

# Advice Horizons

Plotting a course through the Retail Distribution Review



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# Contents

Section 1 | Foreword

Section 2 | Introduction: current state of the market

Section 3 | Drivers for change

Section 4 | The battle for the value chain

Section 5 | Adviser charging – the way forward

Section 6 | Business planning: considering the options

Section 7 | The client proposition

Section 8 | Using technology

Section 9 | Conclusion



Legal & General Group established in 1836, is one of the UK's leading financial services companies. It is responsible for investing over £330 billion worldwide (as at 31 March 2010) on behalf of policyholders and institutions.

Employing over 9,000 staff it manages investments for the pension funds of almost half of the FTSE 100 companies. Our Savings and Risk business provide for the long term savings and protection needs of over seven million customers.

# 1 | Foreword

Foreword by The Rt. Hon John Gummer, Lord Deben

The foreword of a report looking at the changing world of financial advice may be expected to highlight the drivers of change and examine the macro forces altering our world. But these are well known and often cited. Instead, I want to focus on those values and principles that unite the advisory profession – and which will continue to do so.

To offer financial advice is to help an individual, family, or business plan for a more secure future. While the provision of financial advice is not a new enterprise; the journey of the last ten years has seen it become a recognised profession. A profession that enjoys levels of trust and respect ahead of other parts of retail financial services – and as such, it must be safeguarded and nurtured. A reputation so hard won can be easily lost if we do not hold dear to our values.

As I wrote in AIFA’s Manifesto for Advice, “the guiding light is to do well by the client”. This is a sentiment recognised by other professions and is the foundation of the service we offer. Clearly, the primary duty of those offering financial advice is to do so in a dispassionate, professional manner, that rises above conflicts of interest and personal gain. The future of financial advisory businesses must be built on the foundation that the client is at the heart of their business.

Of course firms not only have a duty to their clients but also to the wider community. The advisory profession has a long and proud track record of “giving something back”. Individual advisers spend time offering pro-bono advice to those who could not afford fully regulated financial advice. Many firms specialise in ethical and green investments – while a growing number have added philanthropic advice to their services. Advisory businesses make good neighbours not only with the activities of their employees but also in their charitable and community practices. The future of financial advisory businesses must be built on the foundation that they are good corporate citizens.

“While the provision of financial advice is not a new enterprise; the journey of the last ten years has seen it become a recognised profession.”

Advisory firms also provide opportunities for their people to learn, develop and grow. The advisory profession offers a real chance for people at all stages of life to develop a valuable, and valued, skill set. For some advisers, it will be a journey that takes them from novice to the highest levels of professionalism including reaching certified and chartered status – for others it will be about becoming expert in a particular field of specialism that gains them professional repute. In addition to advisers, firms offer career fulfilment for those who wish to play one of the many roles that support a firm's operations. The future of financial advisory businesses must be built on the foundation that they offer opportunity to all their employees.

Of course as one of the most heavily regulated markets in the world, financial advice firms are not strangers to the impact of policy and regulatory developments. Good advice firms recognise the valuable role that accountable, proportionate and cost-justified regulation plays. This means constructively challenging new regulatory proposals to ensure they support, rather than disenfranchise, today's and tomorrow's clients. The future of financial advisory businesses must be built on the foundation that they are subject to even-handed regulation that supports a savings culture and works to protect competition in the market.

The values that unite the professional advice community are strong and resilient. We have weathered many storms and emerged stronger and better respected by our clients despite these turbulent periods. The financial services world has been racked by a crisis greater than any seen since the Second World War but I take great comfort from the fact that, during these travails, clients vested even greater trust in the advice given to them by their financial adviser.

The next few years will see change, opportunity and threat. There may be challenge to some of today's business practices while the creation of new relationships is almost certain. Undoubtedly, the economic situation will ensure that people will need the services of professional advice firms more than ever. This report has been produced to help firms understand some of the important currents that are rippling through the market so they may take essential, long term business decisions through being better informed.

I commend it to you.

The Rt Hon Lord Deben  
Independent Chairman

# 2 | Introduction: current state of the market

There are many issues that face UK Independent Financial Advisers (IFAs). The continual regulatory changes, most notably the Retail Distribution Review (RDR), client demands, use of technology and the fall-out from the financial crisis have added to the list of issues to deal with.

Some of the regulatory changes have been spurred on by the political pressure to be seen to be 'doing something'; others have been part of the Financial Service Authority's (FSA's) longer term plans. It has never been AIFA's role to simply react and respond to the views of the policymakers and regulators, but to proactively shape their thinking.

As we have a new coalition government in place, it is more important than ever for AIFA to help shape the policymakers' decisions and guide the regulator's actions.

But what shape is the UK financial advisory market in? The financial services market is uniquely well served by advisers

who continue to be the favoured channel for consumers to access financial advice. The market share of IFAs over the last 10 years has remained at around 70%<sup>1</sup>.

It is clear that people like to have an experienced, qualified adviser to provide advice and make recommendations about their personal, their family's, and for owners of firms, their business', most important financial decisions.

Through research with Nottingham University on behalf of the Financial Services Research Forum we know that advisory firms are, consistently, the most trusted of all financial services institutions.

Nobody can deny that now is the time for advisory firms to increase their professionalism and improve the service provided to clients to differentiate themselves from the banking community and the big household brands such as Tesco and Virgin, capitalising on the long and proven history of being able to provide clients with what they want and provide good service.

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<sup>1</sup> Ernst & Young

Successful firms of the future will have evolved from sales based operations to a more business focussed model with core competencies focused on client service. Advisory firms that are open to the opportunities presented to them and are disciplined on their pathway to changing their businesses will prosper in future years.

This report looks at

- The drivers for change – what are the major threats and opportunities that will shape the market in the years ahead
- How these forces will alter the value chain – and what that will mean for advisory businesses and the remuneration strategies they should consider
- What these changes mean for the types of services firms will offer: will they remain independent, focus on a niche part of the market, offer general or more specialist advice – the risks and opportunities
- How to establish a client proposition – and manage it for mutual value

- The role of technology: as a way to improve efficiency and as a potential way to serve existing clients more profitably – and as a way to access tomorrow’s clients in a manner they would select

This report dovetails with AIFA’s FFWD Business Transition Academy, to help firms determine their strategy and then embark on a successful transition to ensure a profitable future beyond 2012.

There is no single, simple, straightforward strategy for success through these changing times.

However, it is true that in times of change, those firms that have a clear idea of where they want to go and who pilot their course according to that bright star have the great opportunity to succeed: as the old adage has it “people don’t plan to fail, they simply fail to plan”. This report has been prepared in the spirit of helping firms begin that journey.

# 3 | Drivers for change

The need for advice is higher than ever as we slowly emerge from one of the worst financial downturns in modern history. People are slowly moving their hard earned cash back into the stockmarkets to try to benefit from the upturn as the economy improves and they want advice; many having had their fingers burnt by previously investing at the top of the market.

But we know that investors are not the same as they were twenty years ago, their expectations for service and advice are higher as they can gain financial information by the touch of a button in their homes and expect access to their financial information 24/7. But why have clients changed and why do IFA firms need to change?

## 3.1 | Increased awareness

With the internet and social networking sites making access to information ever easier, people have ready sources of huge amounts of detail on any subject. Unfortunately, in many cases, this content rich data, accessed free of charge, can confuse people and this has created

a demand for comparison sites for the products that can be commoditised. The opportunity created by technology for advisory firms is highlighted later in this report.

## 3.2 | Post retirement opportunity

The UK saw a million more state pensioners in 2009 than in 2004 according to the Office for National Statistics: in November 2009 there were 12.45 million claimants of state pension up from 11.5 million in 2004. The net effect is an increased demand for advice on how to invest assets to provide income throughout retirement and this demand will increase as people live longer.

Affluent consumers are starting to see retirement as a process rather than an event giving rise to complex decisions regarding funding and the increasing need to manage longevity risk.

Fewer affluent consumers retire at 65, take their pension and opt out of the workplace.

The trend now is towards semi-retirement as early as 50 and full retirement beyond 70. Many of the baby boom generation are continuing to work, but only to do the type of work they choose to do and at a pace which suits their lifestyle.

Many 'older' people are scaling back work and increasing leisure activity rather than retiring completely.

The opportunities for providers and advisers are immense as over the next few years the number of pensioners is about to exceed the number of children in the UK - which creates greater social issues as the Government will need the private sector to take on more of the burden.

