

Winning Advisers – Tuesday 17 October 2017
THE FINAL AGENDA

Pennyhill Park Hotel, London Road, Bagshot GU19 5EU

The following subjects are being tabled for discussion in the roundtables at the Meeting of Minds. You will be able to join three of these sessions. You are invited to prioritise your six preferred topics with 1 being the subject about which you are most passionate.

The roundtables take place in a private room with, typically, some 15 people around the table. Tent cards with participants’ names and companies are set out to make it easy to identify your peer group. The sessions are introduced by an expert on the subject. This introduction will last usually about 10 minutes before the conversation is opened up to the table, the goal being to ensure that everyone gets stuck in! The session facilitator will aim to bring the session to a conclusion highlighting the key points raised.

THE SUBJECTS BEING TABLED FOR DISCUSSION

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YOUR CLIENT

I. CLIENT EXPERIENCE: IS TECHNOLOGY THE SECRET TO A LONG AND HAPPY RELATIONSHIP?

First of all, are we all clear on the difference between client experience and client service?

A survey by Bloomberg Businessweek found that “delivering a great client experience” has become a top strategic objective. The challenge here is that even though it is a high priority many companies are failing.

Client expectations are higher than ever and word of mouth travels fast! And as the client becomes ever more empowered, it increases the importance of their experience. But achieving that is not so easy in an age of digital disruption, intensifying competition and rapidly evolving service expectations. Platforms have a key part to play but many large UK platforms do not make a profit and are undergoing huge development at large cost.

This is an area that needs constant nurturing and care and with a greater focus on client experience strategy, companies will realise a positive impact on client loyalty, higher retention and increased revenues.

Appealing to the younger generations while still resonating with the older guard will be crucial to your company's long-term growth and profitability. That means giving clients more of what they want, when they want it. So can embracing technology be the solution to providing:

- Faster and easier on boarding processes and more responsive interactions with their adviser?
- A highly customised experience offering real-time financial information on their device of choice, anytime and anywhere.
- Personalized, easy-to-digest communications that address their needs, concerns and interests.

Other questions to be addressed:

- What is the best way to work with investment houses? Can they help with technology that will make the securities selection process more cost effective?
- DFMs – is it an effective partnership or a hindrance. Are DFMs necessary in this process?
- Would it be helpful to have on-demand access to a broad range of self-service capabilities, including portfolio construction and ongoing monitoring to ensure investments executed for your clients are suitable at all times?

In this session we will be analysing:

- What a great client experience feels like and how it might help to align with suitable investment management;
- How to build a repeatable investment process and how the use of technology might help you achieve the ultimate goal of superior client experience and suitable investment outcomes.

Expert: Invesco Powershares and Fundment

2. HAVE YOU WORKED OUT WHAT YOUR BOOK OF CLIENTS WILL LOOK LIKE IN 10 – 15 YEARS? AND INDEED WHAT THEIR INVESTMENT NEEDS MIGHT LOOK LIKE?

- Do you have a strategy to attract the clients of the future? Indeed, have you considered what you would like those clients to look like?
- Do you focus on attracting the fairer sex? According to The Telegraph (sorry!), Hargreaves Lansdown says that just 37% of their 800,000 clients are women.
- And always with an eye on the future, what about those millennials?
- Millennials vs Gen Z, Mars vs Venus, HNWIs vs Family Offices.
- What are they all thinking and how can you align your business to support intergenerational wealth transfers?

To win hearts and minds we need to connect with what clients really care about. As an industry we need to be on the front foot and should be asking our clients what their wealth is for and providing the tools and advice to do it

This session explores how by having an insight into these trends and beliefs you can differentiate your business whilst ensuring you are investing for the future of your clients, your business and the planet!

Expert: Sandra Carlisle, Head of Responsible Investment, HSBC Global Asset Management

3. CLIENT CARE AND COMMUNICATING RISK – A CONFUSING CONUNDRUM?

- Targeted, thoughtful communication can create real benefit with clients but how can you make your mark in a data-rich digital environment? What sets you apart as a business and how are you engaging with clients? How are you harnessing the unique insight you have into each and every client you engage with? From an investment perspective specifically, how confident are you than one bad year won't undo ten good?

