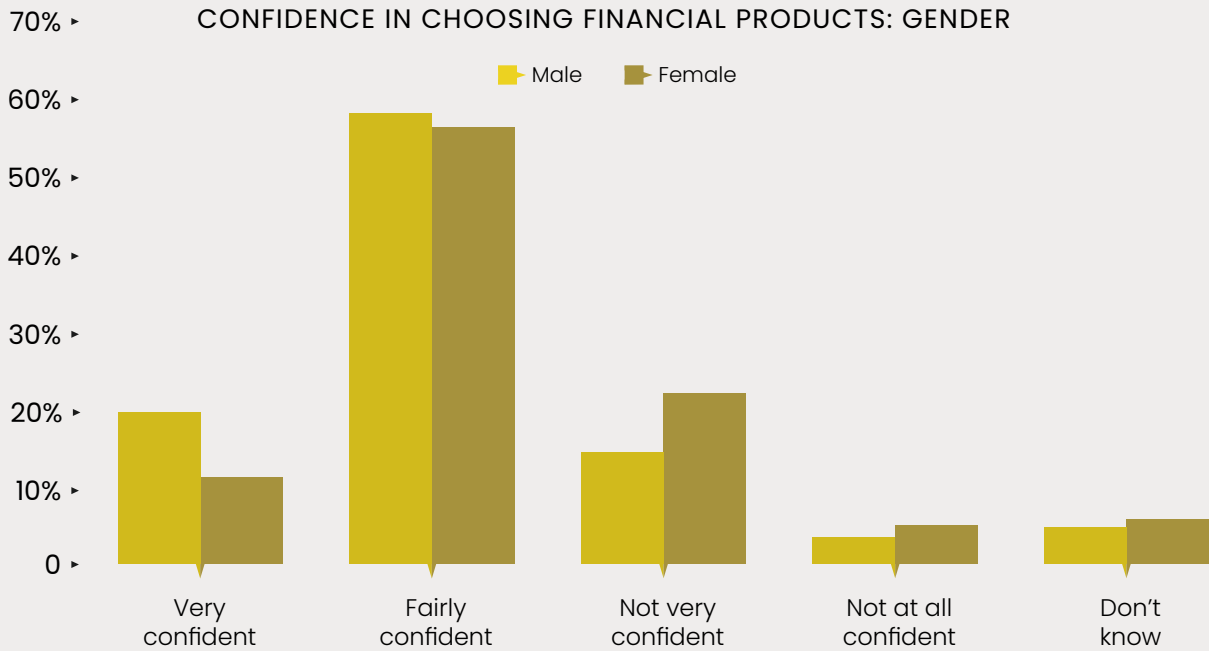
### FINANCIAL DECISION-MAKING DIFFICULTY



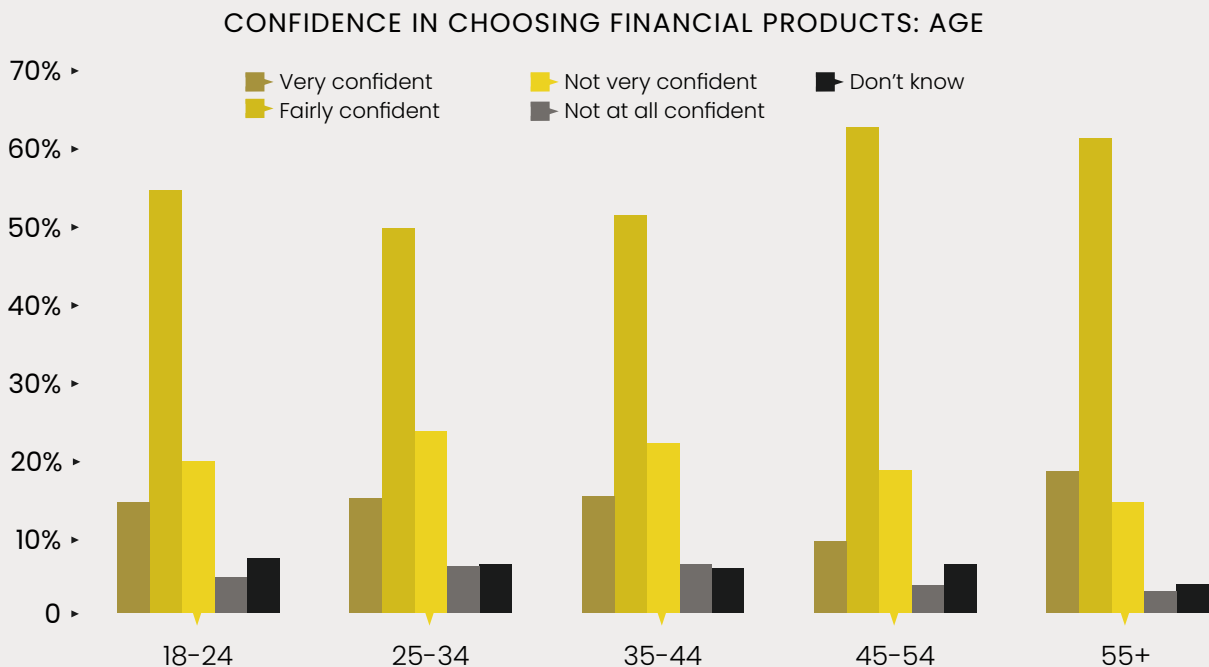
For this section, we look at those who identify as not having received advice at all.

Alarming, of those, 42% state that they would agree to some degree with the statement that they would benefit from free money advice and one-third state that they find managing money and making financial decisions challenging.

