

The UK Financial Advice Industry 2023

September 2023

www.coredatresearch.com

About the study

CoreData Research surveyed 267 UK financial advisers via an online survey in August 2023.

Adviser client definitions:

- **Mass market – individuals with up to £100K in net assets**
- **Mass affluent – individuals with £100K to £250K in net assets**
- **High Net Worth – individuals with over £250K in net assets**

Executive Summary

Biggest Challenges

- Turbulent markets and regulations are the biggest headwinds facing UK advice firms.
- Advisers point to volatile markets (23%) and the Consumer Duty (22%) as the greatest challenges to their businesses over the next 12 months.
- The next biggest challenges are interest rate rises (17%), inflation (13%) and the cost of living crisis (8%).
- More mass market advisers say inflation (23%) and the cost of living crisis (14%) pose the highest hurdles. This reflects how mass market clients are disproportionately impacted by rising prices and the cost of living.
- More mass market advisers point to the Consumer Duty (26%) as the gravest challenge.
- HNW advisers are more inclined to think slowing economic growth is the most significant threat facing their business (14% vs. 8% overall).

Regulations

- Nearly half (46%) of advisers say the Consumer Duty is an unnecessary burden and will do more harm than good.
- Over a third (35%) think it will result in more advisers leaving the industry than under RDR.
- One in 10 (11%) advisers say they are currently considering leaving the industry or retiring due to the Consumer Duty.
- Nearly three-quarters (72%) say the new regulation will increase their business costs.
- Six in 10 (60%) say the Consumer Duty will increase advice fees and widen the advice gap.
- Three-quarters (75%) say it will make it harder to serve lower value clients.
- Nearly three in 10 (28%) say their firm has had to outsource parts of Consumer Duty regulatory compliance.
- 63% say regulations are impacting their ability to do their job.
- More than a third (35%) say regulations are negatively impacting their mental health.

