THE ADVICE NATION

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Opinium

The Advice Nation

The keenest insights into the UK's financial advice market

2016

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Foreword

01

Karen Barrett

Chief executive of unbiased.co.uk

Welcome to **The Advice Nation.** We're proud to bring you a whole new perspective on the people who use financial products – and on the advisers who bring the two together.

As the advice marketplace, we are a trusted information source for both consumers and advisers. So we're uniquely placed at unbiased.co.uk to deliver insights into the current state of the market.

People want the best products for themselves and their families – that's obvious. And providers want to offer the most competitive deals around. But there's a problem. For consumers to recognise benefits they need to understand them, while sorting through all the conflicting messages that marketing throws at them.

This is where financial advice comes in. Though still in the minority, consumers who seek professional advice represent a growing proportion of the market, thanks to rising awareness and greater ease in connecting with the right adviser. One result of pension freedom is that many more people will now benefit from advice. At the same time, advances in technology are making advice more accessible, and enabling advisers to take on a greater number and variety of clients.

What does this mean? A likely consequence is that the quality of products will play an increasingly big role. Over the course of this report we see consumers becoming shrewder, more cynical and cautious. Though marketing still has a big influence upon them, there are signs that this grip is weakening. People want impartial information, and they have unprecedented access to it. Yet they also need to make sense of this information deluge – and the quickest path to that is financial advice.

In a world where people are growing wiser to the 'sales pitch', how should providers promote their offerings? Quality and suitability will be the key factors. If needs can be identified and products tailored to fit, then with the help of independent advice these products should sell themselves. Providers who encourage people to seek unbiased advice are demonstrating true confidence in their own products – and such confidence can be remarkably catching.

I hope you enjoy The Advice Nation 2016 report and that it offers plenty of inspiration.

Alexa Nightingale

Head of financial research at Opinium

In this report we bring together the attitudes and needs of both advisers and the general public to provide a comprehensive review of the advice landscape and what it might look like in the future.

Why did we feel that now was the right time to conduct this study? With the substantial regulatory changes over the last few years and the recent developments in the pensions and investments space, the advice landscape has seen significant transformation and the need for comprehensive advice is ever growing. The proliferation of online channels has had a significant influence on the purchasing decision journey, and the route to purchase is harder to navigate for both consumers and providers alike. Our research also shows consumers are becoming ever more discerning, and with the increasing use of social media, managing reputation on and offline is critical to maintaining brand health.

In order to make sense of this evolving landscape, providers need to understand the influences and needs of consumers throughout their purchasing lifecycle, provide a consistent customer experience across all channels and devices, and respond to their differing communication and product needs.

Our report seeks to address these challenges and how they can be tackled. We hope the findings contained within it will help inspire you along that journey in 2016.

Methodology

METHODOLOGY

During January and February 2016, Opinium Research surveyed 2,500 consumers and 200 Financial advisers to gauge their attitudes and behaviours since the Retail Distribution Review (RDR) and pension freedom.

Consumer sample

The survey was carried out online using Opinium's highly engaged consumer panel of UK adults. The research was based on a 2,000 representative sample of adults (aged 18+) in England, Scotland and Wales. Data was weighted to the profile of all adults aged 18+ according to gender, age, region, working status and social class.

The consumer sample also included a boost of 500 Investors with a minimum of £5,000 investments holding at least one of the following investment products:

- A unit trust/open ended investment company (OEICs)
- Index tracker funds
- Exchange traded funds (ETFs)
- Investment ISA/NISA (invested in stocks & shares or funds)
- Stocks & shares (not in an ISA)
- Investment trusts

In addition, the report draws on unbiased.co.uk data. This includes the types of advice being sought after, the numbers of people searching, user demographics, behaviours and the devices used to search.

Financial Advisers

The sample of 200 was drawn from Opinium's IFA invitation only panel which is built up of over 700 IFAs from the unbiased.co.uk database. The advisers are based across the UK and advise across a broad range of financial areas. The report also draws on additional adviser data from the unbiased.co.uk database of 16,000+ financial advisers.

Executive Summary

EXECUTIVE SUMMARY

Spotlight on The Advice Nation

Who in the UK is seeking financial advice, and why? Who is providing it, and what are they offering? And how might the role of product providers need to develop as a result? That, in a nutshell, is The Advice Nation report.

We begin with a snapshot of today's advice market, seen from various different perspectives. The vast majority of advisers in this study are IFAs, with 10 per cent restricted by product type. Most do not specify a minimum wealth level for clients, though for pension and investment advice a lower limit is more common.

Meet the clients

The individual most likely to be searching for an adviser now is a man in his early 50s, living in one of the UK's capital cities – but that tells just a fraction of the story. Those who seek financial advice are men and women of all ages, with only modest variation across age groups or even between regions. Wealth levels notwithstanding, the demographic of advice clients is a very broad one.

What's on the advice menu?

Savings advice is the kind most often received, ahead of potentially more critical areas like pensions and protection, while advice on inheritance tax is rarely sought. It's likely that savings is an area often explored when clients consult about another issue – a 'while I'm here' kind of advice – hence its position at the top spot. Nevertheless it is worrying to see areas of higher priority (and greater potential value) being neglected.

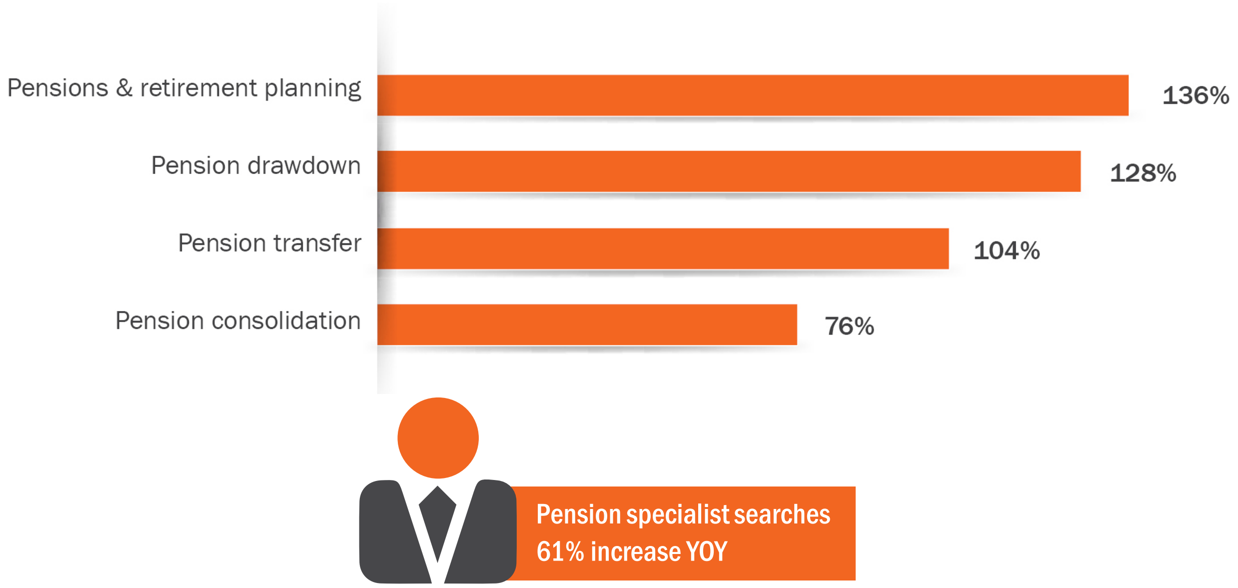
Different price tags

Consumers are split on how they want to pay for advice. Younger people are more attracted by a fixed fee or an hourly rate, while older (or else more experienced) people are more open to paying a percentage of their assets. Advisers may want to bear these different preferences in mind when discussing payment options.

Freedom's legacy

Pension freedom has woken people up to the potential benefits of advice, leading to many more searches on unbiased.co.uk for pension-related terms (see Fig. 1). Advisers have welcomed the changes too (though sole traders are notably more cautious). Advisers have been largely opposed to any changes in the system of pension tax relief – the new Lifetime ISA is one to watch, as it may be an omen of things to come.

Fig. 1 Searches for specialist advice



Source: Unbiased.co.uk search data from Jan-Dec 2015

Changing times

The effects of the retail distribution review (RDR) appear to have bedded down, with the majority of those affected now settled into their new way of working (though there is some dissatisfaction out there still). Other ongoing changes include the growing uptake of model portfolios and cash-flow modelling, while platforms are predicted to play an even more pivotal role in the future.

Social media

There is a cloud on the horizon in the shape of mobile technology and social media. At present only a minority of advisers use any form of social media to engage with clients, and among those who do, the levels of activity are often low. Fear of the regulators may be one reason why smaller firms curtail their social media activity, while larger firms (which may have compliance teams) are more open to it.

A low social media presence may not yet present a big problem, with most advice-seekers aged 40+ still favouring PCs and print media over mobile devices. However, the upcoming generation (those now forming the bulk of the first-time buyer market) are firmly attached to their tablets and smartphones and will increasingly live both their personal and financial lives through these devices. As this age group matures into the cornerstone of the advice market, advisers who fail to keep pace may find themselves becoming progressively invisible.

The personal touch

Undoubtedly it's important for advisers to monitor technology trends – but this shouldn't be at the expense of their current biggest strengths. Having a good rapport with an adviser was one of the key deciding factors for consumers making a choice – more so than the adviser's qualifications or specialist areas. Similarly, people who use a financial adviser to handle their investments prefer to check on those investments by meeting the adviser in person, unlike those who invest directly with providers.

Face-to-face is also the favourite (or near-favourite) means of communication for most advisers. This personal approach remains a unique selling point, as does the ability to tailor an individual financial plan. Advisers looking to increase their digital engagement should therefore do so without watering down their core offering: personal advice delivered in person. Providers too can draw an important lesson from this; face-to-face interaction is clearly a big factor in building consumer confidence and facilitating informed choices. Without trying to emulate or replace independent advisers, providers can nevertheless improve their part of the consumer journey.

■ The quest for true confidence

Financial advice is about delivering confidence, and yet confidence (or the illusion of it) continues to be a barrier to advice. Most investors are upbeat about their ability to understand financial issues and to make their own choices, without the need for expert input. Unfortunately, this self-image is at odds with some of the choices they are making. Most continue to be heavily influenced by the marketing materials of providers, with these holding even more sway than the financial press or media pundits. Furthermore, consumers reveal gaps in their understanding of certain fundamentals of finance, such as the link between risk and reward. Many seem to believe they can hold investments that are simultaneously low-risk and high-growth, or are simply indecisive about which strategy is best for them.

As for the reasons people give for seeking advice, these all boil down to a need for confidence, and the realisation that they don't have enough knowledge to make informed choices. This realisation grows with age, from 34 per cent among thirty-somethings to over 50 per cent among those near retirement. When it comes to the crunch, people start to wake up to the value of advice.