In parallel, we tested awareness of free government advice and only 28% of the total population stated they were aware of this service. Looking specifically at the 42% of respondents who state that they would benefit from free access to money advice, 75% hadn't heard of the free government service. The overall data is trending upwards ever so slightly year on year but only by two percentage points.



Overall, 72% of respondents feel confident to some degree in choosing financial products. In a recurring theme, confidence sits higher within men (77%) than women (67%).



Confidence in choosing financial products increases with age – 64% of those aged 24-34 stated they feel confident compared to 79% of 55+. The reason why each group stated they feel confident also differs – those who are in the older

age category attribute their confidence to already having their own financial strategy in place (41%), whilst the younger group attribute it to discussions with family (54%) and friends (36%) as well as self-awareness (42%).

**CONSUMERS  
AND "INDUSTRY":  
ADVICE STRUCTURE  
AND REFORM**

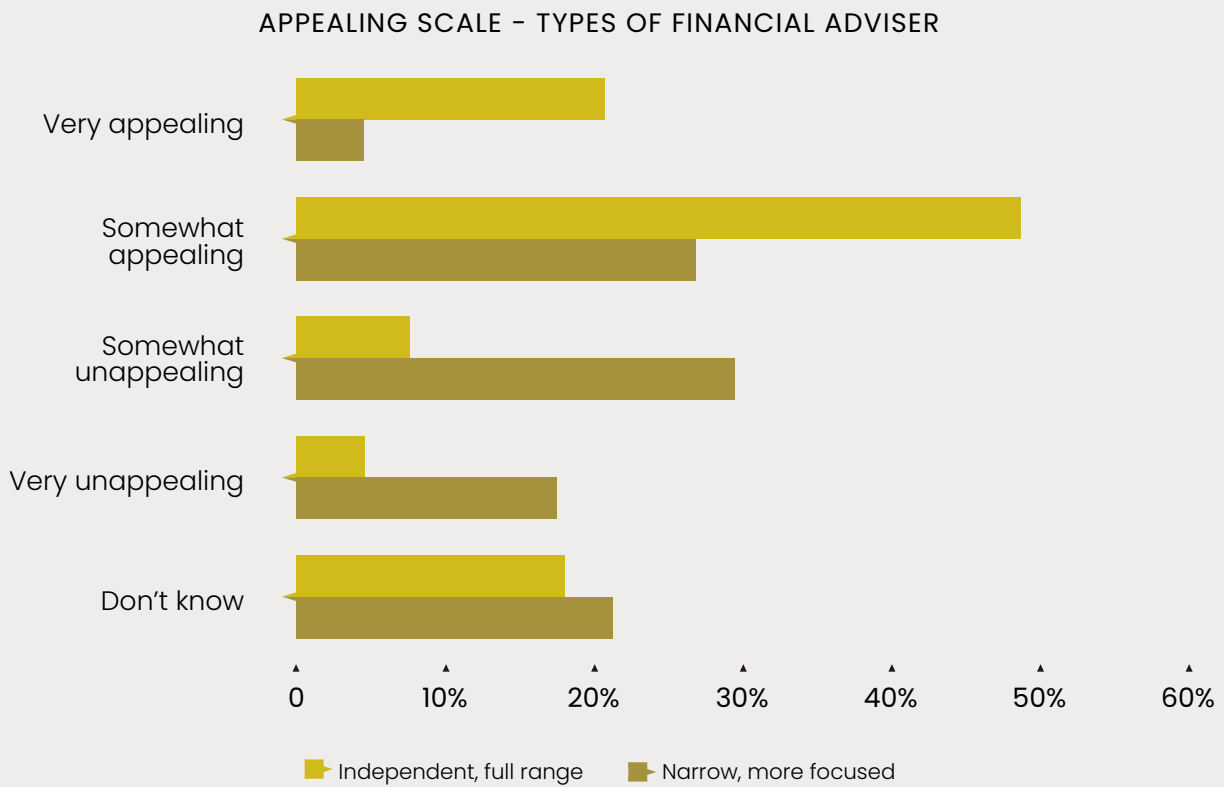


**Whether it's the line between advice and guidance, the differences between independent vs restricted advice or just the wider terminology itself, the "industry" has debated various flavours of these topics for decades. In our final consumer research section we aim to find out what the potential recipients of advice think.**

First let's take a look the age-old debate of restricted versus independent/whole of market. We placed two different advice types in front of consumers. On the one hand, we presented a service where an adviser provides recommendations from a narrow, more focused number of products and services. On the other hand, we set out a service where an adviser is fully independent, with a choice of a vast range of providers and investments. We asked respondents to rate how appealing these services are to them.

