

SCENE SETTER FINDINGS

Paraplanning Excellence has been created specifically for the paraplanners of top financial planning firms in the UK. Its goal is to provide a blend of investment focused training; an update on overarching industry themes as well as an opportunity to network with peers. It is an initiative sponsored by Invesco and Schroders.

Now in its eighth year, Paraplanning Excellence will take place on **Thursday 1st November** at **The Royal College of Physicians, 11 St Andrews Pl, London, NW1 4LE**

As participants confirm their places, we ask them to complete a questionnaire. Its goal is to ensure we understand the role they play within their businesses; the processes they undertake; and at the same time understand their concerns and ambitions. The following interim data is based on replies received from some 45 paraplanners to whom we say a big thank you. The *text in italics* is as written by the respondents.

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I. The Role of Paraplanner: as a starting point, we asked you to tell us what you consider to be the BIGGEST ISSUE facing the INDUSTRY?

- **Regulation** continues to be the dominant theme:
 - *Keeping up with the constant changes*
 - *Ambiguity in the industry and lack of clear guidelines from the regulator*
 - *MiFID II/GDPR*
 - *IHT could cause concern for clients*
 - *Making working more expensive, less interesting and also not as clear*
 - *This put a great strain on resources within a small practice.*
- Closely followed by **Technology**, including:
 - *Robo-advice*
 - *Research and delivering cost effective advice for clients*
 - *Fintech/ Cost - Whilst agreed Fintech is providing people with an investment solution without the cost of an IFA; Younger generations' knowledge is equally growing. Many think they know best after a read of the FT/ Internet.*
- **Brexit** is still playing a big part. You are concerned as to how the financial services industry adapts to the changes and what are these changes going to be
- Other things mentioned:
 - *Charges*
 - *Engaging the public with financial planning and not seeing us as being part of the banking industry*
 - *The rise in CMCs and adverts stating that people were probably miss sold SIPP's could lead to an increase in speculative complaints by clients*
 - *Geopolitical issues, maturing economic cycle*
 - *Rising interest rates, to consumer and investor sentiment*
 - *Lack of knowledge on the benefits and adviser can provide to the open market (client central).*

2. The Role of Paraplanner: we then asked you to tell us what you consider to be the BIGGEST ISSUE facing your INDIVIDUAL BUSINESS?

People:

- *Staff retention*

Clients:

- *Client retention*
- *Ageing client bank*
- *Lack of understanding amongst clients of the value that good financial planning adds to their investments and the costs of providing this advice.*
- *Growing the business to replace the predominantly mature client base*
- *Be compliant without giving the clients masses of information.*

Business:

- *Building scale/ Stabilisation and growth*
 - *Streamlined processes aligning with specific consultant's needs (flexible streamlined process)*
 - *Ensuring our expansion*
- *Charges vs services offered*
- *Ownership - How older advisers pass on clients to younger advisers and bringing on new advisers into the firm*
- *The distinction between net new money won and continually provided a first class service to existing clients*
- *Having sufficient support for the advisers. As a very new, small business it is about building processes and ensuring the client gets the best outcome possible.*

Technology:

- Technology / Fintech
 - *Needing to use technology more within the advice process*

Regulation:

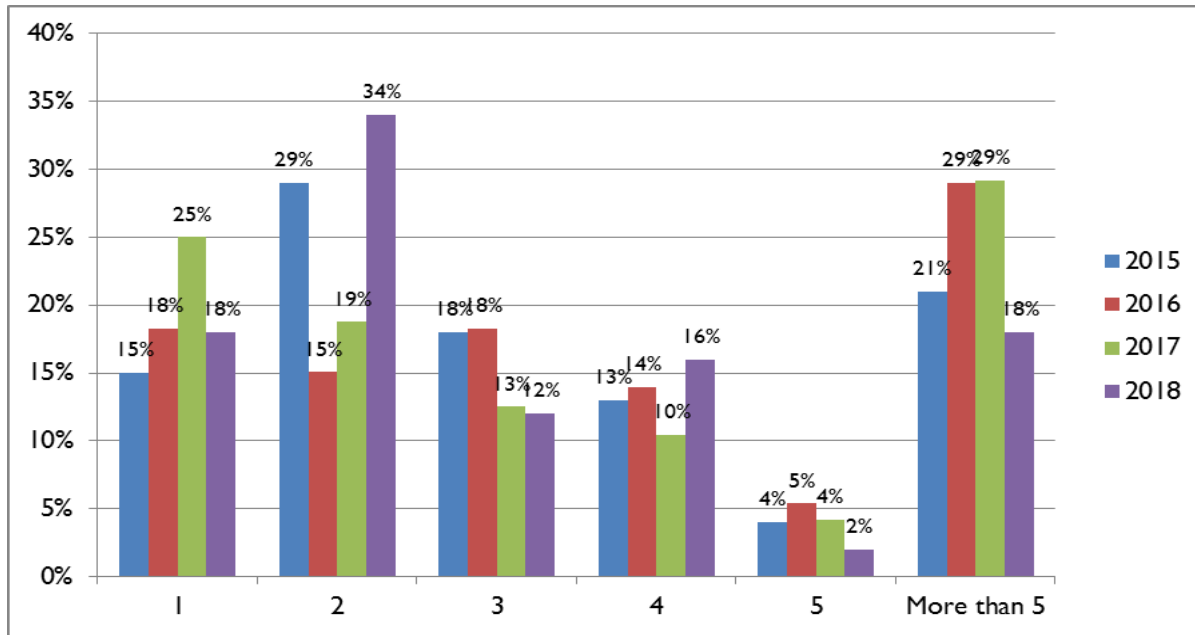
- Keeping up with regulatory changes
 - *Compliance*
 - *Impacts from MIFID II - has contributed to a lot of time spent on extra resources this past year and whilst i agree with it, we have had to change processes to accommodate this*
 - *IDD*
 - *GDPR*
 - *Pension transfer regulations*

Others mentioned:

- Defined Benefit Transfer Sentiment
- Time
- Slow replies and handling by insurance companies
- Brexit
- Final Salary Transfers and making reports compliant
- Lack of available paraplaning resources
- PI Insurance
- Bad press and lack of knowledge in how financial planners create value vs. wealth management companies/DFMs, as they don't look at planning and are interested in making money.

