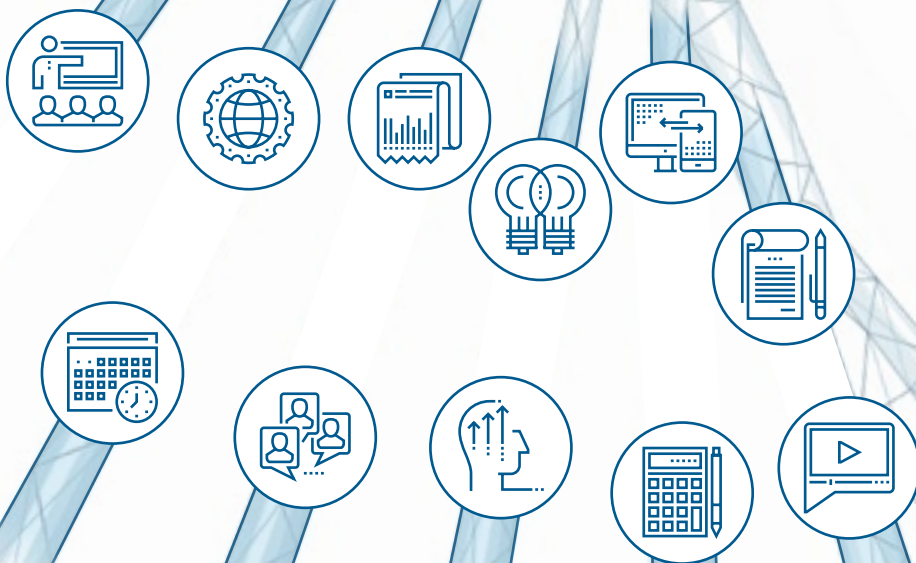


This document is for investment professionals only and should not be relied upon by private investors.

# Skills of the modern financial adviser



# Introduction

Mark Hamill, best known for playing Luke Skywalker in the original Star Wars films, famously said upon reprising his role, 'everything has changed but nothing has changed'.

So it can be said for the role of a financial adviser. The retail financial advice landscape has changed remarkably in recent decades, specifically with regard to the regulatory framework and the tools, technology and processes used to deliver advice. However, the fundamentals of the role: understanding the client's needs and suitability; navigating the field of available products and solutions, and making and reviewing recommendations, remain unchanged.

Therefore, the core skills at the heart of the financial advice profession persist now as much as for the last 30 years or more:

- Great interpersonal skills
- Relationship building
- Numeracy
- A level of technical understanding of financial products and regulation
- The ability to translate the complex into something that lay clients can grasp and buy into.

Never was this truer than in the environment in which we find ourselves, where the world is responding to a major pandemic. Most financial advisers will have worked through market crises in their careers and are used to employing their communications skills to calm the nerves of anxious investors, and to adapting their businesses and rebalancing client portfolios in the aftermath of an economic shock. This time, advisers are faced with doing all of this whilst almost every aspect of normal working life is turned upside down and many businesses (both advice firms themselves and many of their clients' businesses) are facing an unpredictable future.

However, a shift in working practices was already underway to reflect the changing demands of a modern client base and the business need for greater efficiency, with firms positioning themselves to take advantage of new technology to go paperless, and to work flexibly and remotely. Just three or four years ago, the current rapid evolution of financial planning processes would have been a more difficult exercise.

Twenty years on from the launch of the first UK fund platforms, which also had profound effects on the functioning of financial advice firms, this report looks at the skills requirements for today's successful advisers. It seeks to answer the following questions based on evidence from our quantitative and qualitative research:

- How has the skill set for a successful financial adviser changed?
- How well aligned are old and new skill sets?
- What is the best path for new entrants into the industry in terms of their skills and qualifications?
- What mindset should advisers adopt?
- What are the skills that advisers might need to develop in the near future?

This report complements a more wide-ranging [IFA DNA study](#) which considers the changing picture of financial advice over the last 20 years and what the future may hold for advice businesses.



