# Financial Advice After 20 Years Of Platforms

## Hello!

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# Financial Advice After 20 Years Of Platforms

**In just 20 years, platforms have:**

- More than halved the price Mrs Miggins pays for retail fund management
- Made open architecture and *in specie* transfer the new standard for all wrappers
- Enabled the facilitation of adviser charging and the end of commission
- Introduced instant and constant and transparent data for customers and their advisers
- Made possible true trans-wrapper and inter-generational planning

**But how has adviser behaviour changed?**

# Distributors vs Customers

- Two types of distribution:

  - Type A - Distribution by a sales team
  - Type B - Distribution by the post office

- Advisers are paid by their clients, not by product providers

- Advisers do not "distribute" – they are buyers for their clients

- Platforms do not "distribute" – they are custodians for their clients

- Much regulation is wrong

- Most product provider/platform "deals" are pointless

# Plans vs Products

- Advisers do not sell “products”
- Advisers sell financial planning
- Tax wrappers are no longer stand-alone “products”
- Investment funds are no longer stand-alone “products”
- They are both component ingredients of financial plans

# Plans vs Products

- The output is now a single Plan, but with multiple goals
- The investment content is cheap, the tax efficiency is maximised
- The remaining decisions are mostly just “money in or money out?”
- And to/from the most tax efficient component
- Ideas like “a pension is for retirement” are obsolete
- This model can only realistically be operated on platform

# Investment Alpha vs Tax Alpha

- Advisers no longer portray themselves as investment experts
- Advisers add value by planning and providing tax advice
- They no longer have the pressure of stock picking
- They can now arm’s length investment returns
- They can demonstrate practical value instantly

# “Active” vs “Passive”

- The investment component is seen as necessarily simple, basic, leave-alone and cheap
- The implications for fund managers are serious
- Huge bias to “passive” – partly as theory, but mostly as price
- The proposition conundrum:
  - Long only stock picker for 0.30%
  - Long only passive for 0.30%
  - Long/short active for 0.30%
- Which is easier to present?

# Single Platform vs Many Platforms

- Efficiency logic suggests that a single platform is the ideal
- But there are risk/regulation pressures to the contrary
- Most advisers use more than one platform – but why?
    - The positive reason – segmentation by client
    - The not so positive reason – segmentation by inertia

# The Result – A New Market Model

| Label | Activity | Providers |
|---|---|---|
| 1. Financial Advice | The provision of recommendations to define a financial plan | Financial Advisers |
| 2. Investment Management | The provision of assets to meet the goals of a financial plan | DFMs (IP) and Fund Managers (IP plus wrapper) |
| 3. FP Infrastructure | Everything else - custody (including tax wrappers), trade execution, reporting. | Everyone else (including, platforms life companies, SIPP providers &c). |

- Anything that isn't in 1 or 2 is in 3
- Everything in 3 is now the provision of financial planning infrastructure (some providers are more functional than others!)

# Winners vs Losers

- **Losers:**

  - Sales driven “advice” propositions
  - Disjointed single wrapper, restricted investment product providers
  - Higher cost, “active” fund providers
  - Regulators

- **Winners:**

  - Holistic financial planners
  - Open architecture, multi-wrapper platforms
  - Low cost, rules-driven investment IP

## Thank you!

## Questions?