



IFA DNA Report  
April 2021

# Beyond the pandemic: the advice industry looking forward



**FundsNetwork**





# Introduction

“Welcome to the latest wave of Fidelity FundsNetwork’s IFA DNA research.

The purpose of these surveys is to explore what it really means to be an IFA today. They examine, for example, the forces driving change within the industry, such as regulatory and technological advances and the effect these are having on firms. They also seek insights on how advisers are engaging with clients, looking at the themes and trends emerging within today’s advice market. Finally, the research considers advisers’ sense of purpose and career satisfaction.

The first wave of this research went ahead in the early part of 2020. Events soon overtook us as the pandemic struck and much of the research conducted since then has focused on assessing how advisers are adapting to the pressures thrown up by the crisis. This latest round of research begins by examining how advisers’ views have changed from those expressed pre-pandemic and at the time of the first lockdown. The report quickly moves on to consider how firms are planning for the post-pandemic period and, looking at the results, it is very heartening to see how positive advisers are feeling about the future despite the challenges of the last year.

This round of research also picks up on some of the big themes within the advice industry today, such as the financial wellbeing of clients and advising on intergenerational wealth transfers. In a separate report, we also examine advisers’ views on another of the industry’s hot topics – the rise of ESG and sustainable investing.

I hope you find both reports full of really useful information. One of our key aims is to support you by providing a broad range of insights to help you manage your business. IFA DNA is just one such report and we are delighted to share our findings.”

**Jackie Boylan, Head of FundsNetwork**

As we prepared to see the new year in on 31 December 2019, China was confirming to the WHO the first cases of a new disease emerging in the Wuhan area. At that time, little did we know that this outbreak would turn into a global pandemic that would change our lives forever.

Since then, Covid-19 has not just been a threat to our health – in many cases it's been a threat to our way of life too. Three national lockdowns have been imposed, social distancing has been a constant while, for many, working from home has become the norm. The economic consequences have been devastating – last year the UK economy experienced its biggest annual decline since the Great Frost of 1709.

While some business sectors have undoubtedly been hit harder, advice firms have experienced an exceptionally tough year since the first lockdown was imposed in March 2020. For an industry that has predominantly relied on engaging with clients on a face-to-face basis, social distancing has provided many challenges. However, as first highlighted in our June 2020 report, advisers have proven to be remarkably resilient – bringing in new ways of working, embracing new technology and, for the most part, keeping a very positive mindset.

As the prospect of a return to some degree of normality moves ever closer as the UK vaccination programme is rolled out, this research revisits some of the themes examined last year. It explores, for example, how advice businesses are preparing for the future, whether working practices will revert back to how they were before the pandemic and seeks views on how the demand for advice will change over the next few years. This third instalment of research also considers some new topics, such as the financial wellbeing of clients and the opportunity presented by advising on intergenerational wealth transfers.

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# Methodology

Fidelity commissioned NextWealth to produce this report based on a representative sample of financial advisers from research conducted in January and February 2021:

- A digital survey of 200 UK financial advisers.
- In-depth qualitative interviews with ten financial advisers.

The interviewees were chosen to represent a range of experience levels, firm size and operating models, from large independent IFA firms, appointed representatives and a small start-up practice.



N E X T W E A L T H

Read our complementary IFA DNA research on sustainable investing



# Executive summary

## The coronavirus crisis: one year on

The advice sector has been hit hard by the pandemic with 57% of advisers saying the crisis has either strongly or somewhat affected their future plans. What's more, 59% of respondents say their firm has taken on fewer or no new clients over the past year.

Despite this challenging backdrop, firms are looking to the future with great optimism with 60% looking to grow by increasing their assets under advice over the next three to five years.

Firms who have had their plans affected by the crisis

57%

59%

Advisers that have struggled to attract new clients

60%

Firms looking to grow organically over the next five years

55%

Expect the demand for advice to grow

1<sup>ST</sup>

Retirement planning is the top reason for seeking advice

## Client trends

Factors such as a greater awareness of financial planning, changing personal circumstances and the general uncertain environment are expected to drive an increase in the demand for advice. In fact, 55% of advisers expect to see this increase over the next five years.

Retirement planning remains the most common reason for clients seeking advice, followed by ongoing financial planning support and intergenerational wealth transfers.

## Financial wellbeing

The economic consequences of the pandemic have naturally had an impact on some clients. Indeed, more than a third of advisers say more of their clients are concerned about their financial wellbeing than usual.

35%

Advisers with clients more concerned about their financial wellbeing

## Adviser trends

Most advisers (63%) are finding they have more time during the day because of the pandemic. Many spend this extra time on doing things positive for their physical and mental health (27%). Career satisfaction remains high (86%).

Advisers with more time in the day than before the crisis

63%

Advisers either completely or somewhat satisfied with their career

86%

## Intergenerational wealth transfers

Over one third of advisers (36%) state there has been an increase in demand for advice in this area as a result of the pandemic. Looking forwards, 72% believe this represents an important opportunity for their business.

36%

Advisers experiencing an increase in demand for this advice

72%

Firms view this as a big opportunity for the future

## Sustainable investing

Advisers expect this area of investment to continue to grow with 54% stating they anticipate recommending more sustainable and ESG investments as a result of the pandemic.

54%

Expect to recommend more sustainable investments

Read our complementary IFA DNA research on sustainable investing

# The coronavirus crisis: one year on

## Plans for the future

When asked about the next three to five years, over half of advisers (57%) feel the pandemic has either strongly or somewhat affected their future plans. While this is a significant figure, the number has reduced since advisers were first posed this question in the June 2020 survey. In the early stages of the crisis, 64% of respondents stated their firms' plans had been affected. Indeed, 10% stated that plans had been strongly affected, a number which has fallen to 4% in the latest research.

