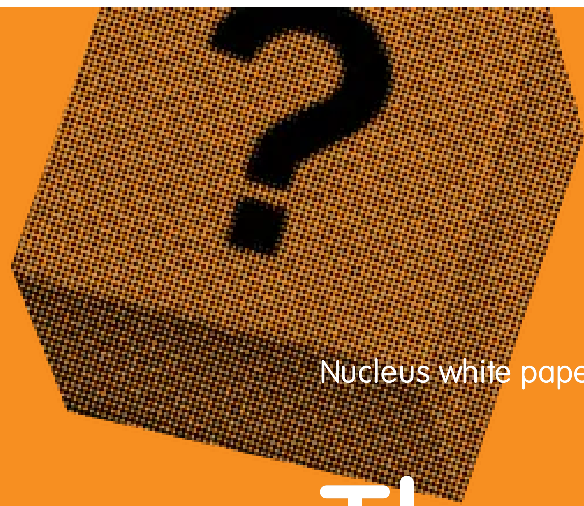
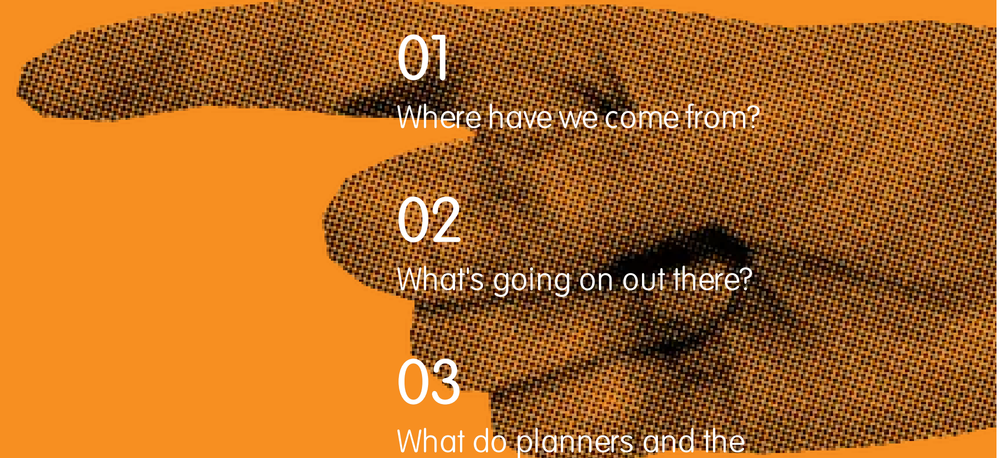


Nucleus white paper

The future of financial planning

Explore the future – start reading



Prepared in partnership with
Phil Billingham, Perceptive Planning

It's fair to say that financial planning as a profession has come a long way – both when looked at over recent decades, but also perhaps even over the course of the past year.

As we (hopefully) emerge from lockdown for the last time, it's a good opportunity to reflect on different, better ways of working. It also offers us all a chance to think about how the financial planning profession might need to evolve for the future, and what this could mean for business models and practices.

Financial planning is a term that, like financial wellbeing, is applied in a lot of different contexts – and it's not always used accurately. We have seen providers launching 'financial planning' arms as a means of distribution, and we have also seen individuals calling themselves financial planners with little to support this claim.

Arguably, the focus up until now has been on technical standards and ethics, and that has got us to where we are now. But what about financial planning practices as businesses – could placing more emphasis on business models be the thing that helps power financial planning forward?

Nucleus has compiled this white paper, together with Phil Billingham of Perceptive Planning, to support planners in navigating some of these big questions. Phil sets the scene with an examination of the heritage of financial planning, before going on to analyse financial planner numbers on a global scale. He discusses the dynamics around chartered and certified financial planner accreditations, and the emergence of new groups within the financial planning profession.

Rather than present solutions, this paper is designed to support a wider debate around financial planning and where it's headed, as well as offering up ideas for forward-looking practices to continue to be fit for the future. To ensure a range of views, we opened up the floor to planners themselves, alongside professional bodies and planning organisations, through a roundtable discussion, to hear their take on the challenges that lie ahead.

We hope you enjoy it.

Barry Neilson
Chief customer officer, Nucleus

Explore the future of financial planning

Start reading

For adviser use only

Prepared in partnership with Phil Billingham

Nucleus has compiled this white paper with Phil Billingham, director at Perceptive Planning. Phil is a chartered financial planner, a chartered wealth manager and a certified financial planner.

He is a past director of both the Institute of Financial Planning and the Society of Financial Advisers, and a past member of the Financial Planning Standards Board regulatory advisory panel. Alongside Shannon Currie, he is also a director of World Citizens, which specialises in cross-border financial planning.

