

Advisory Distributors

Tuesday 27 November 2018

Lanesborough Hotel, Hyde Park Corner, London, SW1X 7TA

THE DRAFT AGENDA

The preparation:

- In anticipation of A Meeting of Minds which will take place on Tuesday 27 November with a dinner on the preceding evening. The following subjects should be considered a starting point for discussion.
- Over the next few weeks, we will be meeting with participants to ensure that the agenda is addressing those issues which are top of your list in terms of importance. The goal is always to enable you to do better business and by that we mean we want to ensure that all aspects of your business go under the microscope. The final agenda therefore has to reflect that.
- If you would like to input your thinking, we would of course be delighted to hear from you.

So what will be discussed?

- It feels that the financial advisory industry is back on its feet after years of fire fighting. There is definitely a new positive vibe in the marketplace. Demand for investment advice is strong and growing and most of you seem pretty comfortable with how things are going in general, and that's certainly good news.
- From a distance, the wealth management industry has never looked stronger. Advisers have embraced a team approach to serving clients, enabling them to offer more sophisticated planning and investment management to a broader array of investors.
- Most advisers we spoke to are confident in the growth prospects of their individual practices and expect to be doing even better next year than they are today.
- However there are a few issues lurking. Trust – or the lack of it – is still a big issue. Looking at business, there are some contradictory trends in terms of whether or not people trust firms to do the right thing. Trust in the industry may have been seriously eroded by crisis and scandal, but the residual confidence should not be underestimated.
- In terms of regulation, the Senior Managers Regime is coming into effect next year and many believe it isn't clear how the rules apply.
- I suppose we also have to talk about Brexit once again. By the time we meet we will be barely four months away from the leaving date so where do we stand? Will the parties agree by October on the outline of future relations? Surely by November we should be able to shed some light on the issue.
- And all this is before we address the day to day!

The format:

The day runs breakfast through dinner and is made up of a blend of:

- **Keynote** sessions geared to encouraging new thinking – typically from outside the industry;
- **Roundtables** – small facilitated groups addressing a carefully researched agenda. The whole day is Chatham House and therefore participants are able to speak openly and freely.
- **Scenario planning** – some of the break out sessions will demand more of you.
- Plenty of **networking** opportunities including a formal seated luncheon and dinner. (Accommodation is available at a subsidised rate.)
- Some “**me**” time: as an innovation since June we have decided to introduce some optional sessions for you.

How do the roundtables work?

- On the day, 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 usually last 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 bring the session to a conclusion, highlighting the key points raised.

In summary, your time is precious and our goal is to ensure that if you spend it with us, you spend it in the company of your peers, you address the subjects which matter to you, and all in a time efficient manner.

YOUR CLIENTS.....	3
1. How do you acquire new clients? Give them free tickets to the cinema or farm the data? .	3
2. The Generation Game	3
YOUR BUSINESS.....	3
3. We could go a bit Blade Runner but let's be slightly more grounded and look at business models some five years into the future.	3
4. Talent of the future: from adviser to technical analyst and everything in between	4
5. M&A activity: The client journey.....	4
REGULATION.....	4
6. SMCR.....	4
7. The future of Platforms.....	5
TECHNOLOGY.....	5
8. What would you do with an extra hour?	5
9. Delivering value in the digital age – customers' attitudes to data sharing, trust and how this will define future propositions	5
10. So you want to go digital.....	5
INVESTMENT	6
11. A look at changing investment preferences.	6
12. Drawdown	6
13. So do you know your cryptocurrency from your Bitcoin from your blockchain?	6
PENSIONS.....	7
14. The future of pensions.....	7
15. Residential property as a wealth planning vehicle	7
16. DB Transfers	8
POLITICS	8
17. Are we looking at a hard Brexit?.....	8