In 2008, UK wealth stood at £6.3 trillion of which 57% (£3.6 trillion) was made up of non-property based assets. Most of this wealth (63%) is owned by the 50+ age group (40% of the population), driving a boom in the pre/in/at-retirement market

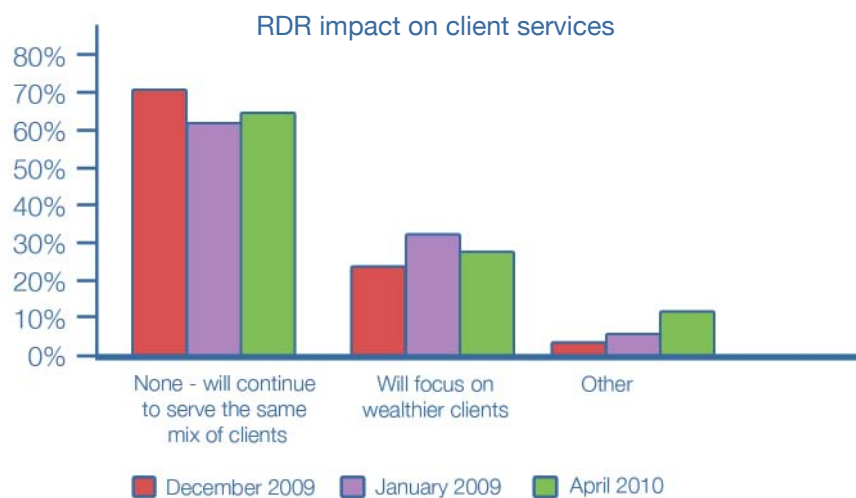
and creating a growing need for tax, financial planning and investment advice.

### 3.3 | The chase for high net worth clients

Given the rising costs of offering a full, personal, advisory service, an increasing number of firms are choosing to focus on those clients who can better afford their charges.

The focus on older clients, who better understand the need for, and added value offered by, professional financial advice looks certain to reduce the supply of advice to less affluent consumers.

However, recent research from NMG suggests that whilst two-thirds of the advisory market will continue to serve their existing client base, a quarter will focus on wealthier clients<sup>2</sup>.



<sup>2</sup> NMG Retail Distribution Review, Implications for the Adviser Sector, Insights Report No 6, May 2010

### 3.4 | Changing regulatory tides

The Retail Distribution Review (RDR) is a catalyst for change but it is not the only driving factor. From the RDR that affects all advisory firms – to providers wrestling with the impact of Solvency II, significant change is sweeping the sector.

The RDR was announced in June 2006 as one of the core strands of FSA's retail market strategy, aiming to improve consumer confidence and trust in the market as well as consumer capability. The six outcomes that FSA set for the RDR were, briefly:

1. An industry that engages with consumers in a way that delivers more clarity for them on products and services.
2. A market that allows more consumers to have their needs and wants addressed.
3. Standards of professionalism that inspire consumer confidence and build trust.
4. Remuneration arrangements that allow competitive forces to work in favour of consumers.
5. An industry where firms are sufficiently viable to deliver on their longer term

commitments and where they treat their customers fairly.

6. A regulatory framework that can support delivery of all of these aspirations and which does not inhibit future innovation where this benefits consumers.

The new RDR framework will come into effect at the end of 2012 and will apply to all advisers in the retail investment market, regardless of the type of firm they work for (e.g. banks, product providers, and IFAs or wealth managers).

The old definition of an Independent Financial Adviser as someone who offers a “whole of market” range of packaged products and provides their clients with a fee option ends with the onset of the RDR.

Both the array of financial solutions to be considered and the means of payment change fundamentally. This need does not pose advisory firms an insurmountable obstacle – but it does mean that any firm should consider its business model now, in order to avoid problems later.

The FSA has also introduced new conduct regulation standards to improve consumer protection. These will involve a new consumer protection strategy that involves an integrated model of risk analysis and research and the FSA will make

judgements on firms' decisions and may actively intervene in product design.

There will be greater testing of outcomes through mystery shopping and on-site visits and the FSA aims to improve the framework and delivery of redress to customers.

### 3.5 | Coalition thinking

The Coalition Government has announced plans to abolish the FSA and remove the tripartite system of regulation that the Labour Government instigated in 1997.

While the detail of these proposals has yet to fully emerge it seems clear that the prudential supervision of larger organisations will be carried out by the Bank of England. They will also have macro-prudential responsibilities. Other financial services companies, and most intermediaries, will be regulated by the Consumer Protection and Markets Authority (CPMA).

The coming two years will see consultation on regulatory architecture and important decisions made on who regulates which part of the market.

While much of this work has still to be done, there is a sufficient direction of travel that firms should not see this uncertainty as a reason to delay their transition plans.

### 3.6 | A European perspective

The majority of UK financial services regulation now emanates from Brussels, and with a new European Commissioner responsible for our market, further change has already been flagged.

Following a high level review of the European regulatory framework, Michel Barnier, Director General, Internal Markets, has announced a wholesale package of regulatory reforms.

These are in addition to the work currently being done on updating the Markets in Financial Instruments Directive (MiFID), re-writing the Insurance Mediation Directive (IMD), and on the Packaged Retail Investments Products (PRIIPs), for example.

### 3.7 | Simplified compulsory products

One of the common policy thoughts over the last decade has been the desire by Governments to introduce "simple products" that people would be drawn to buy.

Previous attempts such as "Cost, Access and Terms" (CAT standards) products work well for cash or near cash products but less well in more complex products.

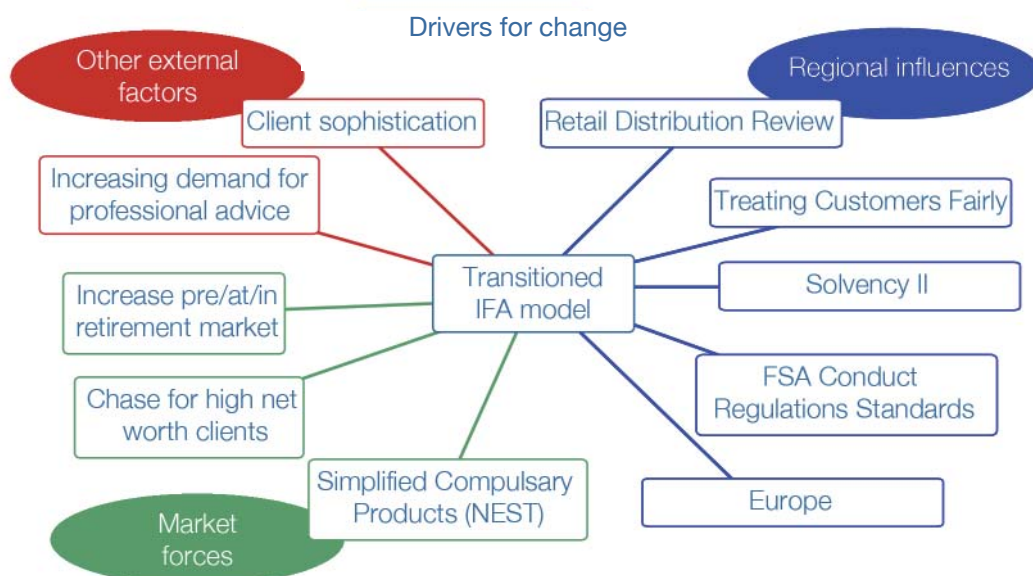
Stakeholder pensions were an attempt to bolster retirement savings but some group personal pension schemes can be cheaper and offer more benefits than individual stakeholder pensions. This is where advice becomes very important for employers and those who work for them.

The introduction of auto enrolment through NEST, is expected in 2012 and will force, for the first time, employers to setup a pension on behalf of their employees, unless they choose to opt out or unless they already contribute to an alternative qualifying workplace pension.

The scheme is targeted at mainly low to middle income workers to help them access an employer sponsored pension scheme or workplace pension and is expected to increase pension scheme membership by up to 8 million. There is an opportunity for advisory firms to guide employers through their options and to choose the provider and then as in all work place advice provision talk to employees about their pension and other benefits.

The Coalition Government has announced plans for a National Advice Service which will work closely with the Consumer Financial Education Body (CFEB) to deliver money guidance. These proposals are designed to help people engage better with their financial needs and, if rolled out properly, should increase consumer awareness of the value of professional financial advice.

The Coalition is also consulting on a range of Simple Products which will be easy for people to understand and have access to.



# 4 | The battle for the value chain

The issues above combine to increase competitive pressure throughout the value chain for each of its various participants – advisers, fund managers, product providers and platforms, as all will be seeking to shore up (and grow) their share. Firms should recognise that the old certainties are under threat as each of the players are jostling to protect what is currently theirs, whilst looking to move into other areas to expand their share of future revenues.

Firms are examining different business models: moving to separate financial planning from advising and arranging products (to focus on helping clients meet life needs rather than concentrating on executing their financial plans - and recognising it is only these latter areas that are regulated), looking for ways to move up the value chain (to identify manufacturing or fund management opportunities) or creating new strategic alliances with other types of firm (to expand their advisory practices by offering legal or accountancy services).

