

Standard Life
There's a lot to look forward to

Building Futures Together

Intergenerational financial planning: building an advice business for the future



For financial advisers only



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The drivers of change

In the last decade, financial advisers have experienced many reasons to make changes to their business models. We're all familiar with the main ones – new technology, changing demographics, consumer demand and the constant shift in regulation and policy.

We often focus on regulation and policy. It's true that the RDR and PS13/1 kick-started radical changes to many adviser businesses. And many were able to extend their proposition, thanks to the opportunities presented by auto-enrolment.

More recently, the pension freedoms provided a shot-in-the arm for the advice profession. Demand has increased significantly for advice at and through retirement, and many advisers have reviewed and refreshed their client segmentation and advice proposition.

Using regulatory change as a catalyst for business change is valid. But there are many more drivers also.

Research from Deloitte¹ highlights the different rates at which individuals, businesses, regulation and public policy adapt to rapid technological change. Individuals adapt relatively quickly, businesses are slower to respond and regulation and public policy are slowest of all to adapt.

This research isn't specific to our sector, but it highlights an important point. Our clients' demands may be shaped more quickly by broader societal and technological influences than by regulation or policy.

I believe the most successful advice businesses are set up to respond to this broader social change, and are better placed to meet their clients' changing expectations as a result. This means establishing the right technology, skills, knowledge and infrastructure.

The global Deloitte survey of 10,400 companies (49% of these are small businesses) also concludes that building an organisation for the future is their number one priority.

Intergenerational planning and the future of advice

So, what does the future look like? I believe that intergenerational financial planning is a key driver that's shaping advice businesses.

Much has been written about the way pension freedoms have opened up the advice market. This isn't just in terms of helping clients to achieve a sustainable retirement income or to use their pension as part of their inheritance tax planning. It's also helped to shine a light on some of the uncomfortable truths that clients must face.

One of these, is the need to plan for the possibility of failing health and cognitive decline. To do this effectively, families need to discuss plans together, and more advisers are finding themselves working with clients and their families too.

I believe it's important to look beyond the baby-boomer demographic. They may be your primary target client – for now – but these clients have children and grandchildren who belong to different generations. These younger cohorts have different pressures and expectations that are driving their parents' demands and priorities today.

One example is the increasing number of millennials who choose to live with their parents, because they can't yet afford property². Many clients will look to their adviser to help them release capital – perhaps from their pension or other investments – to help their children onto the property ladder.

The Centre for Economics and Business Research (CEBR) also highlights an increase in the 'inheritance economy'³.

It suggests that inheritance values will jump by 47% from £62k to £91k by 2027, driven by rising property prices. That's close to £1tr of intergenerational transfers taking place between 2017 and 2027.

The recipients of this wealth could be your future clients. And it helps if you've already established a long-term, trusted relationship with their parents or grand-parents. Whilst this can demonstrate a genuine understanding of what they need, it's worth bearing in mind that their needs are likely to be different to that of previous generations.

Changing advice models and the impact on your business

I hear often that this shift in focus to intergenerational advice is leading many of you to consider making some changes to your business or advice model.

I believe that best place to start is always with your clients. Be clear on every stage of your client journey, understand the experiences you offer now and whether they are fit for purpose now and in the future.

Your clients will need different things from you at different life stages – your technical expertise, empathy, excellent communication and perhaps access to other professional services. This means you will need a variety of skills in your business which will need to flex as times change.

Skills and knowledge

Perhaps you need to bring some new people into your team, with skills and attributes that are missing just now.

This is another reason to be able to empathise with younger demographic groups. Even if your current clients aren't millennials, your potential recruits may be. And they are likely to have different needs and expectations from their employer than the generations before them.

Technology, process and support

As one of the main drivers of changing demand, technology is another important business consideration. It should never be a goal in its own right, but an enabler to delivering a great client experience.

It should support easy, client-facing service and engagement, as well as driving processing efficiency behind the scenes.

Findings from the 2014 World Wealth Report from Capgemini and RBC Wealth Management show why it's so important to embrace technological change. It revealed that two-thirds of high-net-worth clients would consider leaving their wealth manager if they couldn't interact digitally⁴. That is a massive consideration when it comes to choosing the right partners.

The final piece of the picture is the wider business support model you put in place to operate a forward-looking business. Advice businesses, product providers, and platforms respond most effectively to change, when they combine their respective skills.

Our focus is on helping make sure people in the UK get the support they need to make good choices with their life savings. That's why we are committed to enabling you to provide good financial advice. From my perspective the demand for your advice is only going to grow across the generations.

In the future, you will hear more from me about how the world we live in will change, what that means for your clients and the opportunities it creates for you.

¹ <http://www2.deloitte.com/global/en/pages/human-capital/articles/introduction-human-capital-trends.html>

² www.goldmansachs.com/our-thinking/pages/millennials/

³ <https://inheritanceeconomy.co.uk/>

⁴ <https://www.slideshare.net/capgemini/world-wealth-report-2014-from-capgemini-and-rbc-wealth-management>

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