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Financial Advice Business Benchmarks 2024

Going for growth



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Executive summary

Confidence



Confidence levels are highest in areas under a financial advice firm's direct control:

92% are confident in their firm's ability to deliver good value for money.

89% are confident in their ability to meet the financial advice needs of clients.

Conversely, confidence levels are lowest around areas driven by external factors:

26% are confident in the capability of the regulator.

46% are confident in the stability of the economy.

Staff mix

The financial advice firm inflection point is around 11 advisers

Firms that employ 11 advisers require more centralised functions - such as operations, compliance, IT, marketing and data management.

Looking ahead, the market for outsourced compliance and accounting support appears to be saturated. Outsourced paraplanning, research and analysis is set to grow.

Costs and charges

Total client cost increased in the past year from **1.75% to 1.89%**, as estimated by financial advice professionals.

Platform fees remain consistent while both funds and portfolio management fees are slowly trending down.

The **average cost of ongoing advice** is **77 bps**, up 13 bps from 2023. Ongoing advice remains the largest share of total client costs.

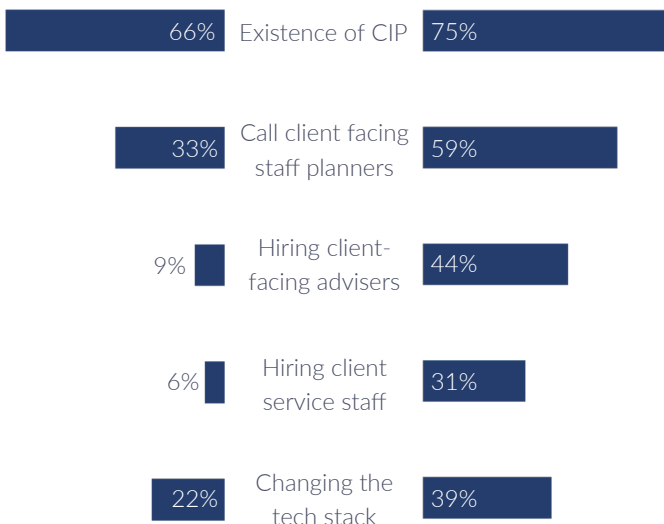
Fund charges tend to be higher in large firms. Clients of firms with more than 10 advisers are paying 68 bps for funds, compared to an average of 43 bps.

Percentage of assets remains the most common charging structure, used by 71% of respondents' firms. While this charging model continues to dominate, its use is in decline with popularity of all other charging structures rising.

Growth firms

Rest of the market

Growth firms



This year's survey reveals a greater focus on organic growth. We profile these growth firms to understand what makes them different.

Taking on new clients:

Two thirds of firms are looking to grow by taking on new clients, up from 50% last year.

Hiring staff:

40% of firms plan to grow by hiring new staff, nearly double the share compared with last year.

Executive summary

Clients

Nearly half (46%) of respondents said that their number of active clients has increased - **up from just over a quarter (29%) in 2023**.

Only 11% say they have fewer clients this year compared to 17% in 2023.

Most clients come from referrals - either from existing clients or professional connections. Larger firms, with 6+ advisers, are increasingly attracting clients from digital and traditional marketing.

Peace of mind, the creation of a financial plan and achieving financial goals are the **most valued aspects of financial planning to clients**.

Almost half have a stated **minimum investable asset level** for new clients, typically **between £100,000 and £149,000**.

Investment strategies

Multi-asset and multi-manager funds remain the most used investment strategies for new client money.

Discretionary managed model portfolios remain the second most popular option.

Building your own portfolio and using single strategy funds continue to decrease in popularity.

In 2023, we highlighted cash as the asset class to which the largest share of respondents expected allocation to increase over the next 12 months.

Attitudes have since shifted. Financial advice professionals now expect allocations to cash to decrease.



Impact of regulation

Consumer Duty's impact has been more acute among **large firms with six or more** client-facing advisers.

Large firms invested more heavily in their target market strategy, investment solution and record-keeping and logging of client conversations.

Advice Tech

Only one fifth are satisfied with their tech stack and not looking to make a change, the lowest level since 2020.

Almost a third will add or cease working with a tech partner in the next year. The change is driven by a desire to improve business efficiency and to adopt AI.

Over a quarter of respondents say their firm is using/implementing an AI solution, up from 5% last year.

Efficiency of delivery of advice

Since 2019, we have made no gains as an industry in the efficient delivery of advice. It still takes **three weeks or more** to deliver the first piece of advice.

One third of respondents say that gathering data from providers is the lengthiest step in the process with no meaningful change in this metric since 2021.

Where we are seeing **improvements** is in the tech that enables the financial advice professional to prepare the report. Solutions are coming to market to simplify and streamline data input, to summarise meetings and draft reports.

Foreword from PIMFA

As the UK's trade association and representative body for financial and investment advice, financial planning and wealth management, we are delighted to be able to support the 6th iteration of NextWealth's Financial Advice Business Benchmarks report. Data around this market can often be disparate beyond official regulatory publications but it is this report which consistently presents itself as a leader in this field. We are proud to have supported it once again.

The theme this year is, of course, confidence. It would be easy for firms and advisers to lose theirs, especially confidence in their ability to deliver given a number of external factors beyond their control. The preceding 12 months has seen the implementation of one of the most consequential regulatory initiatives since the Retail Distribution Review. Alongside this, the wider economic outlook, whilst improving, remains far worse than before the global pandemic.

And yet, the headline level of confidence among firms to deliver good outcomes for their clients, their confidence in their own ability, and their confidence in the prospects of their firms as a whole are strong.

This is important, because it is likely that the coming years will be as trying as the one that has just passed. We are just at the beginning of a new political cycle and, as a result, a regulatory one too. Whilst we do not expect substantial changes to the financial services infrastructure driven by a new government, we will certainly see policy changes to the way in which wealth is both accumulated and decumulated by this government.

From a regulatory perspective, we expect the Consumer Duty to play an even larger role than it has done previously. In particular, the myriad of benefits implicit in the provision of advice will become more and more important to articulate as it looks at advice businesses through the lens of the price and value outcome. In particular the provision of on-going advice fees as highlighted in this report will likely be assessed very closely with the Consumer Duty front of mind.

But there is also real opportunity within this. The move towards and embrace of outcomes focused regulation provides firms with the ability to build their businesses in ways geared best towards delivering good consumer outcomes under the Consumer Principle rather than having to adhere to paint by numbers regulation. This is conducive to innovation, it is conducive to growth but it is reliant on firms having confidence in their ability and in their business.

I hope that in 12 months time when we return to this report that confidence levels are as high then as they are today. The next 12 months will not be easy, but as ever, I am optimistic that this industry is well placed to stand down any challenges that it may face.

Liz Field

Chief Executive

PIMFA



Foreword from NextWealth

I am delighted to share the sixth update to our Financial Advice Business Benchmarks (FABB) report. This 2024 update introduces a new measure of confidence.

For two consecutive years we have seen business confidence wane. This waning confidence was stark in 2022 and 2023. Against a backdrop of rising inflation and higher interest rates, financial advice professionals were more pessimistic about the future of their businesses. Fewer planned to hire or grow organically and more were looking to sell or exit the market. We thought it important to introduce this measure of confidence to track sentiment year to year in the advice profession.

In 2024, confidence levels are strong in areas under the control of financial advice firms. Financial advice professionals are feeling pretty comfortable in their ability to deliver value to clients. They are more likely to say their businesses will grow by working with more clients and by hiring more staff. Adviser confidence gauges appear throughout the report to give a indication of confidence in each section.

We profile growth firms to help firms going for growth to benchmark their approach against the part of the market that is striving to reach a larger number of clients. We also quantify the inefficiency at the core of advice, noting that no progress has been made in five years in the time taken to onboard a client.

I hope the insights in this report will be valuable to you and your business as we navigate the year ahead. The financial advice industry is at a pivotal moment, and I am confident that the coming months will provide both challenges and exciting opportunities for growth and innovation.

I look forward to hearing your thoughts on the report.

Heather Hopkins

Managing Director

NextWealth



1. Confidence

This year's report features a new metric to analyse the profession: confidence. Represented via speed dials throughout this report, we gauge confidence of financial advice professionals across various factors.

Overall confidence across all factors averages to four on a five point scale, translating to a relatively high level of confidence with some room for improvement.

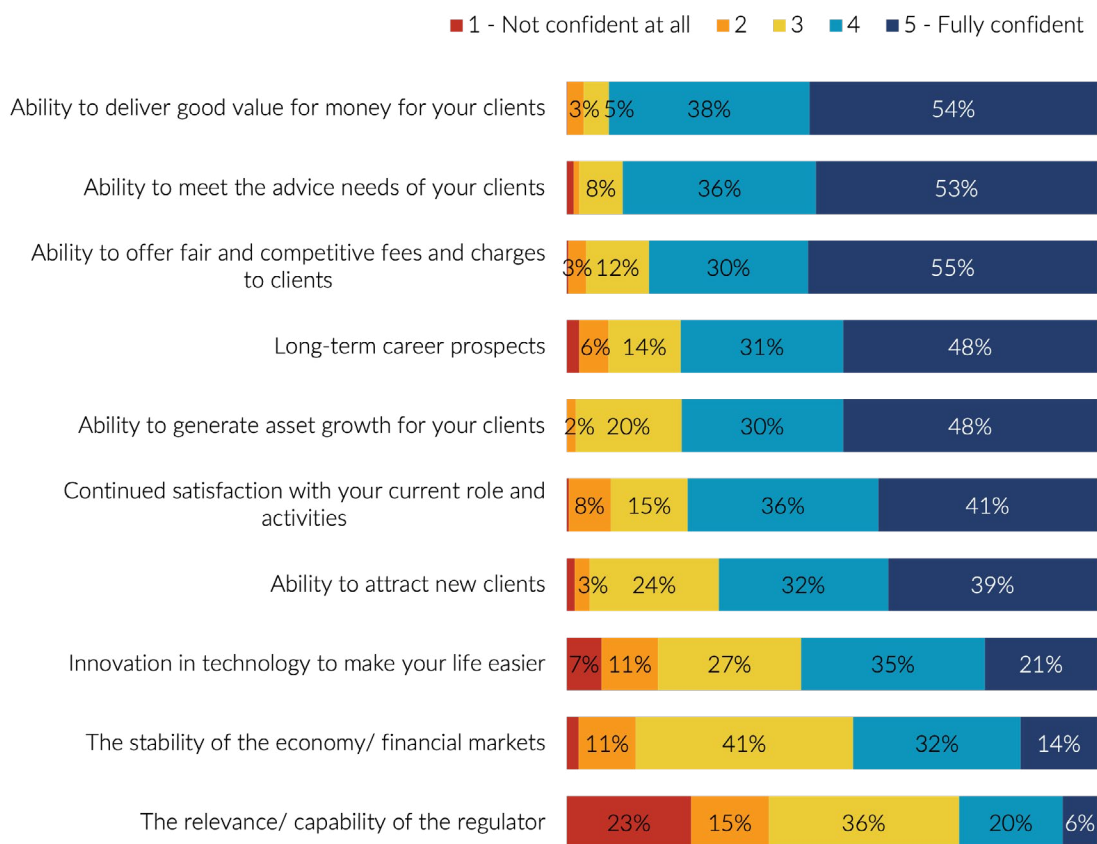
Confidence levels are highest in areas under a financial advice firm's direct control. For instance, 92% of respondents are confident in their firm's ability to deliver good value for money while 89% are confident in their ability to meet the advice needs of clients.

Conversely, confidence levels are lowest around areas driven by external factors, over which firms have little control but which can significantly impact business volume. These include the capability of the regulator and stability of the economy, where only 6% and 14% respectively, expressed full confidence. This chimes with a lack of certainty that we hear in conversation with financial advice firms, driven by the impact of the (as yet) unknown details of the autumn budget.