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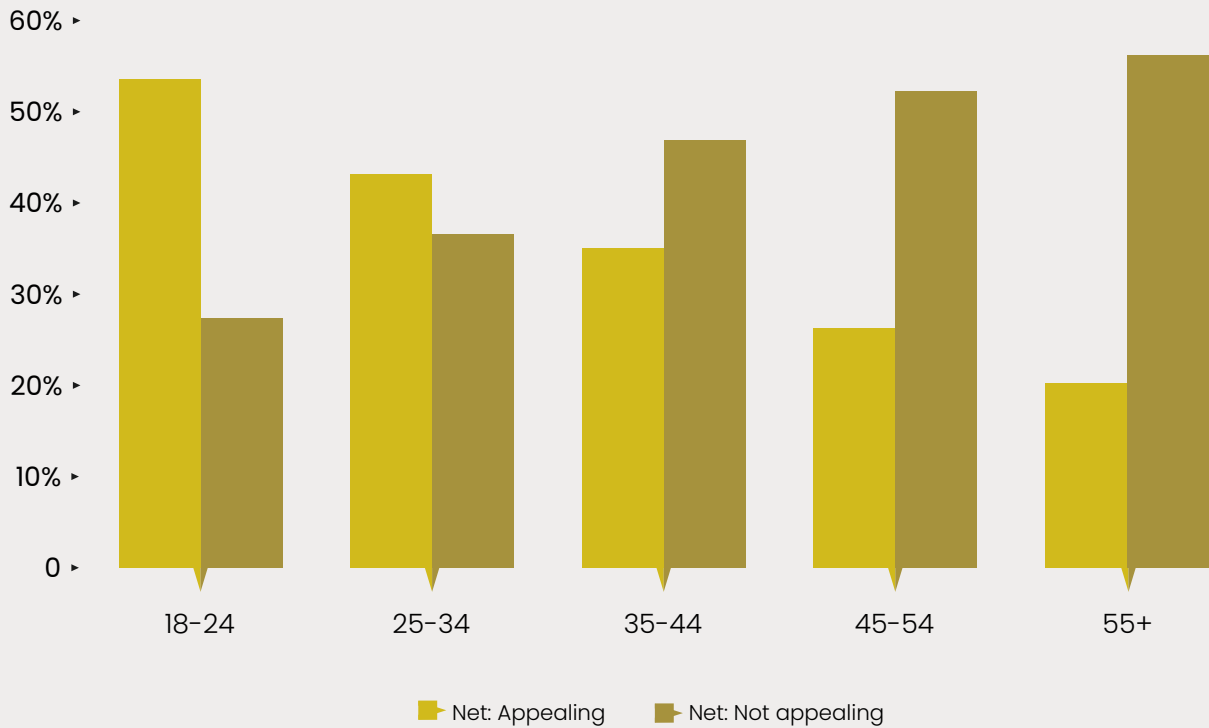
## CONSUMERS AND "INDUSTRY": ADVICE STRUCTURE AND REFORM



At first glance, there's a clear conclusion in the data. The appeal of independence wins out, with a net 70% rating this as an appealing service versus 32% who rate a more focused service as appealing. (Note this wasn't presented as a binary choice.)

Around 1 in 5 individuals couldn't state an opinion in both cases. So far, so straightforward. But an interesting dynamic appears once you look at the data split by age ranges.

### AN ADVISER WHO PROVIDES RECOMMENDATIONS FROM A NARROW, MORE FOCUSED NUMBER OF PRODUCTS AND PROVIDERS

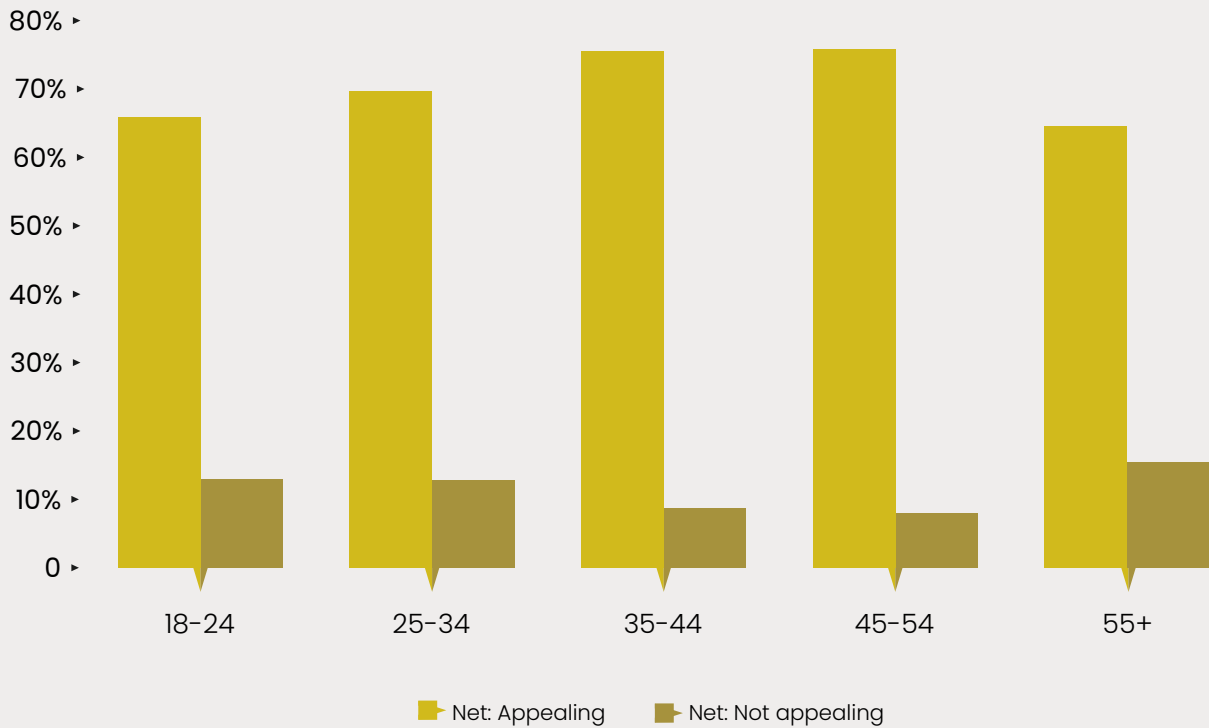


The appeal of independence holds throughout the age groups but let's acknowledge the potential emotive response to some of the language. We found it a challenge to structure these statements in a way that wasn't leading for consumers. Consider the natural, human response to a word like "narrow" compared to "fully independent" or "vast

range". What is particularly interesting is that despite this, the notion of a more restricted range still holds significant appeal, particularly at the lower age bands but not ignoring the close to three-in-ten consumers between 45 and 54 who still stated that such a service holds some appeal.