# Methodology

Fidelity commissioned NextWealth to produce this report based on a representative sample of financial advisers using an online survey and in-depth qualitative interviews.

- Online survey of 202 financial advisers conducted between 17 and 24 January 2020.
- In-depth qualitative interviews with ten financial advisers conducted in January 2020. The interviewees were chosen to represent a full range of experience in the industry, from new graduates and trainees up to industry veterans.

## **Special note**

The fieldwork for this report was carried out before Coronavirus began to impact UK markets and working practices. However the content has been subsequently reviewed to concentrate on how the research findings apply to the current environment in which financial advisers are having all their skills put to the test under unprecedented conditions.



N E X T W E A L T H

# Skills of the financial adviser

## Past financial adviser

What were the key skills required for a successful career in financial advice? Back in 1985, at the launch of the first weekly trade publications, the term IFA had not yet been coined. Life companies were introducing unit trusts and major new industry regulation was around the corner in the shape of the Financial Services Act 1986, which divided the industry into tied, multi-tied or a new classification of independent advisers.

Back then, advisers were commonly referred to as 'brokers', and they enjoyed commission-based relationships with insurance companies under which they put forward their products for clients to invest in.

Financial advisers were largely hunters or farmers: either chasing down new business opportunities or looking after the needs of existing clients.

Ample informal networking opportunities and social events (expenses-paid trips, days out at sporting events and so on) made establishing professional connections easy and organic.

One of our interviewees described witnessing his father's successful advice career:

**"My father worked from home, running his own company. He could play golf whenever he wanted. He was entertained by the insurance companies. He could provide for the family, and have a good business income. He had fun and played golf; his clients were his mates"**

Then, as now, interpersonal skills for building lasting and trusting relationships with both product providers and clients, sales skills and technical product knowledge were the key elements for a successful career.

That's not to say the job was all plain sailing, but working life for financial advisers was undeniably rather more straightforward.



Sales



Numeracy



Relationship building



Technical knowledge



Business development





Coaching  
skills



Time  
management



Business  
development



Data and  
analysis



Teamwork and  
collaboration



Strategic  
thinking



Emotional  
intelligence



Technology



Technical skills  
and numeracy



Report  
writing



Marketing and  
social media



## Present financial adviser

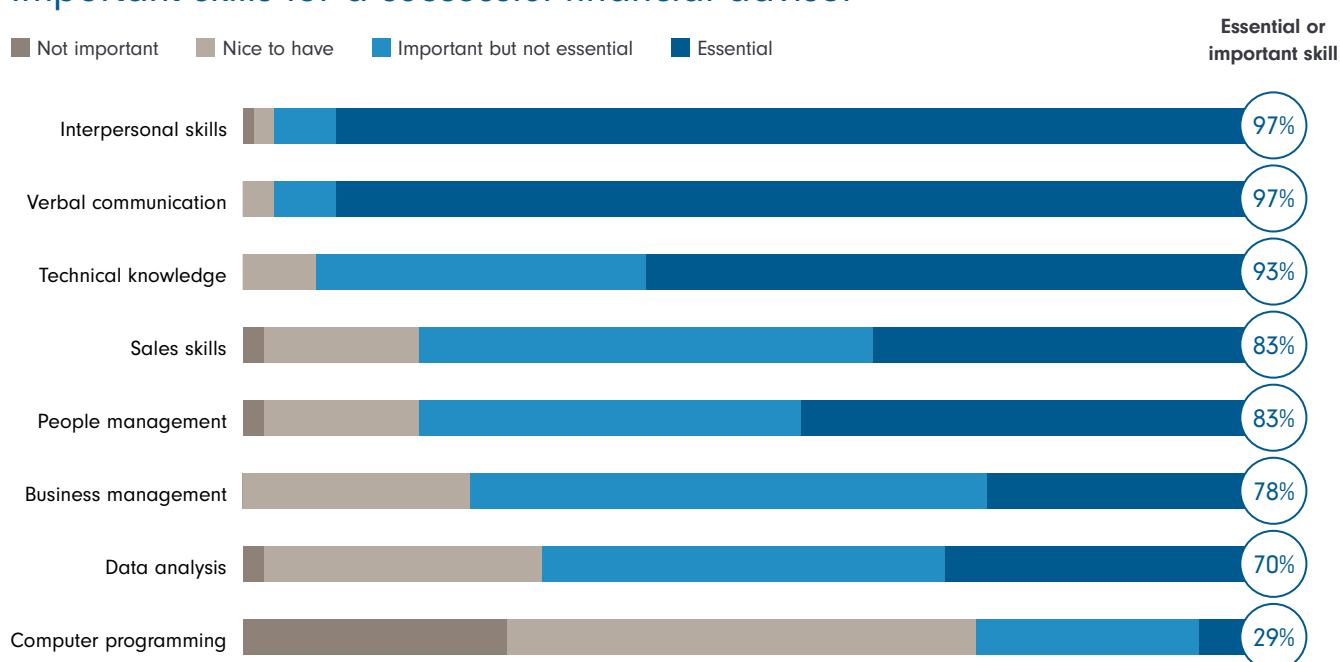
Modern financial advisers face a radically different landscape. Swathes of regulatory change, including the Retail Distribution Review at the end of 2012, MiFID and MiFID II and the pension freedoms changes of 2015 have changed the game. Without exception, the advisers we interviewed welcome the changes that have taken place and the resulting increased professionalism of the industry.