YOUR CLIENTS

1. HOW DO YOU ACQUIRE NEW CLIENTS? GIVE THEM FREE TICKETS TO THE CINEMA OR FARM THE DATA?

- On the digital marketing front, new tools are being made available to marketers all the time, changing the rules of the game.
- Improved psychological profiling helps businesses make very accurate predictions about an individual based on their online footprint. As a result, well-targeted ads can be aimed at these individuals.
- In contrast, most advisory firms have maintained a reliance on more mainstream, brand-focused, advertising techniques, rather than the aggressive customer acquisition campaigns more typical of start-ups.
- The advent of open data enabled by 'Open Banking' will enable individual targeting, and those that are best able to acquire and harness this data will be best placed to do this personalised targeting.
- As the 'Open Banking' universe unfolds, we should expect to see significant developments in the way banking brands – new and old – focus their marketing budgets, and design their campaigns. But are advisers geared up to do the same?
- Financial Services can learn from other industries in this regard. In a world where switching providers becomes much easier, you must find new ways to build customer loyalty.

2. THE GENERATION GAME

- Today's advisory firms are having to deal with a much more diverse and dynamic society than ever before. In the good old days, your client base could be neatly bracketed as the Baby Boomers but now you could be dealing with clients from five different generations. And no, I am not going to try and name them!
- Married couples with 2.4 kids don't really exist: today, only a quarter of families could be labelled "nuclear". Exploring the changing dynamics of the family provides a fascinating context for understanding individuals' choices and challenges businesses to consider what they should be doing today to attract the clients of tomorrow.
- How can an advisory firm adapt to families as they form and re-form over time? What will it mean for the business when the key decision-maker in a family is no longer a single person?
- What can we do for the "Sandwich Generation" who are currently looking after both their parents and their own children?
- What actions can those firms looking to the next generation of clients take to ensure their services are perceived as valuable and attractive?
- The challenges of managing a multigenerational workforce serving a multigenerational client base. It is like playing SNAP- find the perfect pair!

YOUR BUSINESS

3. WE COULD GO A BIT BLADE RUNNER BUT LET'S BE SLIGHTLY MORE GROUNDED AND LOOK AT BUSINESS MODELS SOME FIVE YEARS INTO THE FUTURE.

- Our research guinea pigs suggested that what they were looking for was a real step into the future not just a "next year" sort of conversation. More a two, three or even five years ahead perspective. And ok it may not be quite as bleak as Los Angeles in 2048 but it could be quite challenging. Actually by then we probably won't need any money at all!
- Well the dead cert has to be the accelerated growth of Fintech which will bring with it the continuing democratisation of financial services. And with access comes knowledge and more demanding clients/customers. As an aside, the client vs customer conversation is worth having – it sets up a slightly nuanced mindset. Ask the retailers. It introduces words like journey, experience, frictionless, multi-channel, brand!
- Will you be actively managing their money or will it be the algorithm? Will WeChat have taken over the whole world? Will you have been "commoditised"? Will all communication be online? There must be a human element in there – what will it be?

4. TALENT OF THE FUTURE: FROM ADVISER TO TECHNICAL ANALYST AND EVERYTHING IN BETWEEN

While the advantages of training advisers and TAs from scratch are obvious – particularly when it comes to integrating them into the company culture and moulding their skills, do firms have the time and resources to do so? Or should we just focus on recruitment and head-hunting?

With a wave of applications from strong candidates pouring into all types of job openings across various industries, the recruitment criteria and process has inevitably had to change. Increasingly, it is becoming apparent that although skills are absolutely essential to progress, what differentiates the successful from the non-successful candidates is their alignment to the company's values. To succeed, employees need to translate their skills into motivation driven by purpose and vision.

- Best practice in recruiting, training and retaining talent is to create a healthy culture for employees.
- Recruitment should be based on the mutual understanding that it is a good fit for both parties.
- Internal recruitment vs. Head-hunters; or shall we talk about the Adviser Academy?

Once firms do hire the right talent, appropriate remuneration and reward policies are in place, the attraction, development and retention of key talent requires on-going focus on the human dynamics.