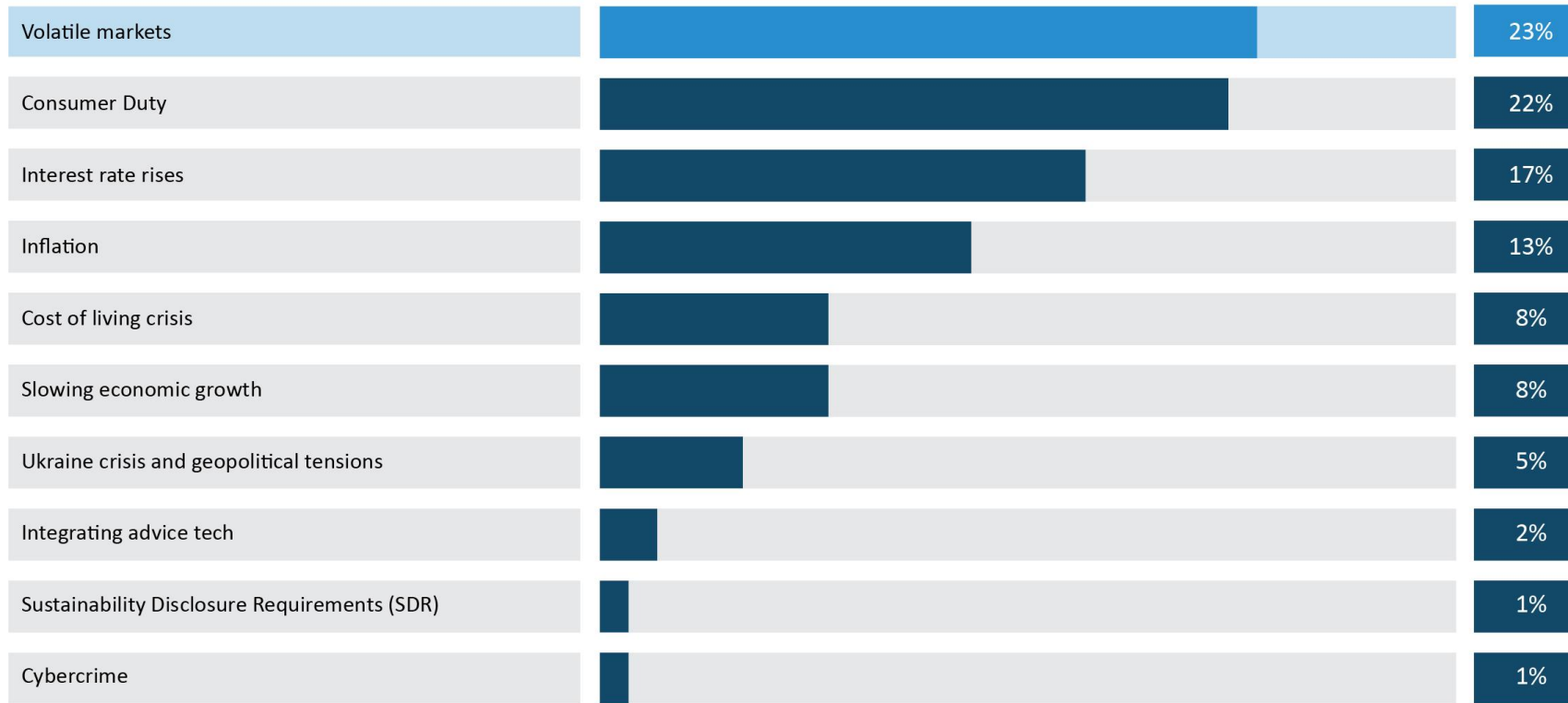
Technology

- A third (32%) of advisers think artificial intelligence (AI) will revolutionize the financial advice sector.
- A quarter (26%) say their firm is looking to harness the powers of AI.
- One in five (19%) say AI will replace much of the work done by human advisers and 31% think it will reduce advice fees.
- Almost half (45%) think AI will help advisers serve clients more efficiently.
- Three in 10 (31%) think advice firms not embracing AI will be competitively disadvantaged.
- Four in 10 (39%) say their firm needs to spend far more on advice tech to stay relevant.
- Over two in five (42%) say AI raises serious risks for advice firms in terms of client confidentiality and data protection.
- And more than a third (35%) do not trust the information produced from AI.



Biggest Challenges

Volatile markets present greatest challenge to advice firms



Select one answer
Which of the following poses the biggest challenge to your business over the next 12 months?

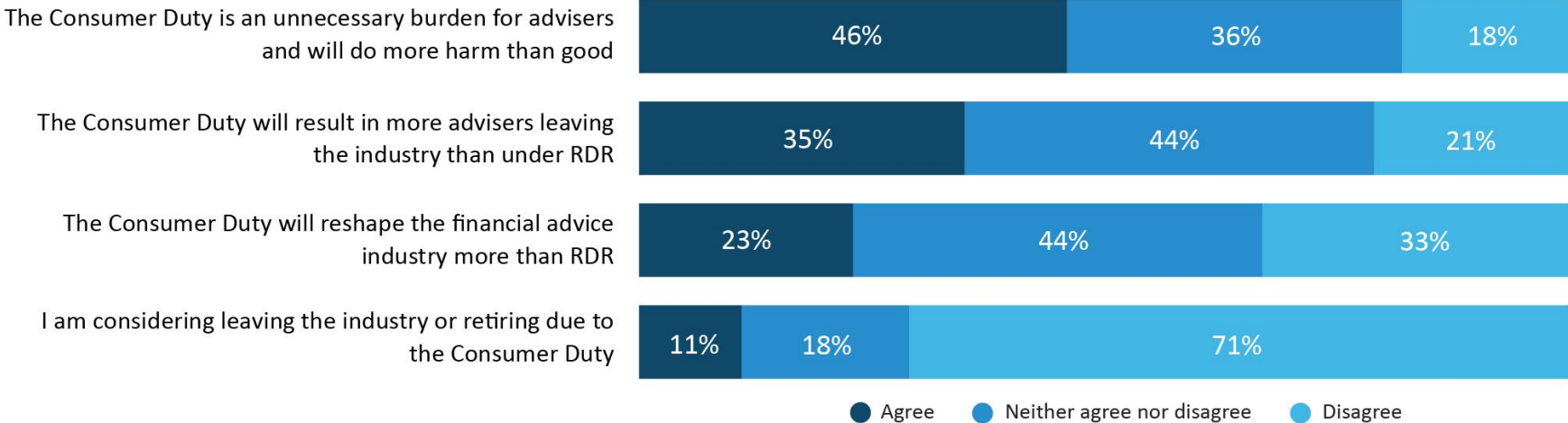
- Volatile markets (23%) and the Consumer Duty (22%) pose the greatest challenges to UK advice businesses over the next 12 months, according to advisers.
- This is followed by interest rate rises (17%), inflation (13%) and the cost of living crisis (8%).
- A higher proportion of advisers focussed on mass market clients say inflation (23%) and the cost of living crisis (14%) pose the biggest challenges. And more mass market advisers point to the Consumer Duty (26%) as the highest hurdle.
- More advisers managing client assets of £1-10 million say the cost of living crisis is the gravest challenge (13%).
- Interest rate rises are a larger concern for advisers managing client assets of more than £50 million (22%).
- More advisers focusing on high net worth (HNW) clients think slowing economic growth is the biggest challenge facing their business (14% vs. 8% overall).