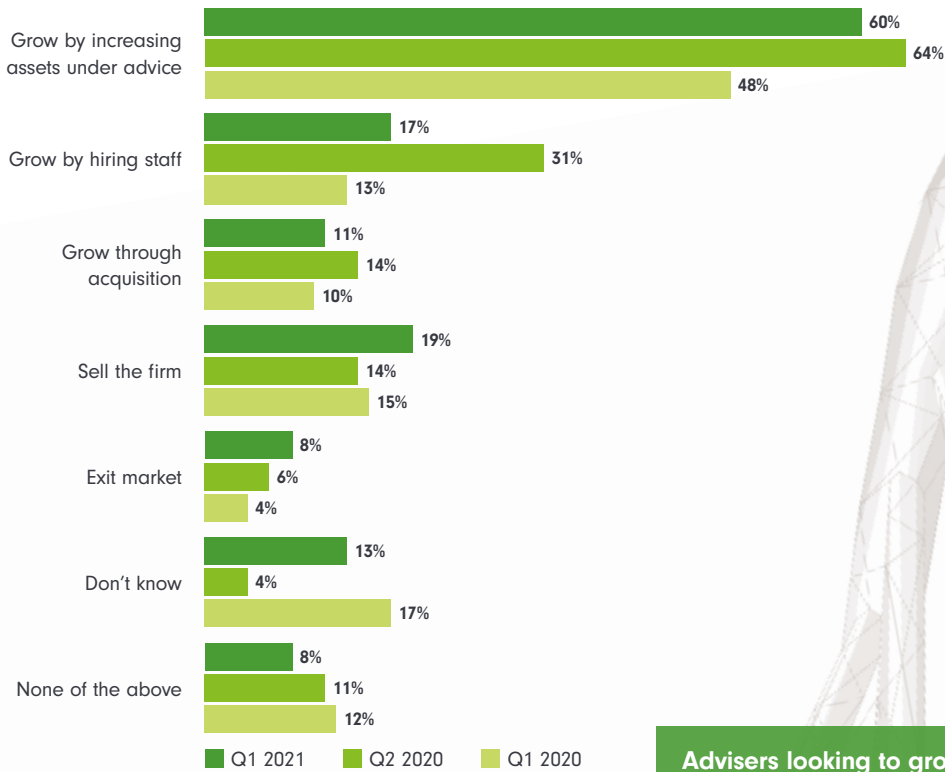
Larger firms are the most likely to say long-term plans have been affected, with 63% of firms with £250 million or more of assets under advice stating this to be the case. However, this is a drop from the 75% who responded this way in the June 2020 survey. Advisers at firms with less than £50 million in assets under advice are less likely to say their plans have changed (53%), although this figure is largely unchanged from a year ago.

### Covid-19 effect on future plans



## Intentions for the future

In general, firms remain bullish on their growth prospects. Nearly two thirds (60%) of advisers say that their firms are looking to grow assets organically over the next three to five years. This is a slight fall from the June 2020 survey, but remains some way up from when this question was asked before the pandemic.



Advisers looking to grow organically

60%

Advisers looking to sell or exit the market

27%

Notably, there is an increase of advisers looking to sell or exit the market (27%), up from 20% in Q2 2020. Nearly all firms looking to sell or exit the market have five or less advisers.

"Covid has put retirement into sharper focus"

"I may think about retiring"