## CONSUMERS AND "INDUSTRY": ADVICE STRUCTURE AND REFORM

### AN ADVISER WHO IS FULLY INDEPENDENT WITH A CHOICE OF VAST RANGE OF PROVIDERS AND INVESTMENTS



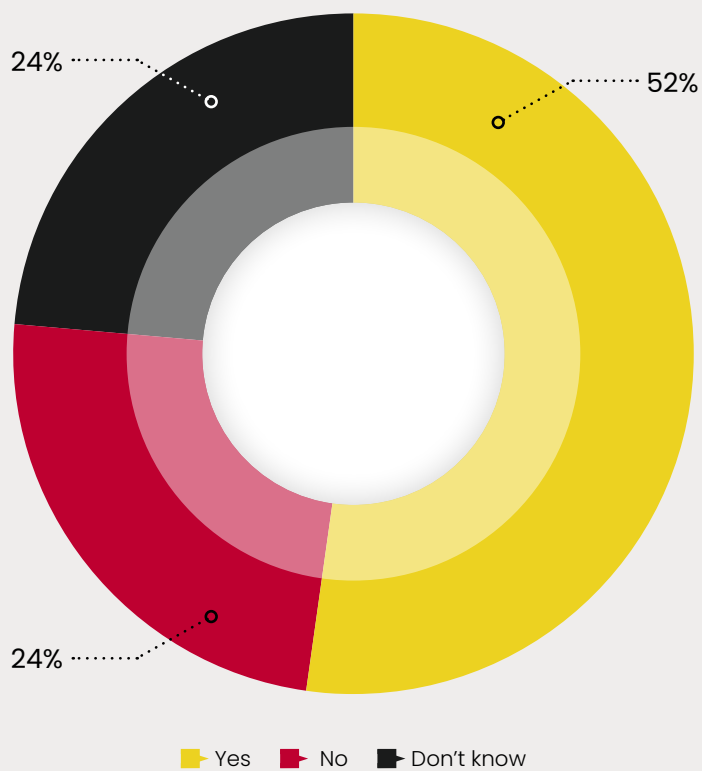
The reality though, of course, is that consumers currently have no agency over a choice like this.

"Well Maureen, this adviser sounds good but I hope she's fully independent and has access to the full range of products and services" simply isn't a conversation that is repeated throughout the country.

As our research shows, consumers choose on more human metrics like a recommendation from a friend, family member or colleague.

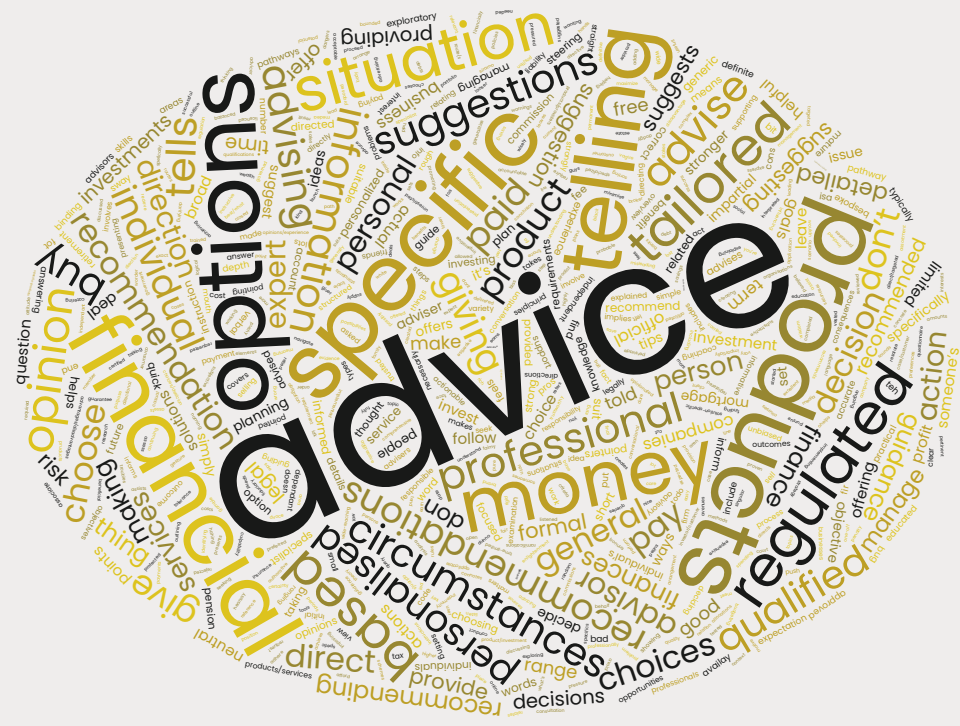
Continuing with this theme, next we tested whether consumers perceive a difference between the terms "financial advice" and "guidance".

IS THERE A DIFFERENCE BETWEEN 'FINANCIAL ADVICE' AND 'FINANCIAL GUIDANCE'?