Innovation in technology, which can be a critical driver of business efficiency, has a low confidence rating. Only 21% of respondents are fully confident in technology innovations to make their lives easier. Financial advice professionals see technology as an area that requires significant improvement in order to deliver the operational efficiency needed to grow. We explore the technology supporting advice businesses, including the use of AI, in Section 9 of this report.



Figure 1: High levels of confidence are evident in factors that can be directly controlled by the financial advice firm



Q: How confident are you in the following factors?

2. Firm profile

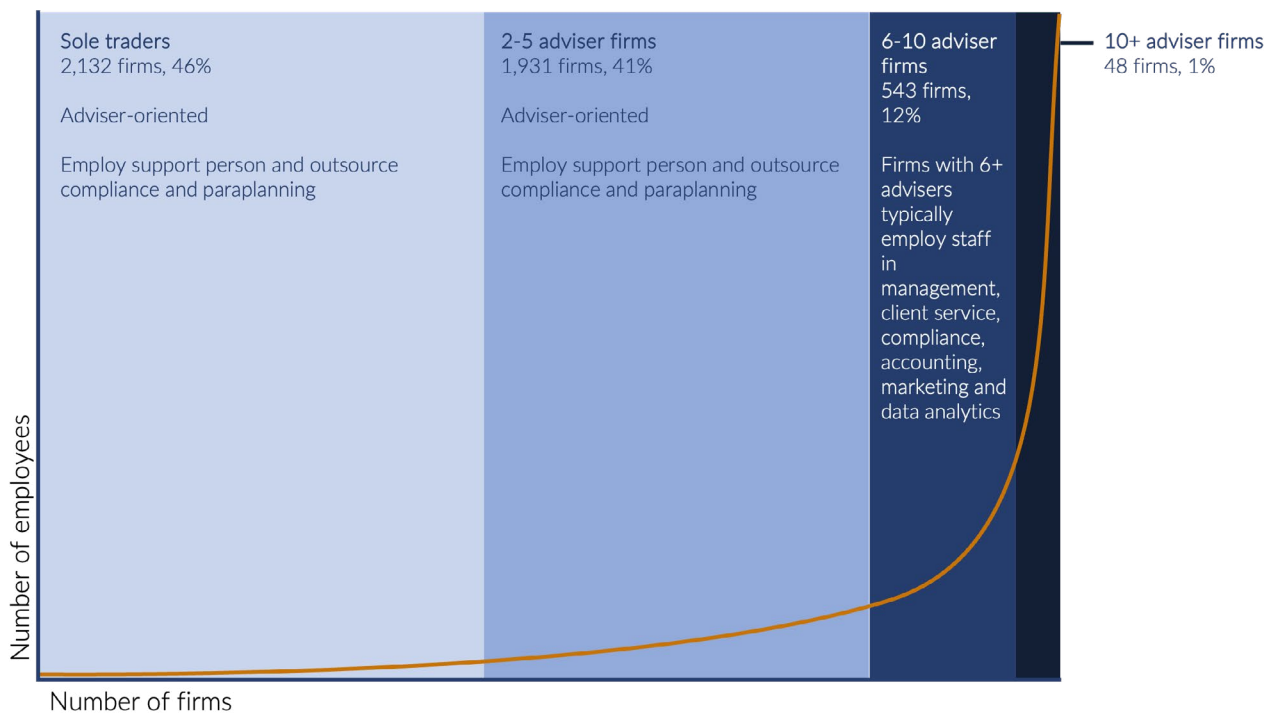
This section considers the size and profile of advice firms, offering insight into different approaches to recruitment, resources and growth.

2.1 Staff mix by size of firm

FCA data suggest there are 4,654 directly-authorized financial advice firms in the UK. Nearly half of these firms are sole traders and 87% employ five or fewer advisers.

Figure 2 illustrates the shape of the market and the staff mix by size of firm. The market size of firms is drawn from FCA data and the typical staffing levels are from the survey for this report. Notably from our research, firms with 11 or more advisers are far more structurally complex organisations, employing staff in management and central functions such as compliance, accounting, IT and marketing. Small firms are more adviser-oriented.

Figure 2: Most financial advice firms are small and adviser-oriented



2.2 The financial advice firm scale inflection point: 11 advisers

<5 advisers: Lean, advice-focussed firms

Firms that employ up to five advisers tend to be more lean and self-sufficient. Most essential roles are filled by advisers themselves with minimal central staff.

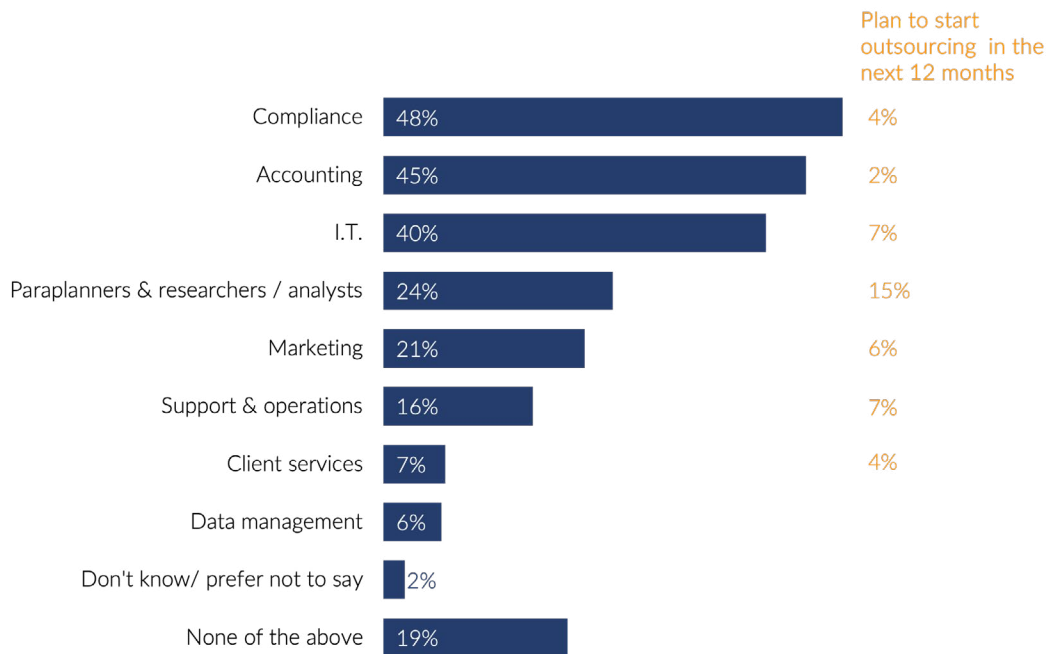
11+ advisers requires non-client facing central functions

The inflection point where firms begin to require more centralised functions - such as operations, compliance, IT, marketing and data management - is at 11 advisers. This size typically triggers a shift in the firm's infrastructure requiring specialised and dedicated staff for non-client facing functions. The need to add central resources starts in the 6-10 adviser band creating strain on some firms who need to hire for central functions, without the scale of their larger peers.

2.3 Outsourced support

In addition to full-time staff, firms rely heavily on outsourced support, particularly for compliance, accounting and IT. Looking ahead, the market for outsourced compliance and accounting support appears to be saturated, with only 4% and 2% looking to start using outsourced support in these areas in the next 12 months. Outsourced paraplanning, research and analysis is set to grow, with 15% of firms saying they plan to start using outsourced support for this function.

Figure 3: Firms rely heavily on outsourced support for many core functions



Q: Does your firm outsource any of the following functions to third party providers?

One in five financial advice firms do not outsource any of the functions listed in Figure 3. Firms that don't outsource any functions are more likely to be restricted, potentially offering more streamlined solutions to customers.

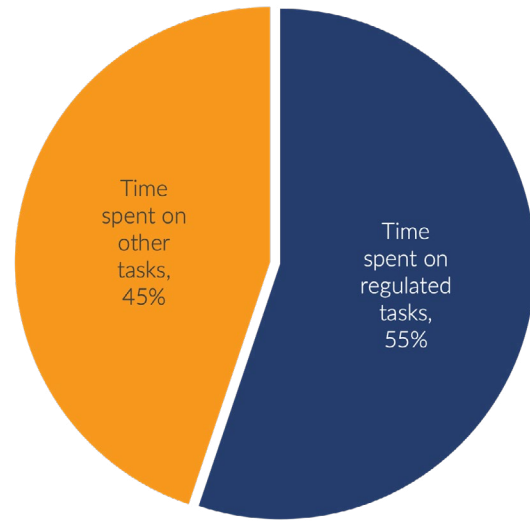
Some outsourced support is designed to fill gaps on a team. Figure 8 in section 4 shows the staff that financial advice firms are currently recruiting. Note that paraplanners, the area with the largest expected increase in outsourcing, is also one of the areas where firms are looking to recruit.

2.4 Time on regulated activities

We asked respondents with a level four, six or seven qualification about the proportion of their time in an average week that is spent on regulated activities. In our other research, we often hear about challenges around adviser productivity and the amount of time that highly paid and highly qualified individuals spend on admin.

On average, those with level four or higher are spending just over half of their time on regulated tasks. The proportion of time on regulated activities does not vary significantly by firm size.

Figure 4: Over half of level 4+ qualified staff time is spent on regulated tasks



Q: Approximately what percentage of your time in an average week is spent on tasks that can only be carried out by a regulated individual, n= 308 respondents with qualifications of level 4 or higher e.g. CII diploma in financial planning; CII certificate in paraplanning

3. Future plans

Over three quarter of respondents in our survey are confident or very confident in the future of their role when it comes to long term career prospects (79%) and continued satisfaction with their current role and activities (77%). This positive sentiment is tempered only slightly with 71% of respondents confident in their firm's ability to attract new clients. These factors result in a confidence index score of four out of five.

Reflecting the great confidence exhibited by financial advice professionals, this year's research also reveals that a higher proportion of respondents are focussing on growing by taking on more clients and hiring staff.

Over the past few years there has been a constant drumbeat of news about consolidation of financial advice firms. The theme during this period was that higher compliance costs, coinciding with the demographics of financial advice professionals, meant more advisers were looking to exit the industry. In contrast, this year's results show that fewer firms are looking to sell or exit.

The following table summarises the difference and the growth mindset now being shown in the industry, illustrated in Figure 5.



Organic growth

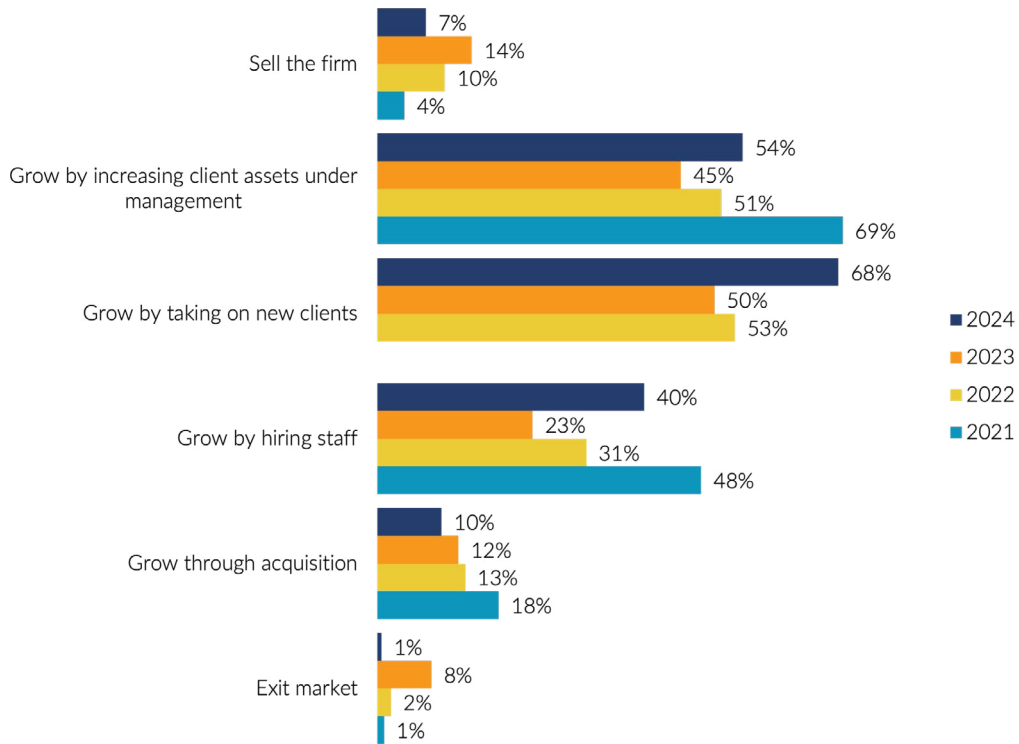
- **Taking on new clients:** Two thirds of firms are looking to grow by taking on new clients, up from 50% last year.
- **Hiring staff:** Under half (40%) of firms plan to grow by hiring new staff, nearly double the share compared with last year. Larger firms are more likely to say they plan to grow by hiring staff. Nearly three quarters (68%) of respondents in firms with more than 10 client-facing advisers say that they plan to grow by hiring staff. As illustrated in Figure 8, the most common roles being recruited are client-facing roles such as advisers and client service staff.

