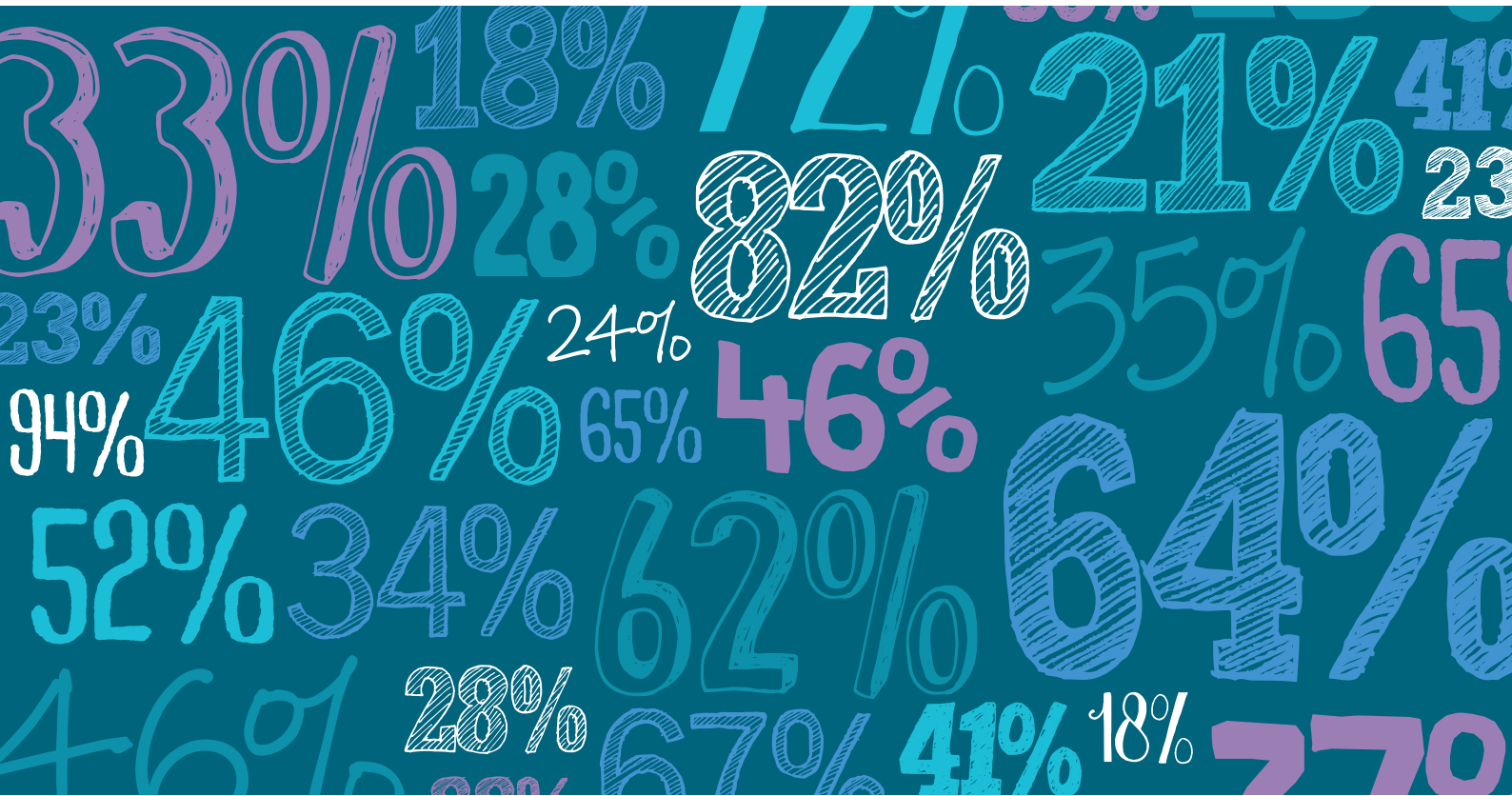


# Insight

into the future  
growth of the financial  
advice sector



# Insight into the future growth of the financial advice sector

The New Model Business Academy has undertaken research with over 300 financial advisers to gain an understanding of the future dynamics of the financial adviser sector.