The millennial age group (18-34 year olds) combine the highest confidence with the greatest levels of naivety. They see themselves as having the lowest risk tolerance (lower even than retired people) and yet the best understanding of financial products. Providers and advisers alike will need to start thinking about how they will communicate with a new savvy, yet perhaps over-confident, generation.

■ What does all of this mean for providers?

The ongoing evolution of the market will of course have implications for providers of financial products. By monitoring the changing behaviours and needs of consumers, providers can continue to ensure their products remain attractive, whether selected by advisers or by consumers themselves.

> Lesson 1: Tap into customer potential
Every industry knows the value of the existing customer relationship. This latest research underlines that lesson, while highlighting both new opportunities and potential risks. Information from an existing provider is still the most readily received, but consumers are increasingly making decisions based on consumer websites, media pundits and of course independent advice. With so much competing for consumers' attention, providers will need to keep their approach fresh and compelling.

One way to do this may be to take a cue from advisers, who see their rule as predominantly that of financial planner. A similar whole-life approach by providers has a good chance of delivering the Holy Grail: the lifelong customer who uses their products exclusively. This is a big ask when independent advice is involved, but achievable if the product offering is of sufficient quality. Providers can benefit by thinking like financial planners themselves, offering integrated, holistic packages to maximise the potential of each customer.

> Lesson 2: Clarity builds trust
It can hardly be a coincidence that older consumers (50+) are the most put off by 'complicated jargon' and 'small print', and are also least likely to trust a provider's claims about its own products. It would be a mistake

to suppose that these individuals are simply less able to understand technical terms (50-60 is not old!). More probably, older really is wiser, and they are wary of being hoodwinked by jargon. Older people are also the most likely to be put off by 'information that is not relevant to me'. So providers, beware: every communication that is not crystal clear and obviously relevant is another black mark from the over-50s market and a potential weakening of trust. Transparency is the watchword – everything must be explained as well as it can be, and if there are negative aspects to a product, they are better off out in the open than hidden away.

> Lesson 3: Make the adviser's job easier

The apparent trend away from bespoke portfolios towards model portfolios may be a sign of advisers wanting to use their time more efficiently while achieving comparable results. Similarly, the top priorities for advisers when choosing platforms are functionality and cost. Greater efficiencies mean advisers can take on more clients at narrower margins, and so broaden their customer base. Providers who can make the adviser's work as easy as possible are therefore more likely to get their products noticed.

> Lesson 4: Get personal

For all that digital engagement and social media are today's big trends, the adviser's single biggest selling-point among all age groups remains the face-to-face approach. This is seen as the key to trust – and is also one of the biggest differentiators between those who consult advisers and those who go directly through providers. It may be impractical for providers to offer the same level of face-to-face interaction, but technology offers potential halfway-house options, such as live video consultations. The personal dimension of the customer journey need not end with the adviser.

> Lesson 5: Invest in cross-platform strategies

A multi-channel approach has become increasingly important for reaching and engaging with consumers across all demographics. Consistency of user experience is also vital, requiring a coordinated strategy across the relevant channels and devices. As mobile and tablet become the dominant digital media for consumers, providers will need to be ready to provide the seamless and integrated experience that users now expect.

> Lesson 6: Demonstrate true confidence – and spread it

In the age of the savvy consumer, the standard marketing methods are likely to become progressively less effective. With this in mind, the best way to give consumers confidence in a product may be to demonstrate that confidence – by recommending that consumers seek independent financial advice. A provider who shows confidence that an unbiased adviser will recommend their product has already made a powerful pitch.

The analysis of consumer data will make it increasingly practical to refine products to fit specific requirements. By increasing the focus on product tailoring, providers can succeed in delivering exactly what advisers want for their clients. Providers will then be in a position to deliver that strongest of marketing messages: we're so confident in our product that we'll invite an independent expert to choose it for you.

Freeze-frame on the advice market

ADVICE TRENDS

Who is seeking advice, and what are they looking for?

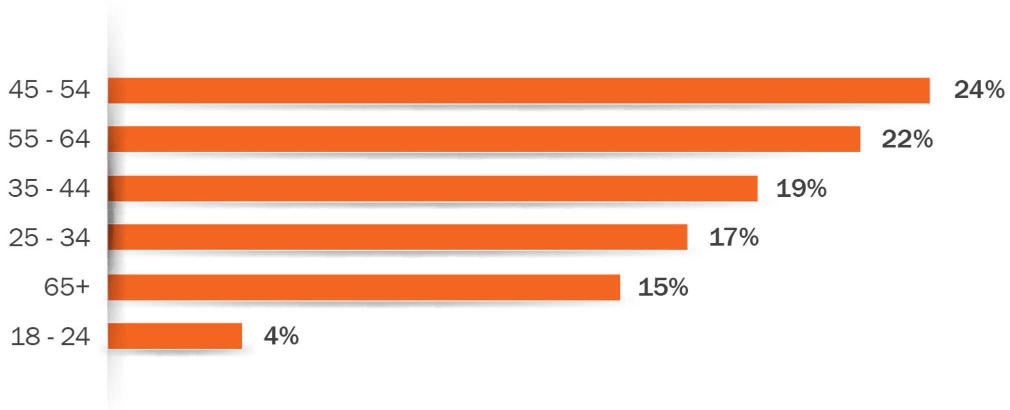
We begin with a snapshot of the UK's advice seekers, with a focus on their advice needs across the different age groups.

Peak advice time is the run-up to retirement

Levels of advice-seeking are strikingly similar across the age groups (see Fig. 2). The earliest that people tend to seek advice is in their mid-20s, and though the rate of advice-seeking increases among older people, there are no dramatic peaks. Age, though clearly a factor, is evidently not the only motivation to seek advice.

The largest number of adviser searches came from those in their late 40s / early 50s, before a steep tailing-off among those over 65. This decline is no surprise, but it will be interesting to see if pension freedom will cause more people in this age group to seek advice in future – since not all key decisions will necessarily have been made by then.

Fig. 2: Percentage of adviser searches by age group



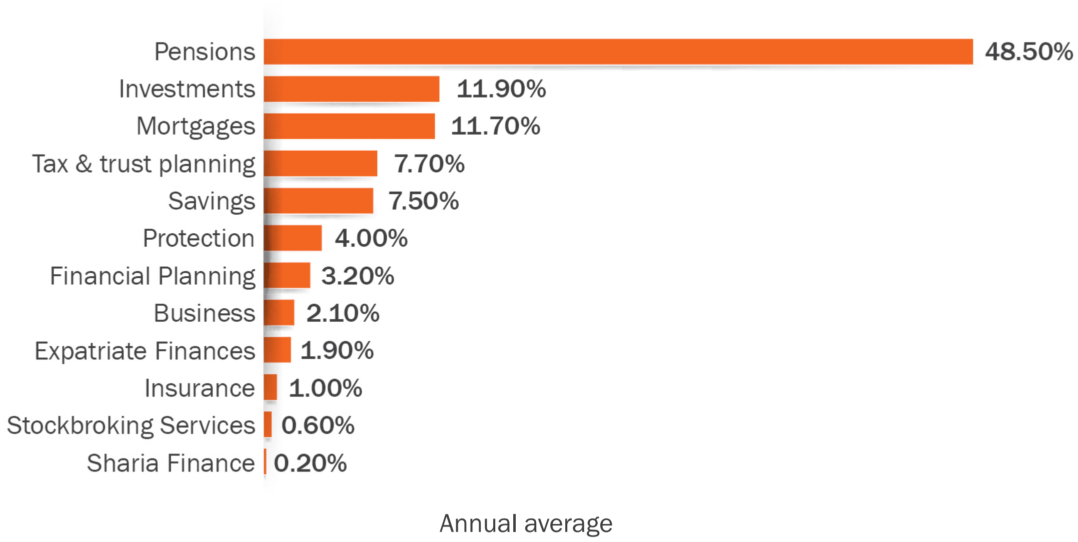
Source: Unbiased.co.uk search data from Jan-Dec 2015

Retirement advice is the runaway leader

By far the most popular area of advice sought through unbiased.co.uk is pension planning and/or retirement advice. Pension-related searches account for roughly half the total number of searches (see Fig. 3).

Other sought-after search criteria (in descending order of popularity) are investments, mortgages, savings and insurance. Protection (considered separately from insurance) is also a popular search.

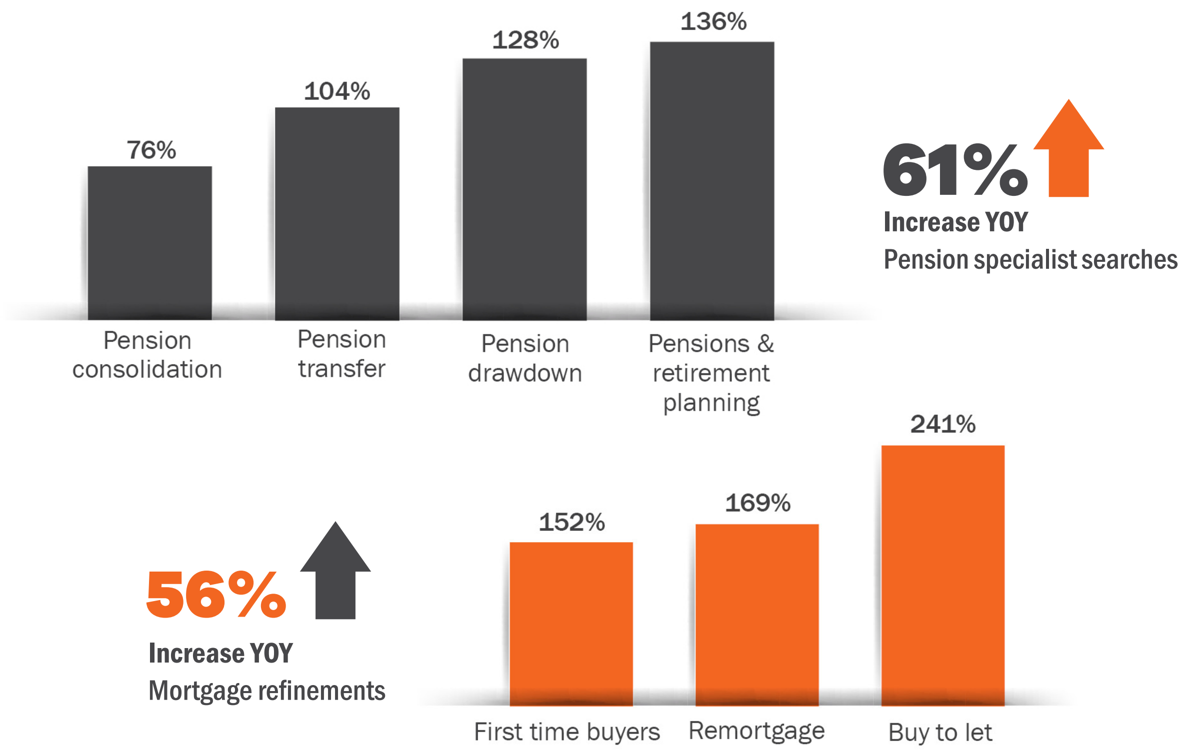
Fig. 3 Searches on unbiased.co.uk in 2015



How are advice priorities changing?