"Clients do not come first. Employees come first. If you take care of your employees, they will take care of the clients."- Richard Branson

5. M&A ACTIVITY: THE CLIENT JOURNEY

- Large companies increasingly rely on mergers and acquisitions to grow their businesses, yet about 70% of M&A endeavours fail.
- When mergers are announced, it is no mystery why customers expect the worst. Bank customers may lose their favourite branch. Frequent travellers dread changes to flight routes and loyalty programs. Cable customers may find their new bill incomprehensible.
- Well, it's no different in our industry. When companies merge, they embark on seemingly minor changes that can make a big difference to customers, causing even the most loyal to re-evaluate their relationship with the company. So think "Client reaction" before the deal is done.
- Not just that, but a lot of the value of a business sits with the key talent. Do you have a strategy to keep them on-board and engaged?

REGULATION

6. SMCR

Coping with the burden of regulation continues to be one of the biggest challenge facing Advisory Distributors. Whether that is racing to keep up with a raft of newly-introduced rules or trying to anticipate what future evolutions may bring. In the past year we spent a lot of time talking MiFID II and GDPR with a year to go it's time we talk seriously about Senior Managers and Certification Regime (SMCR)

- There has already been a lot of talk about the SMCR. However, it is one of the strictest personal accountability frameworks in regulated financial services sectors around the world. Here we explore some of the pitfalls (eg scaring talent away from the industry), the opportunities (eg senior managers reassessing their governance arrangements) and controversies (eg SMCR may make it difficult for firms to operate certain organisational structures).
- Some of these practical challenges that banks have encountered in implementing the SMCR to date and see what can we learn from them.
- Let's be honest, there's so much to be discuss we could probably run a whole event just on that. From how to manage the handover of roles between senior managers, including onboarding new senior managers to re-engineering management information systems to provide senior managers with the information they need to discharge their SMCR responsibilities.
- But for the time being lets focus on the link between the SMCR and organisational culture: has the introduction of the SMCR been a catalyst for real change? How could it be improved?

7. THE FUTURE OF PLATFORMS

- With platforms being a market that has seen significant growth in the last five years, doubling from £250bn to £500bn assets under administration (AUA); with more customers than ever deciding to use a platform to manage their money. What do we think about the FCA's proposed remedies to improve competition?
- Is it encouraging that the FCA has recognised the important role of platforms in the value chain? How can the market truly deliver the benefits it is intended to provide?
- What do you want from a platform – a transactional hands-off relationship or a long-term, deeper relationship with a business that can offer practice management support for the growth of your business for the benefit of your client?
- Who pays for the platform of the future – you or your client? If you pay, do you pay as you go or do you pay an upfront fee for unfettered access?
- Platforms hold a huge amount of data on fund flows, contribution levels, withdraws, dividend reinvestment, cash management etc – and are uniquely placed to see trends across clients at an aggregate level across all advisers within your business, all advisers in your region and across all advisers using the platform – in total – what value might this platform insight be of to you as a business owner and for your advisers and paraplanners?

TECHNOLOGY

8. WHAT WOULD YOU DO WITH AN EXTRA HOUR?

By adopting technology, financial advice firms are realising time savings in their business by generating greater efficiencies and smoother processes. Some use the time to play golf, spend time with their family and enjoy more time off. Others are using the time to onboard more clients and generate more revenue. This session evidences how these time savings can be realised in your firm. So, what would you do with an extra hour each day?

Expert: Intelliflo

9. DELIVERING VALUE IN THE DIGITAL AGE – CUSTOMERS' ATTITUDES TO DATA SHARING, TRUST AND HOW THIS WILL DEFINE FUTURE PROPOSITIONS

- What are customers' perceptions about sharing their data?
- What are the drivers affecting whether customers will share data or not?
- The value exchange is at the heart of data sharing – biggest challenge is establishing enough trust with customers
- How will the open data environment challenge customer trust and define how future propositions are built?
- What opportunities this brings around the intergenerational transfer and building trust with the next generation to source new clients.