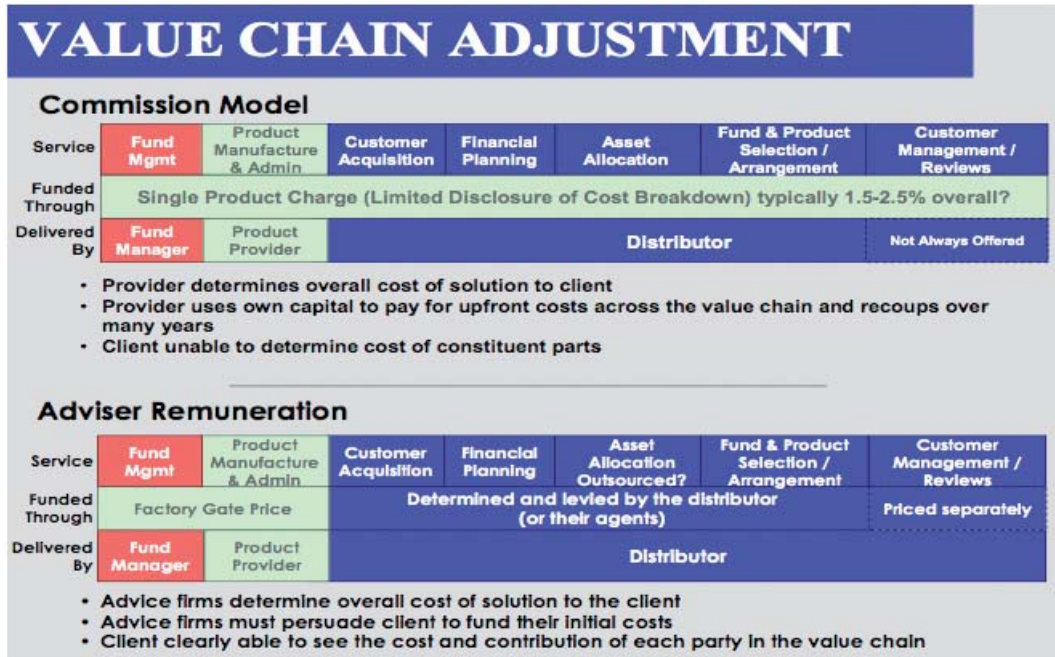
Of course, this search for differentiation does not just affect the advisory community and product providers are once again examining distribution options

and are building retail and corporate wrap platforms – with the objective of engaging employees to offer additional products direct.

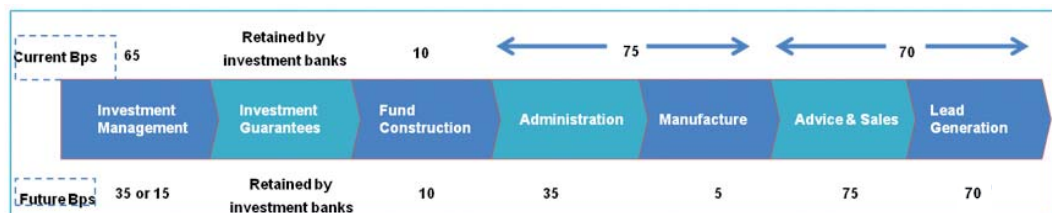
One of the principle effects of the introduction of adviser charging is that it forces an unbundling of the value chain. Under a commission model, whilst the varying services are delivered by different businesses (fund manager, provider, platform and advisory firm) the whole process is funded by the revenues collected through the product and the rewards for business are largely determined by the product provider.

This has meant that there was a lasting perception that the revenue of advice businesses could be influenced by provider pricing policy which left some firms with little ability, or incentive, to negotiate down the costs of products. Following the introduction of adviser charging, the business that delivers the service is the business that charges the client for it. For advice businesses this means that there is greater control of pricing and revenues and they are free to seek to negotiate down the costs of other elements in the value chain.

The diagram below shows how the model changes from the current commission basis to the “adviser charging” model where advisory firms have more control over key elements of the value chain and attempts to show the change in value share that might occur throughout the value chain:



Change though, is certain and the model below shows a likely scenario as to how the value chain could change over the next two years:

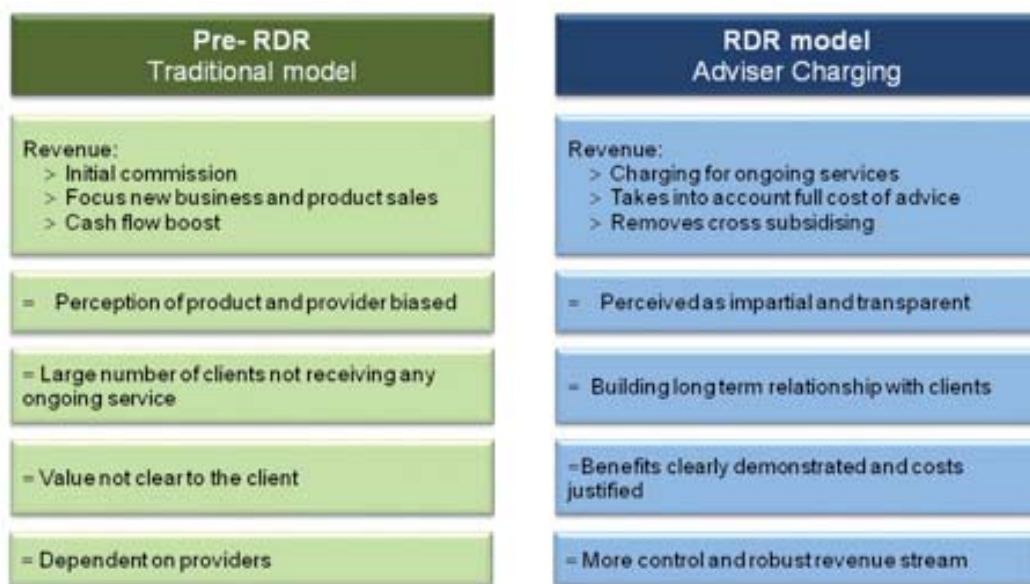


In future we can expect the product manufacturers, including investment managers and traditional product providers, to have their margins squeezed significantly as the core products become commoditised. The greatest value will be in client management and servicing and the advisory processes that include portfolio aggregation, risk assessment and asset allocation.

The battle to control the advice process has already begun and is only likely to intensify as the industry transitions.

# 5 | Adviser charging – the way forward

The RDR introduces minimum qualification standards and replaces commission with adviser charging - a new remuneration system which aims to remove the perception of product provider influence over advisers' charges.



## 5.1 | One size does not fit all

Different pricing methods and models

- Time costed fees is the purest model, where work is conducted and charged out according to how long it has taken to do. Many clients do not like the “open ended” nature of this method as they may have little understanding of how long a piece of work will take to complete. While an estimate may be given, the actual cost will only be known with hindsight. It does, however, mean there is no cross subsidy from one client to another and provides the firm with clarity, and some degree of certainty, of income.
- Activity costed fees are likely to be increasingly prevalent with a menu of activities and charges, and clients paying for services (not covered by a retainer or fee based on assets under

management) as and when they use them. This model differs from that above in that the firm calculates a typical cost of performing an activity so the client has certainty of cost at outset. It is expected that this model will be used increasingly for administrative tasks such as creating duplicate statements, communicating changes of address on behalf of clients, and making other policy alterations.

- A monthly retainer gives certainty of cost to the client and certainty of income to the firm, but there is little alignment between the financial fortunes of the client and adviser since the cost is the same whether the portfolio performs well or badly. However, it removes the worry that some clients experience of whether, and how often, they can speak to their adviser as the retainer is agreed to specific services.

- A fee based on assets under management model aligns the fortunes of client and adviser, as the income received by the firm is directly linked to the performance of the client's portfolio. It does, however, leave the adviser exposed to the vagaries of the market and a sharp drop in global asset values could have a serious impact on profitability and their ability to service the ongoing needs of their clients.

- An initial fee model will continue to work for firms with clients looking for a more transactional relationship.

While many firms will opt for the simplicity of a single model, others will have a more tailored solution – or offer clients a combination of approaches. For example a small monthly charge combined with an ongoing advice charge as a percentage of assets to create the alignment of financial interests of client and adviser, and a percentage of investment value each time a new investment is made.

“I find the most effective way is to sit down with clients at their annual review and describe what was going to happen with the business and how this was going to affect them. I’ve had very little resistance from those clients I wanted to move onto a fee basis.”

**Amanda Davies, Baigrie Davies**

# 6 | Business planning: considering the options

## Business audit

### 6.1 | The need to plan

There is now a responsibility on those who lead firms to consider how their organisations will make the transition to the post-RDR environment. For some firms, this will not be an onerous task, for others there may be more of a stretch.

