
Press information

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Advisers' DFM use set to increase by 20%, Nucleus census finds

Advisers increasingly want to focus on financial planning rather than spend time on investment decision-making for clients, according to the latest annual adviser census from adviser-built wrap platform Nucleus.

The 2020 census is based on responses from over 180 Nucleus users, providing insights into their firms and their thoughts on the wider financial services sector.

Nucleus surveys its users every year for its census, which is designed to both engage with its users and ensure the platform is delivering what its clients need. Asking a series of questions about advisers' businesses, clients and their views on the industry, the census helps advisers gauge their own progress, and highlights some of the challenges advisers are facing.

This year's census suggests advisers are looking to outsource investment decision-making in a variety of ways.

The research found that model portfolios are among the most widely used investment solutions by advisers, with nearly half of users allocating more than 60% of client money to these.

This trend towards investment outsourcing looks set to continue, with a net 20% increase expected in the use of model portfolios run on a discretionary fund management (DFM) basis.

The census also points to a 16% fall in the number of advisers looking to run their own model portfolios on an advisory basis.

A further 30% of users said they wouldn't consider building their own model portfolios, further highlighting adviser appetite for outsourcing as a future investment solution.

For those firms that choose to outsource, cost is clearly still the most important factor when selecting DFM model portfolios, with 86% of respondents saying costs drive the selection process.

When asked about fund management costs specifically, 47% of users expected clients to pay between 0.25% and 0.5% for investment solutions, while 29% indicated costs of between 0.5% and 0.75%.

The second most important driver behind DFM selection was investment process, with 72% respondents citing it as a deciding factor.

ESG investing also featured prominently, with nearly half of advisers believing ESG considerations should be a part of an investment solution. Meanwhile only 8% of users adopt factor-based investing as part of their approach, though there are signs more will look to use factor-based investing in future.

Barry Neilson, chief customer officer at Nucleus, said: "It is clear advisers want more time to further deepen the financial planning journey with their clients, which is leading more to outsource their investment decision-making processes, or to plan to

do so in future. With the cost pressures and capacity challenges facing advisers today, the increasing range of outsourced investment solutions that are available today can be a useful way for advisers to free up time to focus on financial planning.

“Our goal is to build and maintain long-term relationships with advisers, allowing as much of the administrative burden to be lifted as possible. Research like this allows advisers to assess their own businesses and compare against other Nucleus users, meaning they can take on the challenges that the market currently presents and offer an even better service to their clients at a period where time is valued.”

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For further information please visit www.nucleusfinancial.com or contact:

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About Nucleus

Nucleus is a wrap platform founded in 2006 by advisers committed to altering the balance of power in the industry by putting the customer centre stage.

It provides independent wrap platform services to 1,430 active adviser users and works with more than 900 adviser firms.

As at 31 March 2020, it is responsible for AUA of £14.0bn on behalf of more than 98,000 customers.

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