

The New Advice Landscape

A study of UK financial advisers

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CONTENTS

Five Key Takeaways	3
Background: A Brave New World	4
Conclusion	5
CoreData	6

FIVE KEY TAKEAWAYS

1

UK advisers point to inflation as the biggest challenge over the next 12 months. Despite the scale of the challenge, only one in seven (14%) say their firm has increased or will increase fees due to rising inflation. The next biggest challenges, according to advisers, are volatile markets, the Ukraine crisis/geopolitical tensions and regulation.

2

Nearly half (46%) of advisers say rising inflation will widen the advice gap. However, they think technology can play a critical role in making advice more accessible. Indeed, two in five (41%) say digital advice offerings are key to closing the advice gap. And nearly three in 10 (27%) say their firm is looking to use technology to target investors lower down the wealth scale.

3

Greenwashing is a big concern for advisers, with nearly half (46%) saying they are worried about it. Advisers focusing on HNW clients (50%) display higher levels of concern than their mass market-focused peers (33%). Just 13% of advisers overall say they are not worried about greenwashing.

4

ESG rules are a stumbling block for advisers. More than a third (35%) are confused by ESG regulations and three in 10 (29%) admit their knowledge of the Sustainability Disclosure Requirements (SDR) is poor. Advisers recognize the need to improve their understanding, with two in five (39%) agreeing they need more ESG training. However, they are struggling to get the necessary support – only a third (34%) say their firm provides ESG training. And just one in five (20%) say their firm has at least one member of staff in a dedicated ESG role.

5

More than a third (35%) of advisers have seen increased client interest in cryptocurrencies. But this is not translating into growing adviser knowledge — three in 10 (31%) say they don't understand cryptocurrencies. Despite the lack of expertise, advisers are not fans — just 6% think cryptocurrencies have a role to play in portfolios. And the overwhelming majority (83%) agree cryptocurrencies should not be included in portfolios because they are unregulated.

Methodology:

CoreData Research surveyed 266 UK financial advisers in August 2022.



BACKGROUND: A BRAVE NEW WORLD

The UK financial advice landscape has been constantly reshaped over recent years by the forces of regulation, technology, macroeconomics and changing investment trends. But the last year has served up an avalanche of unprecedented events which have carved out a whole new terrain.

The country has been confronted by a collision of crises in 2022 – including a cost of living crisis, financial crisis, political crisis, energy crisis and the ongoing Ukraine crisis. You can also throw into that mix the existential climate crisis. All of which is happening on the back of a health crisis triggered by a global pandemic. And all of these seismic events come in the wake of the UK leaving the EU as it treads a new path into the post-Brexit world.

On the investment front, 2022 has thus far been the worst year for global stocks since the financial crisis of 2008. A toxic cocktail of inflation, interest rate rises and an ill-fated mini budget whipped up a hazardous set of headwinds that sent markets into a tailspin and UK investors running for cover.

All this has created an unpalatable set of circumstances for financial advisers. Clients will have seen portfolios dented by market turbulence, creating particular challenges for those about to retire. And the impact of the cost of living crisis on people's financial health will have resulted in more vulnerable clients who need to be identified and supported. With panic-stricken clients asking what's happened to the value of their portfolios or wanting to upend retirement plans, this year will have tested those much-vaunted adviser soft skills of empathy and reassurance.

While financial advisers swim against these investment currents, they also need to contend with a wave of new post-Brexit regulations. These include the Consumer Duty, the Sustainability Disclosure Requirements (SDR) and UK Green Taxonomy. The FCA is also conducting a review on the boundary between advice and guidance.

The post-Covid, post-Brexit advice landscape will be a brave and brutal new world where a survival of the fittest contest will likely favour the big beasts. Smaller advice firms, saddled with more regulatory and compliance costs and fee pressures, will struggle to achieve scale. We can therefore expect more consolidation in the advice and wealth management space as larger, vertically integrated firms expand their market footprint.

And while robo-advisers may have failed to close the advice gap, technology will be an ever-prominent feature on the new landscape as firms pivot towards digital-first advice models. The rise of hybrid advice and the growing trend of advice firms creating their own bespoke platforms all point to a growing and dominant role for technology. Adviser appetite for client portals giving customers more control over their investments will further power the tech tailwind. The digital evolution will enable advice firms to offer differentiated propositions to clients, including low-cost offerings for mass market investors. But this evolution also means those advisers unwilling or unable to harness the powers of technology risk becoming extinct.



CONCLUSION

Advisers are operating in a hostile environment amid ongoing macroeconomic, geopolitical and market headwinds. This backdrop is creating challenges for advisers which are beyond their control, including inflation and volatility.

But advisers also have industry-specific concerns which can be addressed. A prime example is ESG. Greenwashing concerns are widespread but advisers are confused over regulations aimed at tackling greenwashing. This confusion in part stems from a knowledge gap, underscoring the need for advisers to receive more ESG training.

Advisers are also worried about digital currencies. But again, there is a knowledge gap around cryptocurrencies, despite clients showing increased interest. There is, thus, an opportunity for asset managers and providers to plug these knowledge gaps through training and educational materials.

There is additional concern about the advice gap which advisers think will expand due to inflation. But they are confident technology can close the gap and some advisers are already harnessing the powers of tech to target investors lower down the wealth scale. Tech-enabled hybrid advice, in particular, could prove instrumental in making advice more affordable and accessible.

Financial advisers undoubtedly face testing times as they look to juggle an array of different challenges. Amid this turbulence, keeping open the lines of communication with clients will be key. Advisers must draw on their well-honed soft skills to engage, reassure and empathise with clients. This will help build trust and forge long-lasting, durable client relationships that will outlive the current difficult set of economic conditions.

CoreData

About Us

CoreData Research is a global specialist financial services research and strategy consultancy. CoreData Research understands the boundaries of research are limitless and with a thirst for new research capabilities and driven by client demand; the group has expanded over the past few years into the Americas, Africa, Asia, and Europe.

CoreData Group has operations in Australia, the United Kingdom, the United States of America, Spain, Malta, and the Philippines. The group's expansion means CoreData Research has the capabilities and expertise to conduct syndicated and bespoke research projects on six different continents, while still maintaining the high level of technical insight and professionalism our repeat clients demand.

With a primary focus on financial services CoreData Research provides clients with both bespoke and syndicated research services through a variety of data collection strategies and methodologies, along with consulting and research database hosting and outsourcing services.

CoreData Research provides both business-to-business and business to- consumer research, while the group's offering includes market intelligence, guidance on strategic positioning, methods for developing new business, advice on operational marketing and other consulting services.

The team is a complimentary blend of experienced financial services, research, marketing and media professionals, who together combine their years of industry experience with primary research to bring perspective to existing market conditions and evolving trends.

CoreData Research has developed a number of syndicated benchmark proprietary indexes across a broad range of business areas within the financial services industry.

- Experts in financial services research
- Deep understanding of industry issues and business trends
- In-house proprietary industry benchmark data
- Industry leading research methodologies
- Rolling benchmarks

The team understands the demand and service aspects of the financial services market. It is continuously in the market through a mixture of constant researching, polling and mystery shopping and provides in-depth research at low cost and rapid execution. The group builds a picture of a client's market from hard data which allows them to make efficient decisions which will have the biggest impact for the least spend.



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