Pension freedom has made a big splash, as revealed by the use of the smart search criteria on unbiased.co.uk (see Fig. 4) There have been sharp rises in the search for advice on 'pensions & retirement planning', 'pension drawdown', 'pension transfer', 'pension review' and similar terms. Even more dramatic, however, has been the rise in searches on 'buy-to-let' – up 241 per cent from last year – which may be partly connected to the predicted rise of the 'silver landlord', using their pension pot to buy investment property. Other mortgage-related terms are up an average of 56 per cent.

Fig. 4 Searches for specialist advice areas



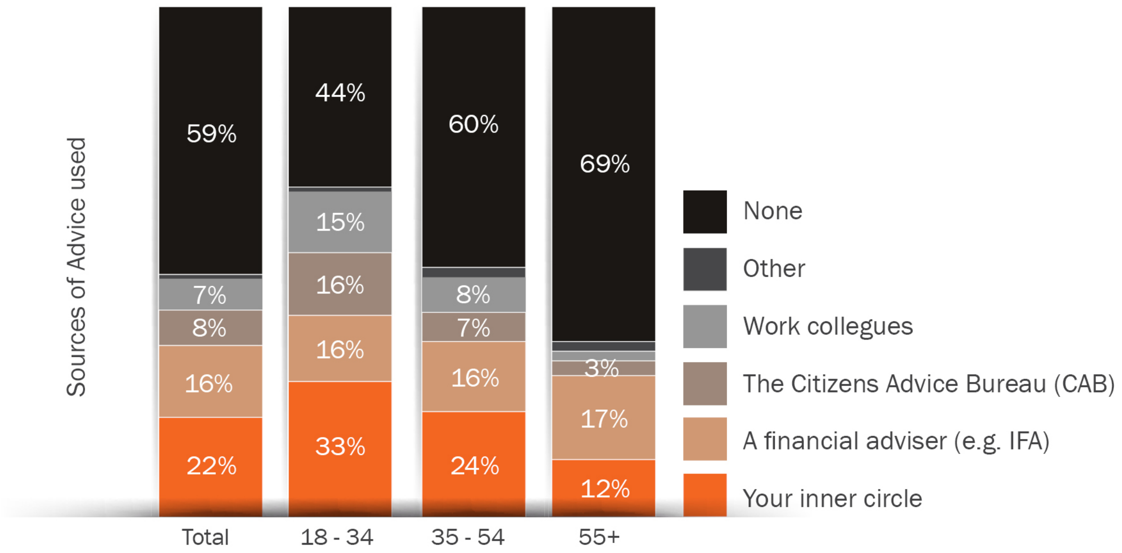
Data from consumer searches on unbiased.co.uk, comparing Oct-Sep 2013/14 with Oct-Sep 2014/15

A majority are still without advice

Meanwhile, consumer research data shows that a clear majority (59 per cent) of respondents have never sought any kind of financial advice or guidance, neither from colleagues, family, government services or any other offline source. Of the remainder, the clear favourite source of guidance is the individual's 'inner circle' – family, friends and partner. Use of the inner circle is most popular among the under-35s and steadily decreases with age, suggesting that the prime source of this information is parents (see Fig. 5).

Fig. 5 Sources of Advice used

Have you turned to any of the following for advice on your finances?

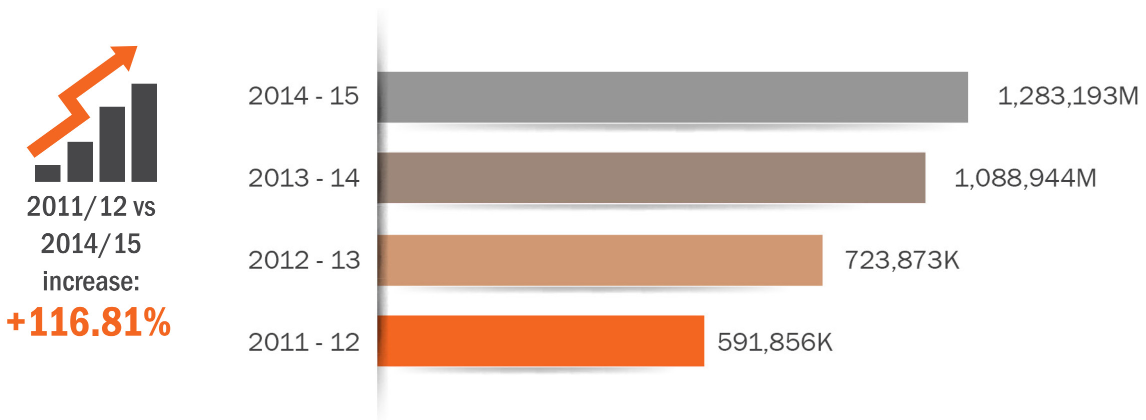


Source: Data based on a survey of 2,000 nationally representative adults aged 18+

But advice-seeking is on the increase

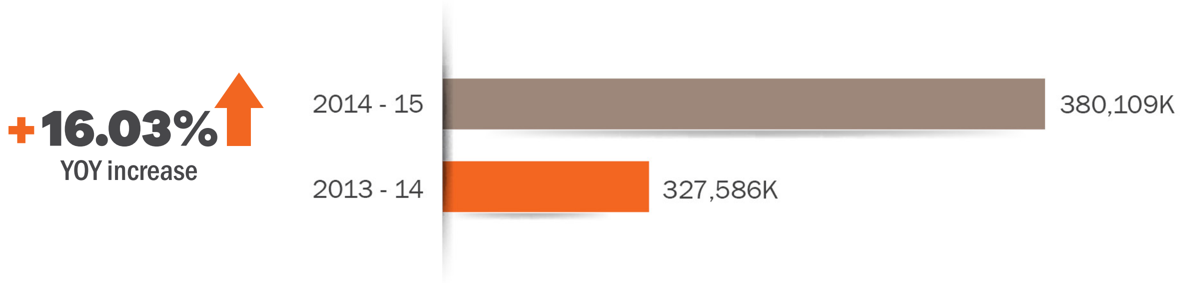
The number of people searching for financial advisers on unbiased.co.uk continues to increase dramatically year on year (see Fig. 6).

Fig.6 Traffic to unbiased.co.uk and adviser search data



The growth in search volumes from 2013/14 to 2014/15 was more than 16 per cent, while searches for professional advisers of all kinds (including financial advisers, mortgage brokers, accountants and solicitors) are up nearly 117 per cent since 2011/12 (see Fig. 7).

Fig. 7 Unbiased.co.uk Financial Adviser searches



How do people want to pay for advice?

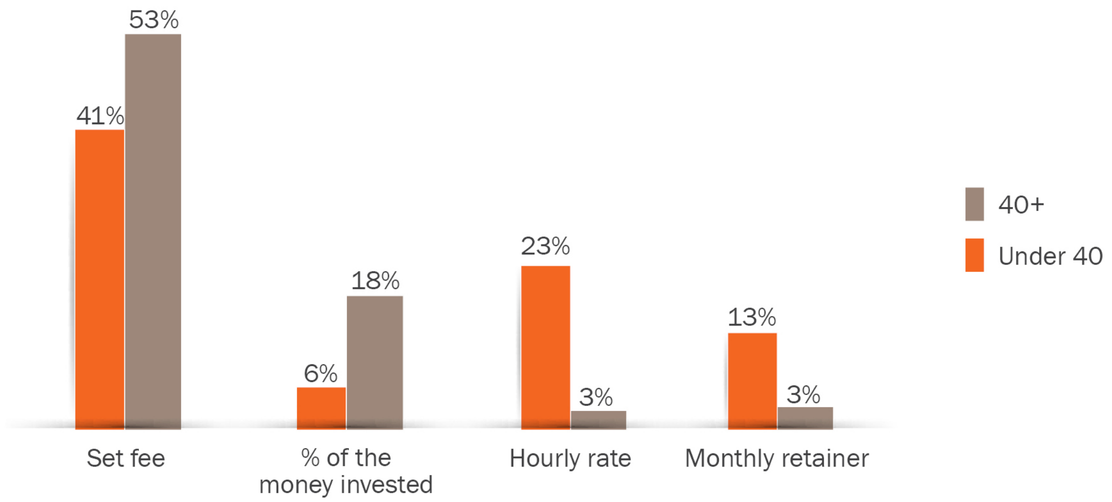
The answer to this one depends on whom you ask. Overall the favourite option is the set fee for a piece of work – but there are very interesting variations among the demographics. The idea of an hourly rate is all but dismissed by people over 40 – but younger people seem quite open to the idea, making it their second favourite option. Also, more than twice as many men as women are in favour of an hourly rate. (13% vs. 6% respectively).

But it flips around above the 40 age threshold – the hourly rate is out, and the new second favourite is a percentage of the money invested. Under-40s are not at all keen on the percentage model, but it grows steadily in popularity among older people, and those who elsewhere demonstrate a greater understanding of their own finances.

What seems clear is that there is no one-size-fits-all approach to charging, but that the popularity of the percentage model grows with consumer experience (see Fig. 8).

Fig. 8: Preferred advice payment structures

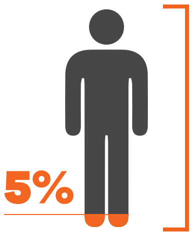
What charging structure do you prefer to receive from an adviser?



Source: Data based on a survey of 2,000 nationally representative adults aged 18+
Base: 328 consumers who have used a Financial Adviser

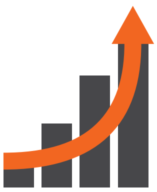
Key findings

Just 16 per cent of people have sought professional financial advice.



Just 5 per cent of people have sought advice on inheritance tax.

Most consumers prefer a fixed fee, but older people are more willing to pay a percentage of assets.



Demand for specialist advice has generally risen, while pension and buy-to-let enquiries have soared.

The adviser viewpoint

THE ADVISER VIEWPOINT

In the last three years we have seen a transformation in the advice landscape, with a major regulatory shift followed by sweeping reforms in key advice areas such as pensions. On top of these developments, advances in investor platforms, consumer behaviours and technology have created an environment ripe with new opportunities.

The evolution of advice

The retail distribution review (RDR) in 2013 was intended to create more transparency in the investment industry and make it easier for the public to access truly independent financial advice. The replacement of commissions with mandatory up-front fees was bound to change the way many advisers do business – but how, and by how much?