- In this session we will discuss what, how and when we should be communicating risk, how can we manage past, present and future expectations and shape client perceptions. We will touch on behavioral bias and financial education whilst focusing on building a robust and respected communication strategy. We will look at portfolio modelling and where we should focus our attention with global equity markets at near record highs and bond yields at near record lows.
- Evidence suggests very few clients understand the relationship between fixed interest returns and changes in interest rates. With so many being recipients of strong fixed interest returns for over 30 years and with others in Life-styling strategies transitioning their assets into long term gilts prior to NRD what is the best way to tackle this subject?
- Having increasingly used volatility as a measure of risk, is this appropriate in a stretched world? Central Bank policy has been supportive to markets and most investors' portfolios have benefitted accordingly but where next, what can clients expect or anticipate? Managing future expectations is much easier when everything is coming up roses but far more difficult when times are tough. Memories can be short, so what do we communicate, how and crucially when?
- This session will be strictly strategic in nature with no product solution or angle. Expect a debate with an investment bias but with clear client communication at the core.

Expert: Dave Robson, Head of Retail, Carmignac

4. WHAT DO YOUR CLIENTS REALLY CARE ABOUT? ARE YOU SURE YOU KNOW?

- This session will review the results from an end investor survey conducted by Dimensional Fund Advisors, which elicited responses from nearly 19,000 individuals. The survey is designed to provide insights into the motivations, preferences, and attitudes clients hold when considering their relationship with an adviser.
- This is an opportunity for you to understand:
 - how different client segments make decisions regarding their choice of adviser:
 - what they consider important in an ongoing relationship; and
 - how they measure the perceived value you deliver.

Expert: Martyn Chappell, Regional Director, Dimensional Fund Advisors

5. HAVING WORKED OUT YOUR CLIENT STRATEGY, HOW DO YOU GO ABOUT SOURCING ADVISERS TO WORK WITH THESE DIFFERENT CLIENT SEGMENTS?

- So not only do you have to attract NEW advisers, some women advisers might be helpful; indeed so might some millennials!
- However the issue is – how do you address the difficulty of encouraging young people into financial planning? You are all fishing in the same pool and the result is that the “price” is going up.
- Some firms have introduced a graduate training programme. Are there lessons we can learn from how they structure the contractual arrangement? You might train them but how do you ensure they stay on board?
- And having finally got them trained up, they need to be able to make mistakes in a protected environment before they are left to face the high net worth clients who your firm has nurtured over the years. This period may be between five to ten years so how do you keep them engaged?
- And let's face it – the bright young things also expect big bucks.

YOUR BUSINESS

6. IT IS TIME TO TURN YOUR UNSERVED CLIENTS INTO A PROFIT CENTRE

- We understand that in the current regulatory and low interest rate environment you have to work harder than ever for returns for clients. This means that you and your advisers need to continue to be smarter with your time and prioritise your client bank.
- This session will put forward some ideas on how you can revisit those clients who sit on your books but who are currently unable, or do not want to, pay a substantial fee for your advice.
- Our speaker will talk you through some ideas to digitally tap into these clients at a low cost (for both you and them) and offer them an intermediated investment proposition.
- This is an opportunity to take advantage of the changing landscape and grow your business.

Expert: Blackrock iShares

7. QUANTIFYING THE INTANGIBLE – AS AN ADVISER HOW DO YOU COMMUNICATE YOUR TRUE VALUE? AND HOW DO YOU CHARGE FOR IT?

- Advisers are eager to demonstrate they deliver value for money in spite of the negative publicity on charges and the FCA scrutiny. Firms are trying to meet the challenges of building a sustainable business for the future,

calculating how advice charges should be structured, justifying their fees and ensuring the services being charged for are being delivered.

- According to FCA data, a percentage of investment-based charging is still the most common among advisers, with 47% charging on that basis; and the truth is that there are not a lot of new exciting charging structures, it is just like pre-RDR but with a different name
- What is the best way to demonstrate value through transparent pricing?
- Are there any pricing structures there breaking the mould?

Experts: James Rainbow, Co-Head of UK Intermediary Business, Schroders and Keith Hare, Group Director, Benchmark Capital

8. BUSINESS PLANNING FOR THE OWNER MANAGED BUSINESS. TO BUILD, TO BUY, TO SELL – WHAT IS THE BEST APPROACH?

When talking about Lifetime Wealth Management it is obvious that the relationship between client and adviser is more important and longer term than ever. So what happens when the adviser decides to retire?

This session will consider:

- Succession planning for the business: how to ensure leadership continuity and build talent from within.
- What is the real value of the business?
- The role of regulatory changes in driving a certain level of M&A activity.