Inorganic growth

- **Acquisition:** Growth through acquisition is a consistent but declining strategy, particularly for larger firms. While 10% of all financial advice professionals say their firms plan to grow through acquisition, that climbs to 27% among respondents at firms with 6-10 client-facing advisers and 34% among the largest firms with more than 10 advisers.
- **Selling the firm:** Half as many respondents said their firm is looking to sell in the next 18 months compared with last year, adding weight to the view that growth through acquisition is slowing down.



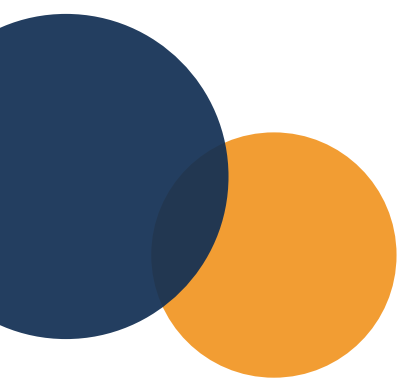
Figure 5: Financial advice firms are showing a greater appetite to grow organically by taking on clients or hiring staff



Q: Over the next 18 months, does your firm intend to do any of the following?

While growth ambitions are healthy across all sizes of firm, many heads of large financial advice firms have expressed concern that the current elevated demand for advice will be short-lived as people race to complete planning work ahead of any changes in the autumn budget. One referred to the current activity as “boom and bust” - suggesting demand could fall rapidly by year-end and remain weak into next year.

This paints a rather mixed picture of the market for financial advice. There is a strong cohort of growth firms, those seeking steady organic growth, while others in the market are more cautious about the future. In the following section we explore the characteristics of these growth firms.



4. Profile: Growth firms

Our research revealed that a split has emerged between financial advice firms into those classified as growth firms and the rest of the market. Growth firms intend to grow their business organically by taking on new clients and / or hiring staff in the next 18 months.

We found that:

- 68% of survey respondents say their firm is looking to grow by taking on new clients in the next 18 months, compared with 50% in 2023; and
- 40% say their firm is looking to grow by hiring staff, versus 23% in 2023.

Definition: growth firms intend to grow their business organically by taking on new clients and/or hiring staff in the next 18 months.

We see clear differences between growth firms as compared to the rest of the market:

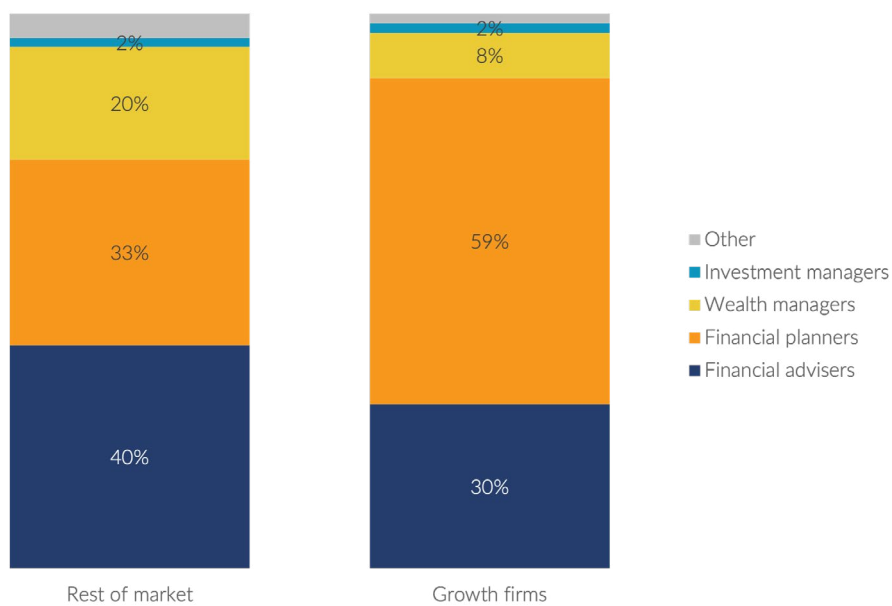
- **Growth firms are more likely to refer to client-facing staff as financial planners:** 59% of growth firms call their client-facing staff 'financial planners' compared to 33% for the rest of the market.
- **They are also more likely to have a CIP.** 75% of respondents in growth firms say their firm has a CIP, 9% more than those in the rest of the market.

Figure 6: Growth firms are more likely to have a CIP



Q: Does your firm have a CIP?

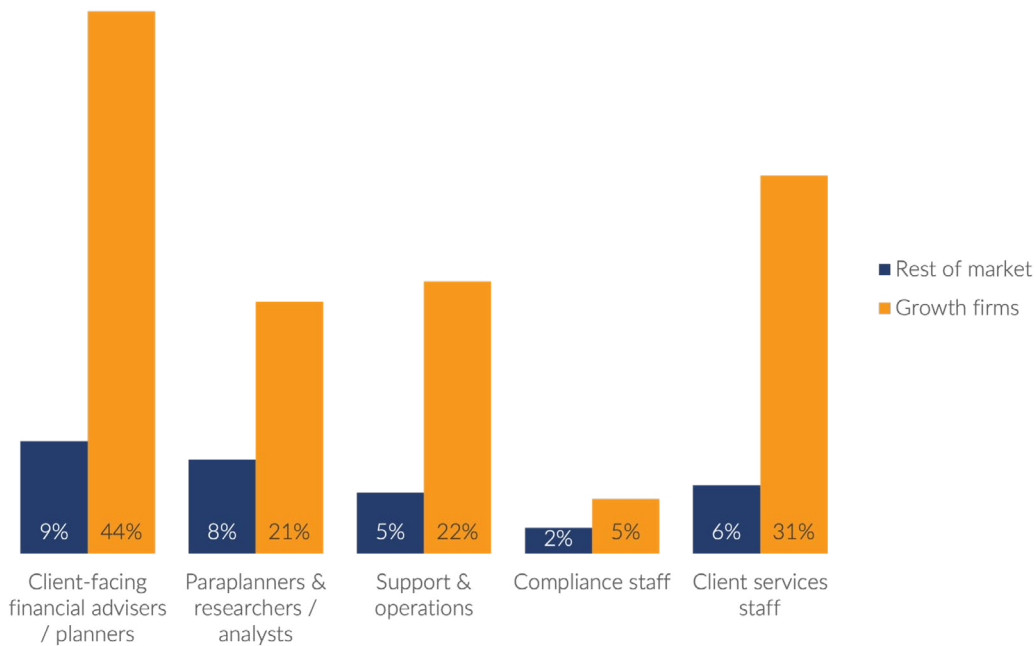
Figure 7: Growth firms call their client-facing staff 'planners'



Q: Of the staff at your firm, approximately what proportion are...?

The specific roles growth firms are hiring for vary widely. Nearly half (44%) of respondents say their firm is hiring client-facing advisers / planners and 31% are hiring client-service staff. These figures underline that growth firms are more likely to implement a 'pod' staffing structure which we have seen firms increasingly adopt in other NextWealth research. A pod structure entails clients being supported by a team that includes a adviser / planner, client service individuals, a paraplanner and ops and admin staff. This allows a firm to broaden the relationship with a client beyond an individual and allows advisers to work with a larger number of clients while offering a highly personalised service.

Figure 8: Growth firms are more likely to be hiring across a number of roles

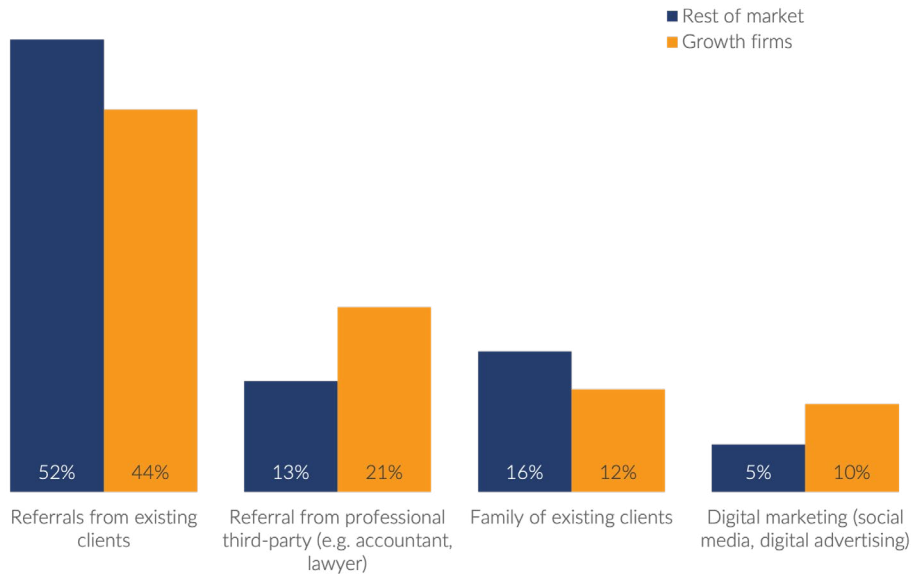


Q: Which roles are you currently recruiting?

Defined by their ambition to take on new clients, we compared growth firms' channels for new client acquisition. Illustrated in Figure 9, we see that referrals from existing clients remains the most important source of new clients but compared with firms in the rest of the market, professional referrals and digital marketing are more important sources. Respondents from growth firms say that 10% of new clients come from digital marketing, such as social media or digital advertising.



Figure 9: Growth firms attract more of their new clients from professional referrals and digital marketing

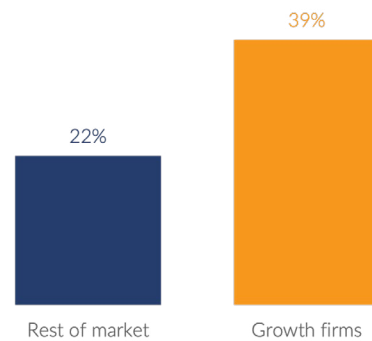


Q: What proportion of your clients come through the following channels?

As Figure 10 shows, 39% of respondents from growth firms are looking to change their tech stack, almost 17% higher when compared to the rest of the market. As growth firms are focussed on hiring staff and seeking new clients, it is possible to deduce that these firms are particularly discerning of solutions that enable them to streamline activity in meeting growth objectives.