One of the first steps in the transition process will be to assess the current state of the business relative to the implications of the RDR.

Conducting a business audit will help firms to recognise and understand the strengths and weaknesses in the current approach and identify areas where changes and improvement can be made. Firms then can start formulating strategy for where they want to be in the future.

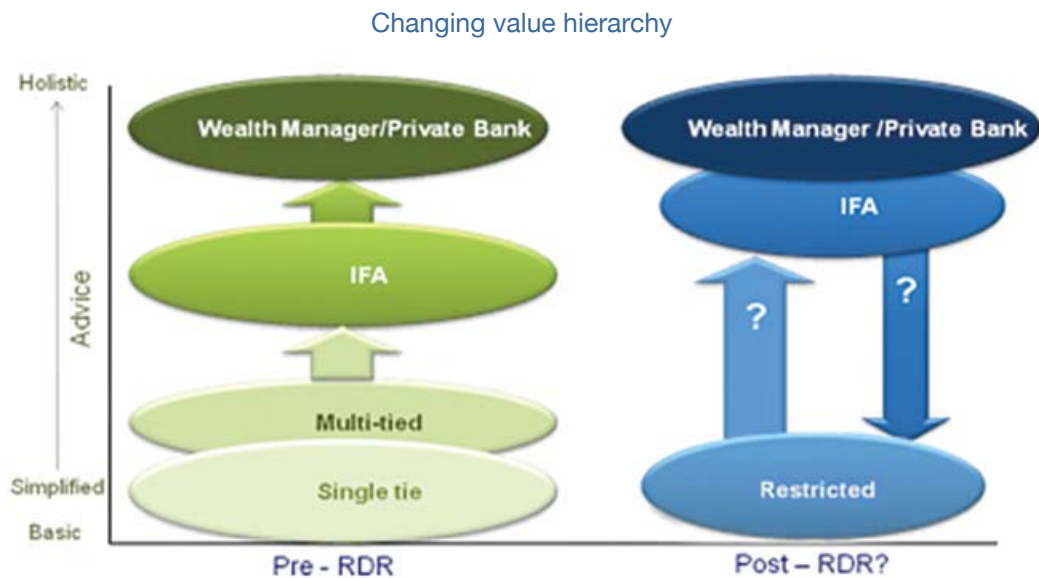
“In a transition process you really need to know where you are today through a business audit. This will help you filter out the irrelevant noise so you can make some sensible decisions about what it is you want to do.”

Dennis Hall, Yellowtail

The AIFA FFWD Business Transition Academy provides practical guidance notes and templates to assist firms in reviewing their business and all the details of it can be found at [www.aifaffwd.net](http://www.aifaffwd.net)

## 6.2 | Business planning – What type of firm do you want to run?

There is no business model that is ‘right’ for every firm, but it is essential that firms have a clear vision of the sort of firm they want to run and the sort of clients they want to work with. The RDR is changing the market and the traditional boundaries between tied firms, IFAs and private banks is blurring. Increasingly, advisory firms are occupying the same part of the market previously held by wealth management organisations so they can provide holistic advice to clients.



“Periodically it’s really important for firms just to review where they are. Our business has been established a little over 20 years but we undertook a business audit recently and changed the way we were operating with clients and also internally. Now this took a long time to put together, a good six months, and we had to communicate not only with our clients but very importantly with our internal staff as well. You end up with a business that is much more aligned and focused and with a happier bunch of people who know where they’re going and feel much more secure”.

Amanda Davies, Baigrie Davies

## 6.3 | Exit or invest?

With the introduction of the RDR firms have a range of choices about their future. For some advisers, the new requirements are a step too far and they will seek to leave the market. For others, they usher in a new age of professionalism and so are seen as an opportunity to grow their businesses.

The market is currently going through a consolidation phase. Some advisory firms have changed hands making a handsome profit for those who founded them. In order for this to happen the right business model is needed – this is based on the creation of a saleable asset that has substantial recurring income.

Few investors, or buyers, wish to purchase firms where the main asset is the business owner's capacity to sell products to new people. Firms tend to be valued using a combination of discounted cashflow and a multiple of recurring income, with important factors being the level of recurring income, the percentage of group business, the retention of the top income producers, the brand value etc.

A common theme amongst retiring advisers is that they wish to ensure their clients continue to be well served. With careful planning business owners can avoid simply handing their clients to another adviser because they wish to retire and by focusing on getting the business model into shape now, the firm, as well

as the clients, may become an asset of interest to a buyer.

For some individual advisers, meeting the RDR's requirements is a step too far but they still wish to remain active. For instance, given the proximity to retirement, there may not be time to gain an economic payback for incurring the costs of gaining the required qualifications. Other options could be considered. It may be that an adviser is very well connected and has access to clients, or new contacts, and so chooses to become an introducer or an introducer appointed representative to a firm. Naturally, this role forbids the giving of regulated investment advice but still offers opportunities to deal with clients and provide new business sources for advisory firms.

## 6.4 | Advisers and firms

In the past financial advisers were often viewed as a collection of individual sales people, and later, individual advisers, but the term "IFA", is increasingly used to mean the firm rather than the individual.

One of the changes that the RDR may bring about is that the term "adviser" becomes exclusively used in connection with the firm and other titles and descriptions are applied to those who work within it (with differing employment contracts and statuses).

An early signpost along this journey is the different positions firms are adopting

about client “ownership”; clients are increasingly considered to be the client of the firm and not the individual adviser, as the firm takes full compliance responsibility for the activity of the adviser whether he or she is employed or self employed.

A notable trend over recent years has been towards servicing a bank of clients rather than continually seeking new ones. Under this model, adviser remuneration changes away from simply sales volume but focuses more on quality of business: equity is offered to advisers based on the profitability of the firm rather than the volume of sales he or she has achieved. This trend is expected to spread across into protection and mortgage businesses as well.

## 6.5 | Extending the service

Research published in May 2010 by NMG suggested that most independent financial advisers anticipate that they will remain wholly or largely focused on providing independent advice. However, more recently there is anecdotal evidence that the adviser community is starting to consider potentially more productive models that do not compromise the advice process – making a “restricted” approach far more palatable for those previously adamant they would remain independent<sup>3</sup>.

## 6.6 | Types of advice offered

Many firms have evolved organically and preparation for RDR provides an ideal time to take stock and decide exactly what sort of firm those who lead the business want to run. For example, whether to be independent or restricted, directly authorised or appointed representatives.

A range of options is listed below, and firms should consider how important each element is, in order to help formulate their plan. Of course, for some firms, there will be no “single right model” and they will decide to segment their offerings: for example by having an independent advisory service for some clients while a restricted offering for others with less sophisticated needs.

In truth, the RDR does not differentiate between the professional competency or quality of advice provided by independent and restricted advisers – the advice element should always be unbiased. However, there is a growing belief in the market that investment products will become “wrapper agnostic” as administration becomes commoditised. Offering a range of similar products therefore becomes less important than getting the investment selection right, and offering only 1 wrapper for each product becomes a viable proposition.

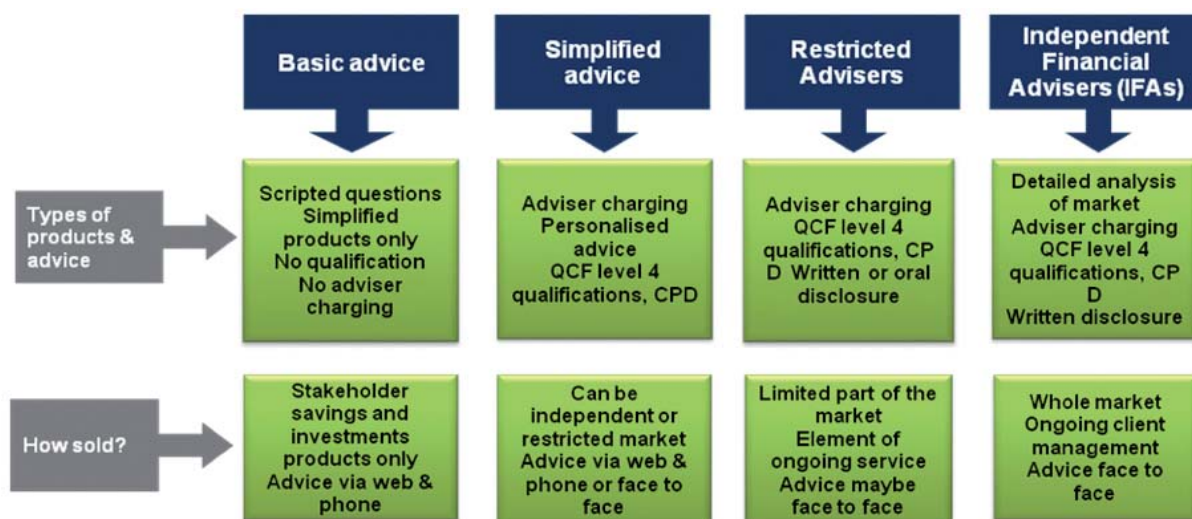
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<sup>3</sup> NMG Retail Distribution Review, Implications for the Adviser Sector, Insights Report No 6, May 2010

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RDR distribution choices from 2012



In deciding which model to operate, FSA has stated that the firm must examine its clients’ needs and match them with its proposition. Of course, firms can, and should, determine what type of organisation they wish to be, the type of service they are willing to offer, and then build their client proposition around those decisions. For some firms this may be the first time they have undertaken a detailed business review but, given the impending changes, it is an essential aspect of preparing for the RDR.