In the first section, Phil charts the history of financial planning and explores where the profession has come from…

Where have we come from?

01

Where have we come from?

Financial planning is often referred to as an emerging profession, as well as a global profession.

But what does this really mean? And, more importantly, where is this all going?

Rather than getting bogged down in definitions of what we mean by financial planning, instead we need to look at the horizon.

For me that horizon boils down to a couple of big questions:

- What should the profession of financial planning look like in 2030?; and
- What does that mean for business models and practices?

In this paper, I'll mainly focus on the UK. But if we truly want to be a global profession, then we'll also need to look at how other jurisdictions have addressed the same challenges we face.

Looking at things through that prism, the normal conversation of 'which country is ahead of or behind us?' becomes more of a discussion about common ground, and agreed ways of working. And ultimately, what outcome do we want our financial planning profession to head towards?

How financial planning was born

Financial planning's heritage stems largely from two different sectors: investment management and life insurance.

In simple terms, investment management brought with it higher educational standards and agreed protocols and methodologies around things like risk and return and diversification – a kind of toolkit for managing and growing clients' wealth.

From the life insurance side came some of the softer skills, such as marketing and building a client base, fact-finding and establishing clients' needs and protecting families and businesses. This background also lent itself to increasing expertise within the pensions market, especially here in the UK.

We can still see these roots today. Financial advice and planning business models quite clearly show their shared parentage. In advice and planning, perhaps we are really looking at 'sibling professions'? That is, professions that share a heritage but are starting to grow up different from each other?

In the UK, the investment management element arguably remains dominant. Models where the life insurance/sales aspect plays a greater role are usually seen in developing countries alongside a historical commission system, although that is changing.

While there are strengths to both elements, the slightly binary nature of these business practices and the associated regulation became increasingly inappropriate.

So what happened? What caused financial planning to emerge as a separate business model?

"In advice and planning, perhaps we are looking at professions that share a heritage but are starting to grow up different from each other?"

Foundation myths and the reality

The creation or foundation myth of financial planning is that small groups of advisers, frustrated by the pure sales model they were immersed in, got together and said: "There has to be a better way."

In the US it apparently all grew from a meeting in a Chicago Airport hotel room in December 1969.

In the UK, it seems to date from 1986 (the year the Financial Services Act introduced self-regulation to the financial services industry), when a breakaway group from the Life Insurance Association – led by industry legend Paul Etheridge MBE – went on to form the Institute of Financial Planning (IFP).

To simplify slightly, and without wanting to distort the story, in the US, UK and other jurisdictions, the focus was on three main elements:

Firstly, higher standards of education for those giving advice. It seems surreal in today's world that someone could join an insurance sales team on a Monday, and be selling insurance, savings and pension products to members of the public by Friday. But that's the way it was. They are called the 'bad old days' for a reason.

Secondly, there needed to be a code of ethics. The degree to which this was or is actually enforced is the subject of some debate, but having a code of ethics in the first place was a start. Don't forget, there was simply no meaningful regulation of advice at this time. A 'light touch' approach to regulation had been introduced by the Financial Services Act 1986, which was implemented in 1988.

The third and final focus was a business model to underpin a holistic approach to giving advice.

Supported by cashflow and scenario modelling, a six-step financial planning process emerged:

1. Discovery – establish the client's goals and objectives
2. Information gathering – create a full picture of the client's financial position
3. Analysis – analyse and evaluate the data and research the best options
4. Recommendation – develop and present the financial plan and recommend actions and solutions
5. Implementation – once the plan is agreed, implement the recommendations
6. Review – regular monitoring, communication and future guidance and planning

To deliver this process, there needed to be a specific financial planning business model behind it. Firms needed to attract potential clients for whom their services would be suitable, and create effective and efficient processes to support planning with clients.