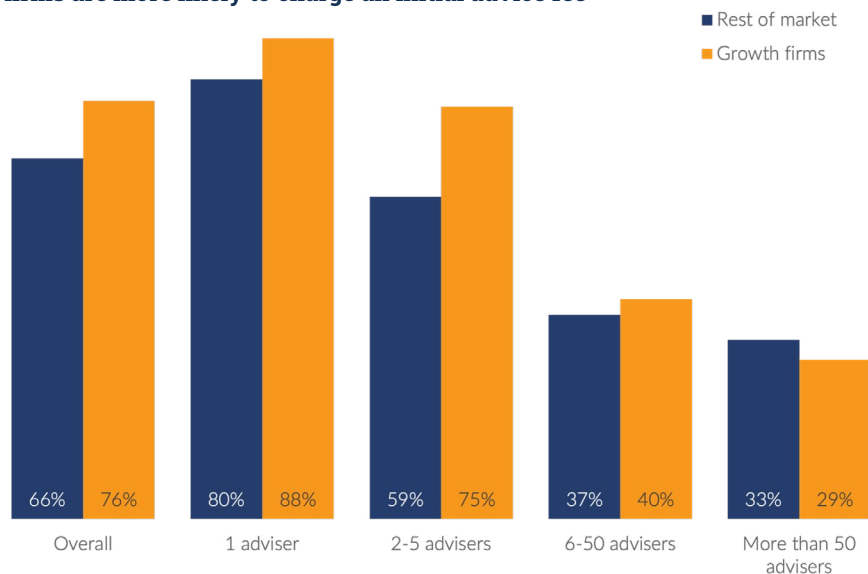
Growth firms are slightly more likely to charge an initial fee for their advice - 76% charge an initial fee compared to 66% of firms in the rest of the market. They are also more likely to work with clients with smaller portfolio values than average. The average portfolio size for rest of market firms is £435k, £26k larger than average for growth firms. Firms in the rest of the market may have enough clients with relatively large portfolio values making them less 'hungry' to win new business.

Figure 10: Growth firms are more likely to be changing their tech stack



Q: Do you intend to make changes to your tech in the next 12 months?

Figure 11: Growth firms are more likely to charge an initial advice fee



Q: Do you charge an initial advice fee?

Figure 12: Growth firms have a lower average client portfolio value



Q: What is the average portfolio size of your clients?



5. Costs and charges

Price, and more specifically value, have become increasingly debated topics within the advice profession over recent years.

The confidence of financial advice professionals in this area is high. Our index shows that 92% are confident in their ability to deliver value for money to clients, while 85% are confident in their ability to offer fair and competitive fees and charges to clients. This leads us to assign a level four of confidence on our five point scale.

To find out about the current state of the value of costs and charges, we analysed the average fees that clients pay.



5.1 Ongoing advice fees

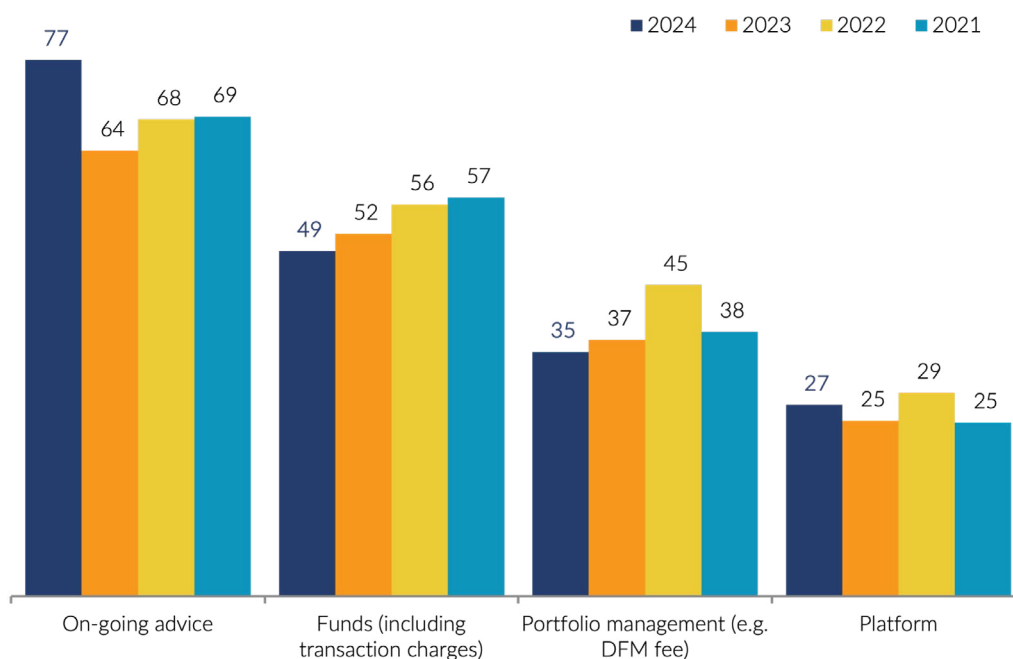
Figure 13 details the average basis point fee paid by clients ongoing advice, funds, platform and portfolio management. These benchmarks aim to offer valuable input to fair value assessments.

The total client cost increased in the past year from 1.75% to 1.89%, as estimated by financial advice professionals who participated in our survey.

Figure 13 shows platform fees remain consistent and both funds and portfolio management are slowly trending down. The average cost of ongoing advice is 77 bps, up 13 bps from 2023. The large increase comes from an increase in the on-going advice fee. Ongoing advice remains the largest share of total client costs. Platform fees represent the smallest share at 27 bps - broadly consistent with the previous three years.

NextWealth data show that ongoing fees are fairly consistent across various firm sizes. However, product charges tend to be higher in large firms. Clients of financial advice firms with more than 10 advisers are paying 68 bps for funds, compared to an average of 43 bps. We suspect this difference is down to a higher allocation to active rather than a more expensive like-for-like product.

Figure 13: Financial advice firms are still more likely to have ongoing advice fee.

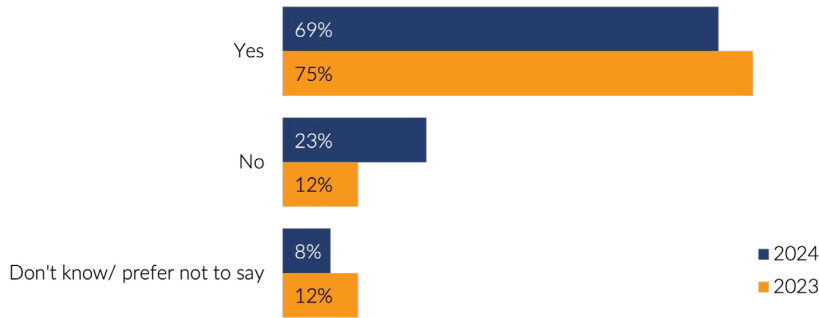


Q: Approximately what is the average basis point fee paid by your/your firms' clients for Ongoing advice, Funds (including transaction charges), Portfolio management (e.g. DFM fee), Platform

5.2 Initial advice fees

The proportion of respondents citing that they charge an initial advice fee decreased slightly by 6% compared with last year. The big change is in the proportion that aren't charging an initial fee, up two-fold to 23%. Respondents from larger firms with over six financial advice professionals, are more likely not to charge an initial fee. Over half of these respondents say they do not charge an initial advice fee.

Figure 14: Fewer firms are charging an initial advice fee



Q: Do you charge an initial advice fee, if yes how much do you charge?

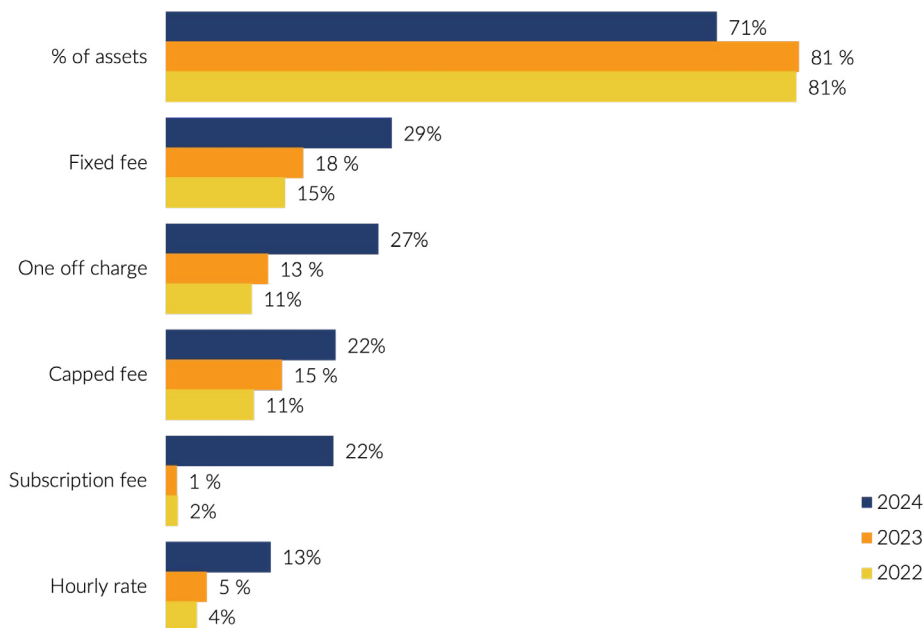
Among those that charge an initial advice fee, the average is £1,995 up from £1,800 last year. For those charging based on a percentage of assets, this varies from 1% to 1.5%.

5.3 Charging structure

Charging models continue to be an important point of focus in the industry and this year we have seen an unprecedented shift in the variety of fee models used by financial advice firms. Percentage of assets remains the most common charging structure, used by 71% of respondents' firms, though we have seen the proportion of respondents favouring this model come down.

This contrasts with other fee structures which have all seen an increase in use year-on-year. Of particular interest is the marked rise in the use of subscription fees, which are used by 22% of financial advice firms all or most of the time, up from just 1% in 2023. A growing number of firms are experimenting with alternative models, particularly to allow lower-touch/ lower frequency services levels to reach different client value segments.

Figure 15: Percentage of assets is the most common charging method, but is decreasing in use compared to other methods

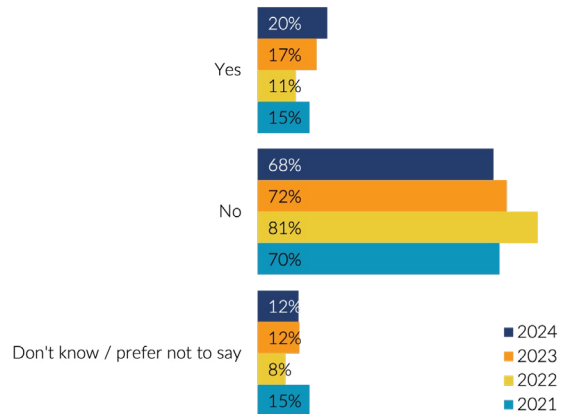


Q: How often do you use the following fee structures within your firm? (Always + Most)

5.4 Costs and charges looking ahead

There will likely continue to be more change on this front. As in 2023, there is a growing trend of financial advice firms considering making changes to their fee structure in the next year - 20% say they will make a change compared to 17% last year and 11% in 2022.

Figure 16: Marginally more firms are considering making changes to their charging structure, continuing the three year trend



Q: Do you plan on making changes to your fee structure in the next 12 months?

Of the respondents that say they were planning to make a change, several have the intention to increase fees but are not definitive on the details of the increase.

"We are still deciding what to increase."

"There will be a little increase."

Other respondents say that their firm intends to refine the fee structure to make the cost and value to clients clearer.

"Simplify the fee structure, but the amount will remain broadly the same."

"Looking to restructure advice and fee proposition for clients with less than £300,000 of assets and will introduce a menu of fixed fee charges and offer a monthly subscription option rather than % based fee to ensure these clients are being served in a commercial and fair way."

6. Clients

The Consumer Duty has been a hugely impactful piece of regulation, encouraging some firms - and forcing others - to implement plans to adjust their value propositions, communities and business strategy.