## 6.7 | Why stay independent?

Undoubtedly Independent Financial Advice is the gold standard of advice. Given the changes being introduced, independent advice will become a “premium service” and should be coveted as such.

Firms that maintain their independent status will have a marketing opportunity that singles them out from others in the market and, if properly managed, this should bring financial and reputational rewards.

Clients value the clarity and certainty of the fact that the adviser works on their behalf and, time and again, research proves that it is “independent financial advisers” who are the most trusted group in retail financial services.

Referrals from solicitors and accountants can be a significant source of new clients for IFAs as other types of advisers cannot have clients referred to them by these professions. For some firms, who deal with professionals, these links are essential to their business success.

FSA’s definition “independent” states firms must look beyond the packaged product market and be mindful of the new “Retail Investment Products” definition. Firms can select to be specialists in certain areas (for instance in ethical investment advice), and still call themselves “IFA”.

FSA also added that firms can use panels – and that they are allowed to narrow their focus to a “relevant market”, if that would be in the interests of their clients.

These changes, while adding complexity in terms of disclosure, allow firms to more easily define the part of the market they wish to serve.

Rather than the necessity of providing financial advice across the Retail Investment Products spectrum, it is now possible to specialise (for instance in retirement planning) – or focus on a particular category of client.

## 6.8 | Why choose to be restricted?

RDR will cause firms to focus far more on identifying additional sustainable revenue streams, reducing costs and reducing regulatory risk.

Until recently, restricted advice has been viewed with disdain by many IFAs, but there is a growing view that “constraining” a firm’s activities, and in particular its business processes, can generate efficiencies and also open up the opportunities to partner or joint venture with manufacturers and fund management companies – creating new revenue streams.

Given the FSA’s definition of “restricted” does not lower the threshold for quality of professionalism or advisory standards,

and with open architecture available through most investment products and platforms, some commentators are suggesting that the need to offer a range of “wrappers” is questionable. Adopting a restricted advice model is not a soft option and should be given serious consideration as part of a strategic review.

## 6.9 | Hybrid firms

For many firms, a restricted proposition may well be offered alongside an IFA service, depending on the needs of their clients and the markets they serve.

Historically, FSA has accepted that firms may “escalate” the type of advice offered: move from single, to multi, to independent advice depending on the service that a particular client has needed.

Yet, the challenge for the future will be how firms perform a “triage” service: ascertaining the proposition that best suits a client’s needs and then direct to them to the right proposition for them. If more streamlined forms of advice are to be offered, helping clients better afford the advice and products they wish to buy, the regulatory architecture must accommodate these new business models or regulation will impede consumer choice.

The essential aspect is that consumers clearly understand the level of advice being offered to them – and if this changes during a transaction, what impact it has on them.

While this may be obvious in an internet based sale, a single adviser “switching hats” from independent to restricted during a single meeting will always risk consumer confusion.

## 6.10 | Is simplified advice the answer?

The RDR was always supposed to help those who were not currently being served by the market start to save and take longer term financial decisions.

This was to be achieved by opening up new and existing ways of doing business so more people could benefit. However, with FSA’s rules reinforcing the view that professional financial advice will become the preserve of the better-off in society, simplified advice was seen as a way of meeting other needs.

Trade bodies and firms have been in discussions with FSA and the Financial Ombudsman Service in an attempt to bring a model to market that both serves new consumers and which is profitable for firms – given the risks involved.

While FSA says it remains “open minded” about how simplified advice can work, to date there has been no clear sign of how it could be delivered.

A technology driven service may provide the solution in the longer term: either delivered over the internet or with a tightly scripted process for telephone advice.

Many commentators are now starting to suggest that only when the CPMA is in place will discussions re-commence and a new way be found to engage with those who have yet to start saving for their future.

### 6.11 | Generalist or a specialist

If firms have clients that have a broad range of financial needs, and the qualification bias within the firm covers all financial services areas, the generalist route may be the way to move forward. It will be as true tomorrow as it is today: the better the quality of advice offered to clients the more likely the client will remain loyal to the one firm.

The costs of maintaining competence across the market, and the resulting risk profile, is making many firms consider other options – such as adopting a restricted model, or going for niche specialisation.

However, the power of being fully able to meet all types of needs should not be under-estimated and that is why some firms (particularly larger ones), continue to see this as their future.

For many firms, the future is in specialisation – to focus on a particular area and develop a reputation for excellence within it that makes them a magnet for new clients and business referrals.

With an increased FSA emphasis on

competence and quality as well as suitability of advice, there are more firms that specialise in specific areas such as ethical investment, home equity drawdown and at-retirement planning. These firms often work closely with other firms that can advise upon the areas of financial planning outside of their specialism.

As they are recognised experts in the niche advisory fields, other firms seek to gain advice for their clients on the area of specialism, to secure expert advice for their clients and to reduce their compliance risk.

Of course, the “hybrid” approach can work very well, where a firm offers universal service but, within its ranks, are product and market specialists that other advisers call upon as required.

### 6.12 | Employee benefits

The impact of the RDR is not only felt in the individual market – it has also brought a change to the employee benefit market. The arrival of “consultancy charging” (the particular name for adviser charging) means the end of commission for this market – and the ban on factoring also applies for GPPs.

This comes at a time when, due to the recession, some client firms were exploring commission-based remuneration rather than paying their adviser’s fees. However, providers were known to be keen to see the end of commission in this market (many having already ceased its

payment) and were not public advocates of factoring due to capital constraints.

However, given the changes affecting UK society, workplace advice is again firmly on the agenda – and the impact of NEST and corporate wraps also show a market in transition where opportunities will clearly be found.

### 6.13 | Looking outside the traditional box

One of the interesting trends that the RDR looks set to encourage is the emergence of large regional firms, alongside the largest firms and smaller, local advisory firms.

This will not be dissimilar to the accountancy marketplace where a small number of regional firms co-exist very comfortably with a large number of local firms.

A new development looks set to be the start up of “advisory chambers”. In this model, firms of a shared business ethos could come together to gain shared back-office efficiencies while maintaining a discrete brand and ownership.

A step beyond this is for specialist firms to cluster together to provide shared services to clients based on the depth of expertise within their chambers. The arrival of broadband technology means that

location is no longer an issue and these “chambers” could be nationally dispersed.

Within the groups of advisers acting as chambers of advisory firms there will be expertise that can be shared so delivering better outcomes for clients.

The “ownership” of the client could be resolved on a formal, contractual basis, or via an informal mechanism based on quality and value of referrals. Of course, larger firms may also use this model as they centralise specialist advice areas in order to ensure quality of advice and hence, lower their risk profile.