However, the removal of commission-based advice, whilst taking away product bias and aligning financial advice with other similar professions, has led to more pressure to justify advice fees. This has fuelled the expansion of traditional financial product-based advice into a wider and more holistic financial planning service.

**"When I first joined the profession, commission played a big role. It was more of a transactional sales role. Now it's more about planning stages. Every year when you meet with clients, it's not just what are we topping up, but why?"**

# The skills needed today

## Important skills for a successful financial adviser



**“Good advisers that have been in the profession for 30 years have that skill set. They have always been able to have that empathy; it enabled them to retain their clients and be successful. Everyone needs that skill set now”**

**“The best advisers aren’t the most technical. They don’t know the textbook inside out. They are able to sit down and have a basic conversation without overcomplicating issues”**

## Financial planning skills

Looking at the ‘why’ and not just the ‘what’ highlights the need for the so-called ‘softer skills’: empathy, coaching and the emotional intelligence to discuss client’s goals, fears and the outcomes of life-changing events.

In light of recent world events, we are seeing evidence that clients are turning to their financial planners not just for reassurance on their investment strategies, but also for a deeper conversation about their concerns for their families and businesses and the uncertain future they are facing.

Interpersonal skills and verbal communication are the two skills considered the most essential to the role by current practitioners, placing them considerably higher than technical knowledge. The ability to express the complex in simple terms was discussed widely by our interviewees, and is even more relevant in overwhelming and confusing times.

## The 's' word – why sales skills are still key

There is a stigma attached to the idea of financial advisers as salespeople, a hangover from the tarnished image of commission-driven brokers. However, consultative sales skills are very much still part of the job and advisers need to be competent and confident in drawing out a client's underlying objectives and presenting a solution.

## Technology, data and research skills

Use of technology to underpin and augment the financial planning process has increased remarkably and therefore tech skills are another vital element for a successful career. Platforms have enabled instant assessment of a client's portfolio, making life considerably easier in one respect. However, the volume of data available to advisers requires a level of comfort with analytical work.

Remote working and online meetings associated with current social distancing and isolation measures has required financial advisers to rapidly adopt new working practices and get to grips with the accompanying technology for video calls, online project management tools and electronic signatures. While many advisers would have been used to performing some of the role remotely, they now have to adapt to the challenge of meeting with and processing clients entirely online.