Most advisers have taken the RDR in their stride

As a result of the RDR a small proportion of advisers listed on unbiased.co.uk (15 per cent) have changed their business model, with the majority moving to a directly authorised (DA) model after being an appointed representative (AR). The vast majority are very happy with the decision they have made.

'Moving to directly authorised to remain independent was the best thing we ever did.'

'I moved to a network. They manage compliance and business risk for less than it was costing me to do it myself.'

'As an AR we received large amounts of help from our Network to implement RDR compliant processes for our business.'

'I have moved to DA from AR and it has increased profitability. I can make the decisions as to how my business operates rather than somebody else.'

'I was tied before RDR; I'm now fully independent and clients like that.'

Broadly, advisers are adapting well to doing business post-RDR, whether they have moved from AR to DA or vice versa – or indeed stayed as they were. A few have evidently struggled to make the transition to a post-RDR business model, but the figures indicate they are very much a vocal minority.

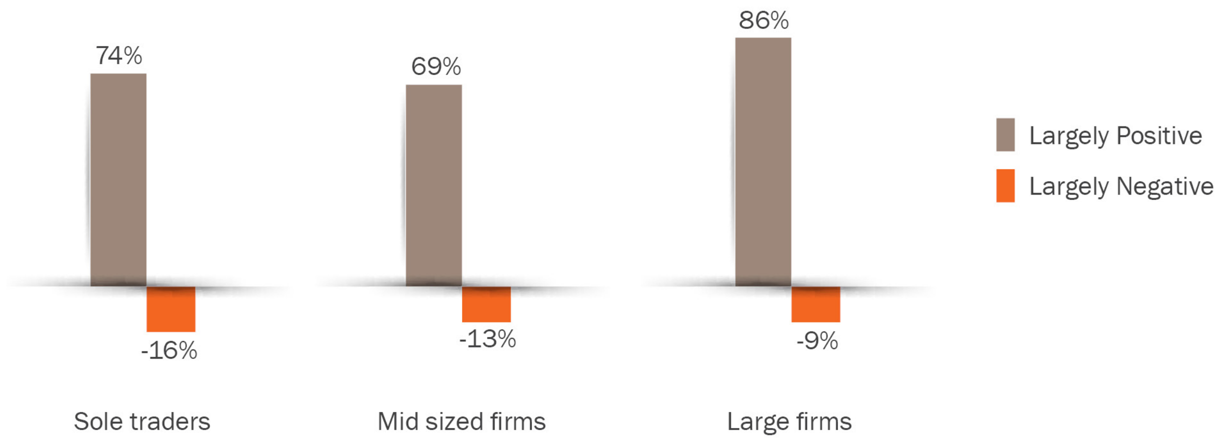
'Clients do not understand any of it and do not expect to have to pay for advice. The new rules make financial advice for the average earner a no go.'

Pension freedom has brought welcome change

The arrival of pension freedom in 2015 received a broadly warm welcome from advisers, with 76 per cent believing the impact of the changes will be positive. Larger firms were the most enthusiastic, while sole traders were the most sceptical. Just 11 per cent of advisers overall felt the effect would be neutral (see Fig. 9).

Fig. 9: Reactions to pension freedom by size of firm

Do you think pension freedom has had a positive or negative effect on the industry?



Source: Data based from a survey of 200 Financial Advisers

The introduction of the Lifetime ISA and the retention of the current pension tax system will have come as a relief to most advisers, who were overwhelming opposed to any sort of taxed-exempt-exempt (TEE) system. However, concerns remain that it could be a 'Trojan Horse' product that leads to the erosion of the current pension system by stealth.

■ A new and growing niche for advisers to fill

More than a third of advisers (35 per cent) have seen a change in client expectations over the past three years. For instance, some clients have begun to use them simply as a checking service for their own DIY financial decisions, or to carry out the execution of a transaction on which they have already decided. There is also increasing demand for the 'initial financial review' before formal advice is sought.

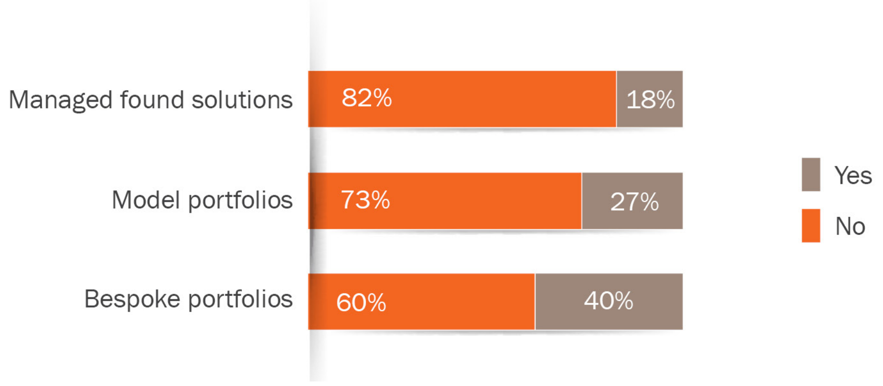
IFAs themselves see their future role as being that of financial planner most of all, or financial planner plus fund selector – almost no-one (1 per cent) believes they will be reduced to being just a fund selector. Planning is very much seen as the core of the adviser's offering, as evidenced by the recent surge in provision of this service – most likely in response to the greater need for pension planning.

■ Model portfolios taking over from bespoke

Managed fund solutions remain the most popular means of handling client assets used by 82 per cent of adviser respondents (see Fig 10). However, model portfolios are very much in the ascendant (see Fig. 11), with usage increasing among 60 per cent of advisers over the last three years (compared to 40 per cent for managed fund solutions, the use of which decreased among 17 per cent of advisers). As for bespoke portfolios, their use is gradually on the wane, with 36 per cent of advisers saying they use them less now, and only 23 per cent saying they use them more.

Fig. 10: How are client assets handled?

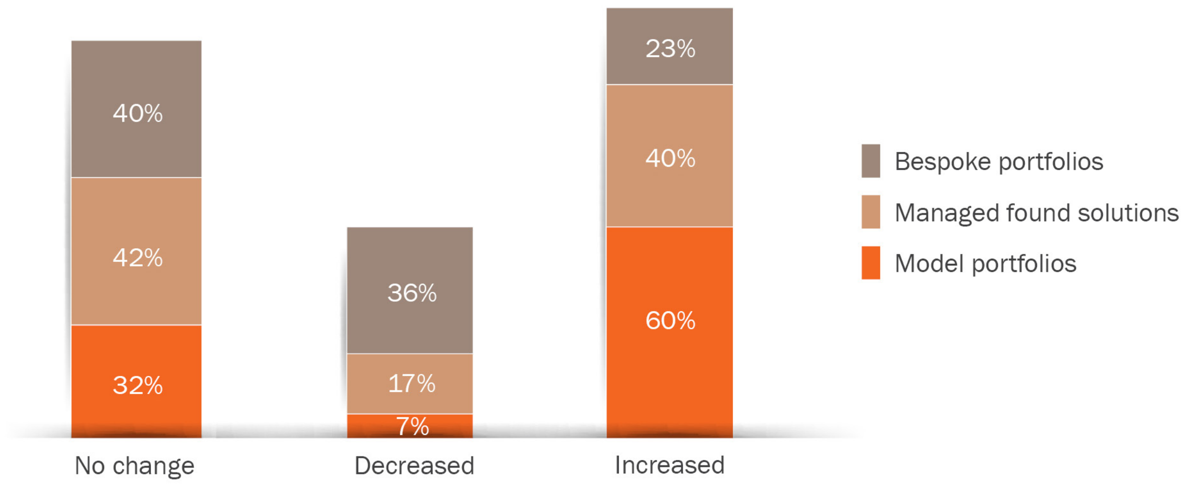
In the past 3 years, have you used any of the following?



Source: Data based from a survey of 200 Financial Advisers

Fig. 11: How has usage changed since RDR?

Has your usage changed at all in the last 3 years?



Source: Data based from a survey of 200 Financial Advisers

Cash flow modelling becomes part of the toolkit

The use of cash flow modelling tools is on the increase. At present 42 per cent of advisers use such tools, but usage has grown among 69 per cent of advisers over the past year (just 1 per cent are using them less). Uptake is strongest among firms with four or more advisers, suggesting it is the larger firms who are quickest to embrace new technologies and benefit from them (something also apparent with social media – see below).

Affordable, powerful and easy to use – the recipe for a good platform

Platforms play a major role in most adviser businesses, with a resounding 92 per cent citing them as important or very important. Furthermore, more than half of advisers predict that this role will only increase in years to come, with nearly a quarter (24 per cent) expecting platforms to become more important still.

Functionality is by far the biggest factor in platform selection, followed by cost – the variety of products is considered less key. Platforms are also cited as a way of saving time that could be better spent elsewhere.

'Using platforms allowed more time to be spent with clients on advice issues rather than administrative issues.'

'Platforms are now delivering a better package for both clients and advisers.'

'Platforms are effective for putting clients' assets in one place and investing them under model portfolios.'

The ban on cash rebates on platforms has had some impact, affecting 31 per cent of advisers, although for most firms the effects have been moderate and manageable. Just a fifth of those affected consider the impact to be serious or very serious.

'The shift makes it difficult to recommend platforms without charging fees.'

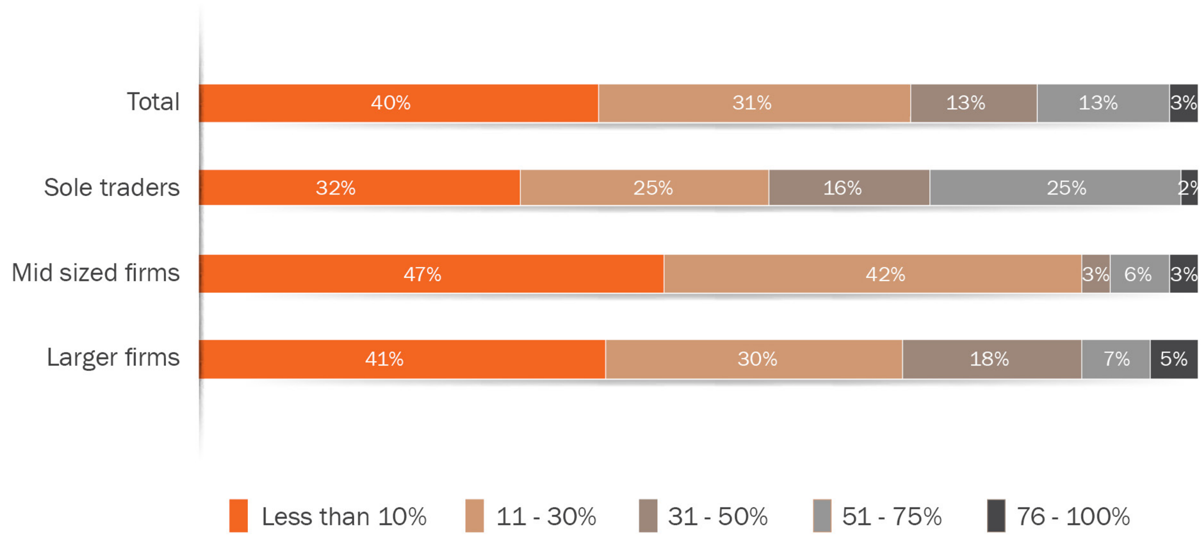
'I had to rearrange the way I use platforms, client profiles and time I spend on them.'