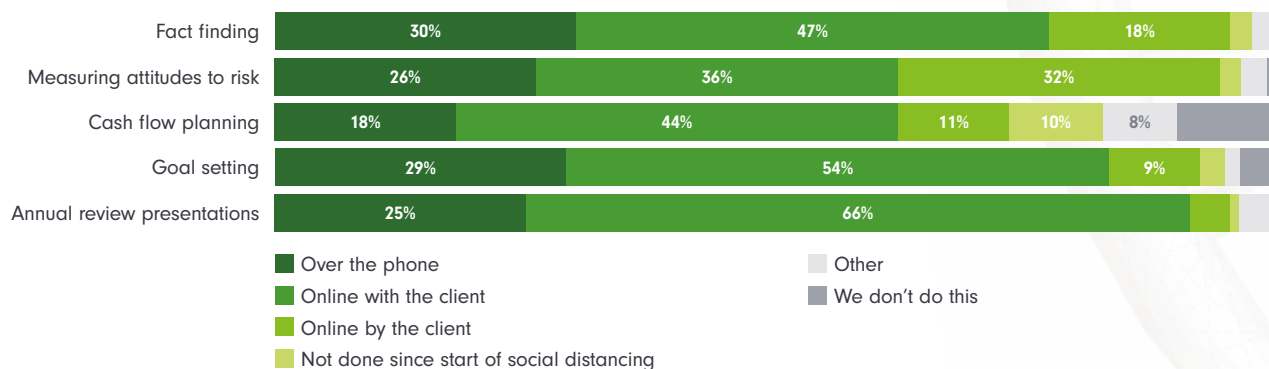


## Working practices

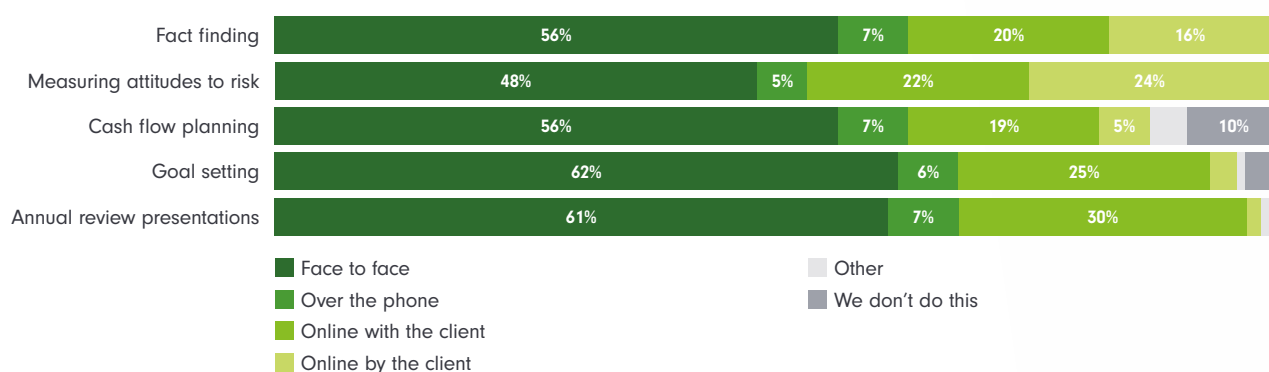
Before the crisis, all aspects of the advice process were typically conducted on a face-to-face basis with clients. Inevitably, the inability to meet with clients and social distancing measures have forced firms to change the way they conduct business. Phone and online meetings have become the norm over the crisis. However, after 12 months of remote working, advisers are looking to return to face-to-face working. That said, they are expecting to increase online interaction with clients compared to pre-Covid levels. This new digital uptake is especially prominent for fact-finding, measuring attitudes to risk and goal setting activities.

In in-depth interviews, advice firms have said that Covid has shown what is possible, and the future will certainly involve a blend of both home and office-based work, and seeing clients face-to-face and online. However, advisers are deeply missing face-to-face interaction, and the novelty of home-working has worn off for many.

### Conducting the advice process during lockdown and social distancing



### Conducting the advice process beyond the current crisis

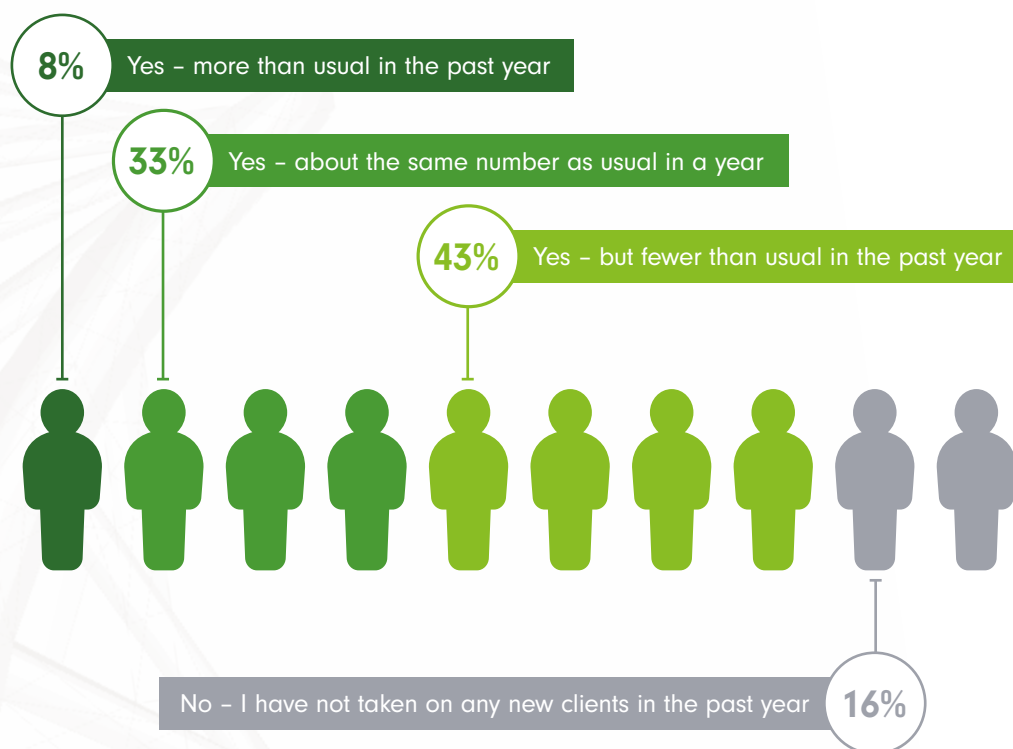


**"I think it will have to be a combination. I don't think anyone's going to want to go back to 100% how things were before"**



## Taking on new clients

In terms of taking on new clients, the pandemic has been challenging with 59% of respondents stating that they have either taken on fewer or no new clients at all over the past year. Only 8% of advisers stated that they have taken on more clients than usual over this period. A likely explanation for this is the difficulties of building new relationships when face-to-face meetings are not possible. Potential clients may also have put financial plans on hold until the economic picture becomes clearer. In addition, referrals may have fallen because clients aren't socially interacting and so not having these conversations with friends and family.