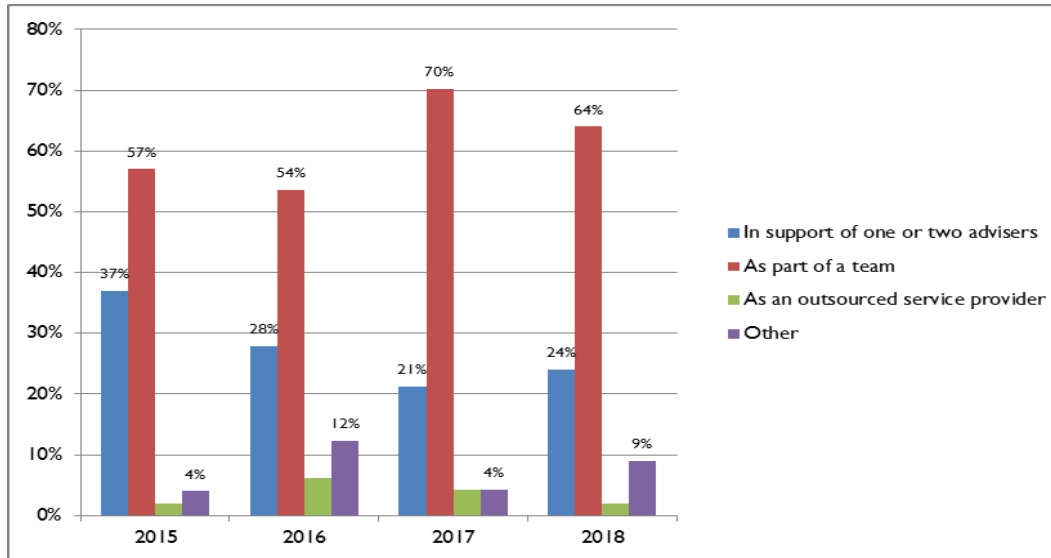
3. The Role of Paraplanner: we asked you how many advisers you typically work with:

Having mapped this year's responses with the previous three, it would appear that there is a marked decrease in the number of paraplanners working with one adviser or with more than five. It looks like the popular trend is currently to work with 2 advisers.



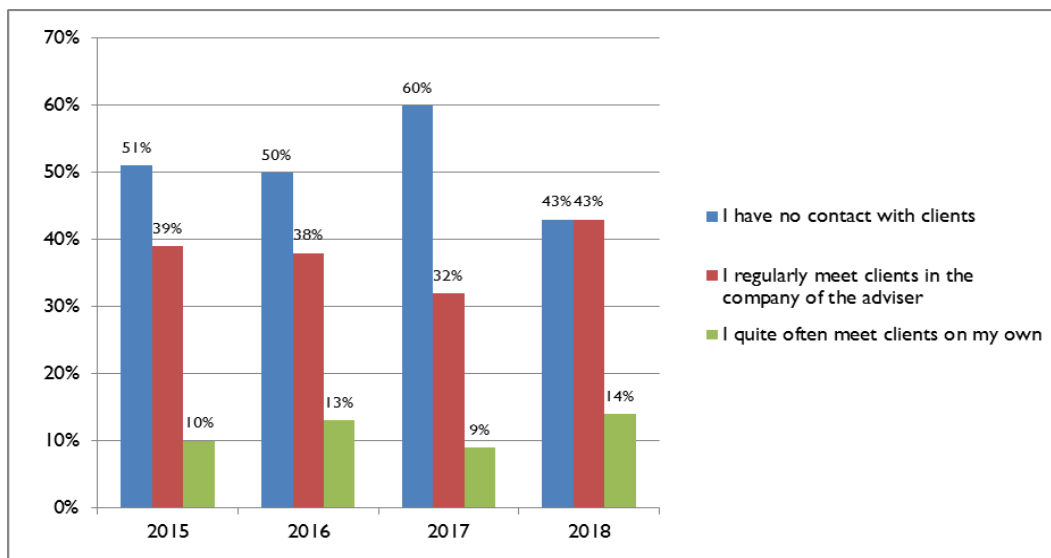
4. The Role of Paraplanner: respondents were asked how they typically worked:

Even though the number of advisers you work with seems to be less, the majority still do work as part of a team.



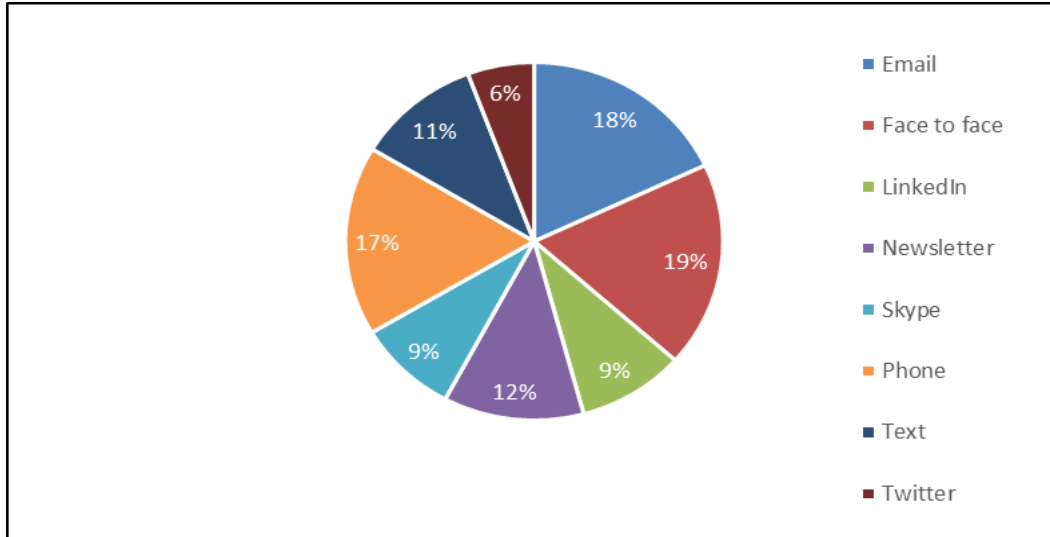
5. The Role of Paraplanner: We then asked you how much interaction you have with your clients:

It looks like each year more of you visit clients in the company of the advisers.