'I know someone who can' – the outsourcing issue

Nearly 60 per cent of firms use some form of outsourcing, with discretionary fund management the most likely service (38 per cent) to be delivered in this way. The primary reason for outsourcing a function is to obtain a more efficient service, although the lack of internal resources runs a close second. Most firms outsource less than 30 per cent of their services as seen in Fig. 12, and the most common level of outsourcing is lower than 10 per cent. Sole traders however are the most likely to outsource a larger percentage (more than 50 per cent).

Fig. 12 Level of outsourcing amongst advisers

What percentage of your overall business does your outsourced services contribute?



Base: 124 Financial Advisers who outsource services

Communication and technology

COMMUNICATION AND TECHNOLOGY

In virtually every area of business there is mounting pressure to make greater use of social media and technology. But how well do these trends match what is happening out there in advice world?

Too busy to tweet, or too cautious?

Considering the popularity of social media among the UK public, the use of it by advisers is surprisingly low – a majority never use any form of it. Of those who do, most describe their usage as being 'as and when', implying less often than once a month. It seems clear from this that few advisers have a working social media strategy for communicating with their market.

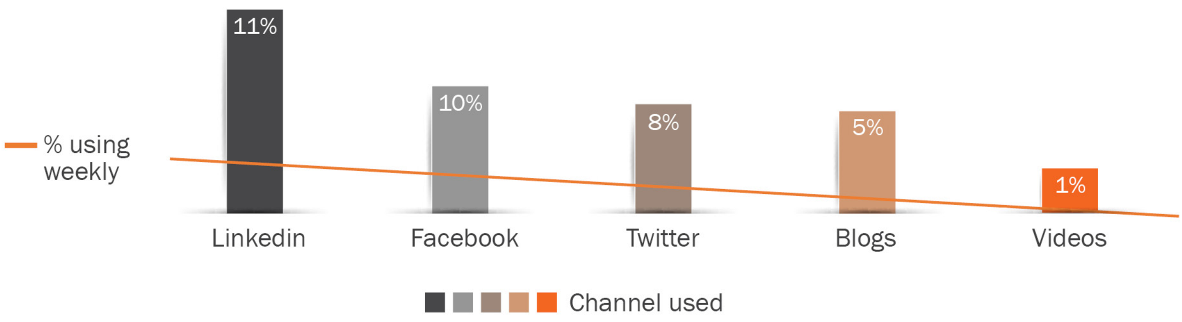
Very small minorities (between 1 and 5 per cent) make much more regular use of social media, ranging from daily to fortnightly to anything in between. Usage tends to rise marginally with the size of the firms, which suggests that time is not the only factor. Larger firms are more likely to have compliance staff who can ensure social media is used safely, whereas smaller firms may be wary of falling foul of the regulators.

LinkedIn is the preferred channel for advisers to engage with their clients

For those who do use it regularly, LinkedIn is by the far the most popular choice. With millennials increasingly living their lives online, advisers will need to work harder at developing their digital presence if they are to capitalise on this maturing market.

Fig. 13: LinkedIn is the preferred channel for advisers to engage with their clients

Do you use any of these digital channels to communicate with your clients?



Source: Data based from a survey of 200 Financial Advisers

The most popular reason for using any social media is to raise the adviser's profile. Other reasons include keeping up with peers and industry news. Relatively few (around a quarter) use them directly to source new clients. Nevertheless, over half of the regular social media users have acquired business through the use of these digital channels. Again, it is the larger firms who tend to win more business this way. In most cases the proportion of work acquired is small (between 1 and 25 per cent), though a very few (2 per cent) were able to claim 31-75 per cent of their business was won by this means. It remains to be seen whether this is an anomaly, or whether that 2 per cent are ahead of the curve.

Comparing the tools in the social media box

Advisers who maintain a presence on the main social media channels (e.g. Facebook, Twitter, LinkedIn) have developed preferences as to how they use each channel and for what purposes.

The channel most used for directly sourcing new clients is Facebook (30 per cent) with standalone video a close second at 29 per cent. Blogs are also popular for this purpose.

Twitter is the favourite for keeping up to speed with the industry and the market – its use as a real-time receiver is valued as much as its function as a broadcasting tool. LinkedIn is the next most popular source of industry news.

Twitter is also seen as by far the most powerful for raising an adviser's profile, though it is not viewed as a way to source new clients. The most popular use of videos and blogs was to communicate with existing clients and to build relationships with targets.

Broadly speaking, the social media journey looks like this:

Keep up to speed	*Twitter, Linkedin*
Raise profile	*Twitter, Linkedin*
Build up prospects	*Video, Twitter, Facebook, Blogs*
Source new clients	*Video, Facebook, Blogs*
Comunicate whit peers	*Twitter, Linkedin*

The older ways remain firm favourites

The primary means of communicating with clients remain the big three: phone, email and face-to-face. Email and phone edge ahead of face-to-face among sole traders, whereas meeting in person is the preferred method among firms with two or more advisers. Again, this is likely a case of sole traders having to manage their time, rather than a deliberate strategy.

Live chat is a channel currently used by very few (9 per cent), yet of those who use it, 17 per cent reveal this to be their most used form of client communication. Most of the remainder who use live chat do so to supplement other communication channels.

Are advisers keeping pace with their clients?

In the next section of this report, in which we track the consumer journey to advice, we'll also explore technology use across different client demographics. Which tools and gadgets are people using to manage and monitor their finances, and how much could this influence the adviser-client relationship?

Key findings

15 per cent of advisers changed their business model in the wake of the RDR.

IFAs see their ongoing role as being predominantly that of financial planner.

Advisers may be falling behind in the use of social media.

Up close with today's advice seekers

UP CLOSE WITH TODAY'S ADVICE SEEKERS

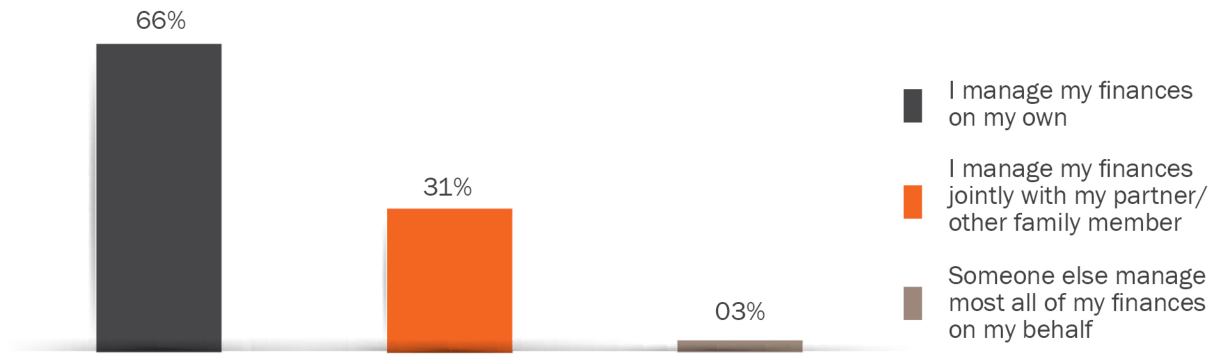
Tracking the consumer journey

There is of course no typical 'advice consumer'. Those who use financial advisers come from a wide range of age groups, wealth levels, locations and lifestyles. Technology looks to be the biggest emerging factor transforming the consumer landscape, changing the way in which people approach their finances and how they seek advice.

How do consumers manage their finances?

Around two thirds of the consumers in our sample described themselves as being in sole charge of their own finances (see Fig. 14), while just under a third managed their finances jointly with their partner. The remainder (3 per cent) had someone else managing their finances on their behalf.

Figure 14: How are consumers managing their finances?

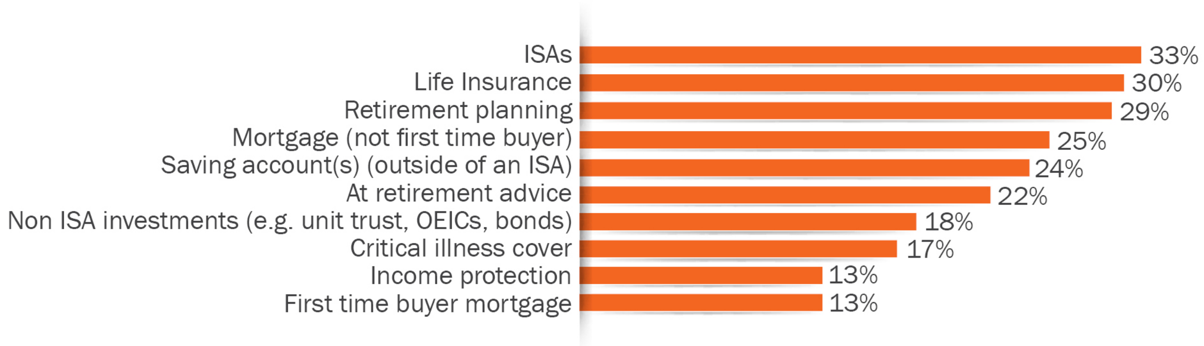


Base: 2,000 nationally representative adults aged 18+

Pinpointing the key advice moments

Respondents were asked about the last time they consulted a financial adviser, and what advice they sought (see Fig. 15).

Fig. 15: Top 10 areas of advice sought



Source: 2,000 nationally representative adults aged 18+
Base: 328 consumers who have used a Financial Adviser

It may be a surprise to see ISAs at the top, above more critical areas such as pensions. However, savings are an area likely to be explored when clients consult about another issue, and are applicable to any age group, and this may explain their dominant position.

Life insurance also ranks highly – again, partly because it frequently ties in with another popular area (mortgage advice) as well as being sought in its own right.

On the mortgage front, most first-time buyers are now in their 30s, while buyers of subsequent homes are most likely to be in their 40s. After that, mortgage demand tails off.

Protection in general, such as critical illness cover, is mostly sought by those aged 20-40.