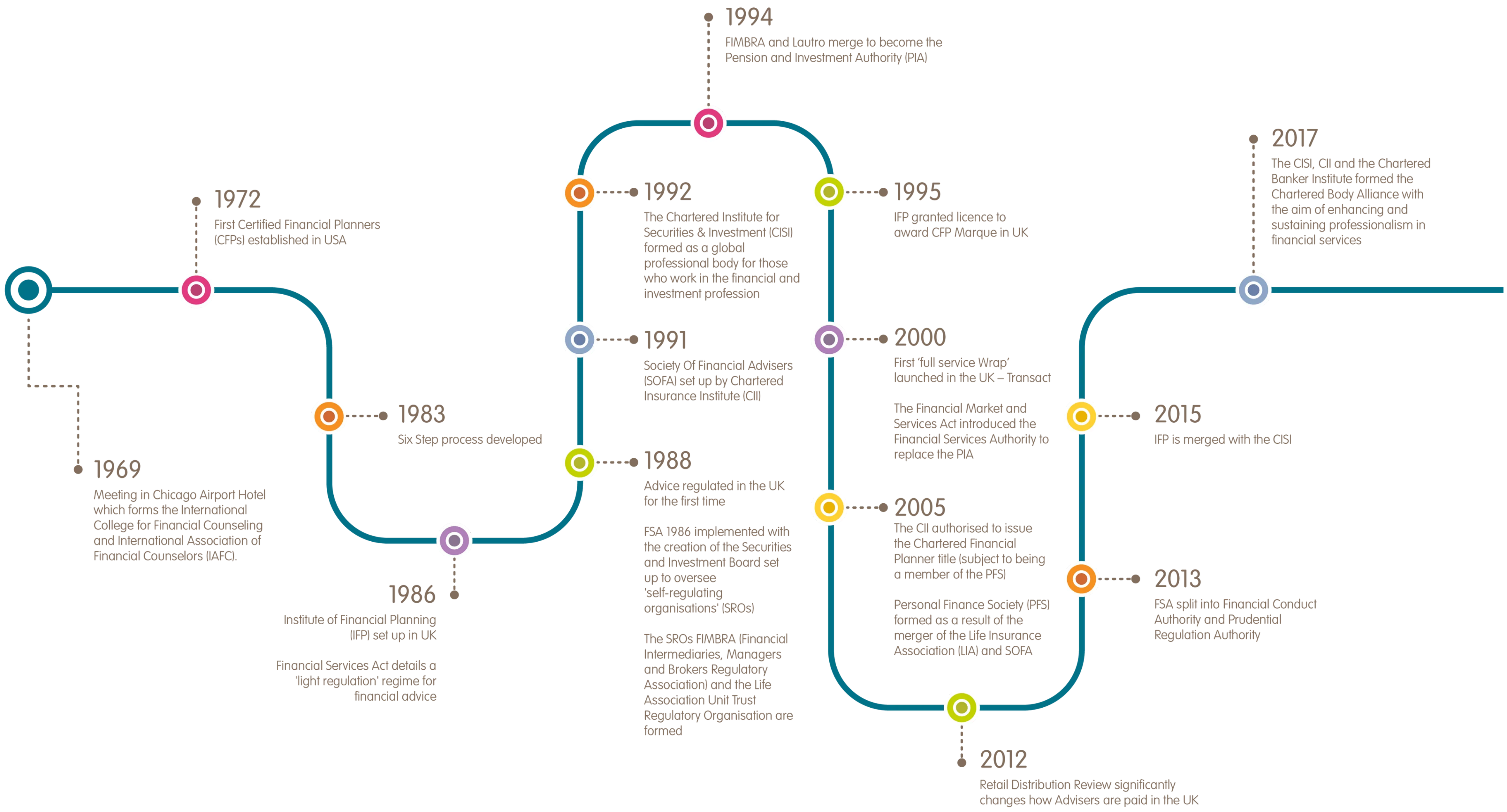
Businesses needed to make sure their work was profitable and that they were getting paid from step two onwards, rather than just steps five and six as had historically been the case.

Because the data gathering, analysis and the financial plan add such great value to clients, firms had to make sure their fees at each of these stages weren't contingent on the sale of products later on.

Of course, all this had to be delivered on top of creating the financial plans themselves, and giving technically sound advice.

"To deliver the six-step financial planning process, there needed to be a specific financial planning business model behind it."

A timeline of the evolution of financial planning


1969
Meeting in Chicago Airport Hotel which forms the International College for Financial Counseling and International Association of Financial Counselors (IAFC).
1972
First Certified Financial Planners (CFPs) established in USA
1983
Six Step process developed
1986
Institute of Financial Planning (IFP) set up in UK
Financial Services Act details a 'light regulation' regime for financial advice
1988
Advice regulated in the UK for the first time
FSA 1986 implemented with the creation of the Securities and Investment Board set up to oversee 'self-regulating organisations' (SROs)
The SROs FIMBRA (Financial Intermediaries, Managers and Brokers Regulatory Association) and the Life Association Unit Trust Regulatory Organisation are formed
1991
Society Of Financial Advisers (SOFA) set up by Chartered Insurance Institute (CII)
1992
The Chartered Institute for Securities & Investment (CISI) formed as a global professional body for those who work in the financial and investment profession
1994
FIMBRA and Lautro merge to become the Pension and Investment Authority (PIA)
1995
IFP granted licence to award CFP Marque in UK
2000
First 'full service Wrap' launched in the UK – Transact
The Financial Market and Services Act introduced the Financial Services Authority to replace the PIA
2005
The CII authorised to issue the Chartered Financial Planner title (subject to being a member of the PFS)
Personal Finance Society (PFS) formed as a result of the merger of the Life Insurance Association (LIA) and SOFA
2012
Retail Distribution Review significantly changes how Advisers are paid in the UK
2013
FSA split into Financial Conduct Authority and Prudential Regulation Authority
2015
IFP is merged with the CISI
2017
The CISI, CII and the Chartered Banker Institute formed the Chartered Body Alliance with the aim of enhancing and sustaining professionalism in financial services

An evolving profession

Financial planning has become a team sport. It takes a team to deliver the financial planning model effectively and profitably, and in a way that in the words of the late great David Norton (former Institute of Financial Planning chairman and president), allows clients to "cheerfully pay our fees".