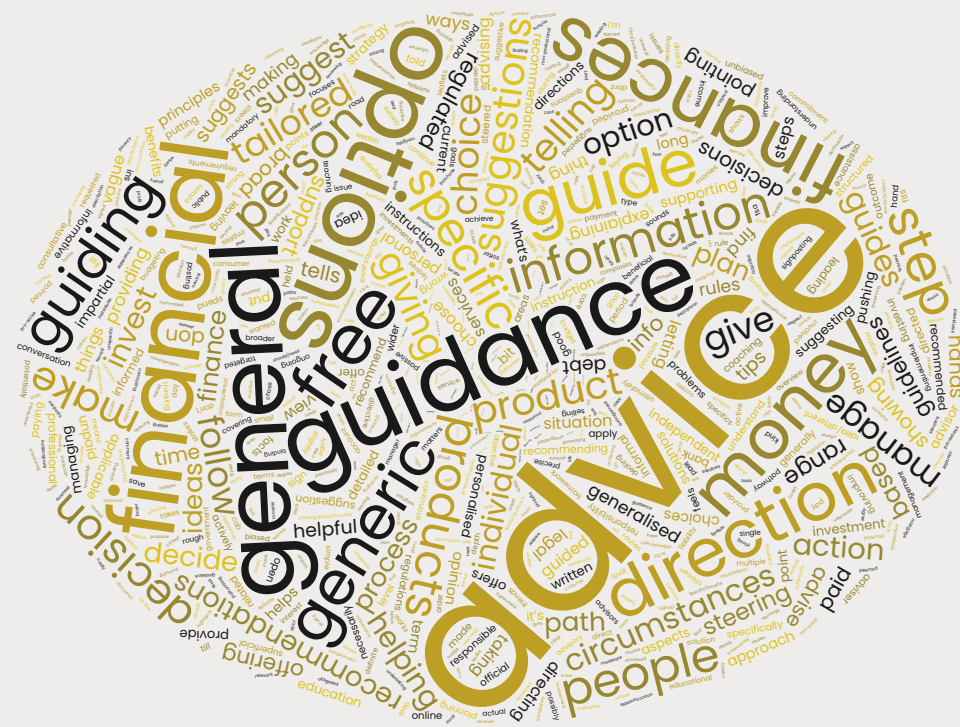


## CONSUMERS AND "INDUSTRY": ADVICE STRUCTURE AND REFORM

WHAT COMES TO MIND WHEN YOU HEAR THE WORDS "FINANCIAL ADVICE"



WHAT COMES TO MIND WHEN YOU HEAR THE WORDS "FINANCIAL GUIDANCE"



Notwithstanding the fact that there is no right or wrong answer here from a consumer angle, words are just words from their perspective. But from an “industry” perspective that gets hung up on semantics – and understandably so, as advice is a regulated activity and needs coherent definitions – it’s interesting that there’s an almost clean 50:50 split between those who perceive there’s a difference and those who either don’t know or think there isn’t.

For those who perceive a difference, we posed a follow-up question asking consumers to explain in their own words.

Many reinforced the professionalism of advice:

“ ————— ”

*Financial advice is professional guidance that helps individuals and businesses make informed decisions about managing their money. It covers a broad range of topics, such as budgeting, investing, retirement planning, tax planning, and more.*

*Financial advice is a piece of advice that is given by someone that has been professional in advice and how to go about achieving your goals*

*An investment professional who can assist you in creating and implementing a personalized plan to pursue your financial goals.*

————— ”

Many talked about individuality...

“ ————— ”

*Advice is specific and tailored to the individual.*

*Advice on specific situations.*

*Specific advice and recommendations made to answer a particular requirement.*

————— ”

But the above responses were by no means the only points of view:

“ ————— ”

*You are being told what to do, after which the ball is in your court.*

*Legally binding, can sway a person and be held responsible.*

*I would associate this with a paid service.*

————— ”

## CONSUMERS AND “INDUSTRY”: ADVICE STRUCTURE AND REFORM

### REGULATORY REFORM

On page 38 we talked about the ongoing FCA Advice Guidance Boundary Review. We wanted to link our consumer research directly to this review and look for pockets of insight with our consumer base.

This time, we asked 2,073 consumers (in partnership with YouGov) and carried out a segmentation exercise, presenting four different types of service to four separate cohorts of consumers.

We converted industry terminology (D2C, Targeted Support, Simplified Advice, and Holistic Advice) into as consumer-friendly language as possible and tested their appeal across four separate need types:

- ▶ Cash savings
- ▶ Stocks and shares investment
- ▶ Saving for a retirement pot
- ▶ Retirement income

#### D2C

You are completely on your own. You will need to decide what product to buy and/or what to do. Providers will take no responsibility for your decisions.

#### Targeted Support

This is a service that will use limited personal information about you and your circumstances to help you make an informed decision. The action suggested to you would be appropriate to a person in similar circumstances and could result in the organisation suggesting options to you on the basis of ‘people like you do this’.

Providers of this kind of support are responsible for the accuracy and quality of the information they provide but not for any decision you make based on it. The specific product(s) suggested through this would be for ‘people like you’ instead of being a recommendation on a personalised basis.

### Simplified Advice

This is a one-off service whereby an organisation will take into account only relevant information about a specific need. It does not involve analysis of your circumstances that are not directly relevant to that need.

This could be used to give advice on how to invest a lump sum such as an inheritance, or to review an existing investment.

Providers of this kind of service would take responsibility for the recommendations made.

The service will not assess your wider financial circumstances, nor will it provide advice or support beyond the one-off event.

