Press information

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Advisers who ignore sunset clause risk seeing profits halved, warn Nucleus

Platform publishes 13-step action plan for firms to prepare for changes

Nucleus, the UK's first adviser-built wrap platform, warns that advisory firms could see their profits dip by more than half – unless they urgently put in place an action plan to address the implications of the sunset clause.

The warning – published today in a new white paper ("The sunset clause: welcome to a new world") – comes in the run-up to the switching off of trail commission on 'legacy' funds in April 2016.

From an adviser's perspective, there are three main options open to them:

1) Do nothing. Trail commission income on any remaining 'legacy' funds payable via platforms will cease in April 2016.
2) Do not change the platform, but agree an adviser charging structure with the client.
3) Transfer the clients' holdings to a new platform, triggering the need and opportunity to agree a new clear adviser charge with the client.

However, Nucleus warns today that there are a number of pitfalls when considering each of these options. The options that firms will take will depend to a large degree on the reliance their business has on the 'old' trail for their profit.

Some advisers have dismissed the threat to revenue as "only a small part of my income is exposed", according to Nucleus. However, the platform believes this could turn out to be around 15% of income for many firms, which could crucially amount to 50% or more of actual profits.

The reality is that many legacy assets are today generating revenue for relatively little and, in some cases, no maintenance and therefore low or no servicing cost, it says.

Barry Neilson, Nucleus business development director, comments: "Given the implementation of the sunset clause is almost upon us, now is the time to stop debating the merits of the regulation and for advisory firms to ensure they are adequately prepared for the changes. Our worry is that unless they take swift action, advisers could face loss of income that may not be fully offset by a reduction in costs. The worst of all possible worlds is that firms are committed – morally, commercially or even contractually – to deliver a service they are no longer being remunerated for and this then results in a significant drop in profitability.

"On the positive side, there is a real opportunity to transition at least a proportion of the clients affected into a more appropriate environment, which, if revenue, profit and servicing issues are all fully understood, will benefit both parties. We know that many firms are already looking at this area closely, but for those that haven't we would urge them to work through the action plan we've put together and decide what is best for their business and their clients."

The white paper – which includes a 13-step action plan – can be downloaded from the Nucleus website now: www.nucleusfinancial.com/financial-advisers/nucleus-publications

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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 client centre stage.

Since then, Nucleus has established itself as a major force for change. It is now one of the UK's fastest-growing platforms and the meeting point for more than 800 adviser firms in total seeking to create better customer outcomes.

As at 10th August 2015, assets under administration on the platform were £9bn.

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