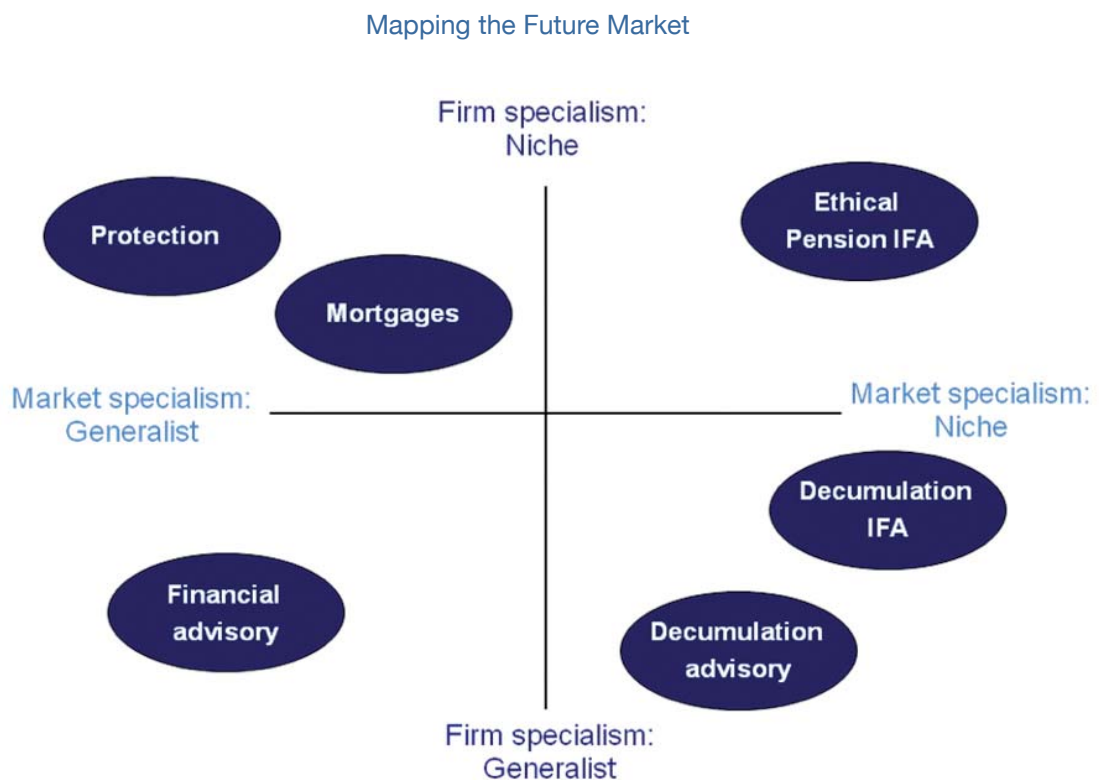
A third, more wide-ranging option could be the creation of “professional advisory chambers”. Given the changes introduced by the Legal Services Act, lawyers are not the only people who can now own legal firms.

This could pave the way for legal, financial advisory, and even accountancy firms to come together: either as in a single legal entity or as a strategic alliance of firms.

There are possibilities for creating new hybrid firms through joint ventures and strategic alliances with others within the financial services market place such as product providers and investment managers. It was originally thought that this would become prevalent in the restricted advice arena, where firms will

look to join forces with providers to offer a limited selection of products from a small number of providers. However, given that some firms are exploring options of offering independent and restricted propositions within the same advisory group, it may well be that they also offer jointly manufactured products and funds.

The role of networks and support service organisations will continue to evolve as they offer their members more services and move to facilitate the growth of new and different business models within their ranks. The larger organisations are also extending into the wrap arena, building facilities with client facing tools, asset allocation with portfolio models.



## 6.14 | Everything but investment advice

Given the RDR is concentrated on investment advice, firms are looking at the opportunity to focus on other areas of the market – either as a “defensive” or “offensive” strategy.

Protection and mortgages currently remain outside the scope of the RDR and as a result adviser charging does not apply; commission and procurement fees can still be received.

Some firms may chose to focus solely on the markets outside of investments, and act as introducers to those who retain their investment permissions. Others may expand their protection offering to help ameliorate the reduction in income that may result from moving to adviser charging.

This strategy offers the potential to help firms transition away from indemnity commission while offering clients much needed advice and, indeed, 19% of advisers intend to do more protection according to NMG’s research (June 2010).

One expected result of the RDR, prompted by further regulatory changes that are expected as a result of the Insurance Mediation Directive’s updating, is the growth in specialist protection firms.

While some of these will offer an advisory service, others may focus on offering non-advised access to products.

## 6.15 | Prudential rules

The costs of transition are considerable, not only in meeting the challenge of higher levels of professionalism but also in any IT spend that may be necessary to enable the switch to adviser charging.

In addition to these changes, firms need to plan for the FSA’s increased capital requirements that are planned to come into effect alongside the RDR.

While some firms will see only a small increase in the regulatory capital FSA requires them to hold, mid-tier firms will come under most strain to both find the extra capital and make an economic return on it.

The largest firms are already subject to the higher requirements. There is still some uncertainty around how FSA will apply its final rules and greater clarity has been promised by the regulator during 2010.

Some firms may already have the access to the capital required to meet FSA’s new rules, others will attract it given the strength of their proposition, while others will examine their corporate structures to lessen its impact.

For instance, it may make financial sense to set-up an “Internal Appointed Representative” structure as a way of mitigating its impact, alternatively, moving to a group structure: where financial planning is moved into a separate legal entity from financial advising and arranging, will reduce the exposure. The tax, as well as regulatory issues in these changes need careful examination before a final decision is made.

Alternatively, the solution may be to become an appointed representative of a larger business. Also, as part of this decision, outsourcing the firm’s compliance oversight regime may be more cost effective than creating and maintaining one.

## 6.16 The rise of the paraplanner

Finding people with deep technical content and first class customer engagement skills is perhaps the biggest growth challenge faced by advisory firms today – and when firms do find them they can be both expensive and difficult to retain. Effective use of paraplanners and other non-client facing staff provides a more sustainable future, particularly as adviser charging becomes the norm.

Many firms have non client facing back office employees who are

very experienced in dealing with product providers and know the rules surrounding financial products, such as the Government Actuarial Drawdown limits, and which providers offer the best products in which areas from the whole of the market.

These staff: paraplanners, product specialists, administrators etc are recognised today as adding real value to the client relationship and are essential in running a good firm. With the arrival of specific qualifications for paraplanners, what was seen by some as a stopping off point on the road to becoming an adviser is now recognised as a professional role in its own right.

Some firms are seeking to draw clearer distinctions between different roles that carry different responsibilities within their firms in light of the changes RDR will bring. One potential shift is the division of the “advisory” role into “client relationship manager” and “technical specialist”. In this potential scenario the client relationship manager’s role is to be the main conduit between the firm and the client, rather than to offer complex financial planning, as this is undertaken by a highly qualified technical department.

Many management consultancy firms employ similar approaches: the role of the

client relationship manager is to identify the client's needs and then meet them by introducing the relevant technical specialist to solve the particular problem. This ensures that the firm has highly competent specialists in key areas who can be appropriately charged-out without engaging them in lower value activities.

Some advisory practices already have specialists within their organisations that deal with complex queries, a potential evolution of this approach is a clearer separation between the role of relationship manager and that of technical specialist.

A grey area that would need to be settled is who would be responsible for giving regulated advice (would the relationship manager still hold a controlled function?) The answer to this question depends on how far along the fact-finding and advisory process the individual travelled before handing over to a specialist – and this will be different between each firm.

### 6.17 | Execution Only

Firms could consider setting up an execution only facility for potential and existing clients to purchase products through them without advice.

This can generate revenue, including upfront commission (as execution only

is outside of the RDR's adviser charging requirements).

This may be particularly useful for those clients who are relatively confident in their own decision making, but who want to have access to advice from the firm if needed.

Firms should be aware that the FSA have said they will take a very dim view of any firm providing advice and recommendations that are then transacted on an 'execution only' basis through a firm associated with that which gave the advice.

There must be a clear separation between advice and execution only services.

### 6.18 | Passporting

An issue often raised is the potential for advisory firms currently based in the UK to move to another EU member state and "passport" back into the UK. The rationale for this move is that they would "escape" the demands of the RDR.

Often cited is that these firms would also fall beyond the complaints regime of the Financial Ombudsman Service (FOS) and not have to pay Financial Services Compensation Scheme (FSCS) levies. For firms focused on the "bottom line" this

may sound like an easy decision – yet this is to overlook some of the complexities.

Firms must gain authorisation in the home state of their choice – and so deal with that nation’s regulators who are, in general, less experienced in dealing with intermediary firms (given the small scale nature of the IFA community abroad).

They will have the host state’s regulation to comply with and be subject to any changes their new regulator makes.

Additionally, there may be a competitive disadvantage for firms whose clients fall outside the protections offered by the FOS and FSCS.

The costs of setting up in a different country, managing the “domestic” legislative and regulatory demands, and also of supervising staff based in the UK can be demanding. It is not the easy option it may be portrayed as but, as firms out-source many of their activities, it is a matter that should not be ignored – especially given the tax plans of the UK Government.

## 6.19 | The desire to de-risk

The over-riding attitude in many of today’s leading advisory firms is that of ensuring they de-risk their firm. This means not only having better systems and controls

within the firm but also a tighter focus on the profile of clients being served and the array of advice services and products offered.

Advisory firms have become increasingly sceptical about technology that promises much but delivers little, new products with over-ambitious claims, and new providers and fund managers as certainty is preferred over ambition.

Much of this attitude can be traced to the experience advisers have had when products had turned bad and providers have exited the market: and they have been left to pick up the pieces – and meet the liabilities!

This, more careful attitude will improve the profession’s image to professional indemnity insurers and may also add to the risk appetite of potential investors who are seeking long term surety of return.

## 6.20 | The importance of planning

There are many aspects to consider when determining the future of the firm. This model is a snapshot of the most important areas to plan for:

## Factors to consider when transitioning



# 7 | The client proposition

The RDR presents an opportunity for firms to be far more explicit about the services they offer, how they charge, the value they add, and what the client can expect to receive as a result.