### Holistic Advice

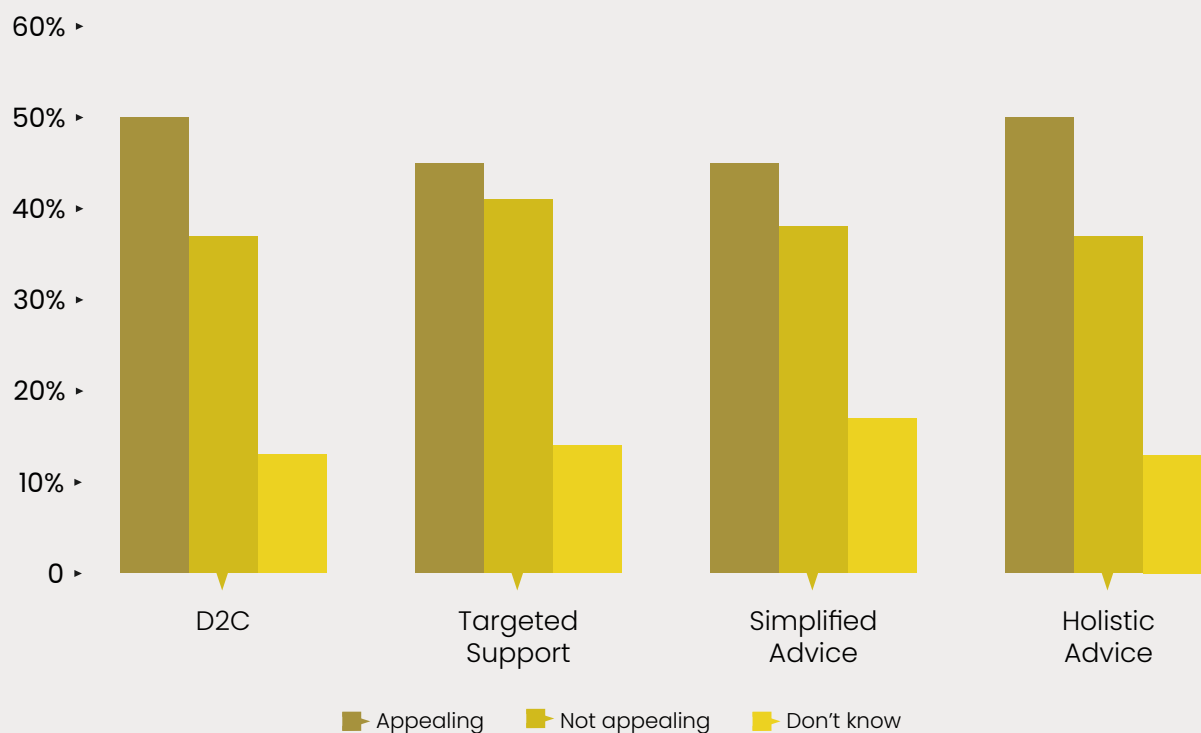
An adviser will recommend a specific product or course of action for you to take given your circumstances and financial goals. This will be personal to you, based on information you provide.

Advice will be provided by a qualified and regulated individual or online by a regulated organisation, and you will be provided with a recommendation of what you should do.

Providers of this service are responsible and liable for the accuracy, quality and suitability of the recommendation that they make and you are protected by law.