All of this sounds as obvious as daylight today, but at the time financial planning was emerging it was new and all seen as a bit 'hippy'. Certainly, the financial planning business model wasn't a mainstream model. In fact, the numbers of certfied financial planner (CFP) holders in the UK reflected that, with fewer than 200 for a long time.

But there were pioneers that paved the way, and the IFP punched far above its weight in terms of influence and setting standards. It's not possible to name all the early influencers involved, but leaders such as Paul Etheridge, Julie Lord and David Norton will serve to take the glory of many others, including financial planner members and the vital secretariat that supported them.

In the US, the National Association of Personal Financial Advisers (NAPFA) and the CFP board also made great strides, setting a strong business model and educational standards respectively.

Fast forward to now, and we keep hearing that financial planning is a 'young profession', or at least a maturing one.

So perhaps where we're at as a sector is the point of late teens/early adulthood. The point where we ask ourselves: what do we really want to be when we grow up?

As we reflect on where we want to go next, the key is to recognise that while regulation and business practice can be different across different regions, we must avoid the mistake of assuming that different somehow means better or worse.

It's easy to spend time on the one per cent that separates us as a profession, and ignore the 99 per cent that unites us.

Critical self-analysis is vital in order to progress a profession, but we also shouldn't forget how far we've come.

So let's start by celebrating some of our successes.

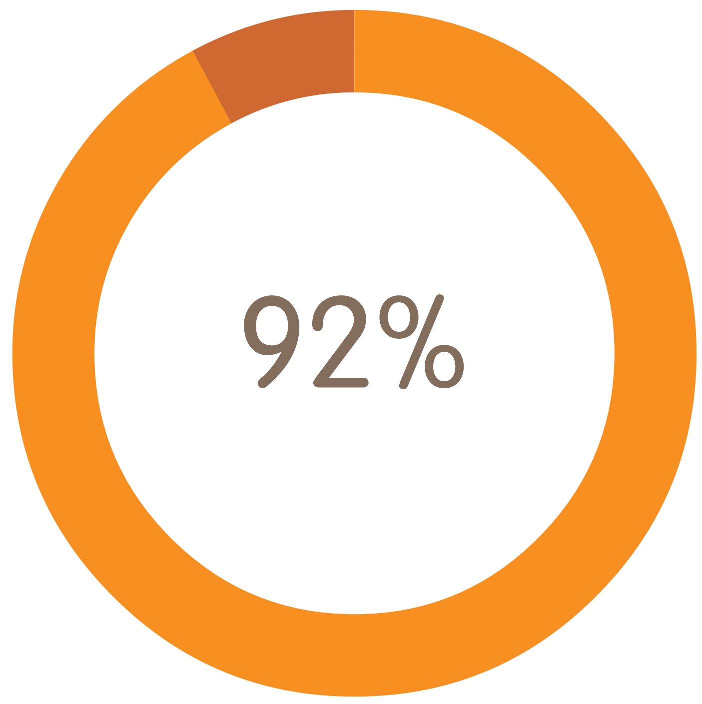
- There are almost 190,000 CFP accredited planners in 26 jurisdictions around the world
- There is real and increasing recognition of financial planning as a separate discipline and profession
- Most importantly from a consumer viewpoint, we've seen the widespread adoption by financial regulators around the world of the ethics, education and best practice standards that were largely pioneered by financial planners.

In short, the financial planning profession has protected and improved the lives of many clients, and indirectly those who may never have even met a financial planner.

Take a bow, all of you. You deserve it.

190000

Number of CFP accredited planners in 26 jurisdictions around the world



Number of IFP accredited firms that charged on an assets under management basis as at 2016

"The concept of financial planning means different things to different people."

The big questions

But back to that point about critical self-analysis.

If we want to take the profession forward, it's worth pausing for a bit of time to reflect and assess where we are currently, and where we'd like to get to.

In the words of a wise man: "If you don't know where you are going, any road will take you there." I think we are feeling the lack of this vision.

There are a couple of key questions I'm keen to tackle as part of this discussion:

1. What does true financial planning really mean, and have we gone away from it?
2. Is there a gap between the aspiration of true financial planning and the reality?