Consumer Duty

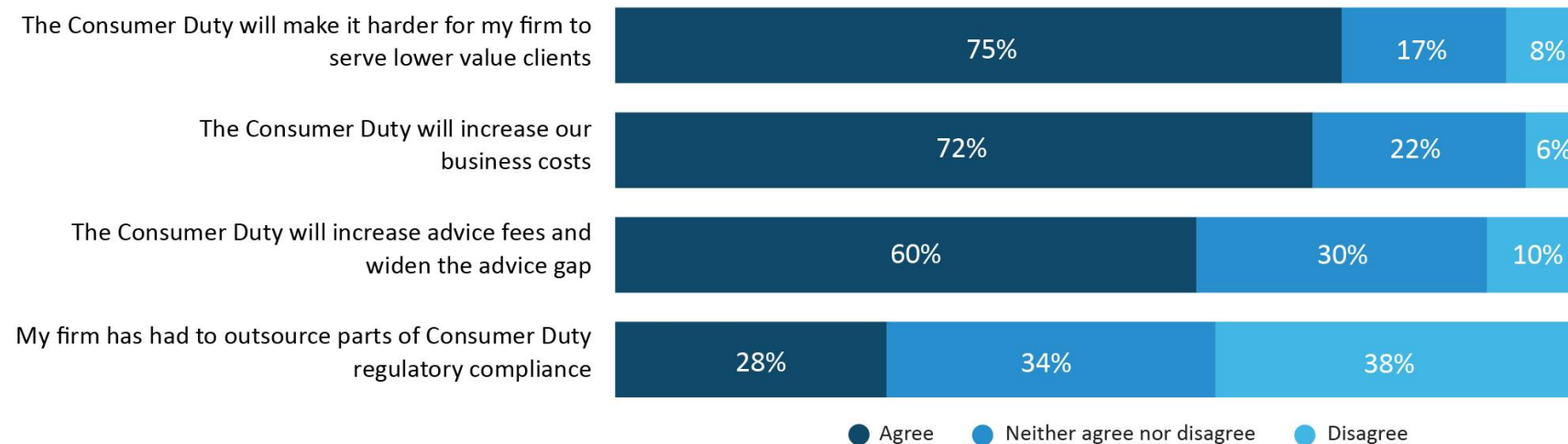
Half of advisers say Consumer Duty is an unnecessary burden that will be detrimental

- A quarter (23%) of advisers say the Consumer Duty will reshape the financial advice industry more than the Retail Distribution Review (RDR). This rises to 32% of HNW advisers.
- But advisers do not think the new regulation, which came into force on 31 July 2023, will have a positive impact. Almost half (46%) think the Consumer Duty is an unnecessary burden for advisers and will do more harm than good. This increases to 49% of mass affluent advisers.
- Over a third (35%) say the Consumer Duty will result in more advisers leaving the industry than under the RDR, which came into effect at the end of 2012. A higher percentage of advisers managing client assets of £1-10 million (42%) and £11-20 million (46%) think the new rules will see more industry exits than RDR.
- One in 10 (11%) advisers are currently considering leaving the industry or retiring due to the Consumer Duty. A greater proportion of mass affluent advisers (13%) and those managing client assets of £1-10 million (15%) are looking to exit the sector.