Experts: James Rainbow, Co-Head of UK Intermediary Business, Schroders and Keith Hare, Group Director, Benchmark Capital

9. WHAT SUPPORT ARE ADVISERS LOOKING FOR FROM A NETWORK IN TODAY'S WORLD?

- It seems that networks are thriving at the moment, for example Openwork announced they have more than 2,000 advisers in its network for the first time in five years. The growth has brought its group adviser numbers to a record 3,200.
- However, incoming regulations could see network members 'disappearing' from the Financial Conduct Authority's register, raising the risk clients will be left confused about the right of their adviser to practise.
- From next year the Senior Managers' Regime will apply to all firms in the financial services sector – including advisers. When it comes into effect, only senior managers will be listed on the Financial Conduct Authority's register.
- This has raised concerns about how networks will be affected, with the prospect that their members might not be listed at all if their network becomes their "senior manager", on the grounds that it does its members' compliance.
- Will this change the way advisers see networks? Why do advisers join? Is it the access to PI cover, their training, the pooled buying power and/or their collective services?
- Also, how will mixed ownership affect the networks?

YOUR PROPOSITION

10. PEER TO PEER – IS IT REALLY TOO HOT TO HANDLE?

- With interest rates forecast to remain at record lows, you and your clients will be keen to consider alternatives to find yield. So is the world of Peer-to-Peer or Direct Lending worth exploring?
- What are the advantages and disadvantages of the sector.
- Why has the demand risen and what is the real investor appetite for it?
- Over £11bn has been invested by over 200,000 retail investors, whilst institutional investors have invested over £0.5trn in the sector globally.
- Since April 2014, P2P lending has been regulated by the FCA and there is now an Innovative Finance ISA that covers investment in the sector, so it is no longer such scary territory. Indeed the FCA has granted advisers automatic permission to advise on P2P investments so it can be considered part of an investors' portfolio. But what is the risk?
- This session will talk you through the myriad of lenders in this space; how to cherry-pick the good ones; the sort of amounts which are typically invested and the level of returns anticipated.
- It will give you a feel for what good looks like.
- We might even give you a pair of oven mitts.

Expert: Jake Wombwell-Povey, Chief Executive Officer, Goji

11. DUE DILIGENCE – A METHODOLOGY TO ENSURE YOUR CLIENTS’ MONEY IS BEING ALLOCATED WITH GREAT CARE.

- When you outsource the investment piece to a fund manager – do you really question the level of due diligence they carry out on the stocks they include in their portfolios and indeed, where appropriate, in other fund managers?
- Are there lessons to be learnt from experienced Fund Researchers regarding whether or not your clients are going to be invested in funds that have been subject to the most rigorous selection and monitoring processes?
- This session will talk you through a tried and tested methodology to ensure you don’t invest your clients’ hard earned money with a Bernie Madoff. And indeed that the fund manager is being just as careful with where they place the money as you would be.

Expert: Anthony Murphy, Senior Investment Analyst, GAM

12. BREAKING THROUGH THE COMPETITION IN FINANCIAL ADVICE

- Financial advisers are being pressed from right and left. They face increasingly severe competition from automated ‘robo’ services, while the FCA is breathing fire over the costs of investment. The result is compression of margins. What should advisory firms do?
- One response is for a firm to force down its own costs. But this is a high-risk route with little certainty in the outcome. Instead, there is an opportunity for advisers to maintain margins by evolving their value proposition.
- Rather than creating portfolios focused on beating the market, advisers can offer high-value investment guidance designed to ensure that clients enjoy the best chance of achieving their goals.
- How should firms shift from portfolios to people? What will success look like?

Expert: Vanguard

FOCUS ON RETIREMENT

13. WHY A CENTRALISED RETIREMENT PROPOSITION IS A MUST FOR SWITCHED-ON ADVISERS?

- CRP as an extension of a well thought out CIP
- Customer journey to a sustainable income: wants, needs, risks
- What does this mean for the adviser’s bottom line?
- The toolset: supporting your clients every step of the way

Expert: Kiran Alonso, Investment Development Manager, Architas

14. HOW WOULD YOU BUILD A DIFFERENTIATED LIFETIME WEALTH STRATEGY IN TODAY’S MARKETS?

- Since pension freedoms in 2013, things have changed dramatically. 94% of retirees by case count and 88% by asset value took investment and longevity risk off the table pre-Freedoms. Annuities out-sold the then niche drawdown products by 12:1. Now drawdown sales are twice that of annuities by case count. Despite these changes, clients have no more ‘assets’ than they did before Freedoms, and therefore no more capacity for loss.
- As a result of pressures created in the post-RDR environment, effective client segmentation is seen by many advisers as critical in running an efficient practice today. Another emerging trend is that portfolio volatility has historically been used as the sole measure of risk.