## Report writing

The compliance requirement for more detailed and more frequent reports is a thorn in the side of many advisers, but however unpopular the requirement, good report-writing skills are a must. One interviewee told us:

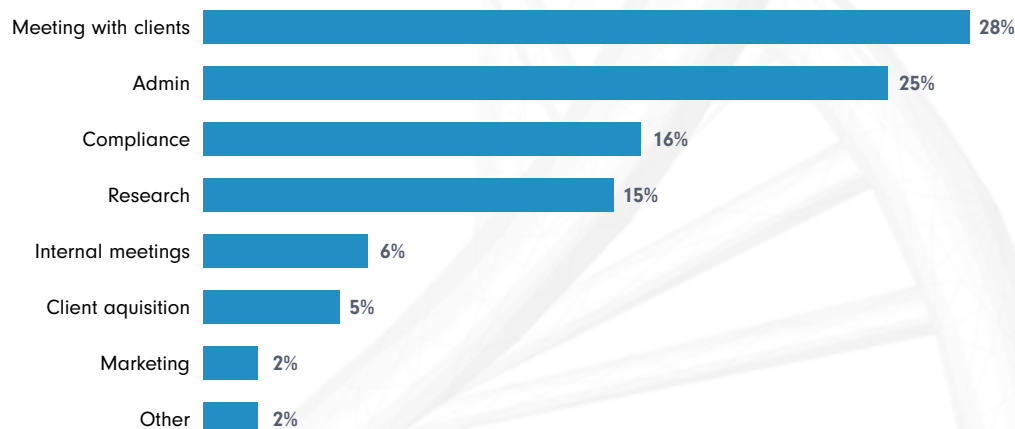
**"There is a lot more report writing than I imagined. It's getting more and more onerous in terms of the requirements to give advice. Even if a client just wants to top up their pension, it should be straightforward but I have to write a massive report"**