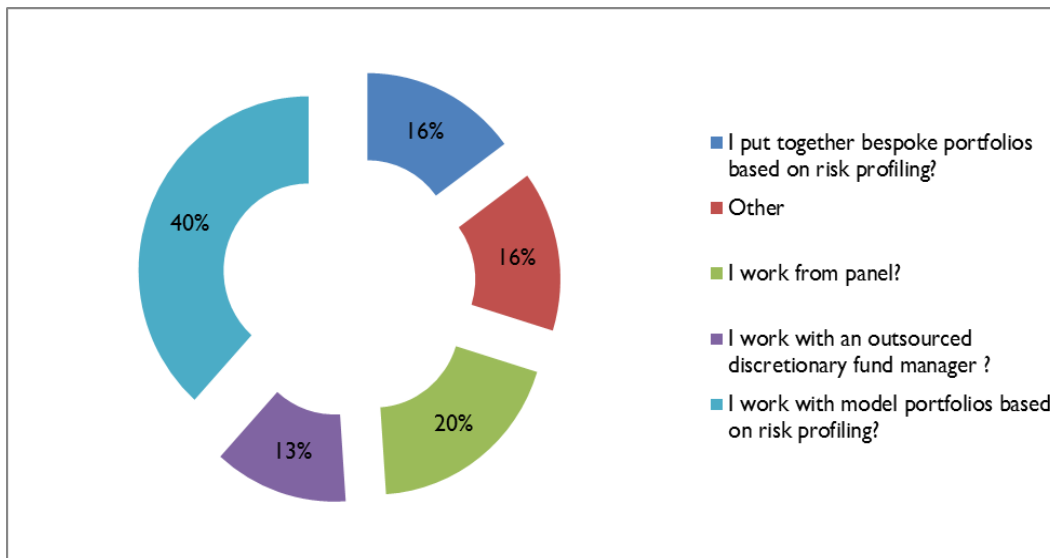
6. The Role of Paraplanner: As a firm, in terms of your interaction with clients, what is your favored channel?

No surprises there.... Face to face, email and phone are still the most used channels.



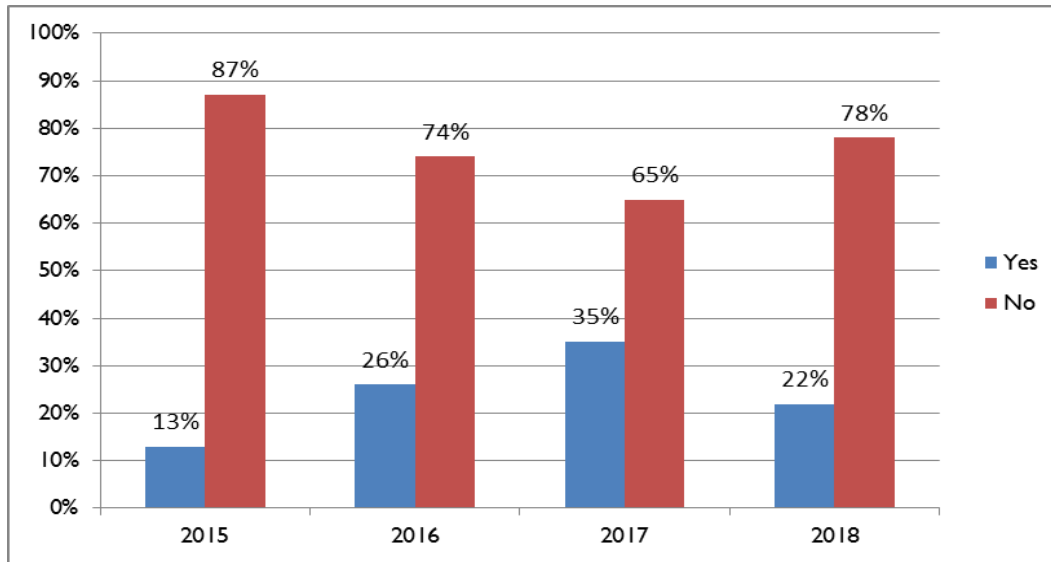
7. The Role of Paraplanner: in terms of your involvement in the investment process

40% of you work with model portfolios and some 20% from a panel.



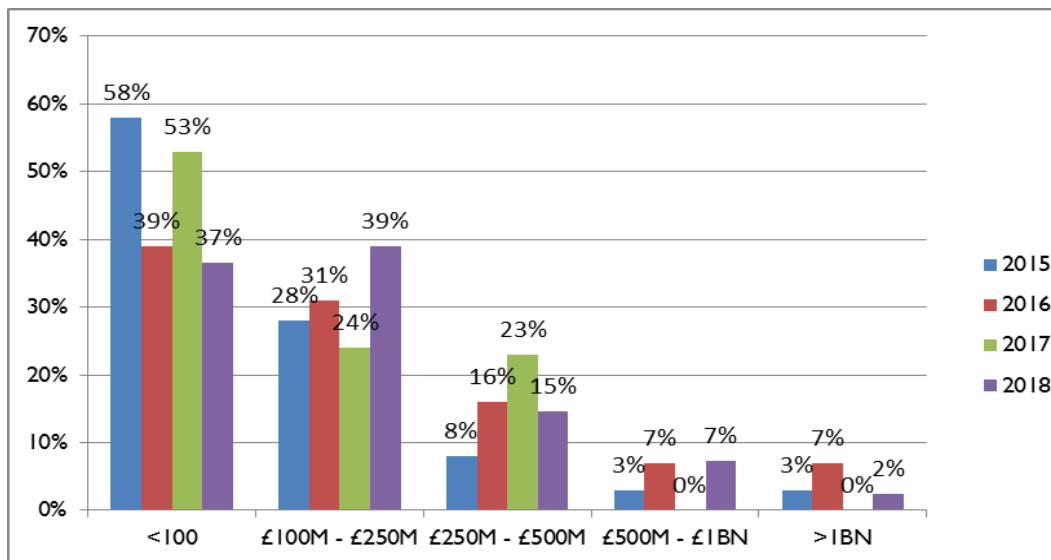
8. The Role of Paraplanner: when asked whether or not you sit on the investment committee:

It seems like this year less of you are involve in your company’s investment strategy. Is the role changing?



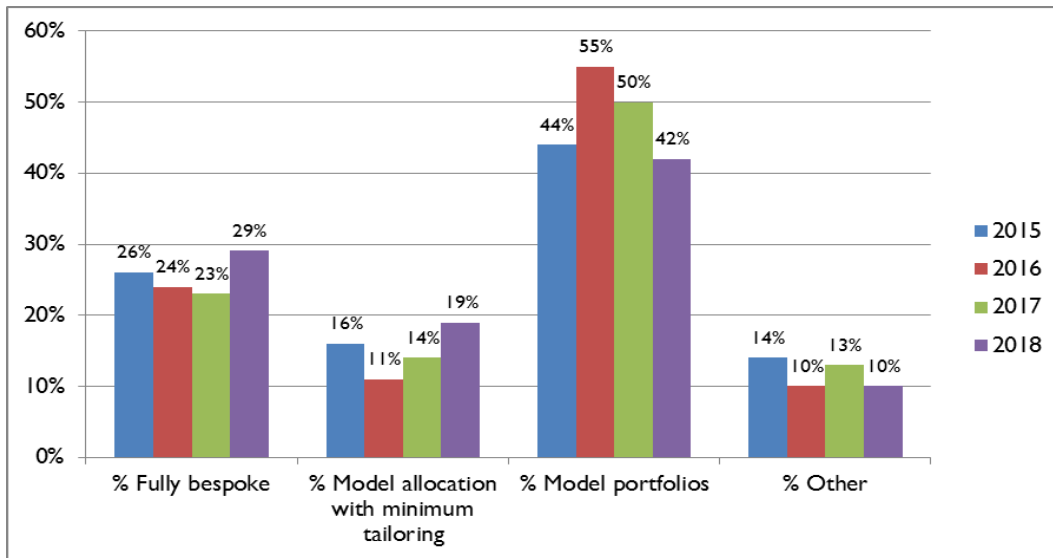
9. The Role of Paraplanner: in terms of the level of assets you are involved influencing:

This is great as it seems that this has increased from last year however, it is still not as high as 2016.