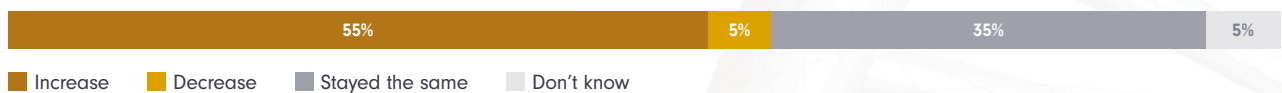
"I think lots of people are waiting to see what the world looks like coming out of the other end"

# Client trends

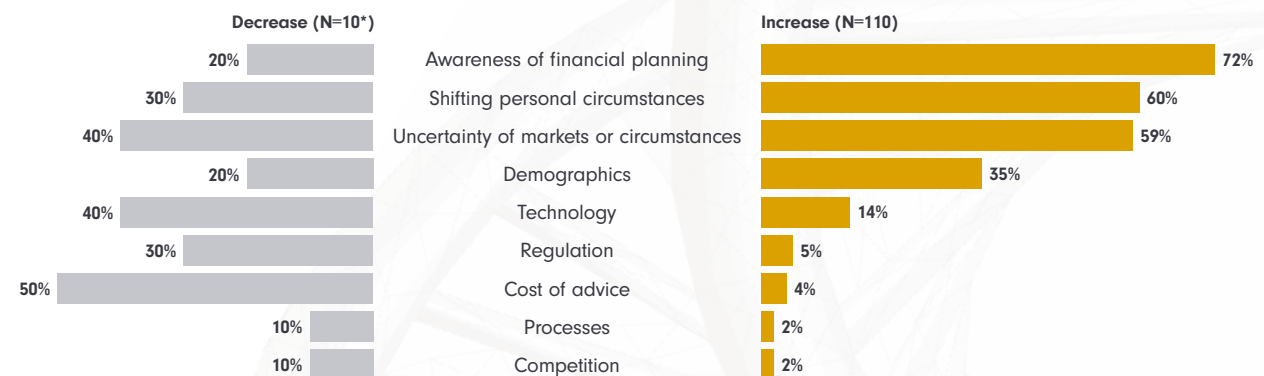
## The demand for advice

While the majority of respondents say the pandemic has created challenges in attracting new clients, over half (55%) of advice firms anticipate an increase in the demand for advice over the next five years. This optimism is unchanged from 2020. Only 5% of advisers in our latest survey anticipate a fall in individuals seeking advice.

Planners bullish on increased demand for advice attribute potential growth to an increased awareness of financial planning, as well as shifts in personal circumstances and uncertainty.



## The factors driving the demand for advice

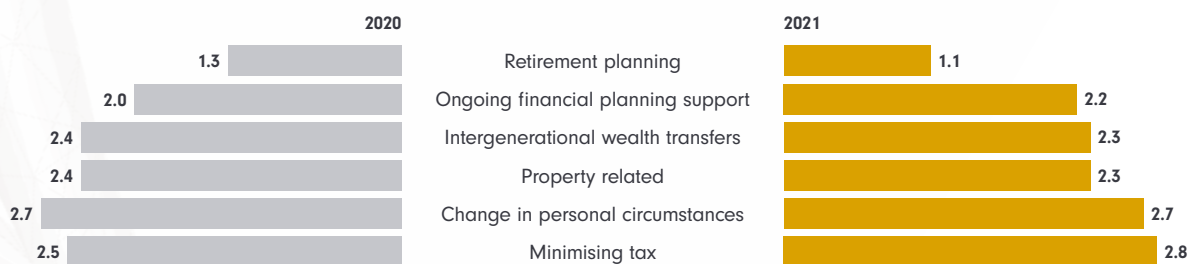


\*The low sample size means that these results should not be taken as representative of the total population but be seen as indicative of a potential trend.

## Client profile and segmentation

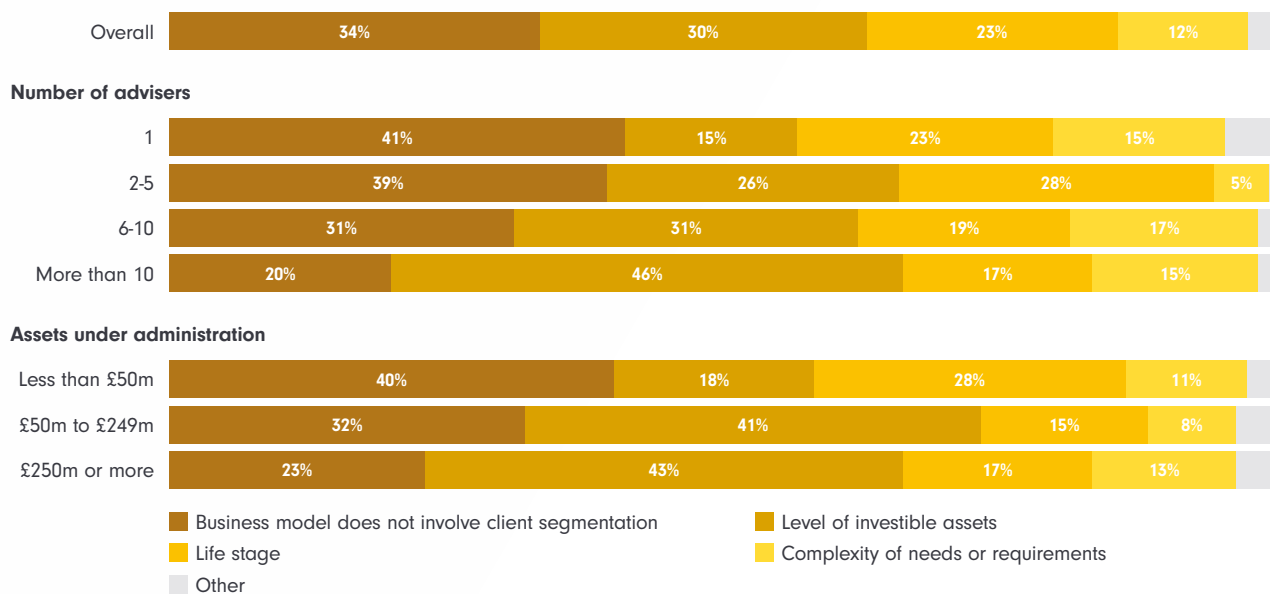
Well over half of respondents (59%) say their firm does not target a specific profile when attracting new clients to the firm. This compares to 36% who say that they do. In terms of common financial goals or challenges, retirement planning remains the number one reason why clients seek advice from firms followed by ongoing financial planning and intergenerational wealth transfers.