Let's start with the concept of financial planning, and how it means different things to different people.

For some it means a holistic process, treating health and life equally alongside financial resources. For others, it means no product advice, and payments that aren't facilitated via investments. Most would focus on the use of goals and objectives.

So if we we're not totally sure what 'true' financial planning means, it's hard to tell if we have got away from it or not.

The spectrum of advice

"As long as fees aren't contingent on a product sale, I think that how firms get paid is less important than what they get paid for."

Things do, and should, evolve.

For example, in the 1970s and 80s US-based planners moved away from commission towards a model of using independent platforms such as Charles Schwab and charging a one per cent fee on assets under influence.

As other jurisdictions adopted the CFP and financial planning standards, they also largely adopted the US business model. It's proved to be a very robust and long lasting one. Without it, few ethical and highly competent advisers would have been able to transition away from commission to a fee for service model.

This model has often been challenged, but it still accounts for the overwhelming majority of income for financial planning firms. In fact regulatory changes, such as the Retail Distribution Reviews (RDR) in the UK and South Africa, have actually embedded and reinforced this model so that for most firms, over 85 per cent of their turnover is based on assets under management (AUM).*

At the Phil Billingham Partnership we did a survey of IFP accredited firms in 2014, 2015 and 2016, which found that 92 per cent of respondent firms charged on an AUM basis.

When this was repeated for Financial Planning Institute (FPI) approved firms in South Africa in 2017, the proportion of firms charging based on assets was 89 per cent.

So financial planners, as well as many advisers, earn most of their income from looking after the money.

I hasten to add there's nothing inherently wrong with this charging method. Our experience is that clients understand it, and quite like it.

My personal view is that financial planning should deliver what it says on the tin.

If a firm is setting out its stall as being a financial planning firm, then they should be delivering the six-step financial process to most of its clients.

As long as its fees aren't contingent on a product sale, I think that how firms get paid is less important than what they get paid for.

*Benchmarking survey conducted for the IFP/CISI of their 'Accredited firms' by the Phil Billingham Partnership in 2014, 2015 and 2016.

The reality gap

Turning now to that second big question, of whether a gap exists between the aspiration of true financial planning and the reality.

Unfortunately the answer, at least in my experience, is yes.

It's been estimated that perhaps 75 per cent of CFP accredited financial planners across the globe do not carry out financial planning on a day-to-day basis.

By way of anecdotal evidence, I remember a conversation with a newly appointed chief executive of a Financial Planning Standards Board (FPSB) affiliate, who'd come from another industry. He told me his family had a CFP accredited 'planner'. It was only when he became chief executive of a professional body that he realised his 'planner' had never carried out any actual financial planning – he'd simply given ethical and technically correct advice.

Arguably, many (though not all) 'financial planners' round the world are highly educated and ethical product distributors or wealth managers. Simply put, they do what they're rewarded to do, which is advise on products or manage money. Particularly in growing or emerging markets, this is within some form of tied or bancassurance business model.

I'm not saying this is wrong, but it's not consistent with having a business model designed to deliver the six-step financial planning process.

In many jurisdictions, much of the growth of CFPs has been in the form of banks using the programme to improve the education of their client-facing staff. In others, CFPs are still working for large salesforces on a commission-only basis.

I'm not for a minute suggesting this leads directly to bad advice. But it stands to reason that if you're paying your mortgage or feeding your family by selling a product, then you will sell a product. Ethically and competently, but the sale will occur.

So financial planning has improved outcomes for many consumers, but this has often been despite the fact that many consumers may never have met an actual financial planner.

"Much of the growth of CFPs has been in the form of banks using the programme to improve the education of their client-facing staff."

What are we heading towards?

In terms of what financial planning should look like, from a regulatory point of view the wishlist might be as follows:

No commission – it's almost universally agreed among regulators that commission creates conflicts which lead to unsuitable advice.

Suitability trumps eligibility every time – think about the concerns raised around investments targeted at high-net-worth or sophisticated investors.

Advisers should have a fiduciary duty or a clear duty of care to their clients. Advisers are responsible for the suitability and disclosure of all risks for the products and funds they recommend.

Advisers need high levels of technical and academic qualifications, and this must be attained before giving advice.

To most financial planners, this list will be unsurprising.

For those of us working in the UK, this is part of our everyday lives, and has been for a long while now. This is also increasingly the case in South Africa and Australia.

In order to survive and thrive, the profession has learned to build practices and businesses, rather than simply branches or groups of salespeople.

The best of these practices have learned what is mission critical to delivering proper financial planning, what they should do in house, and what they should outsource.

Yet despite this, there have arguably been few large scale programmes to show potential or aspiring planners what a financial planning practice should look like, and the commercial realities behind this.

