3 million more people have a professional financial adviser

Tuesday 7 April, 2015

The 2015 6th annual ComPeer / JGFR Financial DIY report shows some 3 million adults returning to having a professional financial adviser* in the past year. This partly reverses the decline of some 5 million people having a professional financial advisor since 2011.

Slightly fewer people (56%) now consider themselves to have no financial adviser, down from 57% a year ago to just over 29 million adults. The high-water mark of the non-advised may have been reached.

While greater regulation brought about by the Retail Distribution Review (RDR) has resulted in falling numbers of advisers, the demand for professional financial advice has picked up in 2014 and is likely to continue in 2015.

In the coming year demand for financial advice is set to grow strongly, fuelled by the introduction of pension freedom. Up to 5 million people aged 50+ intend to take out in part or in full their pension pot as soon as they are allowed. The amounts involved will see billions of pounds moving between assets and being spent / paying off debt.

Banks and IFAs seeing clients returning

Many people had switched to friends and family as their source of financial advice in 2013; just over 1 million fewer people are now using friends and family, with more people using IFAs (up to 7 million from around 6 million a year ago) and main financial services providers (banks), up by some 1.5 million to around 4.7 million as main financial services advisers. Others have switched from being non-advised.

The rise in use of professional financial advisers comes at a time when demand for savings / investment products has surged, especially for pensions, ISAs and regular savings products.

Advice fees less of an issue especially if bundled into the product cost

While more people appear to accept charging for investment advice, only 5% value financial advice sufficiently to pay £100-£200 an hour. Around 1 in 4 of adults prefers their investments to be managed for them, for which they are happy to pay an annual management fee. The majority of the public (55%) prefer the cost of financial advice to be bundled into the cost of the product.

Steady take-up of digital financial services

More of the affluent have returned to being advised with IFAs dominating. Advisers have steadily built up their digital presence, with mobile phone apps penetration highest among clients of banks and wealth managers / accountants / solicitors. Slightly more people than a year ago (17% vs 14%) indicate they use a mobile devise for finance and investment research, transactions and portfolio updates.

Greater proportions of the mass affluent / affluent use XO services and platforms, although fewer people (16% vs 19%) use an execution only stockbroker or share-dealing service than a year ago, with 6% indicating they use an online fund supermarket or platform, down from 8% in 2013.

Pension pot control a growing aspect of retail financial services

Approaching 1 in 4 adults have control over how their pension pot is invested, little changed on the past 2 years, but a proportion set to grow on the back of auto-enrolment, more people having been switched into defined contribution schemes, and the greater financial freedom pension pots now give people. Around 3 in 10 people regard their pension pot as their most valuable financial asset which increases to 1 in 2 among over 65s and highlights the need to safeguard its value.

Greater demand for financial information and guidance, especially online and through TV / radio

The growth in Financial DIY has been helped by the ever-increasing sources of information/ guidance / research available. The importance of search-engine optimisation is reflected in the use of search engines (favoured most overall, by 4 out of 10 adults, 36%, 2013) followed by business television / radio

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(36%, 31% 2013) and newspapers (29%, 31%, 2013). Most sources saw little change year-onyear apart from more people visiting company websites. Social media usage and online blogs are little changed for the second successive year, used far more by the under 30s, which provides them with greater access to financial services. Just under a half of the public cite only one source of information and guidance (65% retirees).

Commented John Gilbert, Chief Executive of JGFR:

"This year's report highlights the shifting sands of the retail financial services industry. Budget changes have accelerated the need for consumers to become more in control of their finances. Mobile apps have helped consumers keep track. At the same time regulatory changes have restricted the ability of consumers to access financial advice. Financial DIY will continue to be a key feature of financial services but the high water mark of the non-advised may have been reached."

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Notes:

The report was based largely on responses to a survey among 1,000 adults aged 16+, representative of the UK population commissioned from GfK NOP. The survey was undertaken between December 1-15 December 2014 and housed on the same omnibus as used for December UK consumer confidence, Q1 2015 UK Financial Activity and the Q1 2015 Banking Barometer enabling cross-analysis between surveys *respondents are asked who they regard as their main financial services adviser. Professional financial advisers are Independent Financial Advisers (IFAs), main financial services providers (banks), accountants / solicitors, wealth managers, private banks, stockbrokers Financial DIY 2015 is available as a PDF file cost £950+VAT. A copy of the Table of Contents can be downloaded herehttp://www.jgfr.co.uk/files/Financial_DIY_March_2015_-_Contents.pdf

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