### Common client goals – average ranking



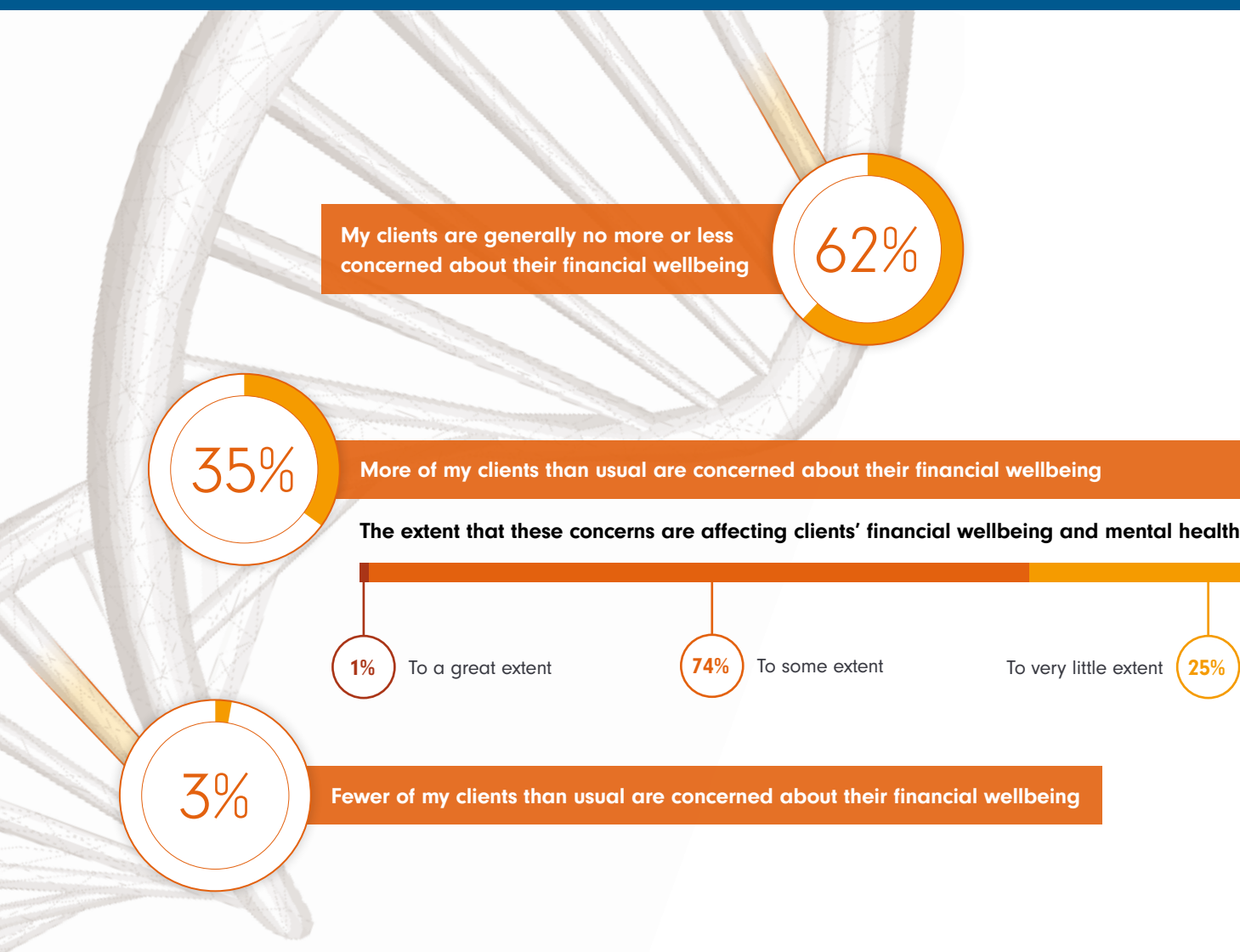
In terms of segmenting their client base, a third of advisers say their firm does not utilise specific criteria compared to 65% who say that they do. Segmentation is more common in larger firms (83%), with 46% of those with more than 10 advisers identifying the level of investable assets as the primary method of segmentation.

### The criteria taken into account when segmenting the client base



# The financial wellbeing of clients

Like lots of businesses, many clients have experienced a very difficult year. Worries relating to personal health and that of loved ones have been front of mind. What's more, the financial wellbeing of some clients has likely been affected too as the economic consequences of the pandemic have come into play. Indeed, 35% of survey respondents state that more clients than usual are concerned about their financial wellbeing. Of these, 75% say these concerns are impacting their clients' overall wellbeing and mental health. 75% say these concerns are impacting their clients' overall wellbeing and mental health.





**"I've always felt it is part of our role, whether you label it financial wellbeing or not"**

The vast majority of advisers (83%) feel confident they can support their clients' needs to some extent and are using various technology solutions to support their clients' wellbeing. Cashflow modelling tools were commonly mentioned as a way to 'help relieve the stress'.