But how do these efforts feed through to the structure and shape of the client banks that advice firms serve?

As highlighted in section 3, there is a clear overall drive by firms to increase the size of active clients in the client bank. But we can also observe from our confidence index, that financial advice professionals display a high level of confidence in delivering against these clients' requirements - We found that 89% are confident in their ability to meet the needs of their clients.

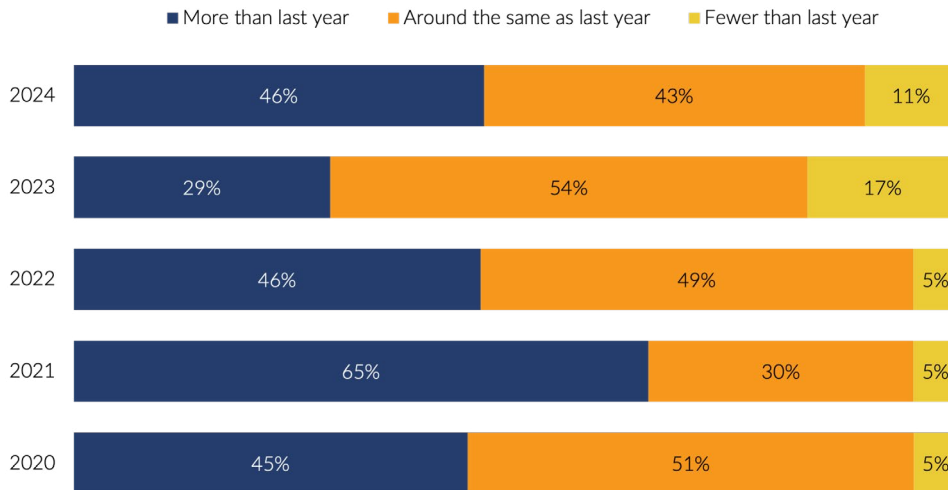


6.1 Size and characteristics of client bank

As a starting point, we assessed the size and characteristics of financial advice firms' client banks. The first factor considered is the overall trend in number of active clients being served and source of client acquisition, before looking at the characteristics that define firms' client bank and hierarchy of clients' advice requirements.

In 2024, the number of active clients year-on-year is rebounding from last year's three-year low. Nearly half (46%) of respondents say that their number of active clients has increased - this is up from just over a quarter (29%) in 2023. The health of current client bank numbers is further reflected by only 11% of respondents saying they have fewer clients this year compared to 17% in 2023.

Figure 17: The number of active clients has rebounded 17% year-on-year



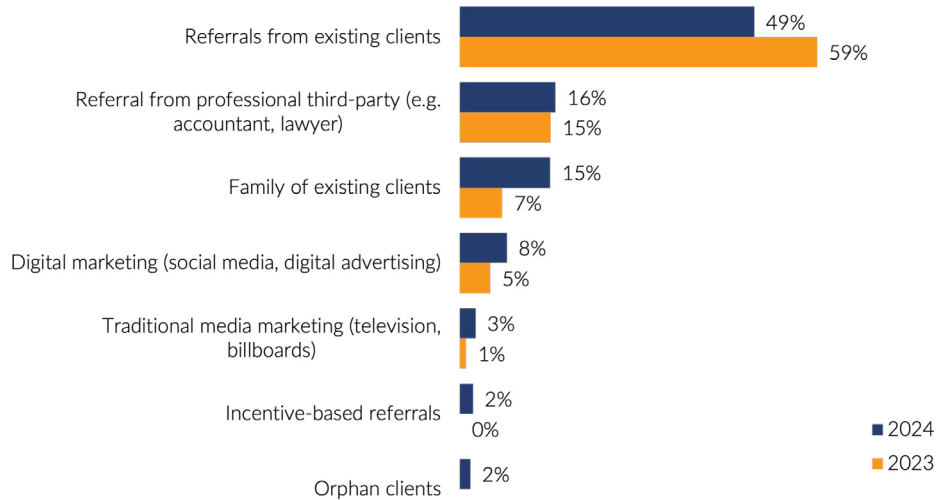
Q: How does your personal number of active clients compare to this time last year?

This could be the result of a combination of strengthening financial markets, as well as efforts by financial advice firms to target and grow their client base through more innovative channels such as digital.

6.2 Sources for new clients

In 2024, most clients continue to come from referrals – either from existing clients or professional referrals. However, there's an 8% increase in firms attracting clients via the wider family network which could also suggest intergenerational wealth transfers may be beginning.

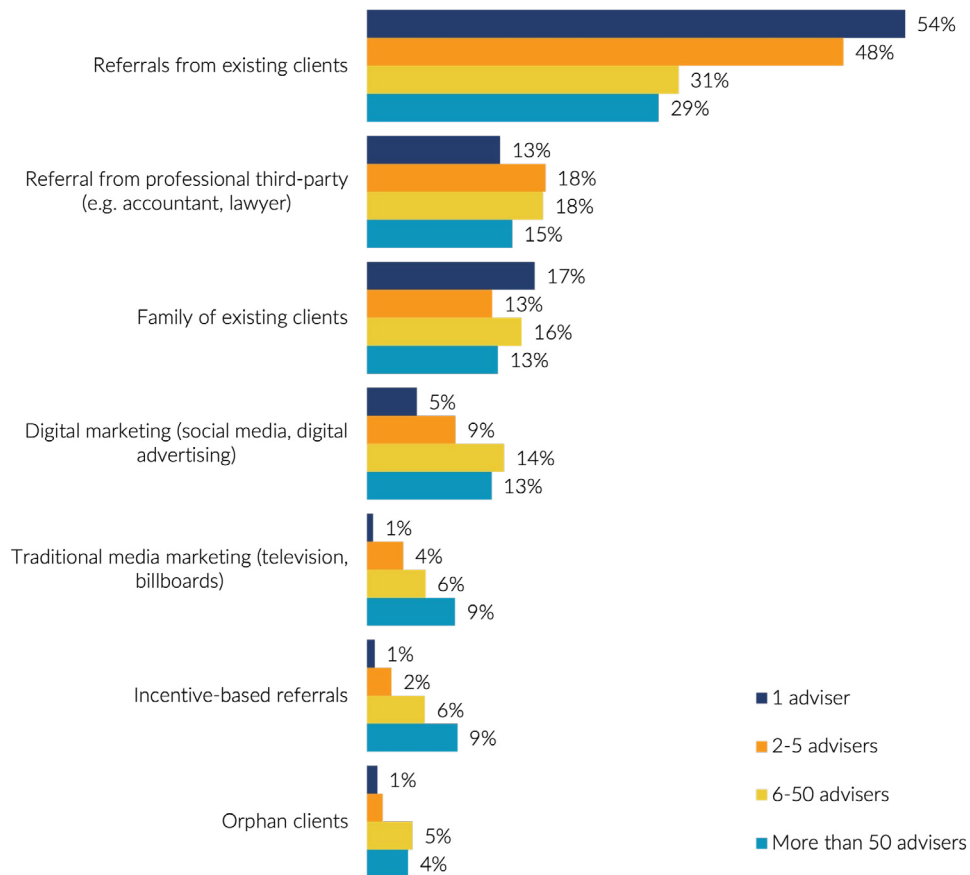
Figure 18: Referrals from existing clients remain the most common source of new client acquisition but other channels are gaining importance



Q: Approximately what proportion of your clients come through the following channels?

In Figure 19 we observe that more traditional, word-of-mouth referrals play a greater role for smaller firms in acquiring clients. Meanwhile other channels - such as digital marketing, traditional marketing, incentive-based referrals and orphaned clients - are more influential for firms with six financial advice professionals or more.

Figure 19: Referrals from existing clients remain the most common channel of client acquisition, but other channels are beginning to play a decisive role for mid-to-large sized firms



Q: Approximately what proportion of your clients come through the following channels?

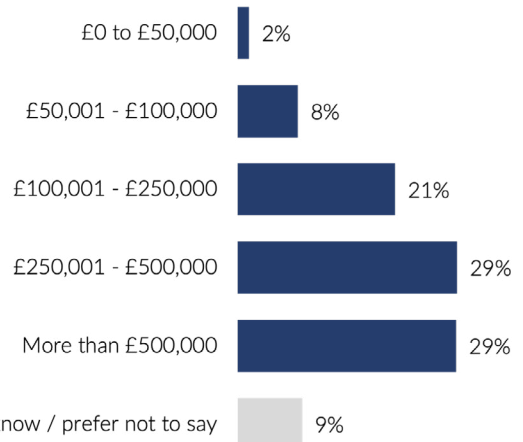
6.3 Client portfolio size

Figure 20 shows the reported distribution of average client portfolio size from respondents in this year's survey. The average portfolio size in 2024 is £369,689.

6.4 Components of advice valued most by clients

When asked which components of advice are most important to their clients, peace of mind ranks top followed by the creation of a financial plan and achieving financial goals. In contrast, access to investment opportunities is seen as the least important.

Figure 20: Over half of financial advice professionals report an average client portfolio size of £250,001 or more



Q: What is the average portfolio size of your clients?

Figure 21: Peace of mind and having a plan that can achieve goals are seen as the most important components of advice to clients



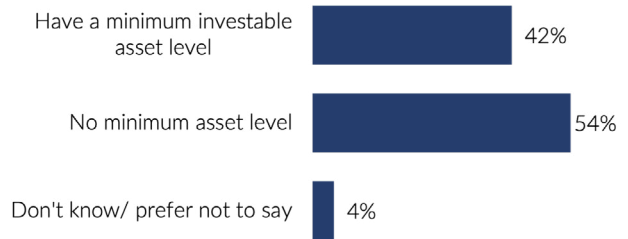
Q: Rank the following components of advice in the order of importance to your clients

6.5 Target market

Consumer Duty and the Retirement Income Advice Review mean firms need to have a tighter handle on delivering a service that meets clients' needs and provides value for ongoing fees. The implication is that value is more in focus now than ever and many firms are evaluating their client book around whether it makes sense to serve lower AUM clients.

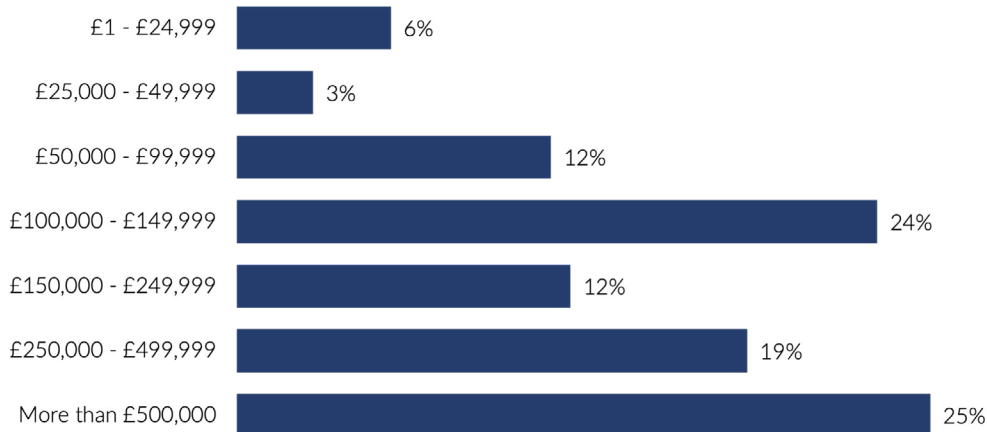
Figure 22 illustrates that almost half have a stated minimum investable asset level. In terms of these minimum levels, Figure 23 shows 79% of respondents say that clients are required to have £100,000 or more to be a client. When taken into consideration with the average client size that many firms have, this shows an interesting dynamic. Regulation is pushing financial advice professionals to provide more value for their clients but according to a significant proportion of our respondents, this isn't viable for those with under £100,000.