As a sector, we started the financial planning journey with an understandable focus on ethics and education. But I wonder how much beyond that we have progressed?

> "There have arguably been few large scale programmes to show potential planners what a financial practice should look like, and the commercial realities behind this."

Key questions

- What should the profession of financial planning look like in 2030?
- What does that mean for business models and practices?
- What does true financial planning really mean, and have we gone away from it?
- Is there a gap between the aspiration of true financial planning and the reality?
- As a profession, what are we heading towards?

Actions

- Define where on the financial advice/planning spectrum you sit.
- Ensure you have a specific business model that supports this and check that there isn't a reality gap.
- As part of your business model consider whether you need a defined code of ethics.
- Audit your fees and understand whether any element is contingent on a product sale.
- If you are a financial 'planner', review your current planning process against the six-step financial planning process – is it broadly in line?
- Scrutinise how you describe your business model and the services you offer and ensure you describe these accurately.

Next… chapter two

What's going on out there?

Glossary

Glossary of abbreviations

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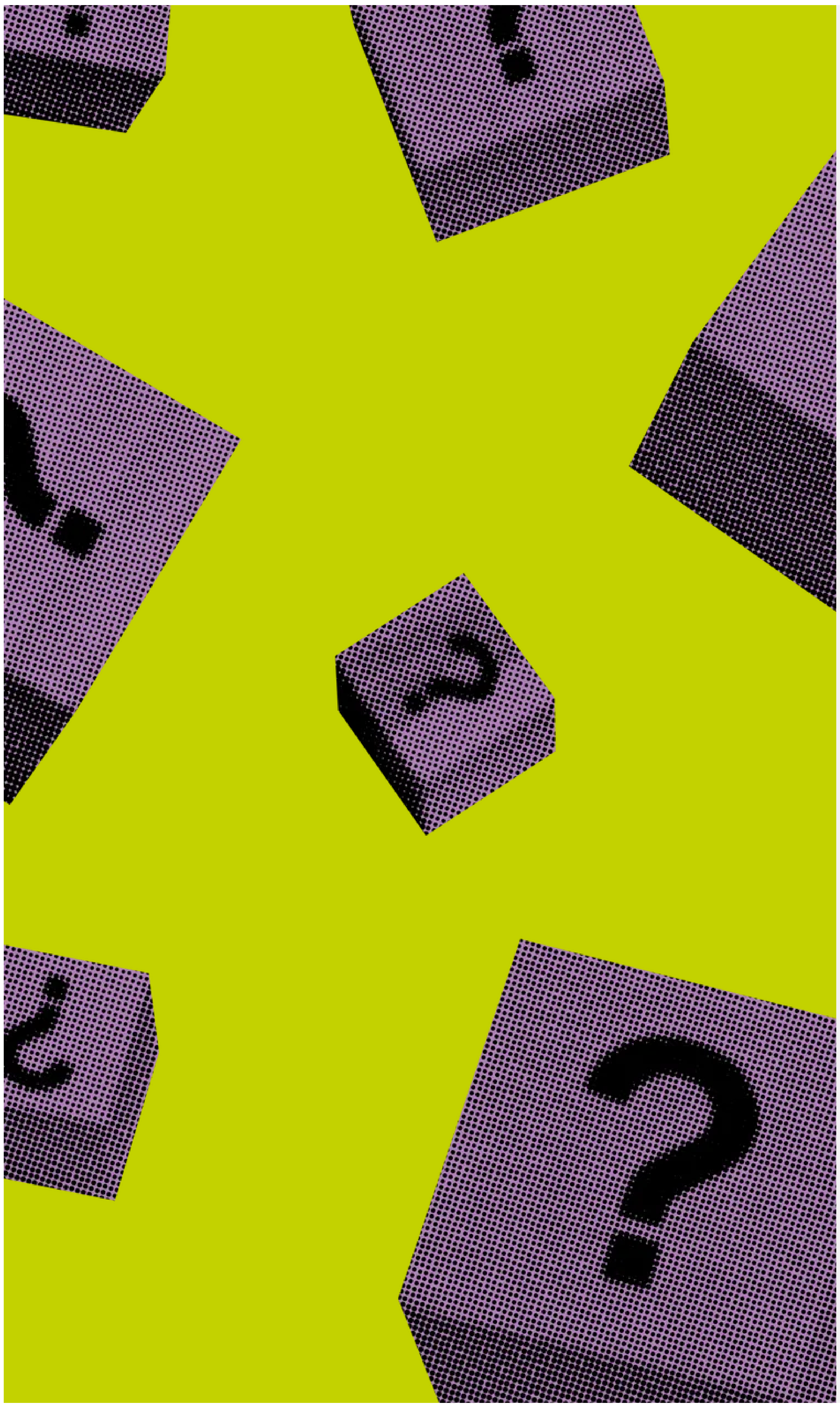


02

What's going on out there?