In in-depth interviews, opinions were divided as to whether financial wellbeing is part and parcel of good financial planning process, a specialist skill, or a buzzword that some firms are over-using as a way to add value. However, advisers do recognise the value of good coaching skills and would appreciate training and support in asking the right questions and having the confidence to pursue deeper answers.

**Advisers that feel confident they can support their clients' needs**

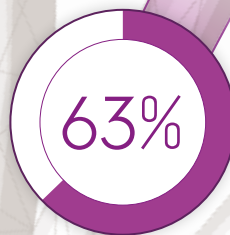
**83%**

**"Cashflow modelling tools help clients visually see their situation and this helps relieve some of the stress"**

# Adviser trends

## Schedule and time usage

Compared to before the pandemic, nearly two thirds of advisers (63%) now find themselves with more time during the day. The most common activity this newfound time is being spent on is advisers doing things which are positive for their physical and mental health (27%). Dedicating more time to existing clients (21%) and catching up on admin and report writing (15%) come next on the list.



Have MORE time available during the day than before...

Doing things which are positive for their physical and mental health

27%

Dedicating more time to existing clients

21%

Catching up on admin and report writing

15%

**"I would say that I'm using that time for personal development, generally. So probably more reading, more learning, and working on the business. So, business improvement, really"**

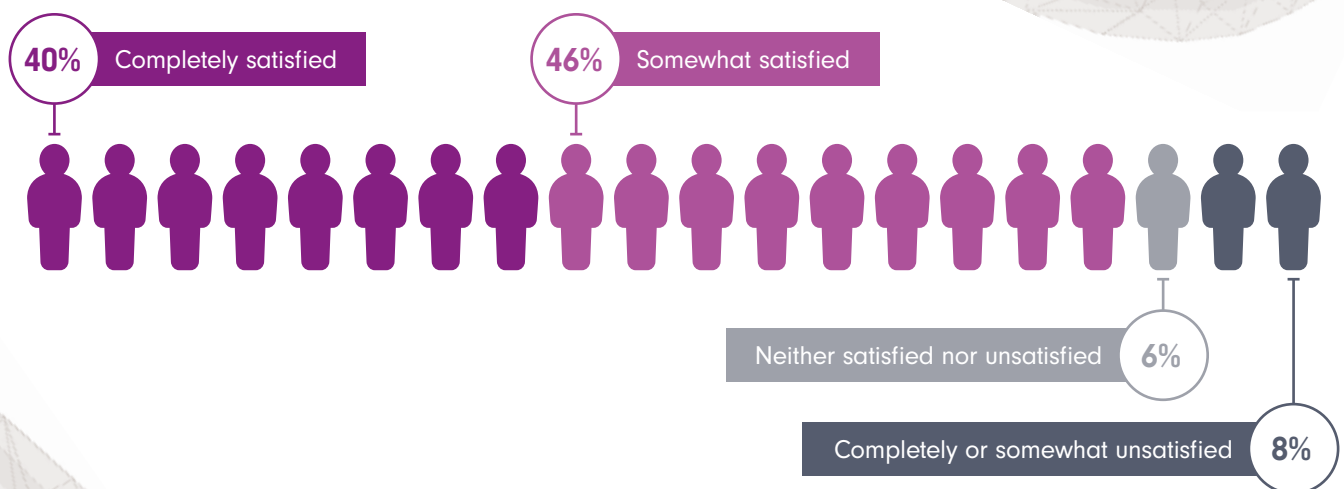
Have LESS time available during the day than before

16%

"Making a difference to clients is important, giving reassurance"

## Adviser satisfaction

Broadly, adviser career satisfaction has remained the same over the last 12 months with 86% of advisers saying they are either completely or somewhat satisfied. Covid's impact on adviser satisfaction has been limited – 88% said they felt satisfied prior to the pandemic.

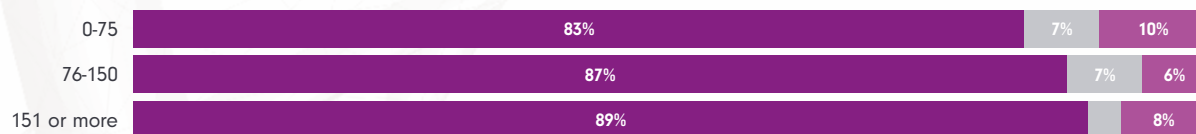


"I miss the face to face. My clients are like friends to me and I miss seeing them"

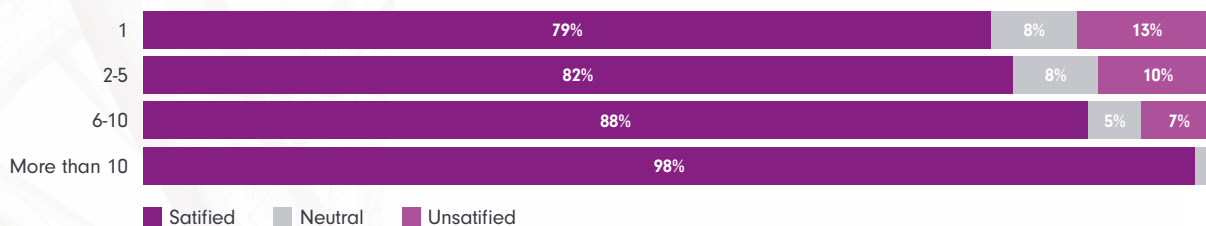
### Career satisfaction by size of firm

Notably, advisers show increased satisfaction depending on the size of their firm. Specifically, there is a 19% average differential in satisfaction between sole-traders and advisers working in groups of 10 or more.