**CONSUMERS AND "INDUSTRY": ADVICE STRUCTURE AND REFORM**

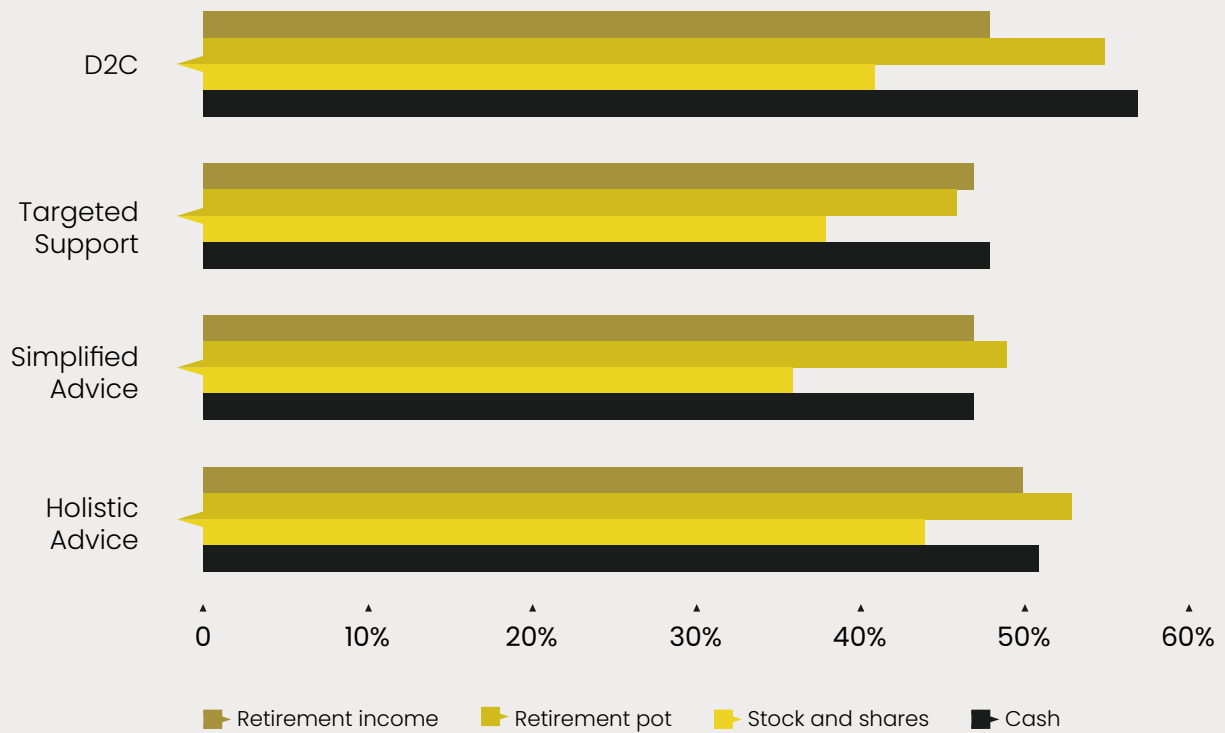
## SERVICE APPEAL



First things first, let's look at the appeal of the four different service types. Here we can observe here that the net appeal levels are broadly level across each of the

four segment types, both in terms of the potential services themselves and when compared across different product/advice needs.

## SERVICE APPEAL BY NEED



We've not shown the full underlying data (call us if you are interested in seeing it), but when we crunched the numbers across age and/or gender we saw very little difference in these headline views. All of this points to a huge challenge ahead for providers to communicate the differences between

these new targeted support and simplified advice services, and for the advice sector to ensure the value of their holistic advice services are not diminished as a result. And this is a point we'll explore in our conclusions section.

# CONCLUSIONS



**This is now the sixth time we've conducted research into the advice gap.**

**Whoever you are, it's hard to think of a more important topic to understand and address. Increase the number of people paying for advice and providers will sell more stuff, advisers will have more clients, and most importantly consumer financial wellbeing will improve. It's a win-win-win.**

Throughout the six iterations of this research one thing has remained constant – the number of people paying for advice. Remember, this includes paying for mortgage and protection advice, as well as financial planning services. The current figure of 9% of the population has remained virtually static, give or take a percentage point every time we've conducted the research.

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## CONCLUSIONS

Furthermore, as our research consistently shows, addressing the advice gap requires multiple problems to be solved. There is no one silver bullet. When we asked consumers what would need to change for them to pay for advice in the future, lack of trust, awareness of where to find an adviser and a poor understanding of the value of advice remain the biggest addressable barriers. We've deliberately used the phrase "a poor understanding of the value of advice" above. Whilst the actual question offered the answer "I'd need to be convinced of the value", our research also shows that 91% of those who have paid for advice found it helpful. This has increased over the last three waves of this research from 77%, indicating an increase

in customer satisfaction. With the regulator starting to raise eyebrows in the direction of ongoing advice fees, questioning whether they represent fair value, our research provides a strong endorsement of the value advisers are indeed adding to their clients' financial lives.

With there being multiple factors contributing to the advice gap, it comes as no surprise to find that no one organisation could solve the issue by themselves. While views differ, both the advice profession and consumers recognise that a combination<sup>1</sup> of personal responsibility aligned with changes and innovations driven by providers and regulators alike are what is needed.

### WHO DO YOU THINK IS RESPONSIBLE FOR SOLVING THE ADVICE GAP?

	 Consumers	 Advice professionals
Government	1	2
Personal Responsibility	2	3
Advice Profession	3	5
Product Providers	4	6
Regulation	5	1
Technology	6	4

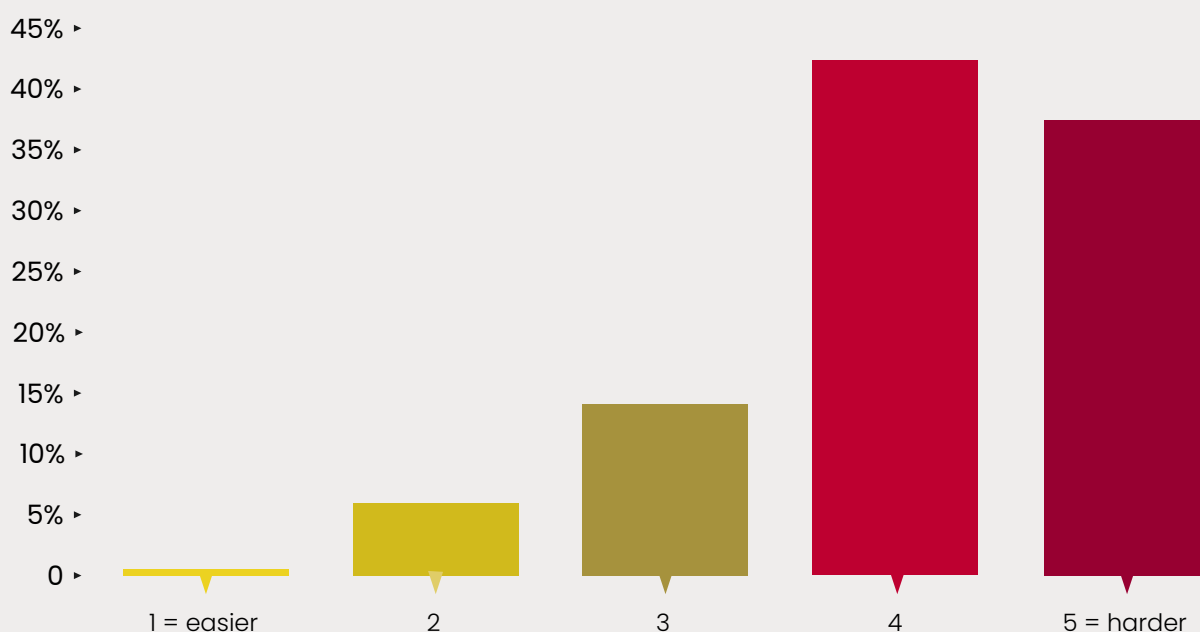
1 = biggest factor, 6 = smallest factor

<sup>1</sup> While we didn't get consumers to force rank the factors, the mean average number of different factors chosen was 1.85. In other words, most consumers believe that addressing the advice gap is multi-faceted.