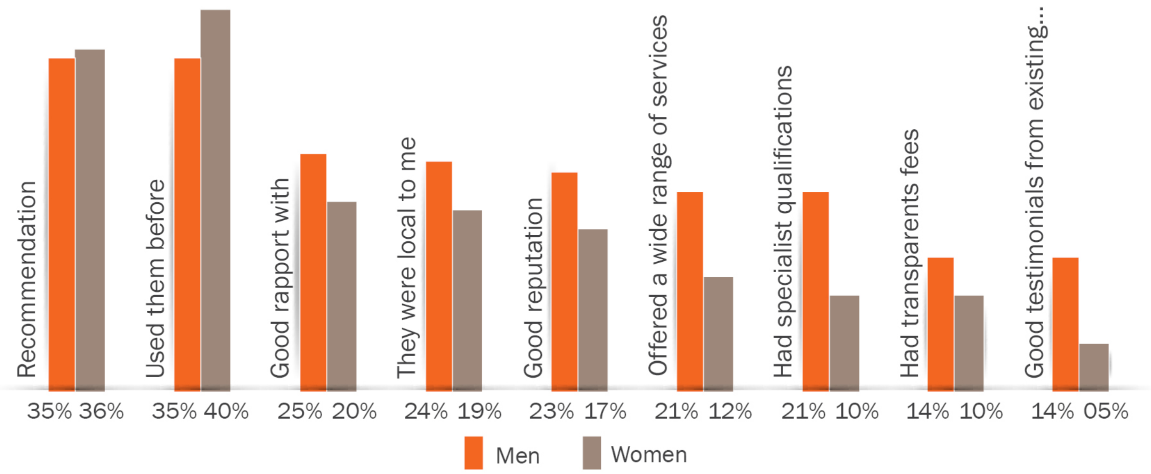
Among the over-50s, at-retirement advice becomes increasingly a priority, with the peak coming (unsurprisingly) among those in their 60s. However, advice on retirement planning (saving into a pension) is most popular among those in their 40s, which many advisers would consider to be rather late in the day. People in their 20s, who could benefit the most from timely pension planning advice, are preoccupied with mortgages and life insurance, though interest in retirement planning does start to increase among those in their 30s.

How people choose advisers

Almost the biggest criterion in choosing an adviser is a personal recommendation from a friend, family member or other trusted source (see Fig. 16). For men, this is as solid a reason as having used the adviser before. Women are just as swayed by recommendations, but for them personal experience of the adviser is even more important, making this the most significant factor overall.

Fig. 16: Reasons for choosing a particular financial adviser

Why did you choose the financial adviser you sought advice from?



Source: 2,000 nationally representative adults aged 18+
Base: 328 consumers who have used a Financial Adviser

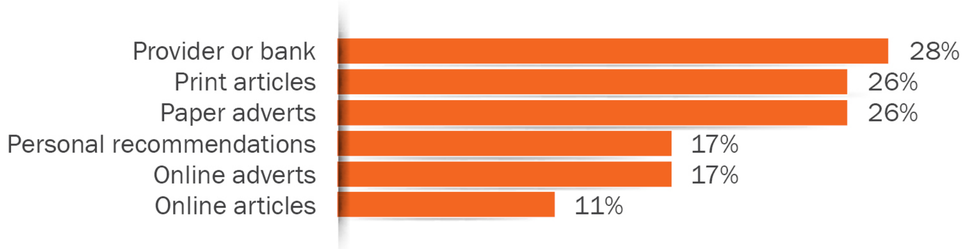
Men are twice as likely as women to choose an adviser based on their specialist experience, and nearly three times more likely to be swayed by client testimonials on the adviser website. Testimonials also hold the most currency with people in their 30s – people both older and younger than this appear to be much more cynical.

The third most important factor for consumers is having a good rapport with the adviser – this holds true for both men and women and across virtually the whole age spectrum. Being local comes next on the list of priorities. Just 12 per cent of respondents chose their adviser because they had transparent fees. Whether this means that transparent fees are not a priority, or that too few advisers are making their fees transparent, is a matter for interpretation.

■ Sources of consumer information – a lesson for providers

People with savings and investments show how susceptible a captive audience can be. The main source of product information (used by 28 per cent of respondents) is their existing provider or bank (see Fig. 17). Second to this is advertisements, with paper publications doing significantly better than online adverts. Tellingly, both of these have had much more influence than personal recommendations from family and friends, despite this being one of the leading factors in choosing a financial adviser.

Fig. 17: Main sources of information to consumers



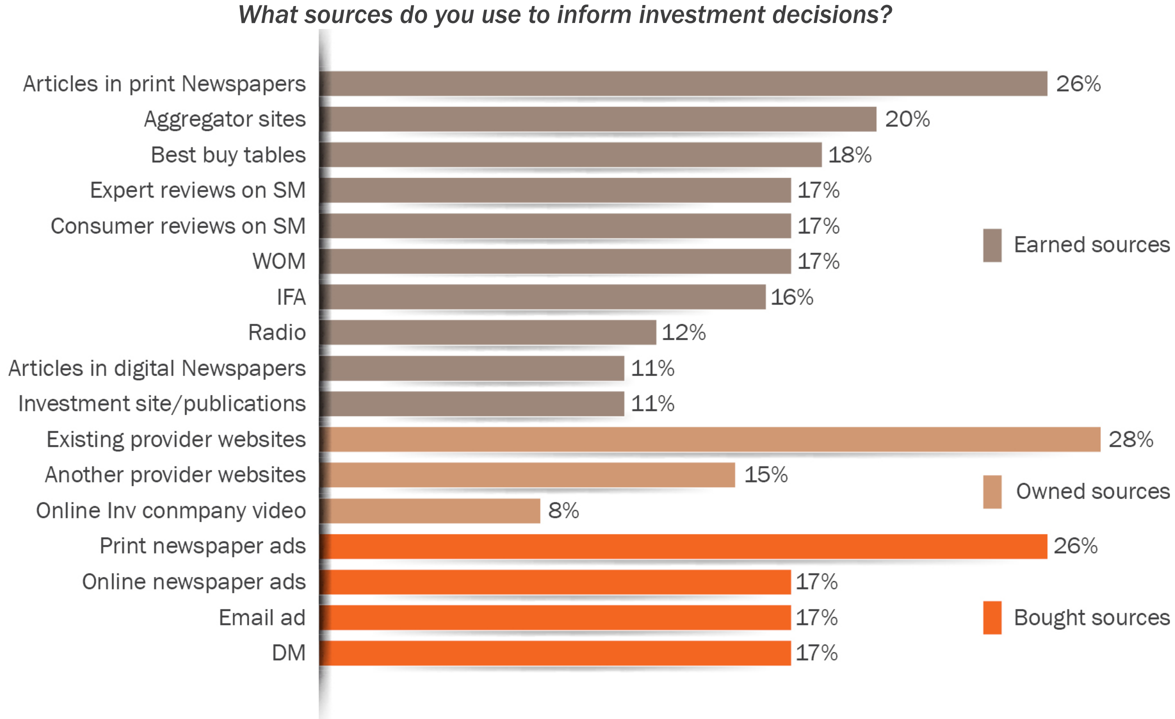
Source: Data based from a survey of 500 UK Investors

What is clear however is that consumers are using a variety of sources to inform their decisions (see Fig. 18), whether this be bought (e.g. direct mail or outdoor advertising), owned (e.g. provider website content), or earned (e.g. best buy tables, social media and word of mouth). Providers need to understand these influences and develop processes that engage and support the consumer, as well as making sure they are prominently visible from the start of the journey and throughout.

Providers need to understand the sources that influence consumer decisions

Fig. 18: Information sources used to inform investor decisions

What sources do you use to inform investment decisions?



Source: Data based from a survey of 500 UK Investors

Earned sources of information feature in almost all purchasing. What is more, the sheer volume of these different sources, whether they be online or offline, make them hugely influential in the investment journey. Best-buy tables, news articles, social media and word of mouth recommendations are all powerful influences on the way investors perceive brands. The main non-provider influence is articles in financial newspapers, again with print articles doing much better than online ones– younger consumers don't discriminate here, but older people prefer print.

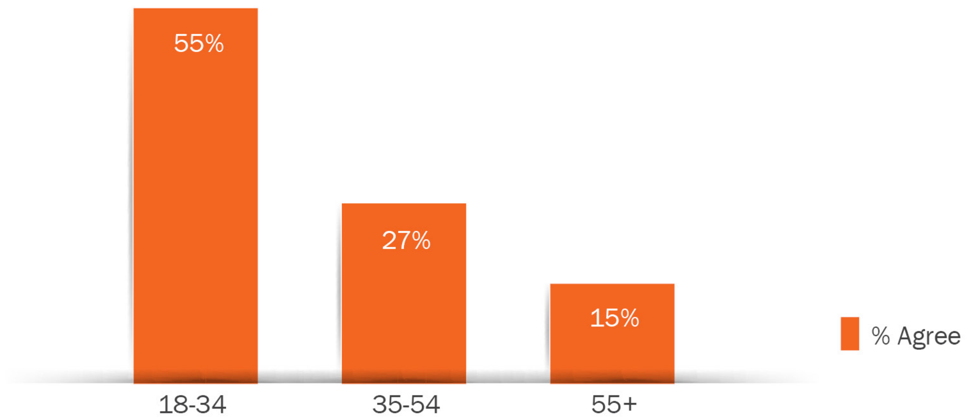
Consumer websites, radio programmes, blogs and expert reviews are all influencing factors, competing more or less equally for consumer attention (around 17%) with information sent out by providers themselves. Advice from a financial adviser is somewhere in the middle, with 16 per cent of people acquiring their information this way.

Trust versus cynicism

It is interesting that an older generation is apparently more cynical and suspicious than the supposedly 'savvy' younger crowd (see Fig. 19). The over-50s are the least likely to say they trust the comments that investment companies write about their own brands, whereas over 50 per cent of 18-34 year olds say they do. This willingness to trust what providers say about themselves decreases steadily the older people get, while distrust (or ambivalence) grows. This underlines the need for older people to receive professional advice that they know is independent from any provider.

Fig. 19: How much do the different age groups trust what they read on company websites?