This session will explore:

- How investors will achieve their goals no matter what the world throws at them?
- What are the key risks?
- Costs, charges and regulation – how does this impact on a lifetime wealth strategy?
- What’s currently available in the market?
- What does this mean for your centralised investment proposition and how do you build a differentiated proposition?

Expert: Mark Hayhoe, Investment Specialist, Russell Investments

15. DB TRANSFERS AS PART OF YOUR OFFERING? TEMPTING?

- This session will look at the changes proposed to the advice you can give when transferring from a scheme involving a guaranteed pension income. It is compulsory to take financial advice before transferring DB

pensions with a transfer value in excess of £30,000. It is clear that there is a huge need for advice in this area and one would hope that you are able to deal with the advice in-house or have plans in place to outsource it.

- Under CPI7/16, (outsourcing of DB advice) - the paper suggests that firms take responsibility for different areas of advice but that they must each ensure the overall recommendations are suitable. How can this be achieved in practice? Which adviser is responsible, for what and for how long? What happens if there is a complaint ten years down the road? What if one of the advisers is no longer trading? Where does the buck stop?
- Is it worth entering the market when the rules of engagement are not entirely clear? After all CPI7/16 is just the start of revised regulatory guidance.
- PI Insurance – costs are increasing, can you get cover? Is it a barrier to entry? How much business do you need to do to justify the costs, risks and effort required to maintain the necessary knowledge?
- The fear of retrospective regulatory attention is still lurking. Particularly as the recommendation is that the consumer has to find an adviser to provide him with a service he doesn't really want, at a cost he doesn't want to pay. And the adviser is dealing with a client who doesn't want to be a client.
- However it is a sellers' market and the temptation to get involved has to be tempting!

FOCUS ON REGULATION

16. MIFID II – WHERE HAVE WE GOT TO?

The FCA has now published its final policy statement on MIFID II. So as 3 January 2018 gets ever closer, this session will be something of a tick box exercise. Are you there/nearly there or just catching up? At the risk of sending you into a panic, the experts say you should be into the design and implementation phase by now. Although MIFID II is primarily a tactical play, it does appear to have encouraged business model conversations – so there are positives!

Let's focus on the following:

Reporting requirements around your clients:

- Client suitability. Type, knowledge and experience, ability to bear losses, risk profile... what information are you passing to the providers in what format? Are you recording your phone calls with clients and documenting all client meetings and outcomes in terms of "orders taken"? Are you distributing "complex" products appropriately?
- Reporting to the client. Quarterly valuation reporting to clients illustrating the cumulative effect of costs and charges on the return of a portfolio, including your charges as well as the costs associated with the financial instruments in which they are investing. We should work on the basis that data should be as granular as possible.
- You can still offer independent or restricted advice but you cannot change statuses half way through a transaction.
- MiFIR - Reporting to the Regulator. Are your LEIs all lined up?

Some areas where the debate continues:

- The 10% rule: at a previous briefing, one member of the group had said that their company had calculated that they would have received six letters had the 10% rule been applied. In the end the losses were covered but had the 10% rule been applied their client would have panicked. Surely this runs contrary to the goal of a stable market?
- The custody piece: where the custody is outsourced and yet your firm is providing advice – the client will receive two statements.

17. THE GENERAL DATA PROTECTION REGULATION (GDPR)

- This regulation marks a significant step up in data protection requirements with many firms not yet appreciating the significant impact it will have on their operating models.
- There is a low level of knowledge when it comes to understanding the implications of GDPR, which will directly impact firms and clients, day to day
- Penalties for failure under GDPR are also significantly higher with fines of up to 4% of turnover for firms that suffer a security breach.
- Organisations have until May 2018 to understand the implications of GDPR and identify the gaps; assess its impact and design/implement an action plan; and ensure and demonstrate the effectiveness of your data protection improvement programme.
- Firms must be able to prove that they have obtained permission to use client data and know where on the system the data sits. While for on-boarding clients, though the same rules apply, terms and conditions should now openly set out permission procedures and how they relate to your data protection obligations.

Therefore on an individual client level, something like a “data dashboard” can help to solve consent forms – as clients choose their level of data consent, which can be edited and changed on log-in. Firms will also need to be able to show that data protection safeguards exist into new products and services from the beginning of the process.