Figure 22: Nearly half of financial advice professionals report their firm has a minimum investment level

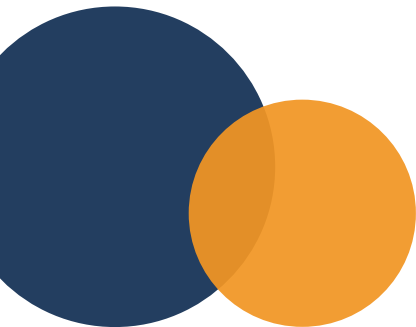


Q: Do you have a minimum investable asset level that you would require for someone to be a client of yours?

Figure 23: Almost a quarter of financial advice professionals require clients to have £100,000 to £149,000 to be a client.



Q: Do you have a minimum investable asset level that you would require for someone to be a client of yours? Please share the amount as a number.



7. Impact of regulation

In this section we focus on how regulatory change is continuing to re-shape the wealth management industry.

Confidence in the relevance and capability of the regulator ranks lowest of all factors in our confidence index this year and leads us to a one out of five on our five point scale. This highlights that much can be done in the years ahead to improve the sentiment of financial advice professionals when it comes to policy governing the operating environment for financial advice firms.

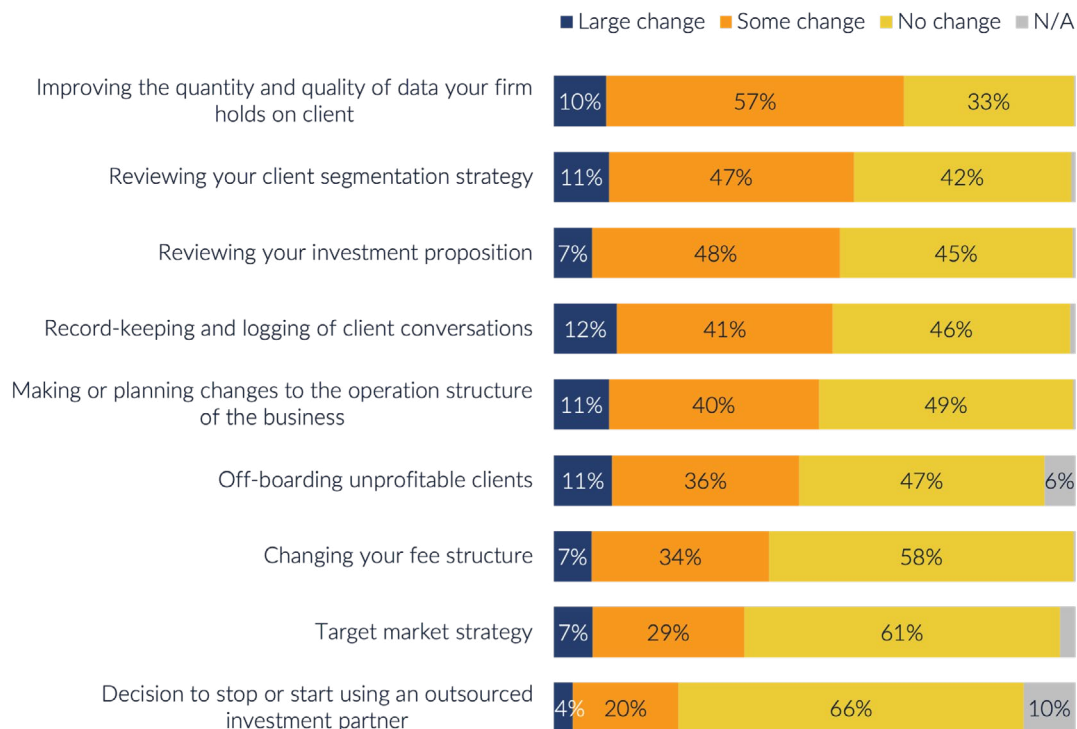


7.1 Consumer Duty

In response to Consumer Duty, most firms have made some change rather than an overhaul of their proposition. The most common area where firms have made a change is in the quantity and quality of data that firms hold on clients.

In our ongoing research with financial advice professionals we often hear that Consumer Duty prompted a vast data collection and analysis effort and we see that over two thirds (67%) of respondents said their firm made changes to improve the quantity and quality of data their firm holds. The second highest area of change is a review of client segmentation strategy which is covered in more detail in section 7.2.

Figure 24: Consumer Duty prompted most firms to make some changes

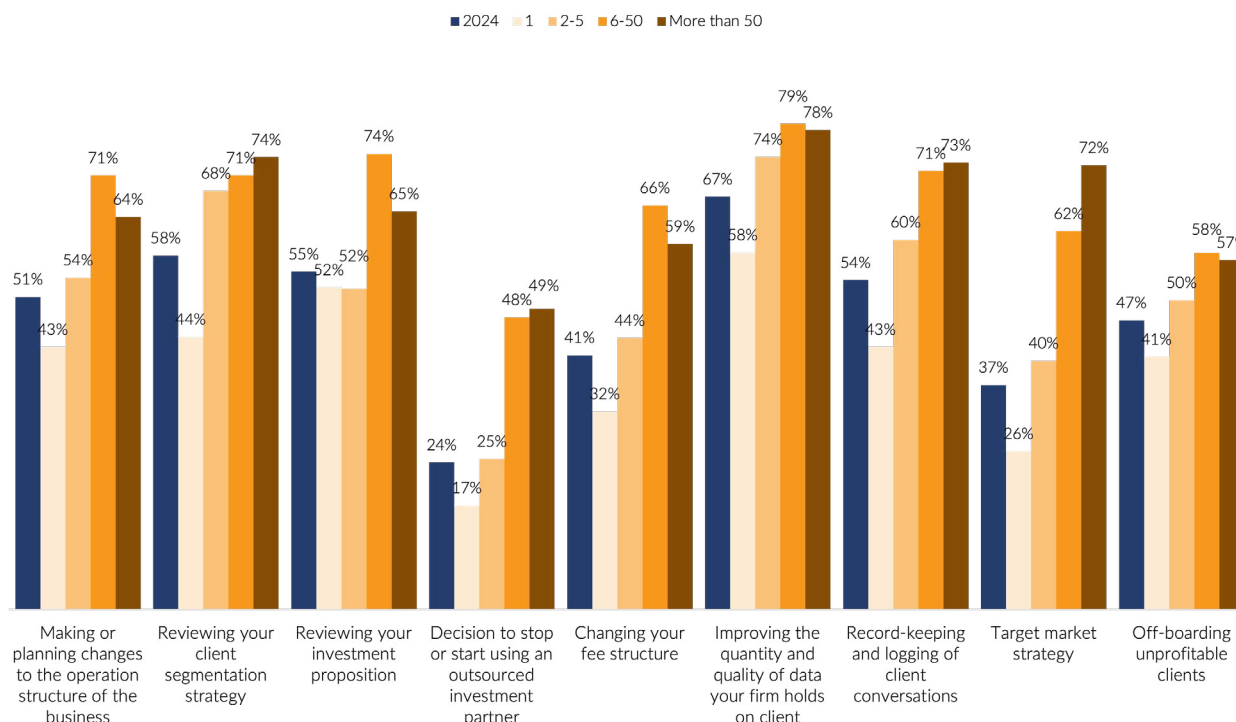


Q: To what extent has Consumer Duty prompted changes for the following areas of your business?

The impact of Consumer Duty has not been equal across different-sized firms, and was more acutely felt among large firms with six or more client-facing advisers. Figure 25 shows the combined responses for 'large change' and 'small change'. This illustrates the rising level of impact as firm size increases, as measured by the number of client-facing advisers.

The biggest areas of difference between firm size were in making changes to target market strategy (46% difference between firms with one client-facing adviser and firms with 50 or more) followed by the decision to stop/start using outsourced investments (32%) and record-keeping and logging of client conversations (30%).

Figure 25: Consumer Duty impact has been greatest in large firms



Q: To what extent has Consumer Duty prompted changes for the following areas of your business?

Small firms, and sole traders in particular, are significantly less likely to make changes as a result of Consumer Duty. These firms are less likely to have a visit from the regulator and so tend to have a lower level of regulatory scrutiny unless there is a complaint. They also tend to have less of a need for significant oversight because regulated individuals work in one office and can agree their approach more informally.

7.2 Client segmentation

A few years ago, firms were encouraged to consider their approach to client segmentation as a result of MiFID II rules. This need to have a clear proposition matched to client segments grew under Consumer Duty. Our research found that 58% of respondents have made some change to their client segmentation strategy under Consumer Duty (Figure 25 above). This was the highest (74%) with the largest firms compared to only 44% of firms with one client-facing adviser.

When asked what changes they made, the most common responses related to using more specific factors to better understand and serve client needs.

"More focus on the client bank as a whole and broken down using other segments now than just FUM."

"It is a strategy that involves dividing customers into groups based on specific criteria, identify criteria, segment customer, understand each segment, create customer journeys. I personalise my approach and monitor."

Among firms that have a segmentation strategy in place, the common criteria used for segmentation are 'life stage', 'client asset level' and 'need for ongoing advice.' These reflect the work that advice firms do to assess value and a need for advice among clients.

Figure 26: Life stage and client asset level are the most common client segmentation criteria



Q: Which of the following factors do you use to segment your client base?

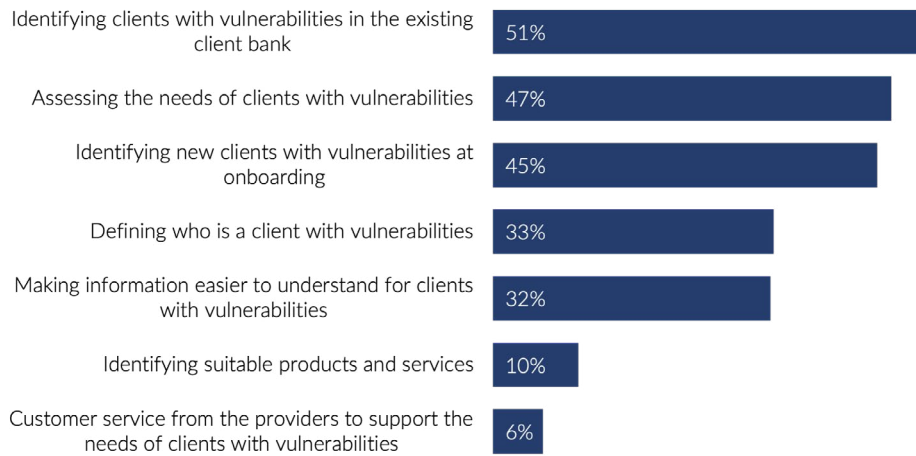
Overall 7% say 'there is no common factor.' This is similar to other research studies undertaken by NextWealth which has shown that some firms, particularly sole traders, will take a highly bespoke approach to understanding client needs and characteristics. This can lead them to say they do not segment their client base.

7.3 Clients with vulnerabilities

Stronger regulatory focus, and greater awareness in general, has pushed financial advice professionals to become increasingly cognisant of the need to identify clients with vulnerabilities.

Nearly half of respondents (47%) say they are assessing the needs of clients with vulnerabilities, but this is still developing. A lower percentage (32%) are implementing this ambition in terms of making information easier to understand, with only 10% identifying suitable products and services as a result.

Figure 27: Half of financial advice firms are focussed on identifying clients with vulnerabilities



Q: Which of the following areas are you most focussed on to meet the needs of clients with vulnerabilities?