I trust the comments that investment companies write about their productos/brand



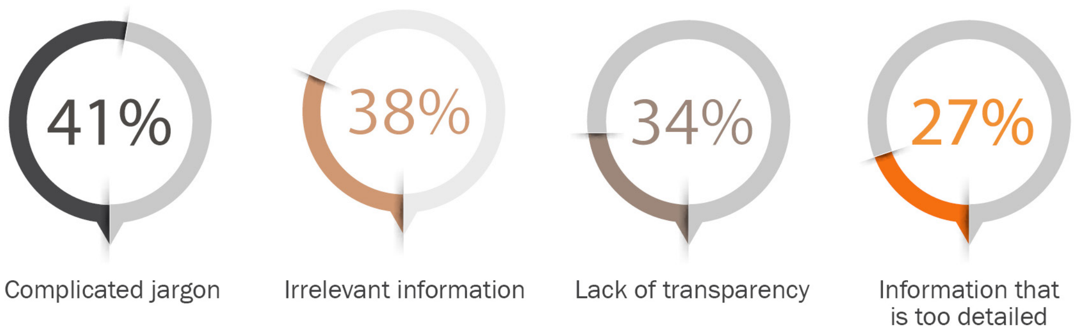
Source: Data based from a survey of 500 UK Investors

The need for clarity and consumer focus

The most off-putting factor for consumers is complicated jargon in the materials offered them by providers. (See Fig 20). Again, this frustration is more prevalent among older age groups – nearly 50 per cent of the over-50s complain of this, but it is much less of a problem for younger investors. Over 40 per cent of those in their 50s are also wary of 'small print' and lack of transparency, another issue less prominent among the young (though still present). There is clearly an appetite for greater simplification and information delivered in plain English.

Different segments (e.g. based on investment goals, experience and levels of comfort with investing), will have differing information needs. Providers need to reflect these varying needs in the way they present information.

Fig. 20: Most common frustrations experienced with content received from investment providers



Source: Data based from a survey of 500 UK Investors

Are advisers becoming more influential?

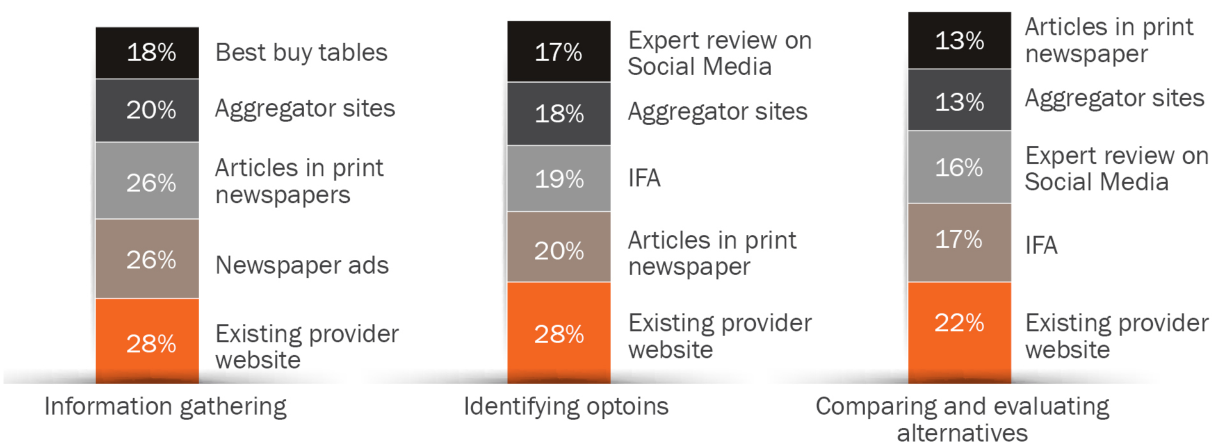
Once again, the biggest influencing factor – both in identifying options and in narrowing down these options to a final choice – is the information found on an existing provider's website (see Fig. 21). Around a quarter of investors made this their primary source of guidance. However, the role of the financial adviser does tend to come more to the fore during the decision making process, with 19 per cent of people using an adviser to identify options, and 17 per cent using them for the final investment decisions. Almost as influential is expert opinion from blogs and social media. Although provider advertisements are initially persuasive, at the decision-making stage they lose much of their power to sway. This is the stage at which reputation management becomes much more important for providers.

This is particularly true when we consider that almost half of investors we surveyed agreed that what other investors say can be more trusted than what investment providers say about themselves. Furthermore, 51 per cent admitted to being influenced by even a single negative review.

Tracking responses is therefore critical to managing brand health. Brand needs to be aware of what is being said about their brand to reinforce positive word of mouth and mitigate detracting comments.

Fig.21: Top five sources used at each stage of the purchasing journey

Which, if any, of the following sources of information did you use in each of these different stages when purchasing investments and savings?



Source: Data based from a survey of 500 UK Investors

More than a quarter of respondents claim not to have used any sources, either for information gathering, identifying options or decision making. However, nearly half of this group are those who have a professional adviser who manages all their investments – so they are happy just to let the adviser handle the details for them. Nevertheless, this leaves a sizable proportion of investors who appear to be acting autonomously based on no information at all.

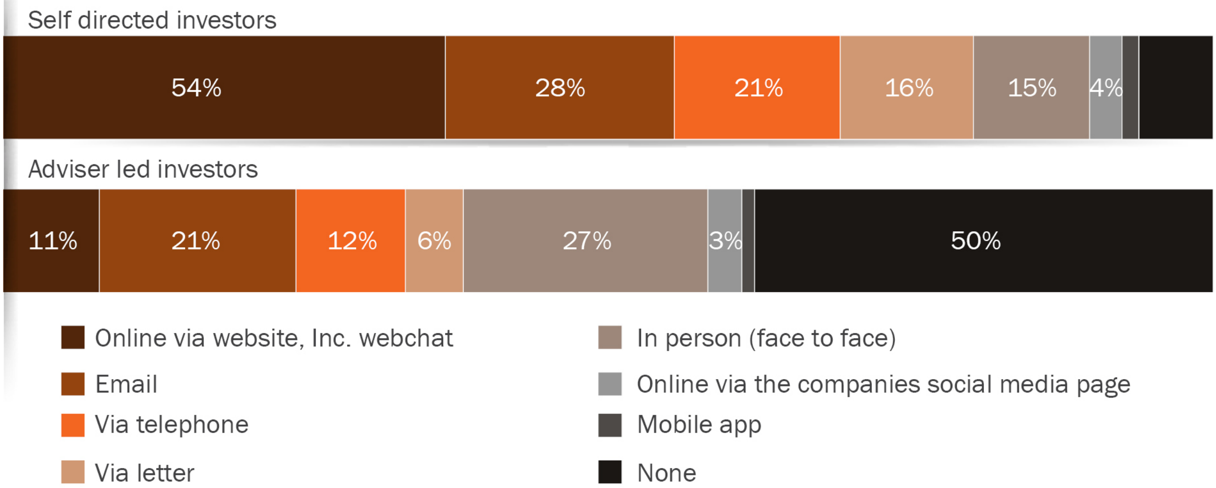
A quarter of investors (25 per cent) say they made their latest investment through their financial adviser, while three-quarters went directly through the provider. However, younger people are much more advice-orientated in this instance: 50 per cent of 18- 34 year old investors used a financial adviser, a figure that tailed off among older age groups.

Keeping tabs on investments

How people monitor and manage their investments varies significantly depending on whether they have a financial adviser (see Fig 22). When people invest directly with a provider, the most common method is to use the provider's website, with email and telephone taking second and third preference. By contrast, people with a financial adviser tend to manage their investments by meeting the adviser face to face. Also significant is that 50 per cent of people with advisers said they used no methods to manage their investments – implying that they trusted the adviser to take care of it all.

Fig. 22: How do consumers manage savings and investments?

Wich of the following channels do you tend to use to manage your savings and investments?



Source: Data based from a survey of 500 UK Investors

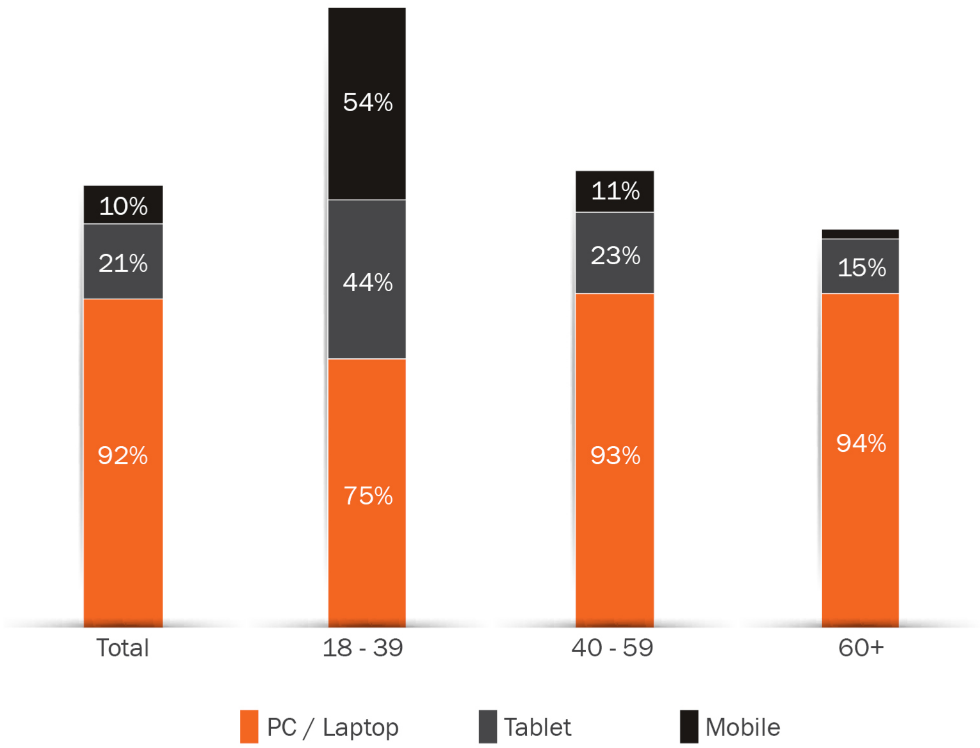
To date there is still a very low proportion using mobile apps to manage investments – just 1 or 2 per cent overall – but this rises to 6 per cent among 18-34 year olds who use a financial adviser.

The technology issue – who's using what?

Consumers research and manage their investments on a range of different devices (see Fig 23), with varied preference across the demographics. The device most often used is still the desktop or laptop PC, selected by 92 per cent of respondents (who could choose more than one answer). Tablets are a distant second at 21 per cent, ahead of smart phones on 10 per cent. Phone use for this purpose drops off almost entirely among the over-60s. However, a generational shift is well under way.

Fig.23: Devices used to keep up to date with investments

How do you tend to research and keep up to date with investments?