Expert: Experian

10. SO YOU WANT TO GO DIGITAL

- Most companies realise their IT systems are overly complex, having been added to multiple times over the years without much effective pruning. The most common response is to simplify systems using new technologies like the public cloud and SaaS platforms, which help to gain speed and reduce costs. But these fixes are temporary. Complexity inexorably creeps back over time, due to the fundamental nature of people and organisations.
- In the long run, managing IT complexity is a function of changing behavior. After-the-fact technical fixes need to be complemented with an approach that seeks to curb complexity before it is created. It's not that people don't buy in to the logic, it's that they revert back to their old behaviors, because they are deeply ingrained. So the biggest obstacle is mindset.
- While digitisation of your offering appears to be crucial, decision-makers need to understand the implication of choices on the complexity of digital platforms and adapt their business models accordingly. From bringing together cross-functional teams, including IT, advisers, technical analysts, and others. For example, rotate executives in and out of IT; from Chief Information Officer to leader of a business unit. Those leaders now know what complexity does to the business and act accordingly in their new role.
- So, who has managed to make that whole experience feel cosy? What should you consider before starting the process? What should you do with the system we already have? Scrap it and start again?

INVESTMENT

11. A LOOK AT CHANGING INVESTMENT PREFERENCES.

- The rise of passive investing, with the resulting downward pressure on fees, and the increased costs of research under Europe's new MiFID II rules, are squeezing profit margins, especially for medium sized active managers.
- Thanks to MiFID II, investors are now seeing with greater clarity the level of returns they are receiving on their investments plus the fees they are being charged.
- Might this all result in far more demanding investors? This explains the increased desire to support ESG investments we are seeing.
- ESG is an opportunity for advisers to build and sustain closer – and more compliant – client relationships and in the process demonstrate knowledge and professionalism.

- So where to start? How about discussing ESG and ETF: The future of investing in 6 letters?
 - The misunderstanding that ETFs mean passive investing.
 - Why should I use an ETF? How do I trade an ETF?
 - What's the reality behind the liquidity concerns for ETF investing?

Expert: JP Morgan Asset Management

12. DRAWDOWN

"Over-55s losing tens of thousands in rip-off pension drawdown deals" read one of the headlines The Telegraph this June. The article told its readers that a two-year investigation by the Financial Conduct Authority found savers accessing their money via the most expensive arrangements were being charged four times as much as those in the cheapest deals. And that if firms fail to start offering deals with appropriate charges, the Regulator said it could force them to do so by introducing a price cap on so-called "drawdown" charges.

Well, what can we say... The press just loves a scandal but it's not just them or your clients that are worried about it. Billy Burrows, from financial advice firm Better Retirement Group, said: *"It seems that companies are deliberately making their charges difficult to understand so customers ... don't know how much they are paying. If even I cannot understand all the different drawdown charges then how are customers meant to understand them?"*

Jenni Allen, managing director at Which? Money, said: *"It is disappointing that the FCA has stopped short of calling for a charge cap on pension drawdown products that could stop consumers from sleepwalking into costly and confusing products that can drain the money they need for their retirement."*

So what's the plan? Firstly, who is fighting back in name of the industry? Who is going to restore the industry's credibility once again. Secondly, what is the solution? Will a charge cap actually be the answer?

13. SO DO YOU KNOW YOUR CRYPTOCURRENCY FROM YOUR BITCOIN FROM YOUR BLOCKCHAIN?

Indeed do you know your Bitcoin from your Ripple from your Banana?

In 1903, the president of the Michigan Savings Bank famously said "The horse is here to stay, but the automobile is only a novelty – a fad". There may well be people out there thinking exactly the same about cryptocurrencies. They could be right or it could be the case that we are about to experience an Uber moment and go all crypto?

As is customary for an emerging technology, there is a great deal of hype surrounding blockchain. It is important to understand its significance beyond the echo-chamber of tech speculation and appreciate the real-world applications of the technology, many of which can create real value for clients.

- Enables you to realise efficiency gains and capitalise on opportunities to innovate;
- Is very secure (completely tamper proof); and
- Is easily accessible.

Our expert, will update us as to the latest developments – the potential, the rewards and the pitfalls – and the big issues around how on earth do you regulate it?