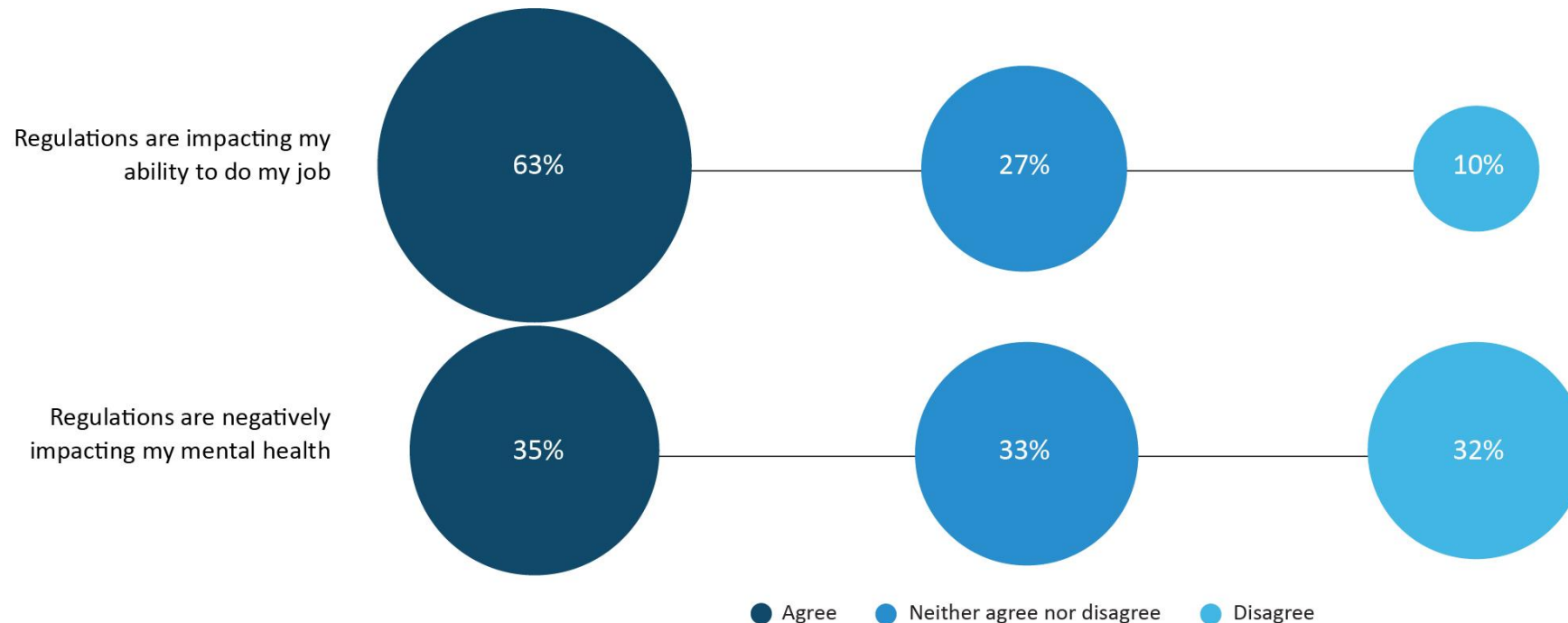
Six in 10 say Consumer Duty will widen the advice gap

- Nearly three-quarters (72%) of advisers say the Consumer Duty will increase their business costs. This rises to more than eight in 10 mass market advisers (82%) and those managing client assets of £1-10 million (84%).
- Amid expectations of higher business costs, six in 10 (60%) think the new rules will increase advice fees and widen the advice gap. More mass market advisers agree (64%).
- Three-quarters (75%) say the Consumer Duty will make it harder for their firm to serve lower value clients. This increases to 82% of mass market advisers.
- Nearly three in 10 (28%) say their firm has had to outsource parts of Consumer Duty regulatory compliance, with this figure rising to 33% of mass market advisers.
- These findings suggest the new regulation will disproportionately impact mass market advisers.



Advisers say regulations are impacting their mental health and job performance

- Nearly two-thirds (63%) of advisers say regulations are impacting their ability to do their job. Only one in 10 (10%) disagree. More mass affluent advisers (70%) say regulations are impeding their job performance.
- More than a third (35%) of advisers say regulations are negatively impacting their mental health. This increases to more than half (52%) of mass affluent advisers.





Generated Content

Artificial intelligence

AI set to revolutionize the industry, say a third of advisers

- A third (32%) of advisers think artificial intelligence (AI) will revolutionize the financial advice sector. This increases to 40% of HNW advisers and 42% of those managing client assets of more than £50 million.
- One in five (19%) say AI will replace much of the work done by human advisers. This rises to 26% of mass market advisers and 36% of those managing client assets of £1-10 million.
- Only 10% of advisers agree that AI will reduce financial mis-selling, compared to 58% who disagree. More mass market advisers (15%) think it will reduce mis-selling.
- Nearly a third (31%) of respondents think AI will reduce advice fees. A higher percentage of advisers managing client assets of £1-10 million agree (39%).