In this report, we share the insight gained from a series of adviser surveys and interviews that looked at key indicators of adviser sentiment and future planning, including:

- **Succession planning**
- **Adviser acquisition**
- **Advice firm growth**
- **Apprenticeships and qualifications**
- **The role and use of technology**

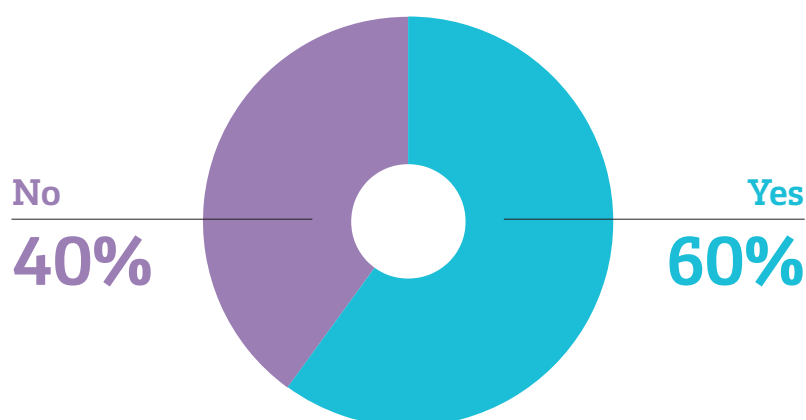
## Section 1: Succession planning

One of the key issues for the adviser sector is its longevity, with particular focus often placed on the average age of today's adviser and on the need to seek out and attract the 'next generation' of advisers.

The NMBA sought to find out what plans firms had for the future of their business – did they have a succession plan in place, if so, what did this look like and do we have anything to be concerned over in respect of the longevity of our profession?

We asked:

Are you planning to retire in the next 5 – 10 years?

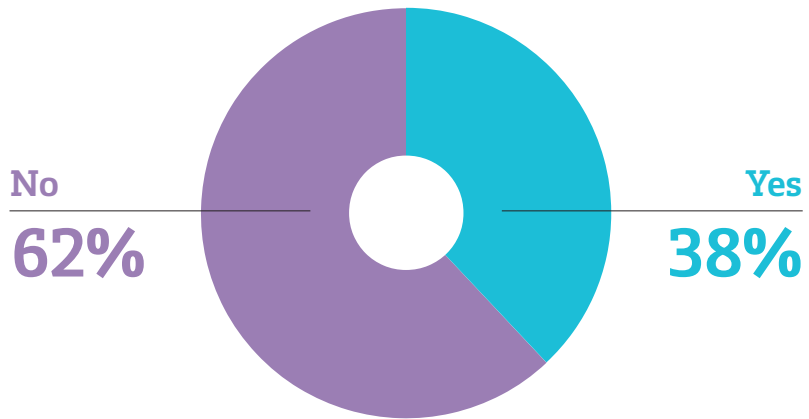


At first glance, this may look rather alarming, but there is the comforting context that the responses may not necessarily be based on a firm having a set plan. 'Are you looking to retire?' could elicit a simply emotive response – 'yes, yes I am'. 'Do you have any plans?', does not provide a straightforward answer and thus a clear picture.

In addition, it's worth noting that, of those answering this question, some 44% were aged 51–60, with a further 42% aged 61–70.