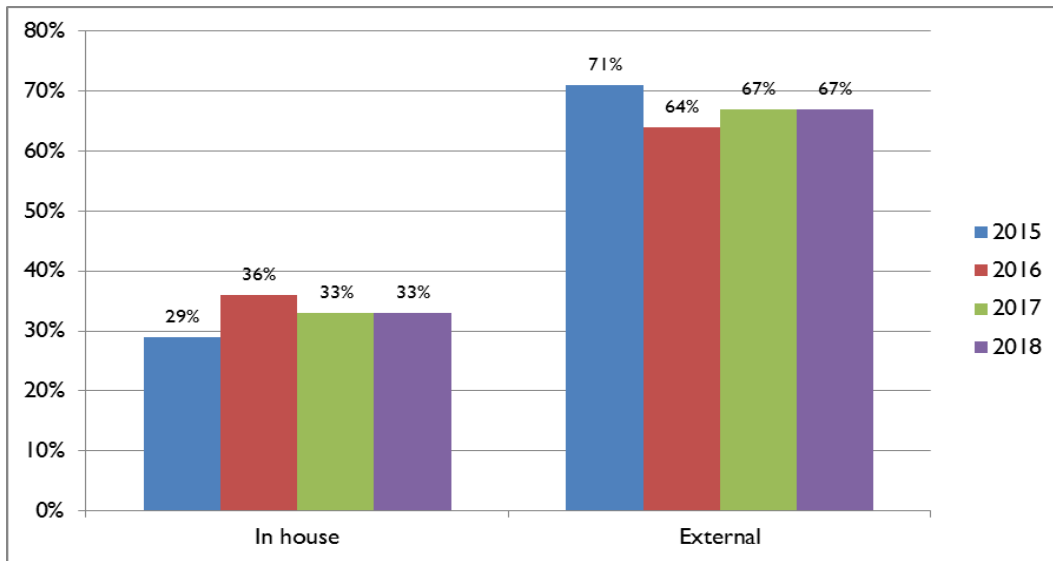
10. The Business Model: what percentage of your client accounts are managed using the following different approaches?

It is clear that year after year Model Portfolios is the preferred option.



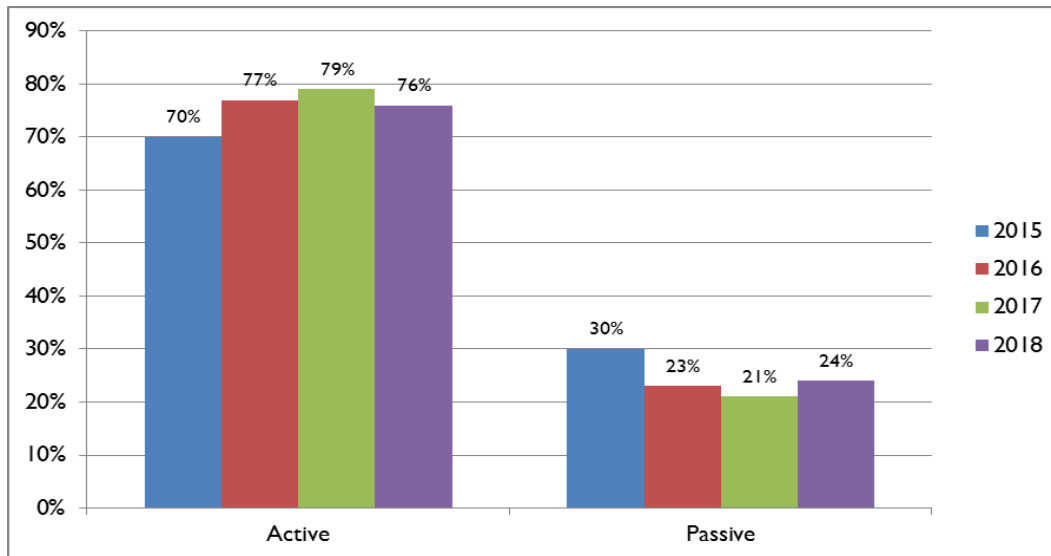
11. The Business Model: we asked you to indicate the split between your use of in-house products versus externally sourced.

Again, this is pretty consistent...



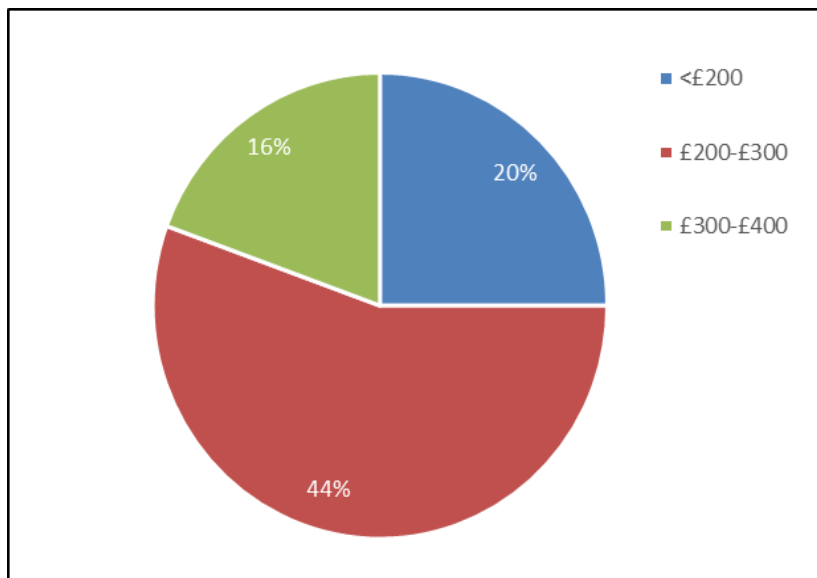
12. The Business Model: we asked you to let us know the percentage split between active and passive fund management within your firm.

A slight decrease in the use of active fund management.



13. The Business Model: we asked you how you typically charge per hour:

It would seem that the majority of you who do charge hourly, charge in the region of £200 and £300 per hour.