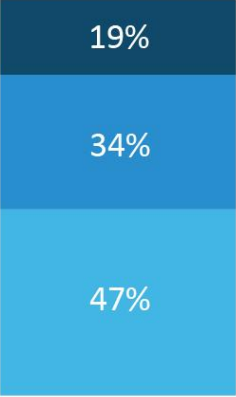
Artificial intelligence will revolutionize the financial advice sector



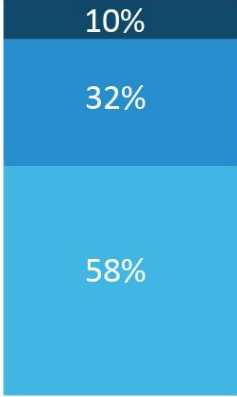
Artificial intelligence will reduce advice fees



Artificial intelligence will replace much of the work done by human advisers



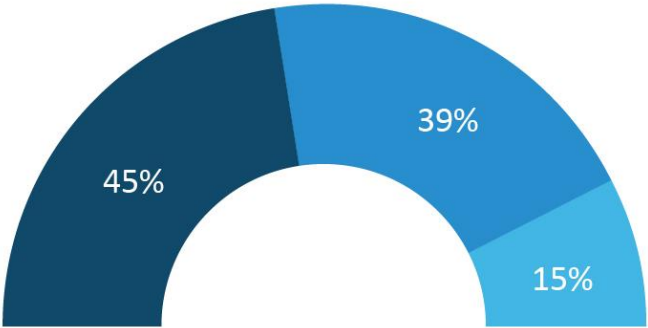
Artificial intelligence will reduce financial mis-selling



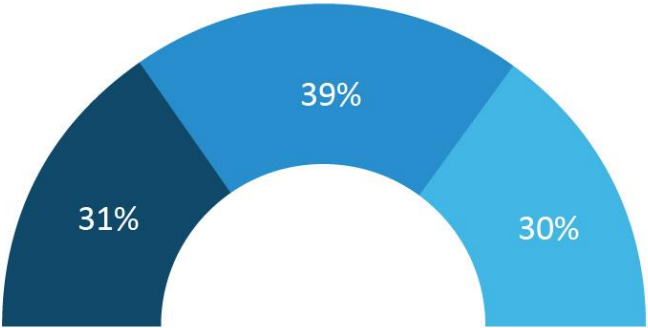
● Agree ● Neither agree nor disagree ● Disagree

Half of advisers say AI will help them serve clients more efficiently

- Nearly a third (31%) of respondents think advice firms not embracing AI will be competitively disadvantaged. A higher proportion of HNW advisers agree (47%).
- Nearly half (45%) think AI will help advisers serve clients more efficiently. This rises to 59% of HNW advisers and 52% of those managing client assets above £50 million.
- These findings indicate advisers serving wealthier clients are stronger advocates of AI and see greater benefits from the technology.



Artificial intelligence will help advisers serve clients more efficiently



Advice firms not embracing artificial intelligence will be competitively disadvantaged

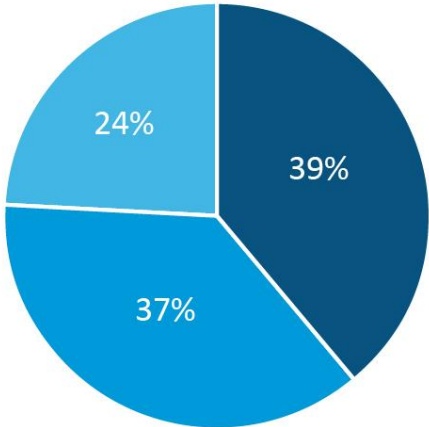
● Agree ● Neither agree nor disagree ● Disagree

Data may not sum to 100% due to rounding

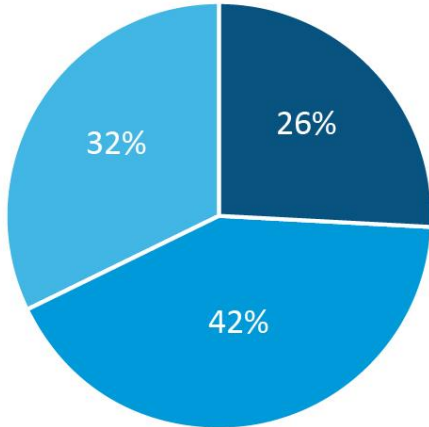
Half of HNW advisers say their firm needs to up spending on advice tech