We then asked whether firms had a succession plan in place:

### Do you have a succession plan?

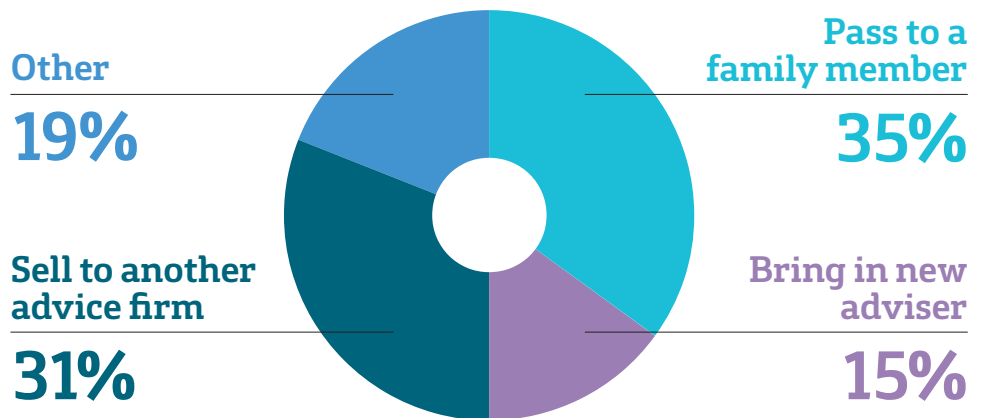


Interestingly there were more firms with a succession plan in place that were not looking to retire in the next five to ten years, than those who were:

- Of those who plan to retire in the next five to ten years, 42% do not have a succession plan
- Of those who are not planning to retire in the next five to ten years, 50% already have a succession plan

So, we have an idea of the appetite to retire amongst advisers of a certain age. What of their plans for their business once this date arrives?

### Who will take over the business?



The encouraging result here is that just about all those looking to retire who do have a plan in place, are choosing to continue their legacy in some way. Whether that is through bringing in a family member, often a son or daughter, to work with an existing adviser within the practice and eventually take over the firm, or to sell to another firm.

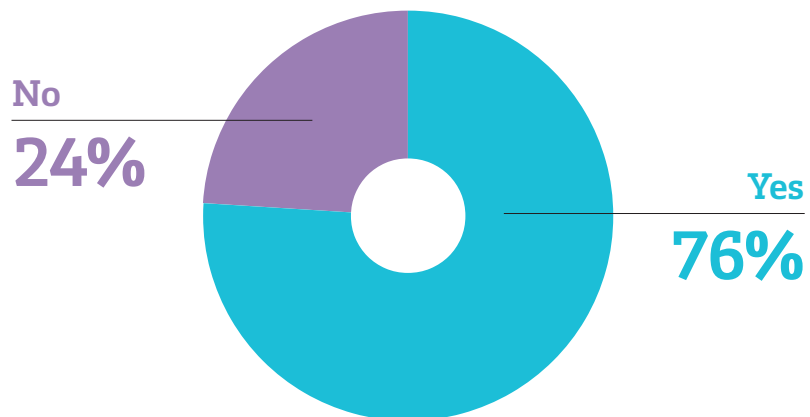
Good news for consumers, and for our profession as a whole.

## Section 2: Adviser numbers

Whilst section one looks at the succession planning for firms looking to exit the industry, and section three looks at plans for firms looking to acquire practices and grow their business, section two sits neatly in the middle.

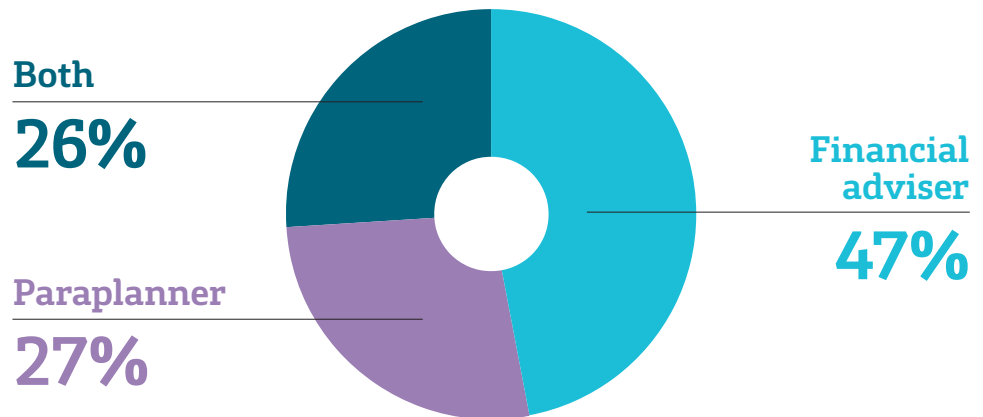
The role of the apprentice has come to the forefront of industry discussion over the past 18 months or so and has been complemented by the Government's desire to see more apprentices entering the workforce, as seen in recent changes to the rules around the use, and gifting, of the levy payments for firms. The huge increase in demand through NMBA for its own apprenticeship programme tells us that apprenticeships are beginning to not only drive up the number of advisers in our profession, but also tackle one of the big issues of our time – diversity.