The important aspect to this is ensuring the “happy marriage” of matching the client’s needs with the firm’s services – and managing this relationship for mutual prosperity.

## 7.1 | Segmenting your clients

There are many benefits to properly segmenting a firm’s client base. It helps improve profitability by identifying the

right service level for each client and ensures that they are paying the right amount for the work undertaken on their behalf. Clients should be happier with the improved, and more tailored service, so helping improve retention.

Firms will generally have built up a diverse range of clients over the years, with some providing more revenue to the firm than others, and some taking up significantly more time (cost) than others to serve.

It is easier than may appear to say good bye to unprofitable or difficult to service clients, but only after a client segmentation exercise has been carried

“I wanted a model that was an accountancy, solicitor type model, I didn’t want people looking at me like I was an estate agent when I told them what I did. The driver was to be seen as a professional. We wanted a business that provides service and is professional.

“Have a very clear understanding of the business that you are in, because a lot of people in the IFA arena aren’t in the business that they think they are. You have to have a vision. What is your end game, what are you in the business for?”

Chris Bowmer, Fortitude Financial Planning

out to identify which clients need to be referred elsewhere, moved to an execution only basis, or in fact kept and developed. It is therefore important to group clients into categories of how much (potential) income they bring to the firm which in turn will help determine the service models firms will want to offer.

The assessment of (potential) income should be based on current levels of trail commission, existing assets that could potentially generate an income, the likelihood of the client paying fees or a retainer, and income from potential future assets.

The cleanest way of segmenting is around the absolute value the client does or could generate as income to the firm.

Firms may adopt categories of their choosing for clients that generate income, for example the amount of annual income could be:

- £3,000+
- £1,500 - £2,999
- £500 - £1,499
- Under £500

“In essence I am looking to take on new clients who generate £2,500 or more and I am not looking to take anyone with less. So if they don’t have assets under management that we can look after then I will charge a retainer to make up the difference”.

**James Harvey**

Once a firm understands how much income each client does or could generate, they are in a much better position to ensure they can service their clients profitably.

This is easy to do if chargeable time is recorded – as solicitors or accountants do so they know how much to charge and have a real insight into how much each client costs to advise.

Having calculated the cost of the various service propositions that could be offered it will be important to work out which can be given to the different categories of clients.

It is easiest to start from the basic service and build in additional services through the other segments. It does not mean that clients cannot access these other services, just that they will need to pay additional sums to do so.

Many firms are introducing retainers (either as a percentage of funds under advice or a simple cash sum) or charging pure fees. The purpose of this is not only to move away from commission, and a reliance on product selling, but to build equity value in the business.

## 7.2 | Client service

A clearly defined client proposition is an essential part of any adviser business transition programme. The RDR places a requirement on firms to explain the nature of the services they offer and how they charge for them. However, even without the RDR there are significant benefits to fully defining a firm's client proposition: as clients better understand the service offered to them and will value it more highly.



For example, differentiated service categories might be:

Effectively segmenting the client base and proposition allows firms to offer a range of services to match different client's requirements and can help to manage client expectations.

One of the biggest hurdles for firms may be to understand the steps needed to review and adapt their existing business - and how to effectively communicate this to their clients.

Firms can approach the transition in a number of ways, either starting out from a blank piece of paper and mapping out the ideal proposition; reviewing their current practises and identifying where to add value; or by gaining the views of their clients about what they value. Ideally an approach that combined all these aspects would give a more rounded view.

Research conducted by NMG<sup>4</sup> of mid to high net worth investors (defined as those with

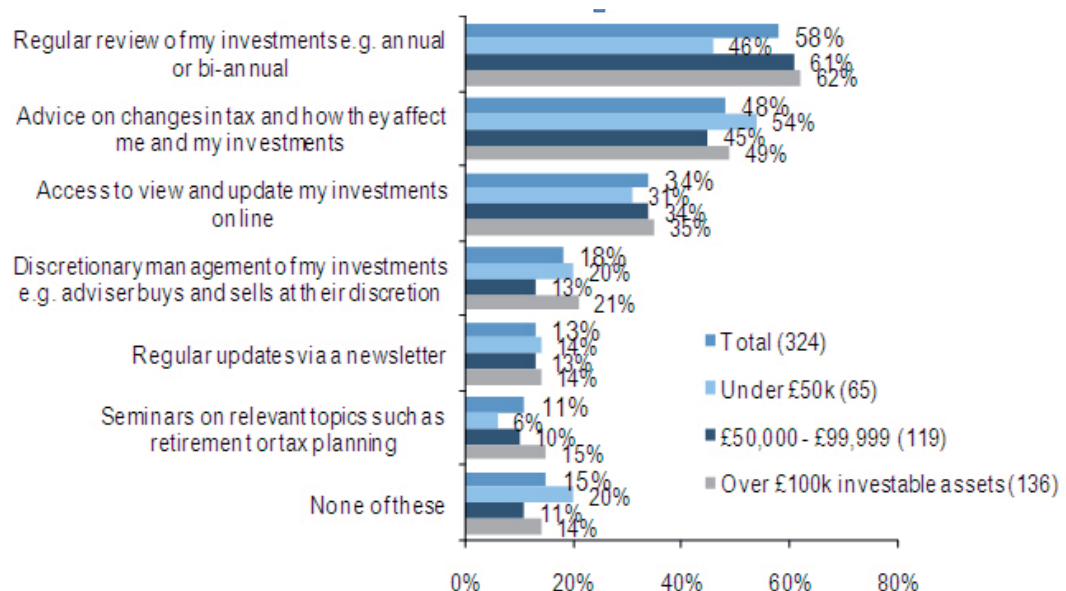
<sup>4</sup> NMG RDR Special reports June 2010.

£50K or more in investable assets and/or a household income above £75K) shows the services that clients are likely to pay for:

- The most popular services that investors would consider paying for are regular reviews and tax advice; those who are wealthier, older or use an IFA are more likely to pay for regular reviews
- Those aged 55 or over are more likely to pay for reviews (66%)
- Those using an IFA are more likely to pay for regular reviews (64%) than those who use an other adviser (52%) or both types (52%)
- But those using another adviser are more likely to say they would not pay for anything (28%)

Establishing the client proposition is only the first part of the process. Client relationships then have to be managed, to ensure that value is delivered.

This also has the added aspect that firms would look to identify who are their “lower value but high potential” clients and seek to build up the services they offered, so meeting the client’s developing needs. This is common practice in other professional service firms.



### 7.3 | A contrary view?

There are always notable examples of the success firms create when they swim against the tide. The prevailing wisdom is for advisory businesses to focus on a small number of wealthier clients to build value in their firm. This almost inevitably means seeking to reduce the number of clients the firm has, and these clients may be “sold” to another firm or simply left without an adviser.

A contrary view to the prevailing one is that these “low value” or even “no value” clients may be a future income stream given a more cost effective way to serve their needs – by dealing with them remotely, by only engaging in transaction-based arrangements, or by offering them an execution only service.

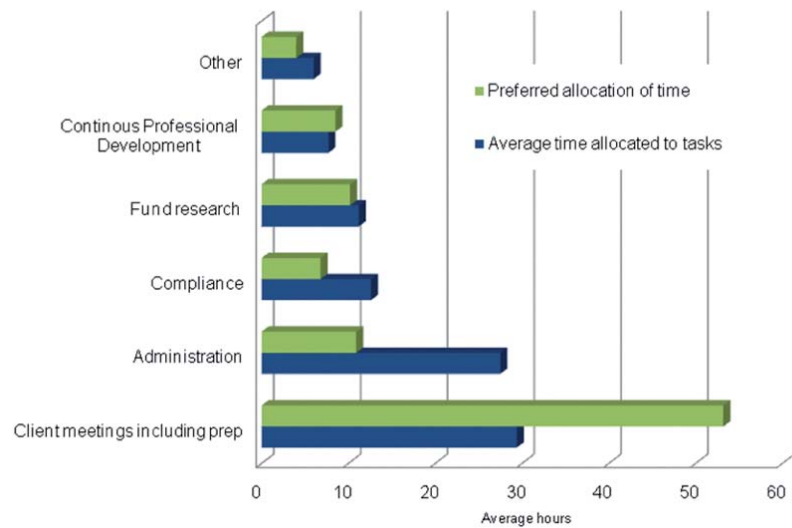
Undoubtedly, given the cost of providing face to face advice, the economics may not add-up for the continuation of servicing many clients. However, firms should consider the options they have to create new revenue streams, by continuing to serve existing clients. It may be that in doing so, new skills and competence emerge that position the firm to buy other advisers’ “no value” clients and manage them very profitably.