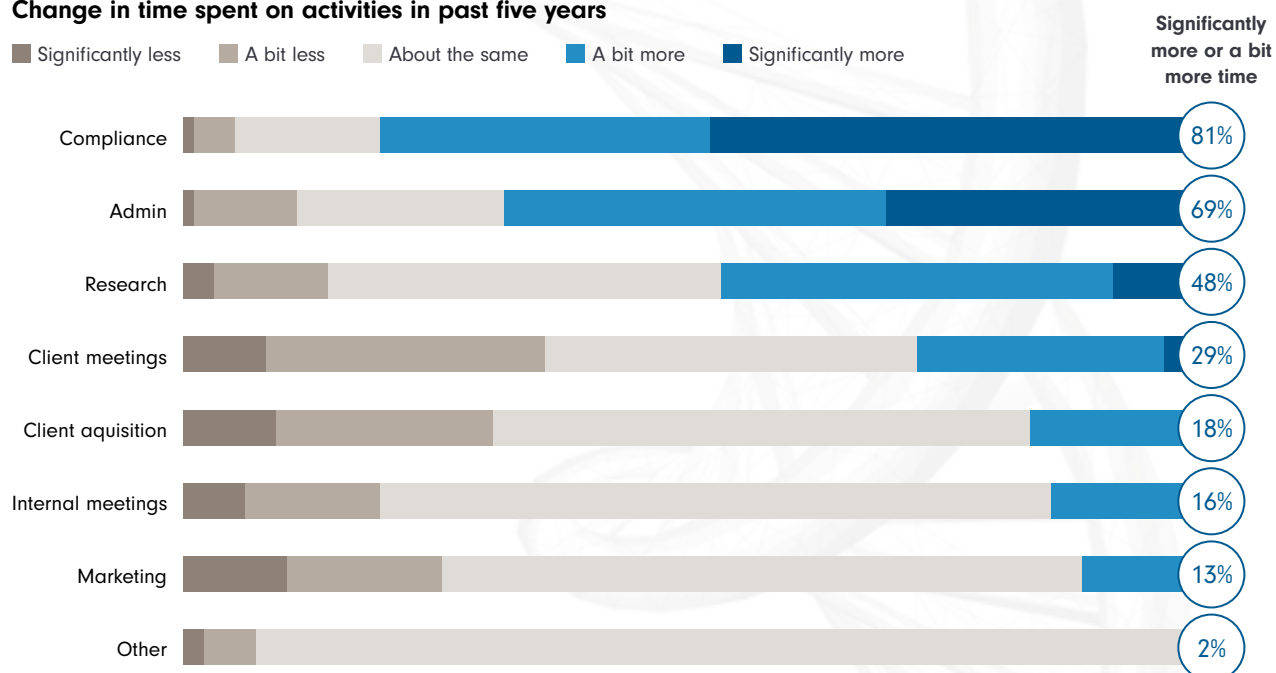
## Time management skills

Advisers report working harder than ever before. Our research data shows a substantial increase in time spent on certain activities in the planning process, such as compliance and admin. Therefore, good time management becomes essential to ensure business efficiency and maintenance of client service standards, whilst being responsive to the pressure to keep fees down.

### Average time taken on each activity



### Change in time spent on activities in past five years







## Marketing and social media

Recent research points to client referrals as the most productive source for new business. However, successful advisers also need to be skilled at marketing and using social media – not just to attract new clients but to maintain engagement with the existing client bank. One graduate we spoke to told us:

**“Until I and another student joined the firm, everyone had been paying a subscription for the Hearsay platform for about 18 months but had never used it. It’s attached to the firm’s Facebook and LinkedIn profiles and we encourage younger and savvier clients to follow us. We use Hearsay to schedule relevant news articles to pop up on clients’ news feeds and remind them we’re here”**

The same graduate also told us about regularly attending seminars on marketing, encouraging referrals and broader client skills.

With advisers currently having to conduct business without the opportunity for face-to-face meetings and networking, we observe that many firms are increasing their activity on social media platforms and using video messages, perhaps for the first time, to communicate with existing and prospective clients and offer reassurance.

## Business management skills

Brett Davidson of FP Advance has written about business management skills as the vital ‘third leg’ of a three-legged stool representing financial advice firms. Commonly the other two legs receive a great deal more attention: technical knowledge and selling and communication skills. Business owners and managers need to dedicate enough time to focus on the aspects of running the firm that might get sidelined in favour of face-to-face time with clients and bringing in new clients. One of our interviewees echoed this point in our research:

**“Business owners are spending too much time with clients. Running an advice business is a huge amount of work: recruitment; systems; compliance; management accounting; looking at the 5-, 10-, 15-year picture for market outlook”**

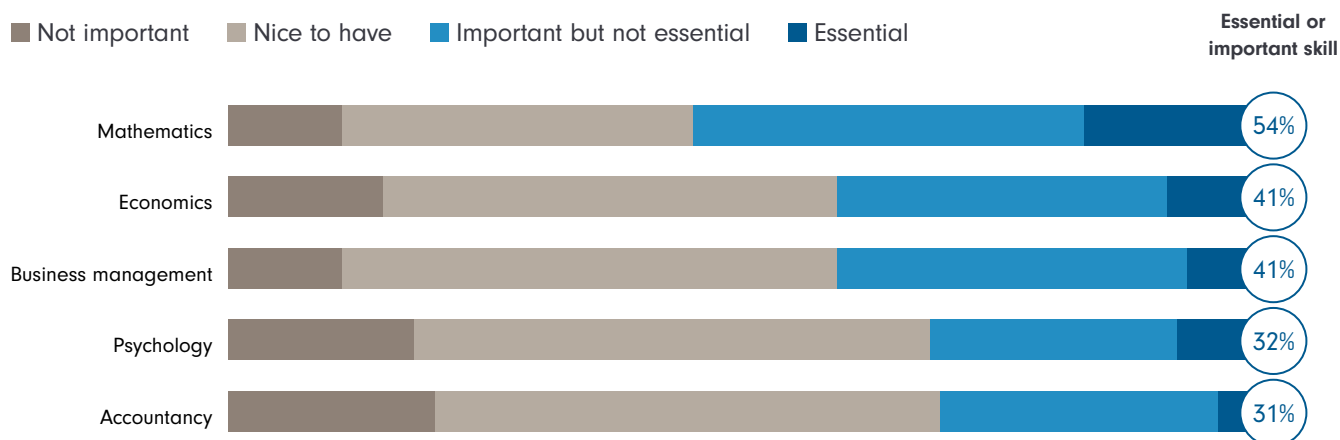
Business leaders have been forced to rethink the structure of their teams to take advantage of the new capabilities and tools that are available to the modern adviser. Whether in-house or outsourced, tasks such as paraplanning, investment research, technology, improving processes and office admin can all be delegated, leaving advisers free to concentrate on servicing their clients.