Do you plan to take on an apprentice in the next 12 – 18 months?



It was extremely encouraging to see that a huge 76% of firms said that they would be looking to take on an apprentice in the next 12-18 months, with some indicating that they would be looking to work with multiple apprentices.

### What type of apprentice would you be interested in recruiting?



Further research revealed that 36% of firms already had someone in the business earmarked for an apprenticeship.

The NMBA launched its Financial Adviser Apprenticeship Programme back in January 2018 and now has around 175 apprentices currently going through the programme and expects to grow this number on 2020.

The Academy is committed to increasing access to, and quality of, advice and believes its apprenticeship programme is addressing both of these areas. Its commitment to 'quality and equality' has seen good diversity in apprenticeships, especially from a gender perspective, with females now making up around 40% of the adviser apprenticeship total (this is closer to 60% on the paraplanner course).

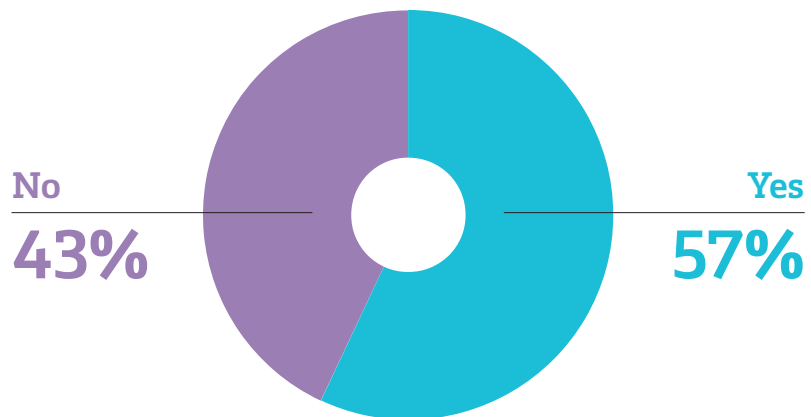
### Section 3:

## Business growth and acquisitions

The next part of the research undertaken by the Academy was around adviser growth plans (beyond apprenticeships). Here, we looked at whether firms were planning to expand their reach, through acquiring firms, expanding their adviser numbers, or in terms of client acquisition.

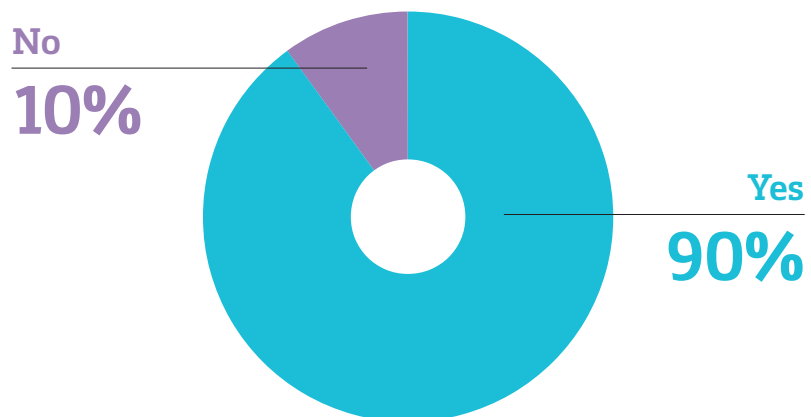
When asked about business expansion – ‘Do you have any plans to expand your business’s reach and capacity?’ – for example, taking on more advisers, buying a client-bank or another firm or recruiting more back-office staff, the results were:

**Do you have any plans to expand the reach and capacity of your business?**



We then broke this down into specifics:

**Do you plan to recruit any staff in the next 5 – 10 years?**

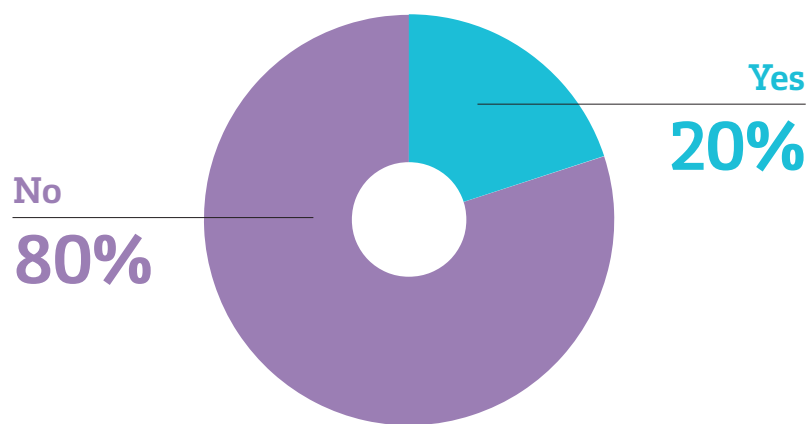


Again, these findings were extremely positive for our sector, indicating firms' desire to increase both advisers and support staff within their practices.

- 70% said they were looking to take on administration or secretarial staff
- 60% said they were planning to take on paraplanners
- 70% said they would be looking to bring in additional advisers

We also looked at the appetite amongst firms to acquire other advisory firms:

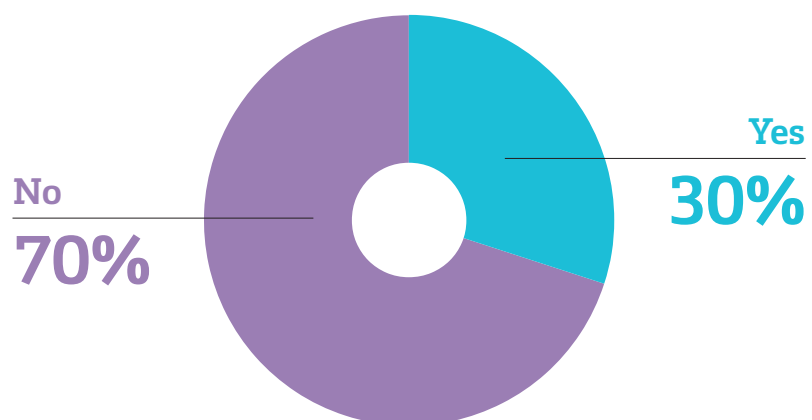
### Do you plan to buy an advisory business in the next 5 – 10 years?



Acquiring and integrating another business into your own, is a hugely demanding undertaking and, with 20% of those asked saying they were looking to do it, this reflects the effort required, but is also a good sign that there are firms out there looking to grow through acquisition and to continue the legacy of other, exiting firms.