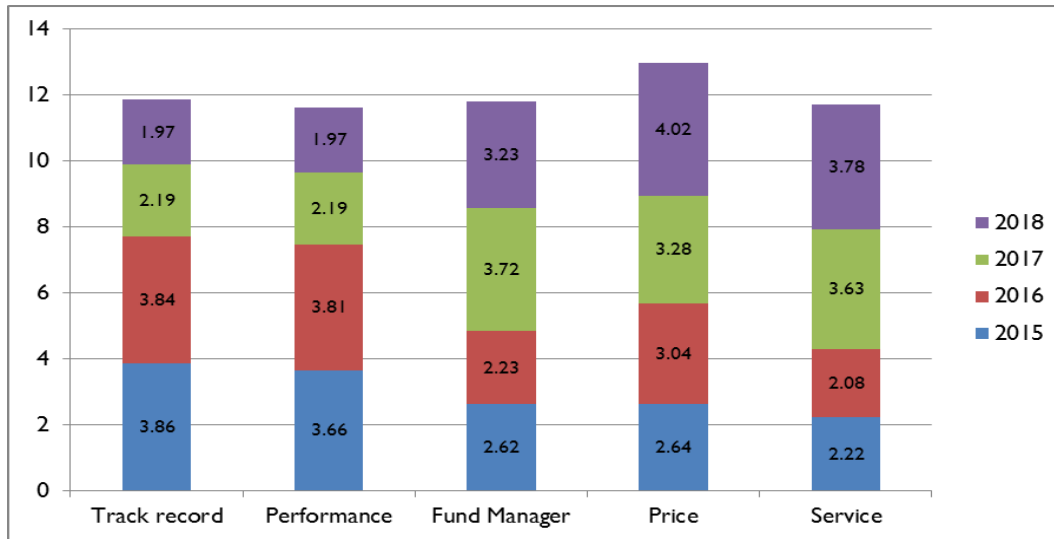


14. The Business Model: we also asked you what you charge when you charge as a percentage:

- *Depends on investment and value for initial and for on-going - between 0.50 and 0.75%*
- *1% (5)*
- *For initial anywhere from 1%- 3£, ongoing 0.8%*
- *Between 0.50%-0.75%*
- *0.5% (2)*
- *0.60% p.a. as standard, with concessions depending on the level of funds under management*
- *0.75%*
- *1% + 0.75%*
- *1% initial, plus 1% ongoing*
- *up to 3%*
- *3%*
- *2% for initial and 1% ongoing p.a.*
- *3% initial plus 0.5% ongoing*
- *3% + 0.85% ongoing*
- *3% initial & 0.85% ongoing*
- *3% initial, 0.5% or 0.75% ongoing*
- *0.5-1% (2)*
- *0.5% ongoing, initial ranges for 1 - 3%*
- *2%/1%*
- *a sliding scale for initial starting at 3% for <£100K to 1% for >£500K*
- *3% on the first £150k, 2% on the next £350k, 1% thereafter*
- *Between 1-3% initial and 0.5% ongoing (min £750pa)*

15. The Business Model: we asked you to rank the basis on which you choose funds:

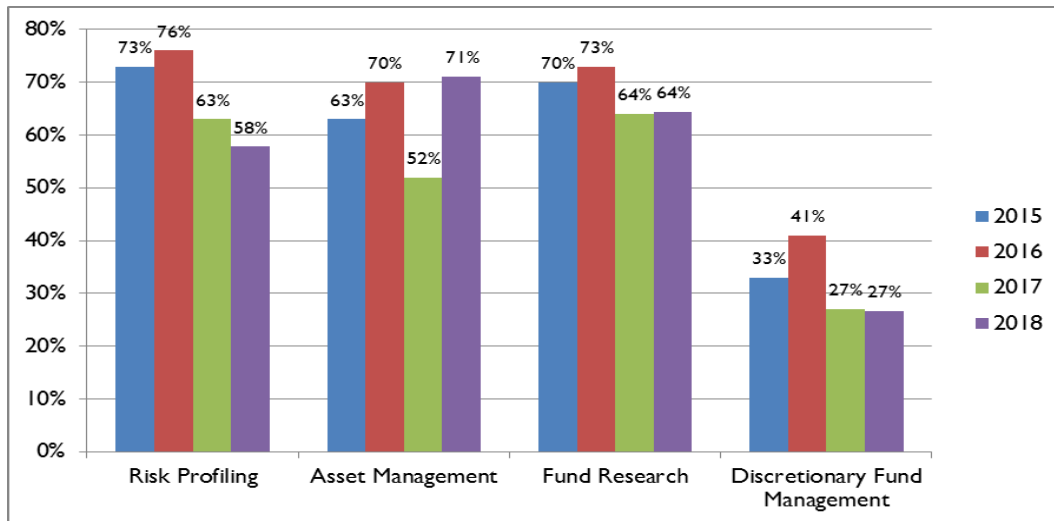
It would appear that price is really driving your selections and that the importance of the level of service continues to increase. The Fund Manager matters while track record and performance don't as much.



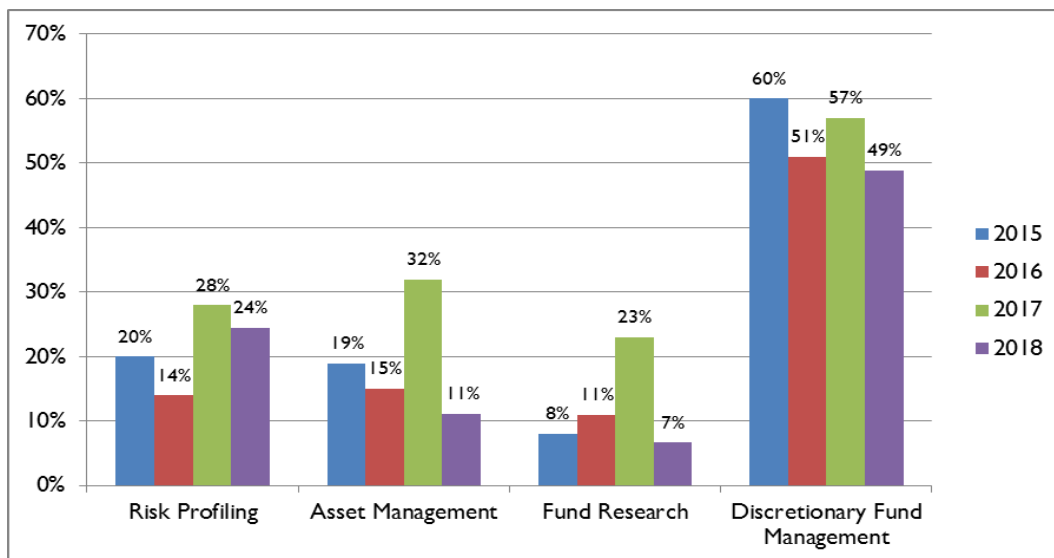
16. The Business Model: We asked about your in house versus externally sourced activities:

While last year there was a clear trend to outsource across the board, it seems like this year is the opposite. There is an interesting decrease of outsourcing across the board with particular emphasis in asset management and fund research.