- Four in 10 (39%) advisers say their firm needs to spend far more on advice tech to stay relevant. This increases to nearly half (48%) of HNW advisers.
- A quarter (26%) of advisers agree their firm is looking to harness the powers of AI. More HNW advisers (43%) and those managing assets above £50 million (37%) agree.
- One in five (20%) say the Consumer Duty will see greater advances in adviser technology than the pandemic. This increases to a quarter (25%) of HNW advisers.
- These results support the notion that HNW advisers and those managing more assets have a larger appetite for tech.

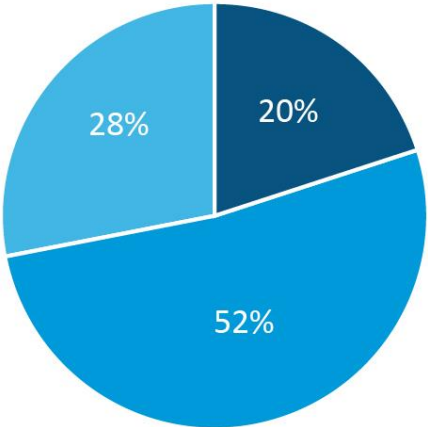
My firm needs to spend far more on advice tech to stay relevant



My firm is looking to harness the powers of artificial intelligence



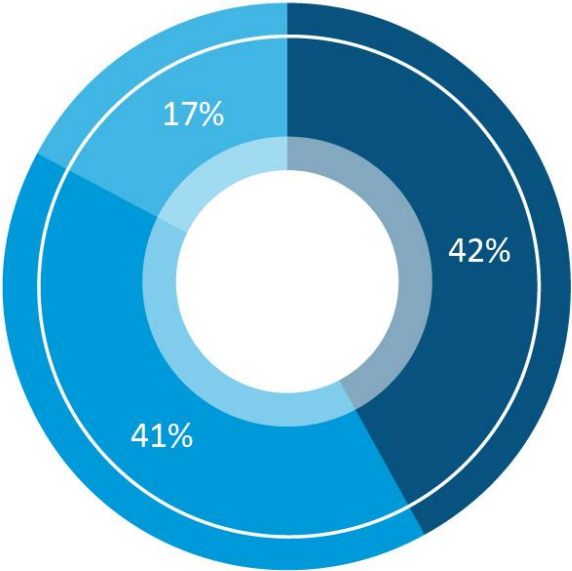
The Consumer Duty will result in greater advances in adviser technology than the pandemic



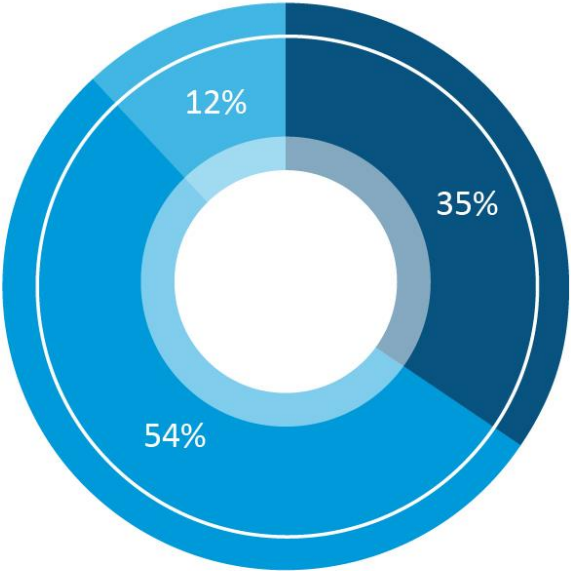
● Agree ● Neither agree nor disagree ● Disagree

Mass market advisers more concerned about AI data protection risks

- More than four in 10 (42%) advisers think AI raises serious risks for advice firms in terms of client confidentiality and data protection. This increases to 47% of mass market advisers and 55% of those managing client assets of £1-10 million.
- Over a third (35%) of advisers do not trust the information produced from AI. This proportion rises to four in 10 (40%) advisers managing client assets of £1-10 million.
- These findings indicate mass market advisers and those managing fewer assets have elevated levels of concern about the potential dangers of AI.