Finally in this section, we asked whether firms were looking to acquire new clients:

### Do you plan to buy a client bank in the next 5 – 10 years?

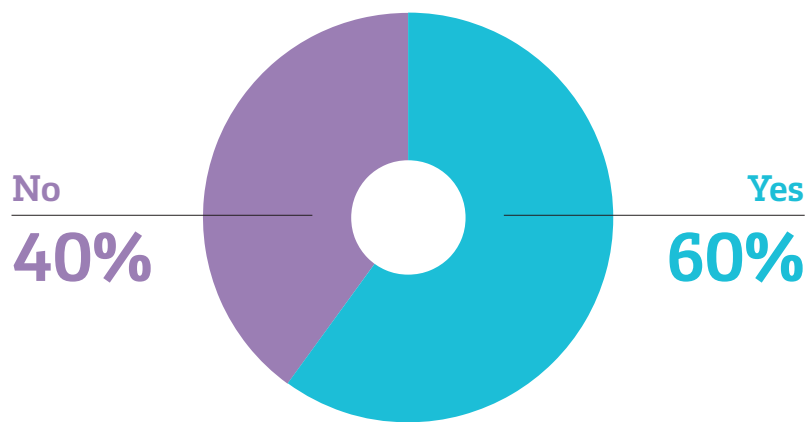




## Section 4: Qualifications and training

With the issues around ‘future-proofing’ the adviser sector addressed, the Academy also looked to assess the appetite amongst advisers to further increase their knowledge and qualification status, through attaining additional qualifications and by widening their knowledge in certain areas.

Do you plan to take any further qualifications in the next 12 months?



Despite the many additional requirements that clients faced in order to prepare for RDR, and the ongoing CPD and other regulatory requirements necessary to operate in today’s market, 60% of advisers indicated that they would be looking to take further qualifications, further strengthening the professionalism of our sector and proving the value of the professional status of advisers.

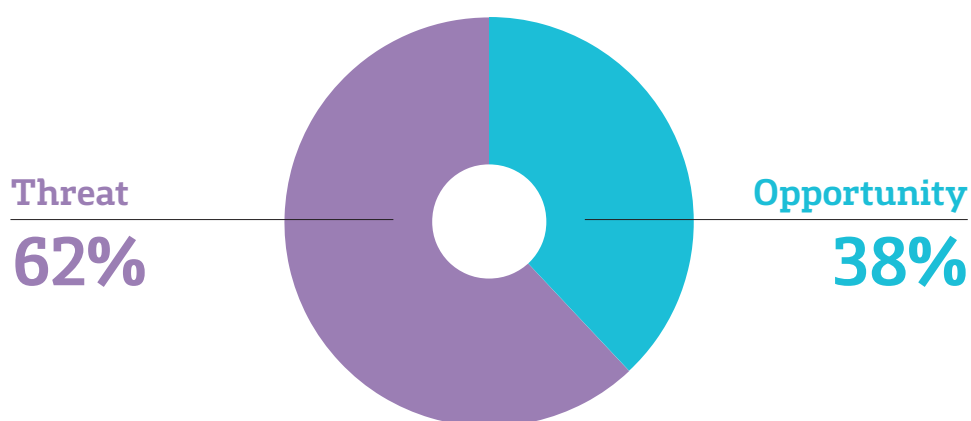
## Section 5: Role and use of technology

The main purpose of this research was to get a picture of the longevity of our profession and we felt that this would not be complete without looking at how the role of technology may affect the way in which we work going forward.

Technology is playing an increasingly bigger part in the overall delivery of advice – either by providing efficiencies to make the advisory journey smoother, or by offering means of supplementing the advice process with direct to consumer tools.

With this in mind, we asked advisers whether they viewed automated advice developments as a threat or an opportunity.

Does automated advice pose more of a threat or an opportunity to advisers?



Whilst many respondents felt that automated guidance might initially attract new clients through its promise of lower costs and increased convenience and user-control, most were certain that the benefits of personal financial advice, through a trusted and qualified adviser, would become apparent. As one adviser stated, *'You can't automate empathy, understanding of the things that aren't quite being said and the information an adviser gets in a face-to-face meeting.'*

This research was undertaken to provide a snapshot of advisers' thoughts in relation to the future growth and longevity of our profession. Further research will be undertaken in 2020 to ensure that we are able to predict and, indeed, support the ongoing development of the financial services sector.

Research conducted during August and September 2019.



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