8. Investment strategies

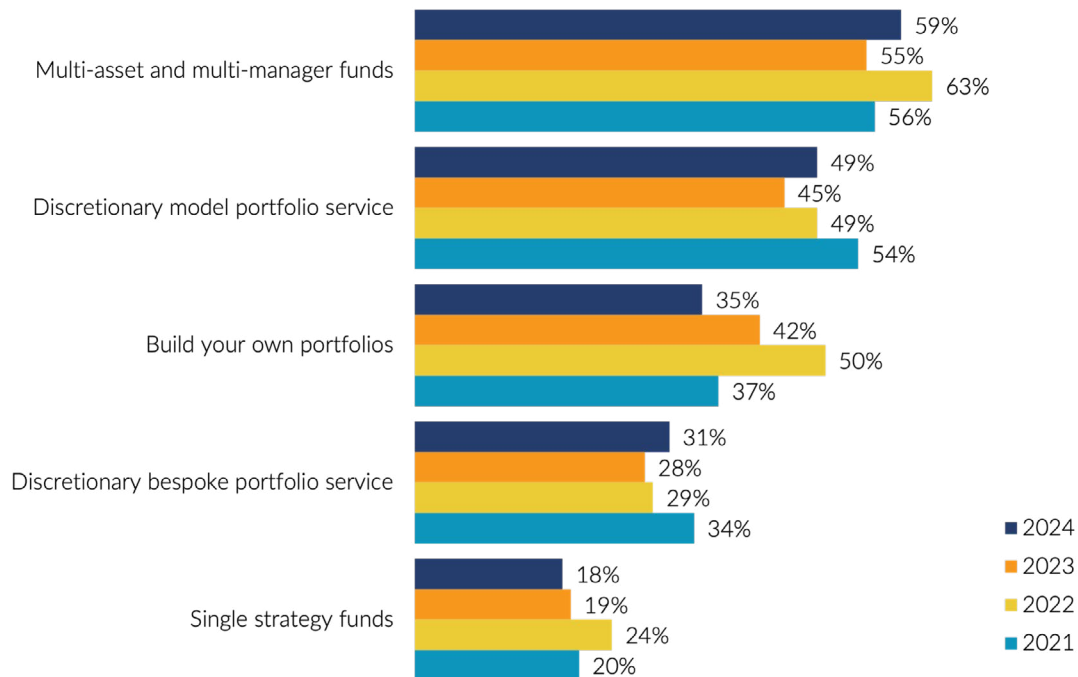
In this section we consider financial adviser sentiment around current and expect future use of investment strategies.

We rate financial advice professional sentiment of confidence at two out of five on our confidence index. Whilst almost half (48%) of respondents in our survey are confident in their ability to generate asset growth for clients, only 14% have confidence in the stability of the economy and financial markets which impact on the investment strategy recommendations of financial advice professionals.

Following the trend of recent years, multi-asset and multi-manager funds remain the most used investment strategies for new client money. Discretionary managed portfolio services (MPS) remain the second most popular option. Both multi-asset and multi-manager funds uptake remain consistent with nearly equal increases in usage across these vehicles. Notably, build your own portfolio and using single-strategy funds continue to decrease in popularity.



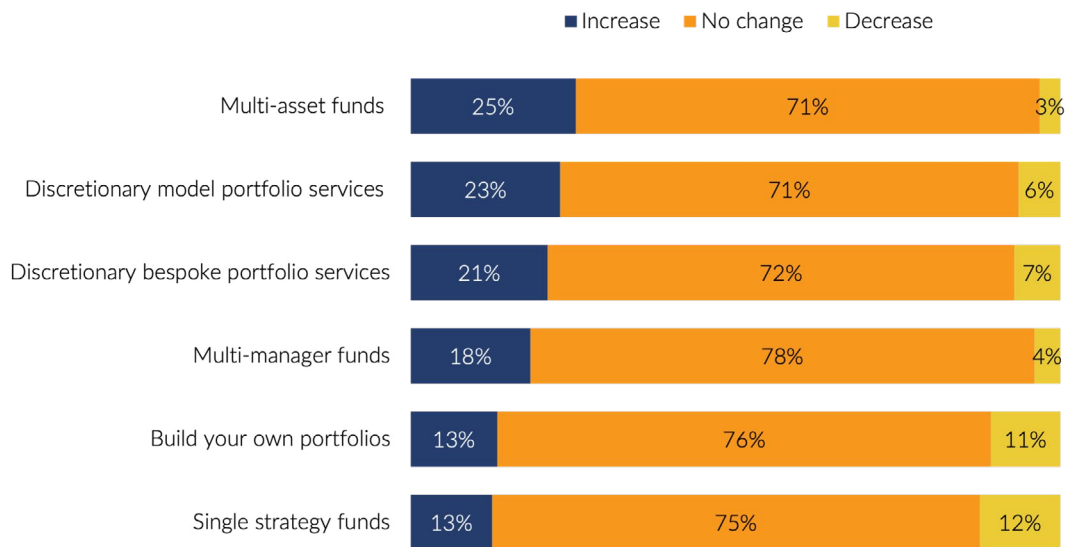
Figure 28: Multi-asset and multi-manager funds are the most used investment strategies for new client money



Q: Which of the following investment strategies do you use for new client money?

For this year's report, we split multi-manager and multi-asset funds into distinct categories to identify significant differences between the two. Looking ahead, we can expect allocation to multi-asset funds (and to a lesser extent multi-manager funds), discretionary MPS and bespoke discretionary portfolios to rise fastest. Conversely, money is expected to continue to move away from build your own portfolios and single-strategy funds.

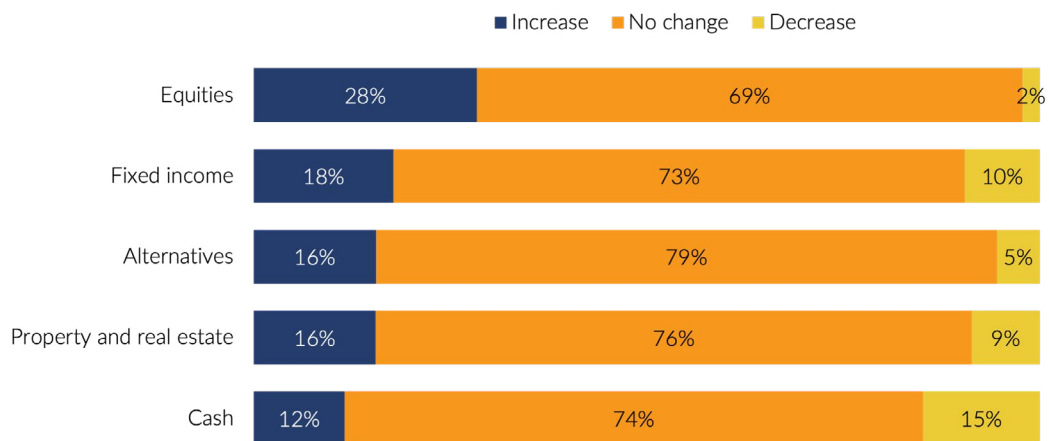
Figure 29: Use of multi-asset, discretionary MPS and discretionary bespoke portfolio service are expected to increase the fastest



Q: Do you expect to change your use of investment strategies in the future?

In last year's report, we highlighted cash as the asset class to which the largest share of respondents expected allocation to increase over the next 12 months. Attitudes have since shifted. Figure 30 shows that respondents say that allocations to cash will decrease. As interest rates have come back from previous highs, interest is waning in the asset class. Equities are most widely held and most financial advisers professionals (28%) expect appetite for this asset class to increase.

Figure 30: Appetite for equities is expected to increase whilst interest in cash is waning



Q: How do you expect your clients' interest in asset classes to change over the next 12 months?

9. Technology

Just over a half of financial advice professionals (56%) are confident in technology innovations to make their life easier. Through other NextWealth research, we hear optimism that existing advice tech systems are in the process of being overhauled and updated to make processes more efficient. Meanwhile innovations in AI are driving optimism that long standing (integration) frustrations can be overcome as well as making reporting and marketing processes more precise and relevant.

In this section we look at the picture of (dis)satisfaction in the context of firm appetite for change, as well as firm feedback around tech buying intention. In doing so we are able to add colour to the picture of advice firm confidence, outlined at the beginning of this report.

Further detail on the use of technology by advice firms is available in [NextWealth's Advice Tech Stack: Adviser Reviews report](#).

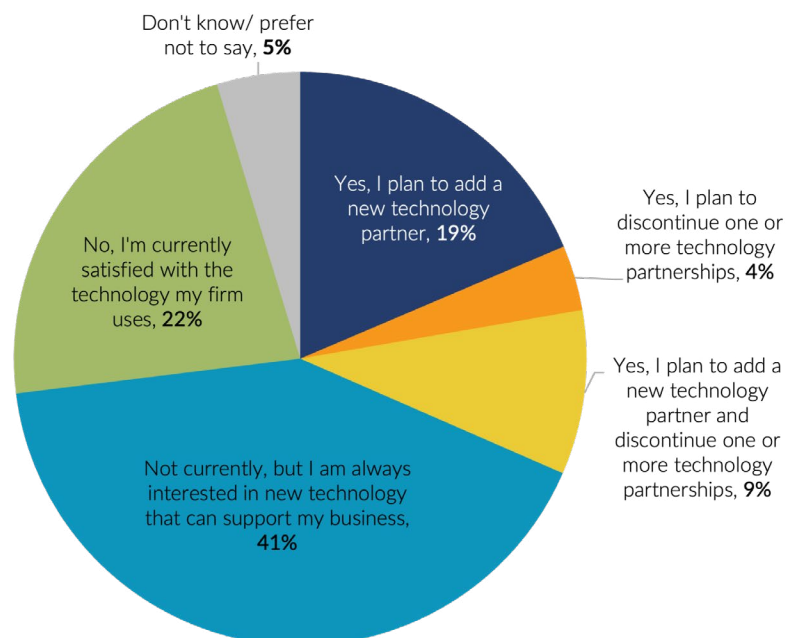


9.1 Use of technology in advice firms

Financial advice professionals are less satisfied with their tech. As Figure 31 shows, only one fifth are satisfied and not looking to make a change. This is the lowest level since 2020.

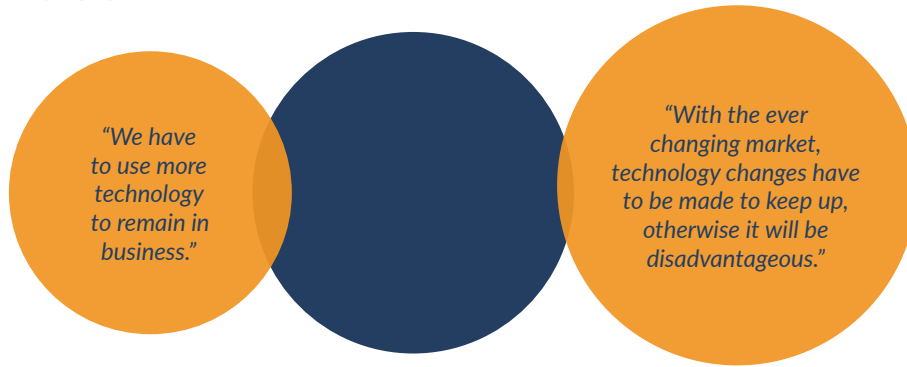
Almost a third of respondents say that their firm will add a new technology partner or discontinue one or more tech partnerships, underlining the desire for change this year.

Figure 31: Appetite for change is driven by low satisfaction and a desire to better support firm processes



Q: Do you intend to make any changes to the technology your firm uses in the next 12 months?

From the verbatim analysis of the motivations for changes to technology, two thirds of respondents say that this was to feel that the firm is keeping up with the latest innovations.