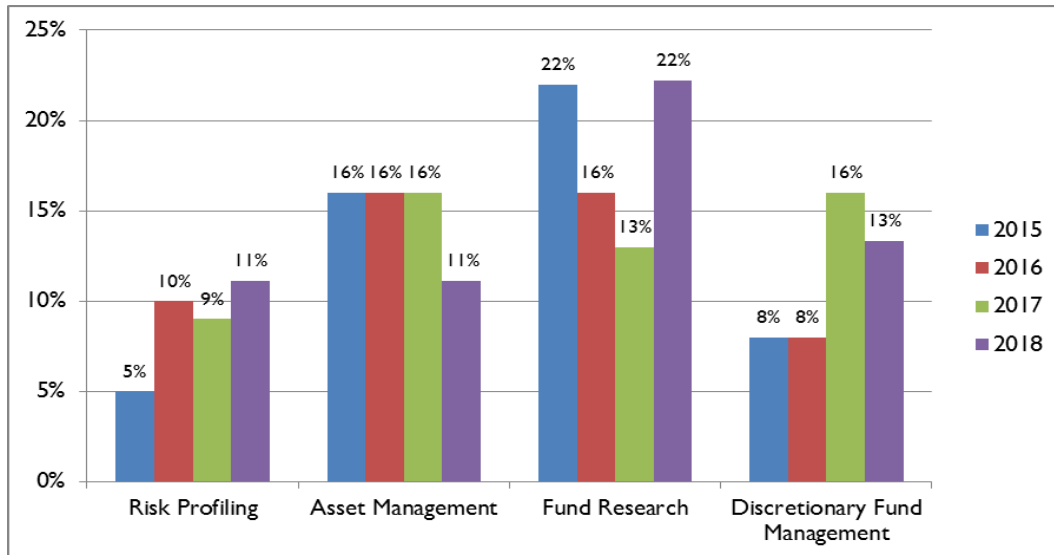
In House



Outsource



A Mixture



17. The Business Model: we then asked which external providers you worked with in terms of these different activities:

Risk Profiling

- Dorey Financial Modelling
- E-Value (2 mentions)
- FE Analytics (2 mentions)
- FinaMetrica (9 mentions)
- Morningstar
- True Potential

Asset Allocation

- Albamarle
- E-Value (2 mentions)
- FE Analytics (3 mentions)
- Financial Express
- Goldman Sachs
- Morningstar
- Psigma Investment Management
- Square Mile

Fund Research

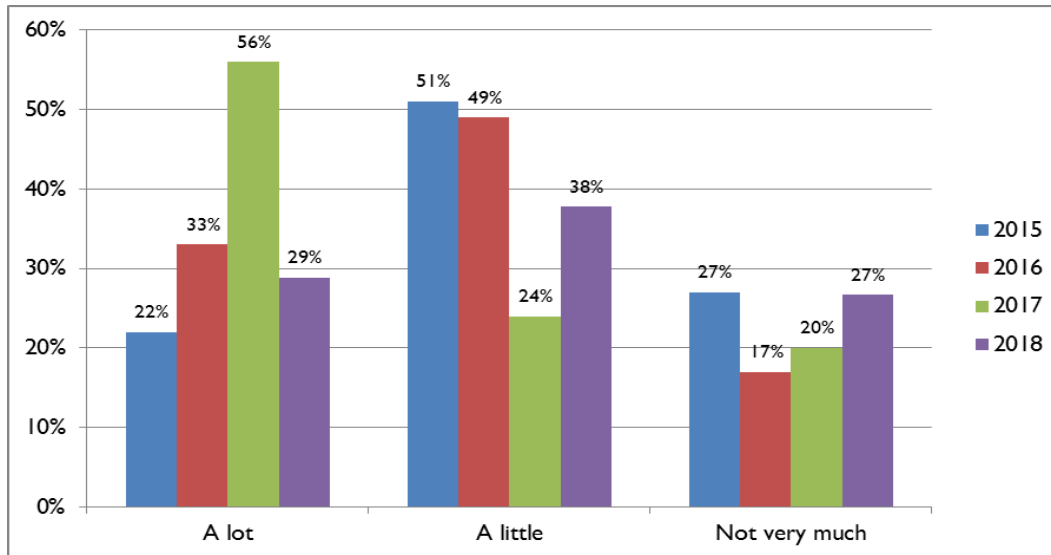
- Albamarle Asset Management (2 mentions)
- FE Analytics (3 mentions)
- Financial Express
- Fund managers (2 mentions)
- Fundhouse (2 mentions)
- Goldman Sachs
- Internal Investment Committee
- Morning Star (2 mentions)
- Psigma Investment Management
- Square Mile

Discretionary Fund Management

- A Panel of DFMs (4 mentions)
- Asset Risk Consultants (ARC)
- Brewin Dolphin
- Brewin Dolphin (4 mentions)
- Brooks MacDonald
- Cazenove
- Charles Stanley
- Fundhouse
- Investec (3 mentions)
- Parmenion for their Ethical solutions.
- Quilter Cheviot
- Rathbones
- Ruffer
- SLW (2 mentions)
- Standard Life Wealth
- Vestra (2 mentioned)

18. The Paraplanner Role: we asked how influenced you are by the macro economic environment:

Well a big change from last year - what has changed?



19. The Paraplanner Role: In terms of the content/information you currently receive from fund managers, we asked what you considered to be the MOST helpful.

- Charges
- Commentary on their decisions- reasons for funds being used
- Cost, performance & objectives
- Direct Email of Headlines - with hot links for more detail online if interested
- General update on the fund- Facts and Figures to the point
- Info on business opportunities
- Investment Prospectus
- Investment strategy and economic outlook
- Macro updates

- *Market Overview – commentary on major changes*
- *Monthly Review*
- *New launches*
- *Outlook for different asset classes*
- *Performance updates (especially if performance has not matched expectation)*
- *Technical support*
- *Webinars*

20. The Paraplanner Role: In terms of the content/information you currently receive from fund managers, we asked what you considered to be the LEAST helpful.

- *Ads- Marketing*
- *Awards received*
- *Calls about new fund launches*
- *Communications that appear to be about keeping in touch rather than containing anything useful*
- *Daily emails with irrelevant updates*
- *Information on funds which we will never use*
- *Long winded written communications.*
- *Past performance*
- *Product specific pushes*
- *Tailored performance figures, not giving an accurate picture*
- *When charges are obscured*

21. The Paraplanner Role: In terms of the content/information you currently receive from fund managers we asked what you would also like to receive.