#### Number of clients

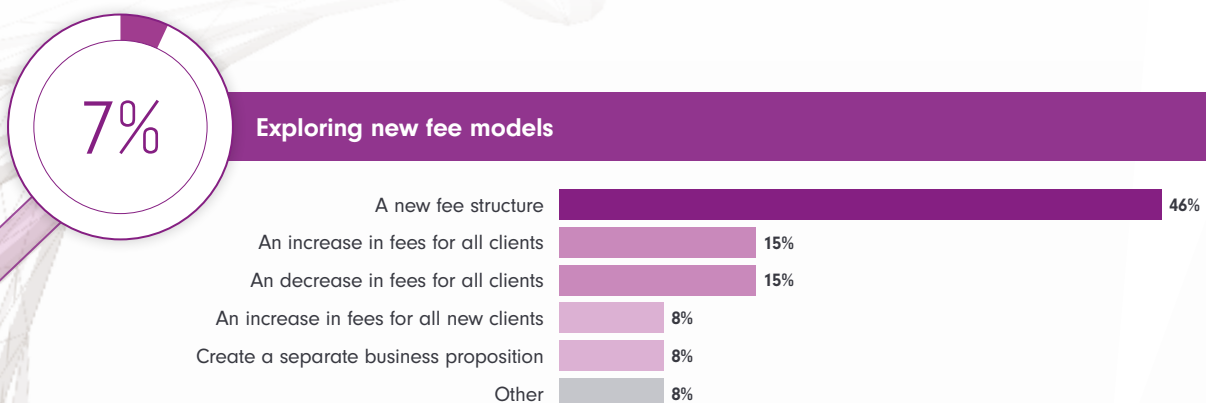


#### Number of advisers



### Fee models

Despite the FCA's recent focus on advice fees and the value of advice, very few firms (7%) state that they are exploring different fee models. In fact, 86% say this is not something they are exploring at all. For those firms contemplating a different fee model, 46% say any change will be based on certain client criteria, such as complexity of needs. The percentage that said they were looking to either increase or cut fees for all clients was the same at 15%.

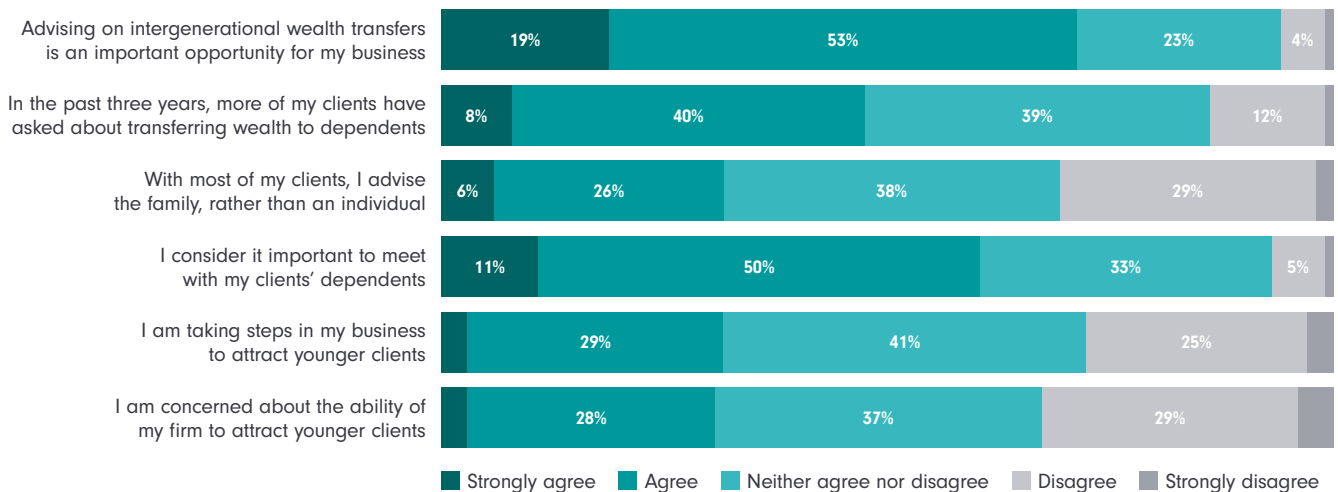




# Intergenerational wealth transfers

This area of financial planning is seen as a growth area for advice firms, particularly following the pandemic which has made many clients think more about the future.

Over three quarters of respondents (76%) already advise on intergenerational wealth transfers with 36% stating there has been an increase in demand as a result of the pandemic. Looking forwards, 72% state this represents an important opportunity for their business. In in-depth interviews, planners who embrace the opportunity seek to build the conversation into the earliest stages of the client relationship, and proactively establish relationships with dependents (in some cases picking up three generations of clients).