And there was me thinking I had cracked it going all contactless.

PENSIONS

14. THE FUTURE OF PENSIONS

- Few prepare for the unexpected but experience shows perhaps we should...
- Yesterday's promises are increasingly expensive: the National Insurance Fund is predicted to breach its funding solution by 2032, but reforms have tended to be piecemeal and lacking in a clearly agreed long term objective.
- Customer experience in current retirement solutions is neither easy nor convenient and does not engage customers or equip them to make informed decisions.
- From buy outs and longevity, to member options and super funds, we look at how the pension landscape is changing.
- Technology in the retirement industry lags behind other sectors and the pressure to keep up with ongoing regulatory change has constrained innovation to create more affordable and sustainable solutions.
- What will pensions and savings policy look like for future generations? Will pensions even exist? "Doing nothing" is no longer an option and eventual collapse is inevitable without major reform. *

Lawdy that all sounds a bit gloomy ... Clearly we need to innovate. Any ideas? We will field an expert to lead a discussion on how to address the bits we might actually influence.

*(Source: EY report – The future of retirement – A vision for pensions delivery.)

15. RESIDENTIAL PROPERTY AS A WEALTH PLANNING VEHICLE

We know the stats:

- The number of people over 80 is set to double during the next decade to 6m.
- More than 70% of those in retirement own their home.
- The average house price in England and Wales has risen by over 300% since 1996.
- There is £1 trillion housing equity held by the over 65s.

The opportunity:

- With the uncertainty around the economy and a changing pension landscape, maybe the time is right for your clients to consider leveraging the value in their houses to support the transfer of their wealth to the next generation.
- With interest rates as low as they are, borrowing against your property has rarely been cheaper.
- Equity Release as a brand has a poor historical reputation due to the way it has been sold and who it has been sold to. New solutions are looking to disrupt the market and provide valuable opportunities for HNWI clients (and provide new AUM).
- This roundtable will examine the different options on the table as well as the inheritance tax benefits available to help with your clients' estate planning.

16. DB TRANSFERS

- A well-known national firm has stopped providing pension transfer advice service to individuals with safeguarded benefits as the wealth manager undertakes a full review of its work in the area. Firms offering pension transfer advice services have faced rising insurance costs and tougher regulation from the FCA in recent years. Is all the red tape putting firms off advising on DBT, as they deem the advice too risky?
- The FCA's consultation about advising on transfers and its supervisory work found only 47 per cent of advice reviewed on DB to DC transfers was rated suitable but is the pool of files reviewed ample enough to give a clear picture?
- What is the solution? Any bright ideas in the room? For example, Aegon suggested a "traffic light" approach to help consumers decide whether or not they should seek advice on transferring from a DB or final salary scheme. They believe it would be beneficial to both advisers and customers to cut short the process, saving time and money and allow the limited supply of advice to focus on customers more likely to benefit from transferring. For example, "If your answers include a number of greens, then as a rule of thumb, it may be worth exploring further although this DOES NOT suggest you should actually transfer. What do you think? What is your filtering process?"

POLITICS

17. ARE WE LOOKING AT A HARD BREXIT?

- The clock is ticking. So what will March 2019 look like?
- Will we be going WTO rules or will Theresa May's Chequers proposal be grudgingly accepted as a piece of realpolitik?
- Will the Conservative Party implode? With the Labour Party in general disarray and indeed fearing a break away party, that alternative doesn't look promising either.
- The EY team focusing on all things Brexit will provide their perspective and allow plenty of time for a group discussion.
- We cannot be in denial for much longer.

Other potential topics:

- GDPR- 9 months in
- Fund space is overcrowded and the new trend is to bring investment back in-house
- Due diligence, how do you do it? Do you have the skills in-house?
- The (economic) world order is changing, as an adviser how do you advise around this? What impact is going to have?
- Cashflow Modelling
- Cyber Security

Thank you for reading so far! If you have any thoughts on the above or would like to add your own suggestions, do please call Sofia Aldatz on 01483 862692 or email sofiaaldatz@owenjamesgroup.com.