Source: Data based from a survey of 500 UK Investors

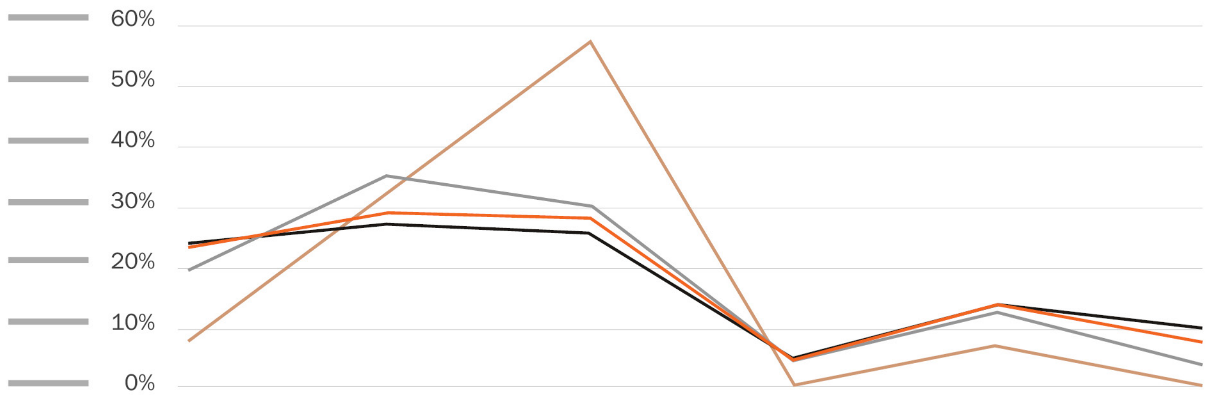
Among 18-39 year olds this hierarchy is turned on its head. Millennials are increasingly managing their finances through mobile devices such as phones and tablets, and app content is becoming essential for driving ongoing customer engagement. Mobile devices in general are starting to outpace PCs as the search device of choice among the younger generations, and this accelerating trend has many implications for the way consumers acquire their information and make their investment decisions in the future.

■ Technology is changing how consumers monitor their investments

How often are investors monitoring their portfolios? The most common practice is to check on investments either quarterly (28 per cent) or monthly (27 per cent), though nearly a quarter (22 per cent) check less often (see Fig 24). By far the most likely group to check monthly are 18-34 year olds (56 per cent), perhaps reflecting their greater use of mobile technology. A small yet significant proportion check weekly (13 per cent) or even daily (7 per cent), and men are around three times more likely than women to check so often. Women on the whole seem more patient (or less alert?): 29 per cent check less than quarterly, compared to 18 per cent of men.

High-frequency check-ups are also prevalent among the over-55s. This may reflect anxiety over retirement savings, or simply having more time on their hands.

Fig. 24: How often do consumers monitor investments?



	Less than quarterly	Quarterly	Monthy	Fortnightly	Weekly	Daily
Total	22%	28%	27%	4%	13%	7%
18-34	6%	31%	56%	0%	6%	0%
35-54	18%	34%	29%	4%	12%	3%
55+	23%	26%	25%	4%	13%	9%

Source: Data based from a survey of 500 UK Investors

High levels of confidence – but also confusion

Investors generally see themselves as both confident and sensible where their finances are concerned. A majority (55 per cent) are sure of their ability to select the right products and funds, and 68 per cent are comfortable making their own investment decisions. The same proportion describe themselves as 'financially cautious', and 59 per cent prefer their money to be 'safe from risk'.

However, here responses become conflicted. A similar 56 per cent agree that their goal is 'long-term growth' and that they would accept dramatic short-term drops in value to achieve this (i.e. high to moderate risk). At least 15 per cent (and probably more) of this group must cross over with those who want their money to be 'safe from risk', so these people are effectively giving two contradictory answers. This suggests that the concept of 'risk' as it applies to investment is not being well understood.

Similarly, there is a clear preference for equity investments over cash (33 per cent versus 26 per cent against, with 41 per cent undecided), even though 47 per cent agree that they would trade off higher returns for a safer investment (only 18 per cent disagree). Meanwhile, 44 per cent feel that investing is similar to 'taking a gamble' with their money (26 per cent disagree), yet 56 per cent say they started investing because cash-based products weren't 'worth it'.

So what do investors really want? From their answers here, it seems that many want it both ways: low-risk investments with a high long-term return. It's surprising, then, that a majority (41 per cent) disagreed with the statement, 'I am put off by the complexity of investing'. It would appear that the industry has a lot more work to do in educating people of all ages.

The tangible value of advice

The confusion among the majority of consumers is a cause for concern. Those obtaining information from a random mix of sources are effectively leaving their finances to chance. By contrast, those who have taken professional financial advice are demonstrably better off. A 2015 study by unbiased.co.uk and Opinium found that UK adults who take financial advice save an average £71 more per month for their retirement, increasing their pension pot by an average £48,279 compared to those in a similar income bracket who do not take advice.

The same study showed that retirees feel more prepared for retirement the earlier in their life they seek advice. For example, of those who leave it until their 40s and 50s, only around 40 per cent feel well-prepared, whereas 71 per cent of those who first sought advice in their early twenties are now approaching retirement full of confidence.

Key findings

Over a million people a year search for advice through unbiased.co.uk

Trusted recommendation, personal experience and rapport are the key factors in choosing an adviser.

Most consumers get their information straight from the materials of product providers.

The financial press, consumer websites and media pundits are other strong sources of influence.

Investing in cross platform strategies has become increasingly important to reach and engage with customers.

Conclusions

CONCLUSIONS

Assessing the state of The Advice Nation

From our research into representative cross-sections of financial advisers and the UK public, we have built an in-depth picture of how advice sits within the nation as a whole. Here are the key findings.

Advice and the UK public

The proportion of the UK population using financial advisers is still relatively low (16 per cent), but the number has grown in recent years and continues to increase. Men are more likely than women to seek professional advice, probably due to higher average earnings among men and a greater proportion of men in full-time employment.

The demand for financial advice rises across adulthood, but without dramatic peaks – it seems that age alone is not the biggest factor in the decision.

There are notable advice gaps even among those who are using advisers. Advice on retirement is still under-subscribed, despite a recent surge in enquiries relating to pension freedom. Even more neglected is the issue of inheritance tax.

How people pay for their advice turns out to be a divisive issue. There are major splits across the age groups, with opinions seeming to vary in relation to the consumer's own level of experience. The young and inexperienced are drawn to the idea of a fixed fee, while more seasoned investors prefer a percentage of assets.

Adviser firms are steadily adapting their offerings to meet the changing demands of their clientele, with financial planning one of the biggest growth areas. Whether services are evolving fast enough remains to be seen.

The adviser position

Regulatory changes have had a significant impact, but advisers have handled the process very well and are making their new business models work. Pension freedom has been seized upon as an unprecedented opportunity, yet there are signs of 'reform fatigue' and scepticism about proposed changes that may be yet to come. Going forward, advisers agree that the most valuable service they can offer is that of personal financial planner – which is probably also the role that technology is least able to fill.

Meanwhile advisers themselves are embracing new technologies and finding them essential to doing business. Platforms, cash-flow modelling tools and model portfolios are either intrinsic already or at least seen as the way forward by the majority of firms. Functionality is the critical factor, especially where platforms are concerned – advisers look to technology to make their work easier and more efficient, not necessarily to transform the outcomes.

Advisers in general have been unexpectedly slow to take advantage of social media. Yet those who do make use of it have discovered significant benefits to their business, and have allocated distinctive roles to the various social media channels. These timely (not early) adopters have demonstrated that social media is highly relevant to financial advice – it remains now for the majority of advisers to catch up.

The consumer journey

The pattern of 'Who wants what advice?' is hard to predict. Though age is a big factor, even more depends on personal circumstances, levels of awareness and above all, attitudes. It is also apparent that advice is frequently sought on behalf of others.

Broadly speaking, the mid-30s is the time of life when most people start to think seriously about their financial future. Some forms of advice, such as protection, have their 'prime time', after which they tend to fall by the wayside. And despite pension freedom, people are still more inclined to seek advice leading up to retirement than at the point of retirement itself.

When it comes to choosing advisers, people look for recommendations from trusted sources or first-hand experience – those who have benefited from advice in the past are the most likely to seek it again. However, everyone has to start somewhere, which is why over a million people a year are now using unbiased.co.uk to find their advisers.

A sea change is taking place in how people access information and act upon it. Younger generations are attached to mobile devices, their phones and tablets taking over from traditional computers, and their digital activity is different as a result. They are online more often, they check up more regularly, and so are also – potentially – a more ever-present (but more fickle) audience.

Today's consumers see themselves as more savvy – but is that really true? People are still highly malleable, taking decisions largely on the basis of provider information, adverts and other marketing materials. Printed matter has far more influence over the old than the young, and older people are more suspicious of providers' own information, but all age groups remain highly susceptible to biased claims. The loudest challenging voices come from financial newspapers and media pundits, but many people appear to just 'go with their gut'.

Pension freedom represents the greatest opportunity in a generation, on three fronts. It offers consumers the chance to take real control of their retirement; it gives providers the chance to respond to the new demand with more innovative, flexible products; and it will allow advisers to demonstrate the value of advice as never before. Among the people now approaching retirement, the need for advice is unprecedented. The risks are as real as the potential rewards, retirement is no longer off-the-peg, and consumers are starting to realise this. The growing trend for advice seeking looks set to gather pace off the back of this retirement revolution.

About the authors

Unbiased.co.uk
Unbiased.co.uk is the advice marketplace. We connect millions of people with the UK's largest choice of qualified, whole-of-market and independent advisers. Our smart search matches consumers and businesses to over 24,000 IFAs, whole-of-market financial advisers, mortgage brokers, solicitors and accountants. We actively campaign to promote the value of independent financial advice, and we make it easy for people to find the advice they need by providing introductory guidance, expert insights, saving tips and practical tools. Besides having the UK's largest database of professional advisers, we reach more than a million consumers a year through our website and social media. Working with us is therefore a highly effective way to connect with your target markets, while raising your profile in a neutral environment.

Our advertising packages and newsletters give you a unique marketing channel. By aligning your brand with that of unbiased.co.uk, you can not only reach the people who matter most, but also influence them in a whole different way.

Working with unbiased.co.uk also gives you access to the largest resource of adviser data available in the UK, for you to use in your own marketing campaigns.

Furthermore you gain access to our Bluebook media directory, which connects you with the most media-savvy advisers and financial journalists.

You can also partner with us for one of our award-winning PR campaigns. These raise awareness of key financial issues such as tax and retirement planning, while promoting the value of professional advice. Campaigns achieve substantial media coverage in the regional, national and broadcast press, as well as across digital media, so being a campaign partner is an easy way to gain substantial exposure for a prolonged time period – all tied in to the trusted unbiased.co.uk brand.

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Opinium is a financial services research and insight generation agency based in Farringdon, London. We help financial organsiations get to grips with the world in which their brand operates by ensuring we develop the right approach, methodology and questions to deliver robust insight, targeted recommendations and address specific business challenges. Our research expertise and experience includes numerous studies amongst consumers, investors, business decision makers, HNWs and intermediaries, providing our clients with a 360◦ view of their world. Our research and insight consultants combine qualitative, qualitative and secondary research methods with advanced analytical techniques to draw out powerful insights to help our clients make strategic and accurate business decisions. With our own large consumer, investor and advisor research communities and in-depth knowledge of the FS sector we are market leaders in financial services research.

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