In leading their firms through the Coronavirus crisis, advice business owners and managers are really having to think on their feet, respond rapidly to a changing landscape, position the business to continue in difficult times and maintain a clear, calm focus on the future.

# Career path and recruitment

While the traditional competencies of maths and economics top the chart for important qualifications for a successful financial adviser, half of respondents thought it would be 'nice to have' psychology qualifications, reflecting the view that understanding clients' behaviour and decision making is useful for delivering a financial plan successfully.

## Important qualifications for a successful financial adviser



We also asked current graduates their reasons for exploring a career in financial planning, and their responses described the benefit of being able to use numeracy skills in a mix with interpersonal skills:

**"It's such a mixture of different skills. I really like maths but I couldn't do accounting – doing the same thing all day. Here we're out on client meetings three, four times a week, every client is different. I haven't had one day the same"**



## How aligned are current skill sets in relation to the new requirements?

To reference an earlier quote from one of our interviewees, 'good advisers that have been in the profession for 30 years have that skill set'. The core skills that served financial advisers well in the past will pay dividends now and will continue to benefit them, their businesses and their clients.

However, as we have seen, greater business pressures on time, cost and productivity, and the shift to more holistic financial planning are prompting advisers to 'up skill'.

There are both industry-specific and general courses available, as well as industry conference sessions to spark new ideas on competencies to develop as an adviser with an eye on the future.

## The importance of a learning and growth mindset

We asked interviewees an open-ended question about the piece of advice they would share with someone considering a career in this field. Responses were wide-ranging, however some of the most common themes were around being client-focused, being prepared for hard work, and adopting a learning mindset.

### The comments included:

**"Be prepared for continued exams  
– need to keep on learning"**

**"Be open minded and inquisitive"**

**"Study hard and expect to learn  
throughout your career"**

Embracing a learning and growth mindset will encourage advisers to grow their skills as their clients' expectations evolve, and help them manage change as the industry continues to progress.

Indeed, recent events only highlight how vital this mindset is as advisers shift to new working practices, new ways of working with clients and increased market volatility. Those with a growth mindset will find it easier to look beyond the current turmoil, draw valuable lessons from how working life has had to change and respond flexibly to the changing needs of their clients.

# Conclusion

## Skills to future proof your role and business

Certain core skills will continue to be central to good financial planning, particularly interpersonal skills, communication, technical competency and business development.

The present global pandemic crisis has highlighted the value of resilience, adaptability and flexibility as advisers rise to the challenge of guiding their clients through challenging times with a completely new way of working.

As the business and wider landscape develops, we expect the following additional skills to become more valuable to practitioners:

- Behavioural coaching
- Cyber security and risk management around data handling
- Strategic planning
- Soft skills to support clients in volatile markets
- Ability to adopt and use new technology to improve efficiency.

The role of the adviser has arguably never been more important than it is now. In a wider context, more responsibility is being put on the shoulders of individuals to fund their own pension. At the same time, technology advances will mean that the role of the adviser will continue to evolve. And in the present climate, clients will rely heavily on the relationships they have built with their skilled and trusted planners. At FundsNetwork™, we look forward to continuing to support advisers help clients achieve their long-term financial goals.

Read [more research](#) on how advice firms are adapting to change and other business challenges.

[fundsnetwork.co.uk/ifadna](https://fundsnetwork.co.uk/ifadna)