37%

Requested help with engaging younger generations with financial and estate planning

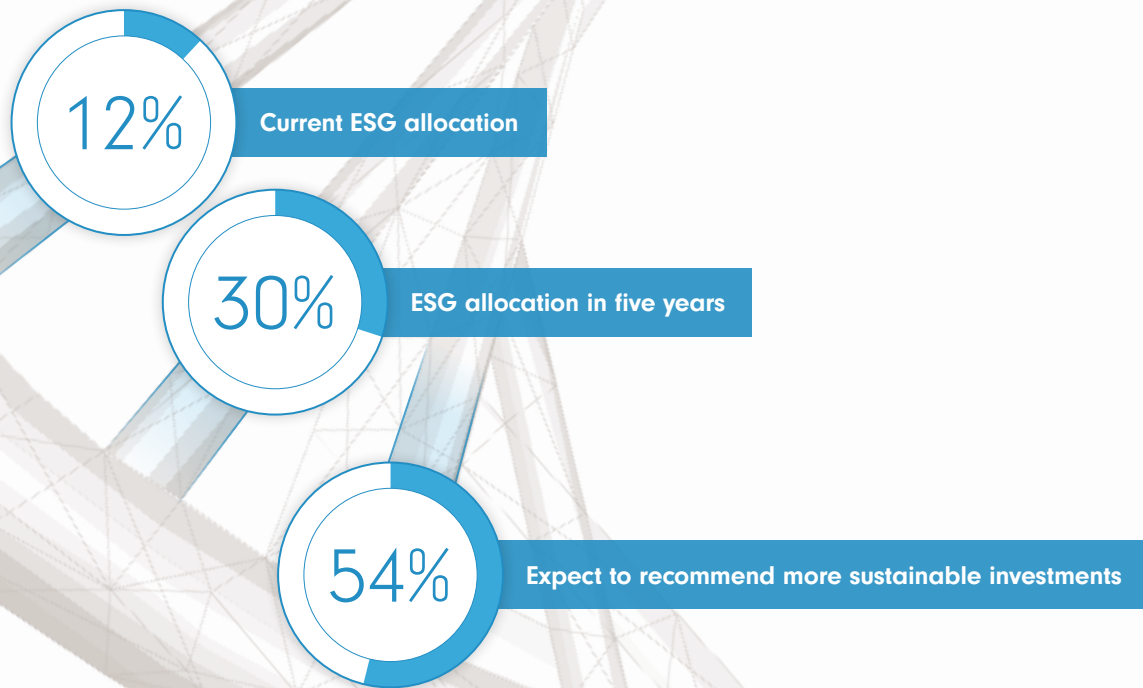
## Additional help and support required

The most common request is for help with engaging younger generations with financial and estate planning.

"I've had more clients referring their children to us, which is quite interesting. And I think part of that is because Covid has made them think about their futures, their financial futures, their security. It clarifies the mind"

# Sustainable investing

In a separate IFA DNA report dedicated to the trends in the fast-growing area of ESG and sustainable investing, we reveal that over half of advisers (54%) expect to recommend more sustainable investments following the coronavirus pandemic. In fact, advisers anticipate that the average allocation to sustainable strategies within client portfolios will nearly triple from 12% today to 30% in five years' time. This is being driven by an overall shift to a focus on sustainability in the consumer and political landscape.



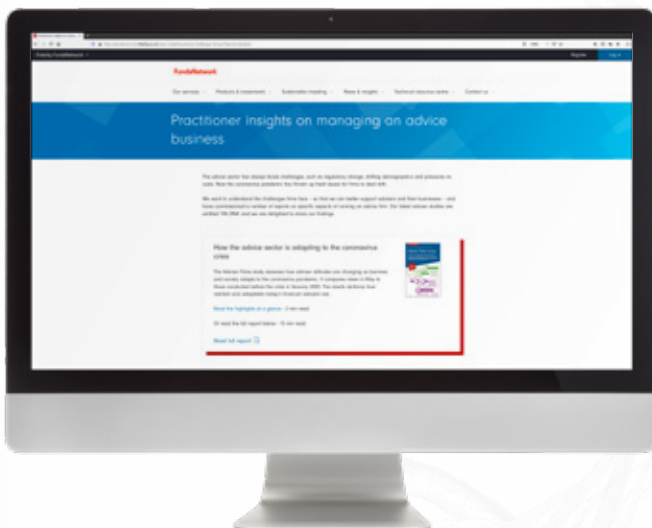
[Read the full report](#)

# Conclusion

As the advice industry looks to move forward from one of the most challenging periods in the UK's recent history, the results of this survey provide great grounds for optimism. Of course, the recovery will not necessarily be straightforward as the sector grapples with some of the issues thrown up by the pandemic. For example, this report shows that recruiting new clients over the last year has been very difficult due to social distancing measures. Reassuringly though, pent-up demand for good advice – and the fact that the UK's household savings ratio soared to an all-time high in lockdown last year<sup>1</sup> – should stand the sector in very good stead. Indeed, over half of respondents to this survey are predicting growth in the demand for advice over the next five years compared to just 5% who feel it might fall.

New working practices – such as using technology to meet with clients – may also help firms to grow their client base. Responses from the qualitative interviews suggest that younger clients may be more open to online meetings. Advisers believe that interaction with clients will be very much a mix of face to face and online going forwards. Advising on intergenerational wealth transfers is also seen as a big opportunity – our interviews indicate that Covid has led clients to think about the future much more with 36% stating that the pandemic has increased demand in this area.

Perhaps these factors explain why so many respondents to our survey have a very positive mindset as we emerge from the crisis. While many advisers revised or put their growth plans on pause over the last year, their ambition hasn't been dented. In fact, the pandemic may have strengthened their determination to succeed. This is borne out by the fact that 60% of respondents to this survey say their firm plans to grow over the next three to five years by increasing assets under advice – compared to just 48% before the crisis. This makes us very optimistic for the future of the advice sector.



Read more research on how advice firms are adapting to change and other business challenges

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

1. Source: House of Commons Briefing Paper, Coronavirus: impact on household debt and savings, January 2021.