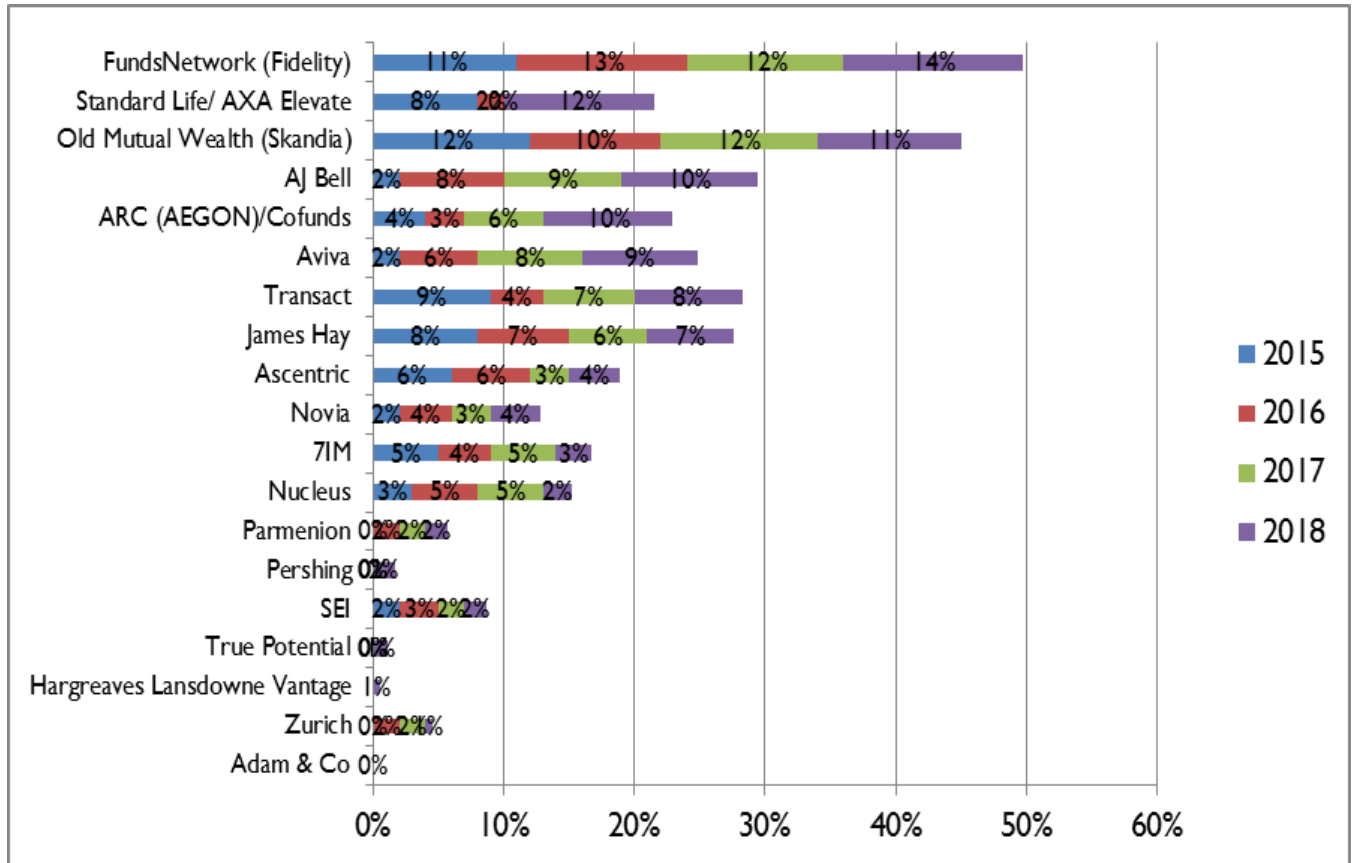
- *Anything but fund updates*
- *Breakdown of charges - not always provided*
- *Case studies*
- *Confirmation whether it is active or passive and full asset breakdown (no 30% "other")*
- *Continued information*
- *Cost, performance & objectives*
- *Headline with online links for : details of changes within Platform functionality; Details of changes in where information is stored when providers update the website and 'move' everything*
- *More detailed descriptions of fund objectives and how investment strategy is created*
- *More performance based data*
- *Regularly updates on economic outlook*
- *Technical updates*

22. The Paraplanner Role: And finally, we asked you if there were anyway the information could be provided that you would find more useful?

- *Basic table with charges, management type (active or passive), asset type breakdown and 5 year performance figures*
- *By email*
- *Face to face presentations.*
- *Infographics - chart, table, flow chart*
- *More interactive*
- *Online portals*
- *Through adviser website that is easy to find and kept up to date*

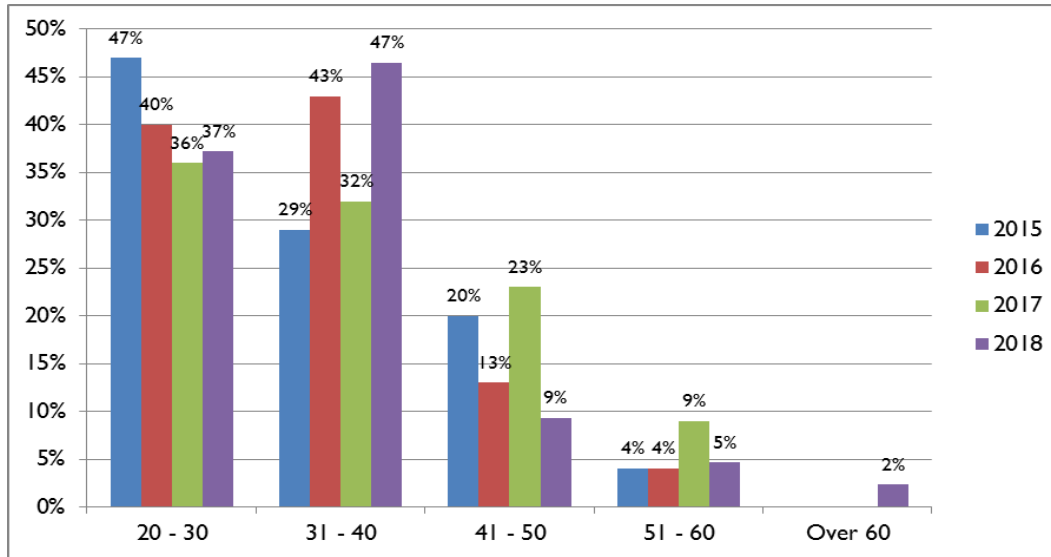
23. The Business Model: we asked which platforms you use?

It is clear that Funds Network, Standard Life/AXA Elevate Old Mutual Wealth dominate and over the last couple of years AJ Bell and ARC (AEGON)/Cofunds are moving on up closely followed by Aviva, Transact and James Hay.