Before we start to tackle the big philosophical questions around financial planning, it's worth taking a step back to examine what's happening with Certified Financial Planner (CFP) numbers, both globally and in the UK.

On the surface, we're seeing an increase in the number of CFPs across the world.

It's true to say that in many jurisdictions other financial planning accreditations exist, and taking that into account the number of financial planners is even higher. But here we'll focus on the CFP, as it's the only global benchmark and so we'll use this as a proxy.

Yet the story behind that pleasing increase in numbers is less clear.

In many mature markets, the numbers of CFP accreditations is, at best, flat.

In the UK it is actually slowly but steadily decreasing. And that is from an already low base. With fewer than 900 CFP holders in the UK, the comparison with South Africa, with well over 4,000 CFPs, and Australia with 5,000, is stark.

Data from the Financial Planning Standards Board (FPSB) published in 2020 shows a rise of 3.7 per cent in the numbers of CFPs worldwide. Half of this increase came from Asia, with Brazil and the US accounting for most of the rest.

Looking at data from earlier this year, the picture hasn't changed:

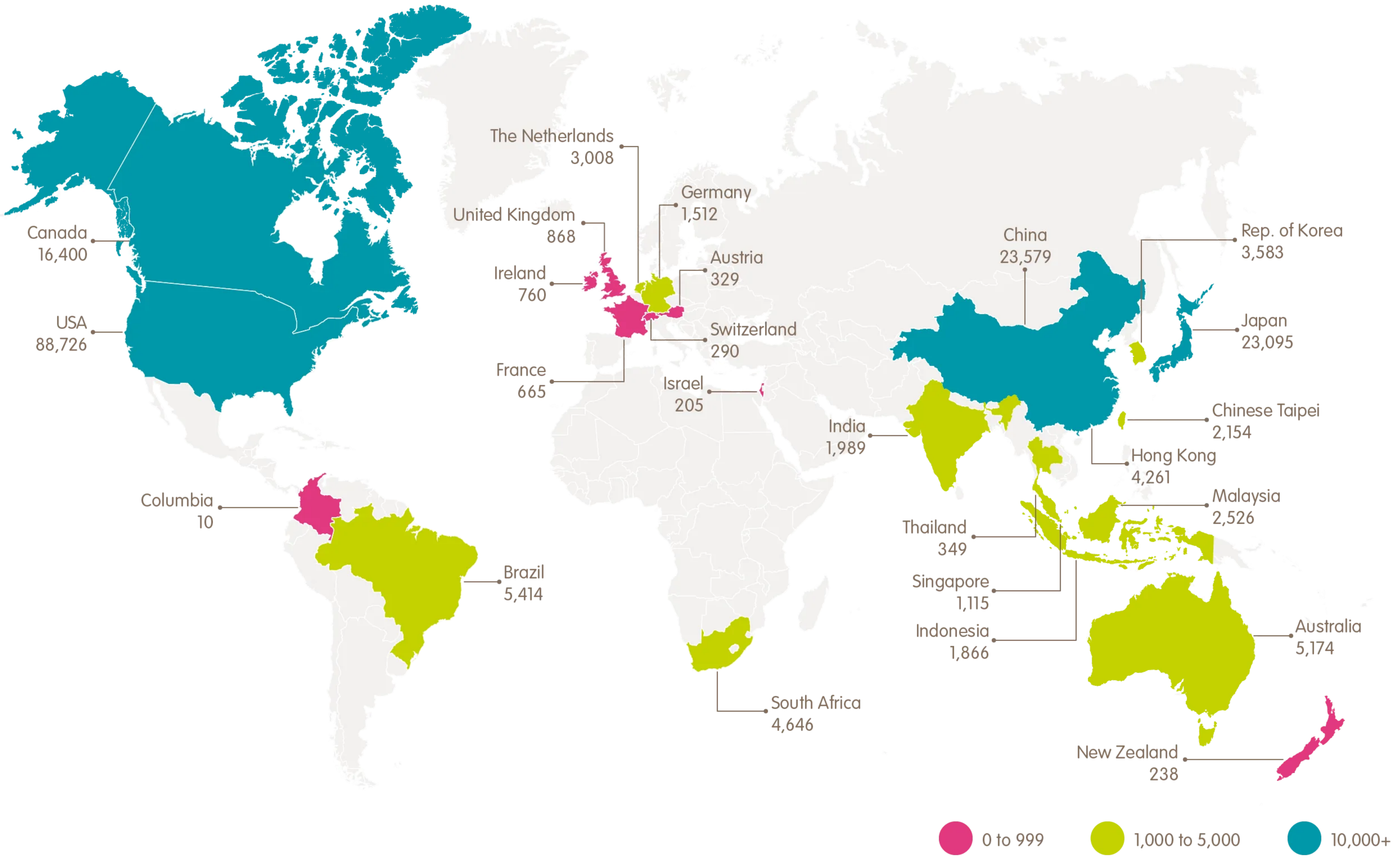
<900

Number of CFP holders in the UK

5000

Number of CFP holders in Australia

CFP professionals by territory – data from FPSB



Based on my experience of working with the FPSB, as well as with affiliates around the world, the future of increased CFP numbers is in new territories and jurisdictions.