Drivers for keeping a handle on the latest technology focussed around three key themes:

1. Better business performance:



2. Better handling of data:



3. Remaining competitive and compelling to clients by providing an efficient proposition:



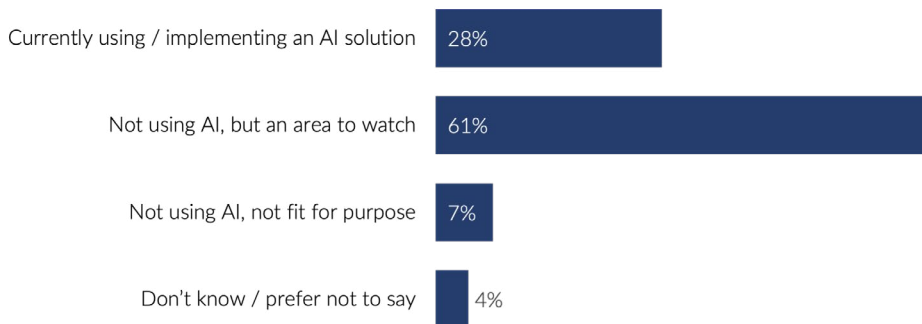
The second most mentioned driver of technology change given in our survey verbatims was the specific adoption of AI to aid process efficiencies, with 10% of respondents citing awareness of how the technology could help facilitate the firm's process. Further detail on respondent perception of AI is given in section 9.2.

9.2 Use of AI

AI has been in development for some time now and is undoubtedly on the radar of financial advice firms. But attitudes remain split and the benefits and limitations of AI can lack clarity. We wanted to revisit financial advice professionals sentiment around how they use - and expect to use - AI in the coming years.

As shown in Figure 32 the appetite to engage with AI is strong among financial advice professionals with over a quarter using/ implementing an AI solution. The increase in appetite among respondents is significant with 28% saying they are currently using AI, up from 5% year-on-year. Almost two thirds of financial advice professionals are not using AI, but do consider it an area to watch (up from 44% in 2023). The view that AI is not fit for purpose has decreased from 29% in 2023 to just 7% this year, reinforcing the overall picture of an increased perception of relevance.

Figure 32: AI is perceived as a highly relevant and compelling tool by financial advice professionals



Q: What is your current view on the use of artificial intelligence (AI) as a tool for financial advice professionals and their clients?

In verbatim feedback, almost a fifth of financial advice professionals (18%) explicitly said they had changed their tech stack to incorporate AI-based solutions.

"We have started to implement AI to improve efficiency and outsource simple tasks."

"We are adding AI to improve productivity and enhance customer support."

"We are trialling a new AI software to assist paraplanning / planners times in and post client meetings."

"We are using AI for marketing."



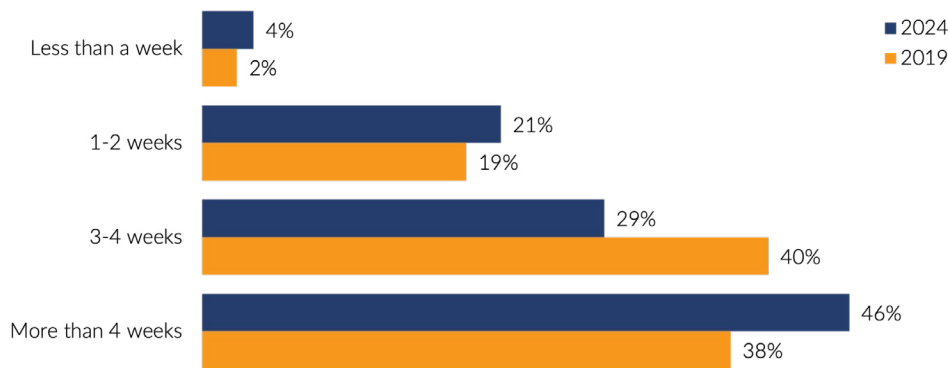
NextWealth hosts quarterly meet-ups of financial advice professionals to share examples of how firms have implemented AI in their business. Visit <https://www.nextwealth.co.uk/events/ai-lab/> to find out more and to join AI Labs.



10. Five years on: Efficiency of delivery of advice

Since 2019, at the very outset of our series of Financial Advice Business Benchmarks reports, we have been collecting data to illustrate the efficiency of delivery of financial advice. In that time we have seen no meaningful improvement in how long it takes to deliver initial advice to new clients. Despite new ways of working and huge advances in technology, three quarters of respondents to our survey say it takes three weeks or more, or an average of 33 days, to deliver the first piece of advice to a new client.

Figure 33: Length of time between first contact with new clients and delivering the first piece of advice or financial plan has not improved

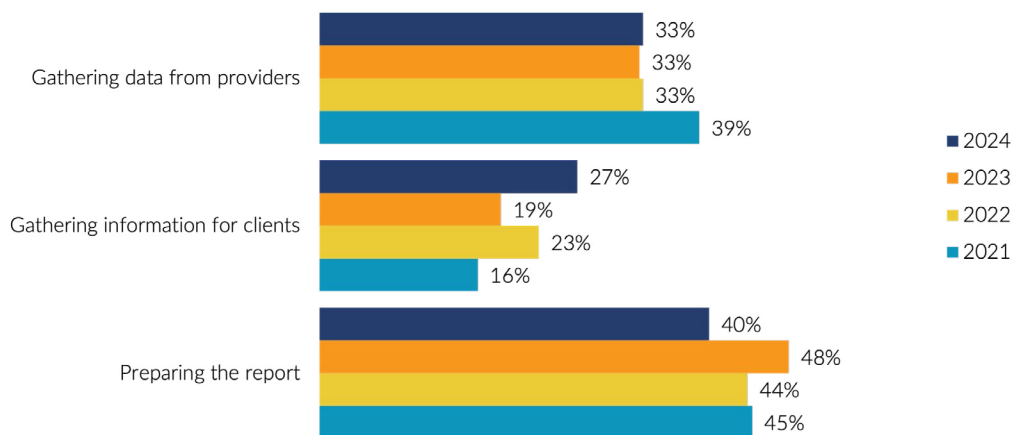


Q: What is the typical length of time between your first contact with a new client and delivering the first piece of advice or first financial plan to that client?

In Figure 34, we also see that one third of respondents say that gathering data from providers is the lengthiest step in the process of generating an annual review/ planning meeting. There has been no meaningful change in this metric since 2021. Additionally, 8% more respondents say that getting data from the client is the lengthiest step.

However where we see improvement is technology that enables the adviser to prepare the report. From our Adviser Tech Stack, Adviser Reviews research, we heard from financial advice professionals that solutions which simplify and streamline data input and can intuitively provide relevant high level information summaries to include in the report are compelling. Examples include tools that automatically record, transcribe and summarise client meetings; reporting tools with fewer fields as well as tools that can transpose data from a range of investment provider inputs.

Figure 34: Steps in the annual review and planning meeting process lack efficiencies, but improvement is being seen in time taken to prepare the report



Q: What is the lengthiest step in the annual review/ planning meeting process?

11. Methodology and respondent profiling

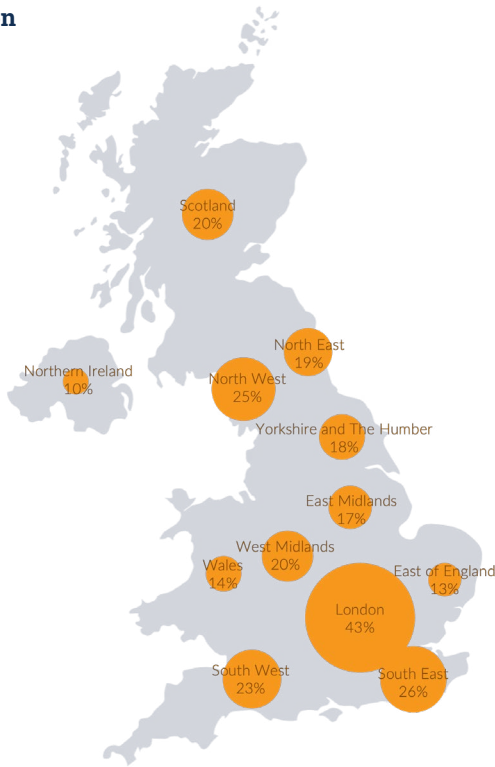
The results in this report are based on a survey of 340 financial advice professionals, conducted between 12 June and 14 August 2024.

In this year's sample we had a significantly higher proportion of respondents from large (firms with more than 50 client-facing advisers). In order to provide a more accurate historic comparison we have weighted this year's results to be in line with distribution of financial advice firms as defined in the FCA's Retail Mediation Activities Return (RMAR).

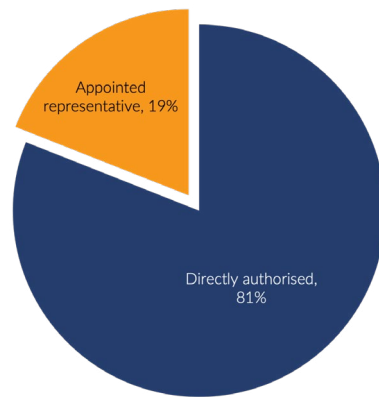
The charts in this section show the profile of the financial advice professionals that responded to our survey. We use the term 'financial advice professional' because we want to hear views from across financial advice businesses – from planners, paraplanners, ops and admin teams. This year's respondent profile is similar to past reports.

- 81% work in businesses that are directly authorised.
- 39% are between the ages of 45 and 64, with over three-quarters (77%) under the age of 54.
- Just over two thirds (69%) are based in the South of England or London.
- Respondents represent a wide range of firms by size, based on assets under advice and number of client-facing advisers.

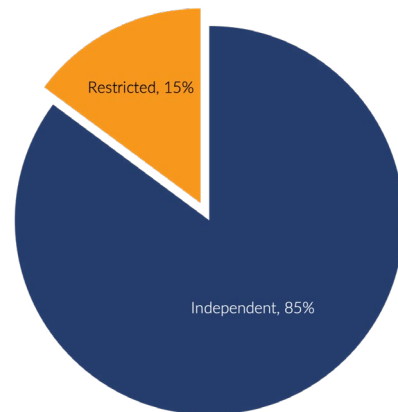
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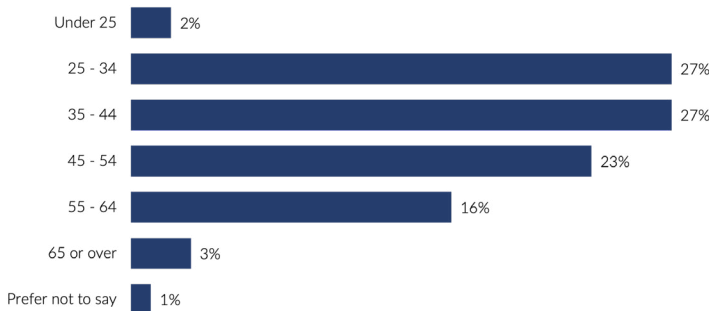
Directly authorised or appointed representative



Independent or restricted



Age





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We offer research, consultancy, thought leadership content and we also host events.

Our interests include financial adviser business models, the changes in technology powering wealth management and the investment proposition and factors influencing investment choice among financial advice firms.

We track assets in discretionary MPS, adoption and functionality of wealth tech, approaches to retirement advice and approaches to sustainable investing.

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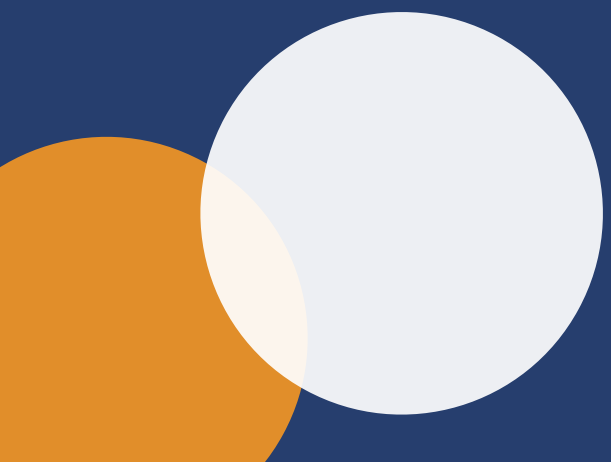
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