Alarming, the need for this collective action to address the advice gap appears to be increasing. Over three-quarters of our adviser research respondents say Consumer Duty has made it harder for them to serve clients with a low amount of investable assets, and over half of

firms have stopped serving clients in this segment as a result. Early stages, and it will take until next year's research to be able to truly assess the impact, but it does appear that Consumer Duty is making the advice gap worse.

#### TO WHAT EXTENT HAS CONSUMER DUTY MADE IT EASIER OR HARDER TO SERVICE CLIENTS WITH A LOW AMOUNT OF INVESTABLE ASSETS?



But it is not all doom and gloom, or regulator bashing from the advice sector. We are still at consultation stage with the Advice Guidance Boundary Review, so inevitably some advisers have not yet engaged with the proposed changes, but amongst those who have it does appear that the advice profession is broadly supportive of what is being proposed. For some firms the changes won't be for them, and they will carry on

providing their existing advice services to their current target customers. However, other firms are indicating they will be developing simplified services once the rules have been confirmed. Perhaps most encouragingly, whilst there is still concern about how well providers might implement simplified advice and/or targeted support services, less than one in five advice firms see this as a direct threat to their business.

## CONCLUSIONS

The changes proposed by the FCA as part of the Advice Guidance Boundary Review represent a pivotal moment for the advice sector and consumers. It is right that a robust consultation is carried out, and our research shows the advice sector is supportive of the scope for simplified advice being expanded as a result of this consultation. However, whilst these changes are still being consulted on and discussed, there is a regulatory black hole developing. It's hard to see how any organisation could commit to investing

in new services with the regulatory landscape about to shift. The sooner these changes can move from discussion paper to policy statement and beyond, the better.

As important as these regulatory changes are, if they are to be a success collective action is needed from all parties involved. We've identified four areas that our research indicates need to be addressed. Presented in no particular order...

### ADVICE SECTOR SUPPORT

As we've said before, it's not down to the advice sector to solve the problem of the advice gap. Advisers run businesses; they are not paid to deliver social policy. However, for these changes to be a success it is vital that the advice sector is both supportive and doesn't feel threatened by the changes. For the former point, our research indicates that whilst only a small percentage of advice firms are likely to develop simplified advice services, a greater proportion of firms are likely to support these changes and see them as a positive. There is a danger that

these services could be priced at a level that creates price pressure on (or even cannibalises) full advice services, however most advisers don't believe this will be an issue. Furthermore, our consumer research shows that the vast majority of consumers who are receiving paid-for advice are happy with the services they are receiving. The win-win situation is that the new simplified advice and targeted support services are implemented, delivering improved outcomes for consumers in a way that promotes the value of full holistic advice.

### IMPROVING TRUST

The importance of clear communications that consumers will understand brings us back to another point that featured heavily in last year's study, the need to improve the levels of consumer trust. Last year this represented the biggest barrier to

adopting advice, and whilst this time round it has fallen to second place, for almost a third of consumers who were considering paying for advice (but haven't), lack of trust with the sector remains an issue.

## COMMERCIAL REALITY

This was a point we highlighted in our 2023 advice gap paper, and it still stands now. Regulation is one part of the jigsaw, and whilst it can (and should) make life easier for firms developing services in this space, commercial reality has to kick in at some point. Not only are advice firms not paid to offer social policy, but they are also not charities. It is perfectly reasonable for firms to seek to make a profit, and indeed it would be quite alarming if a firm which is helping

consumers to plan for their long-term financial future is not financially astute themselves. The reality is that, with 9 out of 10 advice firms having fewer than five advisers, the majority of the advice sector is unlikely to have the necessary scale to develop services to target low value clients. New services are needed targeting a different segment of the population to those already well served by the advice sector, and these are on balance more likely to be developed from outside the current sector.

## COMMUNICATING THE DIFFERENCES

Having clarified the regulatory framework and sorted out the business case, the real fun starts. As mentioned above, for these services to be a success, and in particular for the advice sector to remain successful, a clear distinction between targeted support, simplified advice and holistic advice needs to be made. Our consumer research shows just how challenging this will be. Considering the latest proposals from the consultation, it's not

surprising to see that consumers do not appear to understand how these services will relate to each other. And we deliberately didn't go anywhere near FSCS and/or FOS protections that may (or may not) be in place. These new services should provide consumers with more choice and improved outcomes, but for this to be achieved the communications will need to be well thought through and tested.

Returning to the main barriers to advice, namely perception of value, lack of trust and lack of awareness, the imminent regulatory changes should create a framework allowing all three issues to be addressed. Increasing the availability of "advice" services, improving outcomes for consumers and in turn enhancing the perception of financial services is the win-win we keep coming back to.

We hope you've found this paper both useful and informative. We've shared a lot of data with you as it's a complex subject that needs exploring in depth. However, some additional research didn't make the cut when finalising this report. If you are interested to learn more, or especially if you are developing services in this space, please give us a call. We'd love to chat further...

THE  
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GAP**  
2024

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**Join our insight panel**

If you're an advice professional and you'd like to provide your insight into our research, sign up to be a panel member by scanning the QR code or by [clicking here](#).



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