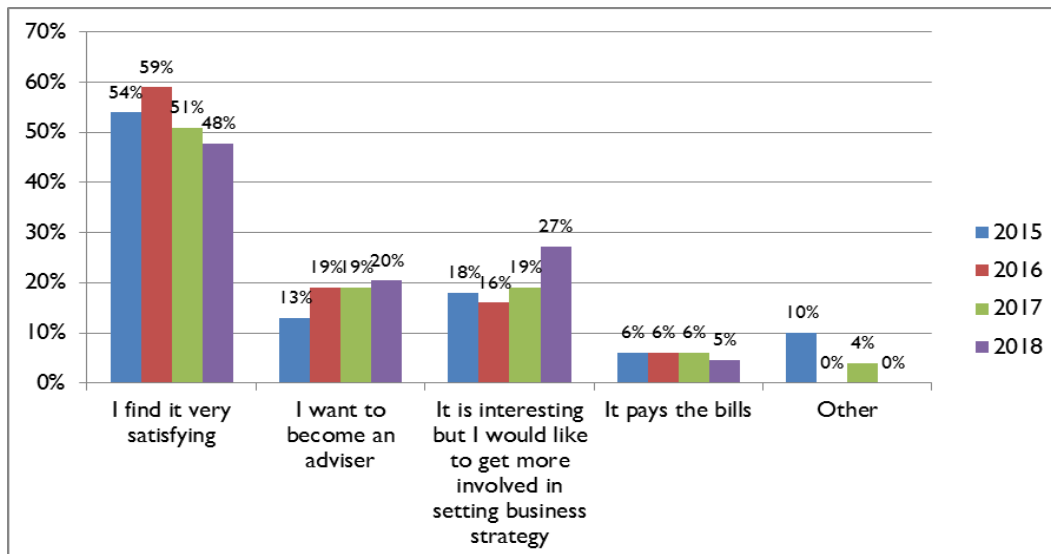
24. The Paraplanner Profile: We then asked how old you are

It looks like this year the audience is slightly younger than last year with more than 80% of you being under 40 years old.



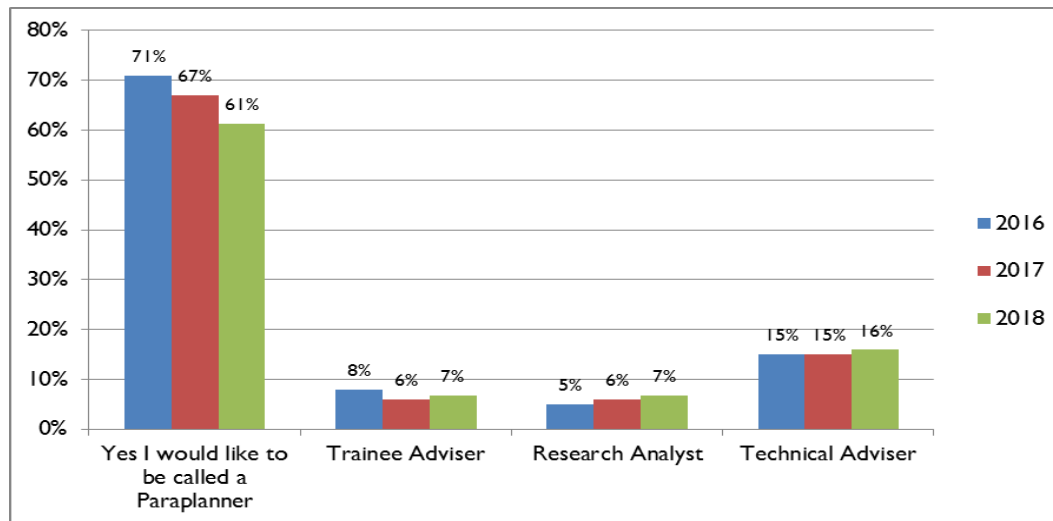
25. The Paraplanner Profile: we then asked you how you feel about your job:

Happy days!! It seems like most of you find your job very satisfying however it seems that more and more of you would like to become an adviser or get involved in setting business strategy. Hopefully our events will contribute to you getting there.



26. The Paraplanner Profile: We asked if you feel comfortable being called a paraplanner? And where not, what you would like to be called?

In terms of job title there's a shift towards Technical Adviser but in general still happy with the term "Paraplanner"

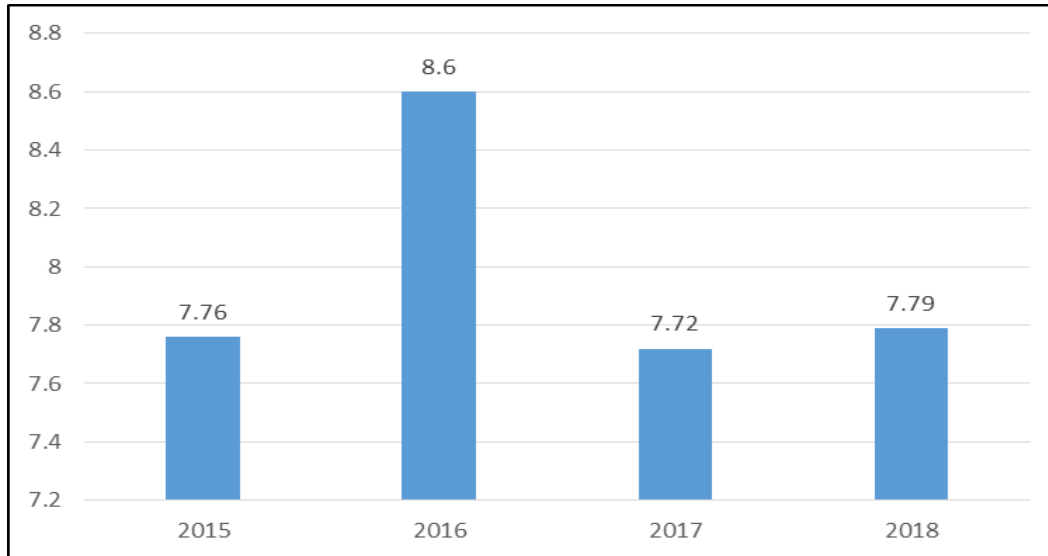


Other suggestions:

- *Finance Executive*
- *Investment Analyst*

27. The Paraplanner Profile: and finally we asked how you felt about the year ahead:

It looks like you are still not feeling as upbeat as you did in the autumn of 2016 but it is slightly better than last year!



If you have got this far we salute you! If you would like to discuss any aspect of this research, do please call Evie Owen at Owen James on 01483 861334 or email her at evieowen@owenjamesgroup.com.

Thank you.