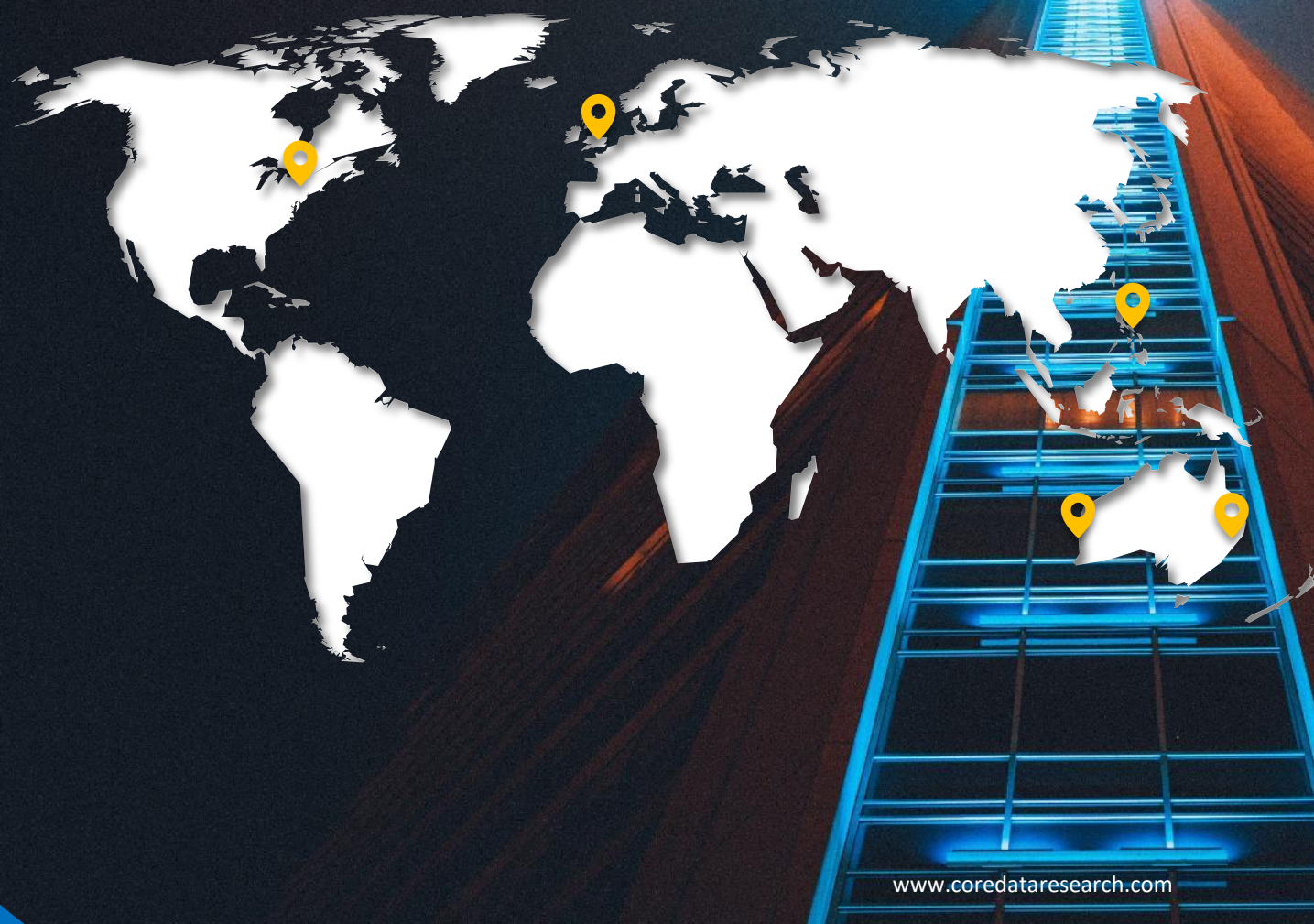
Artificial intelligence raises serious risks for advice firms in terms of client confidentiality and data protection



I do not trust the information produced from artificial intelligence

● Agree ● Neither agree nor disagree ● Disagree
Data may not sum to 100% due to rounding

About us



Coredata Research

CoreData Research is a global specialist financial services research and strategy consultancy, founded in 2002 and headquartered in Australia, with operations in Sydney, Perth, London, Boston and Manila.

It provides clients with 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 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.



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