### 7.4 Client management

Ensuring that both existing and new clients understand what they are getting from their advisory service should let them know that they will pay extra for additional services. Whatever the firm’s model, all clients should be given the chance to upgrade their service . People will be happiest paying for services they value and understand so firms need to let them know about every service provided and make sure they provide the services clients value.

There is often a disconnect between where advisers spend their time and what clients’ value. Much of the ‘undervalued’ time is spent collating and analysing data and sorting out the administration on implementation. The chart below shows that a lot of the advisers’ time is spent in data gathering, analysis, plan preparation and implementation whereas clients’ value time spent with them.

## Average time allocated to each task



There has been a move by firms to really identify to clients what the advice process consists of and allowing the client to choose what stages of financial planning they wish to undertake.

If possible, firms should cost out each of these activities based on who is doing the work and how long it takes them to do. By applying an appropriate hourly rate for people within the firm the result will be a more accurate cost.

Firms should ensure that these processes are as efficient as they can be, and that technology is used as an enabler to minimise the time spent. Remember that clients will be paying for this much more explicitly and it is not activity they generally value.

Advisers should maximise time with clients and minimise the time spent on administration. If an adviser can spend 1/3 less time on the advice and ongoing service processes that benefit will be felt and valued by your clients through lower adviser charges.

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Graph: Scottish Widows Investment Partnership - IFA Survey on Allocation of Time, May 2009

# 8 | Embracing technology

## 8.1 Choosing the right technology

Technology will play a crucial role in helping advisers to manage the impact of RDR, driving efficiency in their existing business – and in developing new services for clients. Not least, it can enable some of the administration to be undertaken by the client, saving both parties money.

From the first introduction of fund supermarkets to the growth in internet banking, as “consumers” we have taken more and more control of the purchase process – not only does this save these firms money but it also improves our experience as we feel more in control and have a better understanding of the process.

Choosing the right technology is becoming increasingly important for firms. The cost of moving from one back office system or wrap to another can drain both staff resources and budgets.

Whether building internal solutions or partnering with third parties, it is essential

that both the firm’s immediate and future business requirements are fully mapped out and that the key decision makers, and technology users, have a clear understanding of what role the IT system will play – otherwise there is a high risk of failure.

Inevitably when firms are reviewing the advice process and operating model there will be key considerations regarding how to improve systems, and where they can streamline and standardise their processes by embracing technology to drive business efficiency.

Firms that can “industrialise” their processes such as document management and compliance administration through the use of technology will have a key advantage over competitors and will increase productivity, reduce costs – and reduce the regulatory risks in running their business.

Streamlining technology processes can also improve employee efficiency and improve client service.

However, in order to generate these cost savings and bring about a more robust business, attention has to be paid to understanding what technology is needed, how it will be used – and then on effective purchasing and installation.

In order to define the client proposition having a good database and high level of management information will be invaluable to carry out any client segmentation exercise.

Also having systems and the technology in place that can implement and support multiple service models for differing client requirements with information security can offer a competitive advantage thereby reducing risk.

Building closer relationships with key technology partners will have a significant impact on the integration functionality of the different systems selected. A key benefit of integration is that data can move freely between systems reducing the need for re-keying information and also the likelihood of errors.

Documented policies and procedures, secure management of business documents, and consistent business processes are the foundation to meeting regulatory and compliance challenges and reducing risk. This can have a significant time and ultimately cost saving.

Adviser technology historically has consisted of back office, front office, research tools, use of provider extranets to submit new business and for pipeline tracking and valuations, and more recently asset allocation tools and fund platforms.

With the growth of platforms advisers now have more functionality at their disposal including client facing tools and, more significantly, the ability to aggregate a client's assets.

The use of platforms can help firms realise cost efficiencies and improve the service offered to clients.

To help members better understand the regulatory requirements – and their business impact, we will shortly publish a guide to Platform Due Diligence.

## 8.2 New technology – new opportunities

However, technology is not only a way of reducing costs and lowering risk levels – it also has a major role to play in helping firms serve existing – and new groups of clients. Face to face advice is expensive and can only be delivered by qualified advisers. Given the growing demand for advice, there will be increasing time pressure on advisers and so new technology will have a role to play – both

in helping meet client demand but also in serving new markets where face to face advice may not be economic.

Simple cost saving measures such as having prospective clients complete factfinds online can quickly expand into identifying how technology can be used to help explain risk – and leave a detailed audit trail which can be referred back to later in case of complaint. Factfinds may also become “portable” so, once a person has entered their details once, they can electronically submit the form to a variety of firms and providers, to identify the best “fit” for their needs. The worry over future liability can act as a brake on this type of development; as what level of “confidence” can a firm have in a client’s self-completed risk profile?

The UK population has rapidly embraced technology: from internet banking to the latest “iphone app” technology is revolutionising entire industries. It would be folly to assume a similar revolution may not take hold in investment advice.

Client facing technology, including a compelling web presence, should not be overlooked when re-defining the proposition as it can help individuals to discover more about the firm and also can be used to retain existing clients.

Through emailed newsletters, blogs, use of Twitter and social networking sites,

firms can provide more information to a wider audience more frequently. Clients can benefit from being more informed about market issues that affect them and consequently more engaged with the advice process.

Broadband technology, and the “normalisation” of its use in our sector, offers the opportunity for client meetings to be conducted by video link (direct to the client’s TV or PC) – with the business benefits that could offer to firms who master this technology swiftly.

Social networking sites allow firms access to a wider audience. Recent technology developments have made social networking sites increasingly popular and easier to use.

Of the most populated sites Facebook has an estimated 250,000,000 users, MySpace 122,000,000, twitter (social messaging platform) 80,500,000, and LinkedIn (business-oriented social network) 50,000,000 visitors<sup>5</sup>.

As today’s “decumulation generation” hands over to tomorrow’s “inheritance generation”, with the £multi-trillion wealth transfer predicted, firms will need to use marketing strategies and approaches that resonate with those who will be their new clients. This means taking a fresh look at the use of technology and seeing it as a way of accessing a new population.

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<sup>5</sup> Source: Top 20 Most Popular Social Networking Websites, June 2010 eBizMBA Articles ([www.ebizmba.com](http://www.ebizmba.com)).

# 9 | Conclusion

Every good financial adviser knows about the cost to clients of delay in relation to pension contributions - but there is a cost of delay in preparing for the RDR as there are less than 600 working days, 2 ½ years until 1 Jan 2013.

Firms that have already made the transition to earning recurring income often talk about a 2-3 year process for the drop in initial income to be substantially offset by the increase in recurring income.

This means the process should be started now if it hasn't started already. This will require transformation to some business practices that will need a period to embed the cultural change and to move existing clients onto adviser charging.

There is no single "right" model for success in the post-RDR landscape. This report has outlined a number of potential scenarios. To take two extremes: a technology fuelled future where industrial scale means every person can access "advice" or one where it is a much sought after preserve of the richest in society.

In the first vision, there may be hundreds of employees in the company; the majority being client acquisition and client relationship managers, with all the client contact and paper work completed by this team which is entirely based on state of the art technology but the advice is provided by a single "technical expert adviser" who has very little client contact.

Alternatively, firms may be recognised as highly professional, on par with barristers, who charge considerable sums for face to face personal advice. Between these two visions is a world of opportunity. One thing is for sure, great change presents great opportunity.

Firms start with the advantage of being the most trusted participants in the retail financial services world; our future is in our hands.

# Appendix A

## Overview of AIFA FFWD

FFWD is AIFA's interactive online academy that can help your firm successfully transition in readiness for the changes ahead.

For businesses to survive and thrive in the future they will need to change. FFWD includes key components of a business review and change plan.

FFWD has been carefully put together by practitioners who have been through a successful transition so advisers can draw on their experiences.

FFWD provides:

**INSIGHT** into how change can benefit firms

**IDEAS** to help firms get more value for their business

**TOOLS** to help implement transition

**ACTIONS** to help deliver greater profitability

The topics in FFWD include:

### 01 | Business audit

Assess the current state of your business to understand where improvements and changes need to be made.

### 02 | Business vision

Develop and document a clear picture of the future of your business.

### 03 | Client segmentation

Recognise your most, and least profitable clients and those you want to target in the future.

### 04 | Client proposition

Define how your business will be positioned to existing and new clients.

### 05 | Pricing the proposition

Determine how your business will charge services to different client types.

### 06 | Financial model

Test different scenarios to build a financial plan for business success.

### 07 | Client management

Document how to successfully migrate clients through business transition.

### 08 | Project management plan

Overcome the barriers and embrace the opportunities of change for your clients, staff and business.

Whether firms have already started the process of business change or are seeking guidance on where to start, FFWD can provide all the tools and tips firms need.

Visit [www.aifaffwd.net](http://www.aifaffwd.net)



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