That's no bad thing. As we see growing wealth and a growing middle class in what were once so-called 'developing countries', it's a positive to be able to include them in a global profession, and to support local regulators with what we see as good practice. That, in turn, protects a new wave of consumers.

But the question is, why are 'developed' countries falling behind? And why has the UK failed to increase CFP numbers for the last decade or so?

Chartered-v-Certified

Chartered versus Certified

Explore the main differences

"My concern here is it's not clear as it could be to advisers or consumers that financial planning is a profession and business model in its own right."

Organisations and groups filling the gap in advice leadership:

Chartered, CFP and the rise of splinter groups

I think the answer lies in three parts.

Firstly, the launch and rise of the chartered financial planner in the UK was always going to be a threat to the future growth of the CFP marque here.

As someone who holds both accreditations, it's easy for me to point to one as being mainly knowledge and education-based (chartered), and one being about how we work with clients (CFP). But given that consumers – and most of the mainstream media – can't tell the difference between an independent financial planner, a tied salesman and all the rest, it's possibly a difference for the purists and geeks among us.

I don't mean this to be a criticism of the Personal Finance Society (PFS), which has done a great deal of good work in the past few years in progressing the field of financial planning, alongside its members.

But the PFS is, and must be, a broad church, with many calls on limited time and resources.

My concern here is it's not as clear as it could be to either advisers or consumers that financial planning is a profession and a business model in its own right.

In the UK the IFP clearly spoke for financial planning. The PFS is less able to do so.

Arguably the position of the Chartered Institute for Securities & Investment (CISI), which merged with the IFP in 2015, is even more difficult. If advisers are planners' siblings, or even twins, then perhaps wealth managers are our cousins? Related, but one step removed.

As a planner, I have much more in common with a mainstream adviser than I do with a wealth or fund manager. To be a bit brutal, most fund managers wouldn't recognise their clients if they met them in the street.

So, in a world where few advisers perhaps understand or want to work with clients in a financial planning model, the lure of the CFP is limited. You can't be what you can't see.
What's the commercial driver for becoming a CFP, when clients seem more interested in the chartered title that they at least think they understand?

My second point is going to sound quite harsh, and I type these words with a heavy heart. It would be my contention that there has been a lack of vision and leadership in this area.

As a past IFP board member, I must carry my own share of responsibility for that.

We can rehash arguments and refight past battles, but we are where we are. If we are to move forward as a profession, and if the CFP is to be an integral part of that, then we have to accept the failings of the past, draw a line under them and do something different tomorrow.

Thirdly, as the saying goes: nature abhors a vacuum.

What that means in this case is that others will move into the financial planning space, and claim parts of it for their own.

Some come with the best of intentions and goals, and we'll look at those below. Others, well, perhaps not with the purest of hearts.

Without wishing to dwell on negatives, this includes providers labelling their distribution process as 'financial planning'. What I find ironic is these arms are often headed up by individuals with job titles like 'head of distribution' or similar.

The reality is these advisers are targeted and paid to distribute products, and any financial planning is simply a means to do so in a more structured and professional way.

If you walk into a Ford showroom, you're likely to walk out with a Ford car. You would hope it would be appropriate to your needs, but it will always be a Ford.

On a more positive note, we've seen a variety of different organisations and groups that have moved to fill the gap in leadership.

These include:

- NextGen Planners
- The Initiative for Financial Wellbeing
- Humans Under Management
- The Society of Later Life Advisers
- The Kinder Institute of Life Planning

This isn't an exhaustive list, and it isn't meant to imply any bias or endorsement – it's just to make a point.

“Every medical professional measures blood pressure on the same scale. But have you ever tried having a risk tolerance conversation across different firms, let alone different countries?”

These organisations are loosely collaborative with each other, and there are certainly positive developments coming from them, with the promise of more to come.

Yet my concern is whether we may be seeing what I term as the ‘Balkanisation’ of financial planning, at least in the UK.

By that, I mean an increasingly limited focus on what separates us, rather than the 99 per cent we have in common.

I would ask: where is the overarching broad church/big tent in all of this?

The Society of Trust and Estate Practitioners (STEP) is a good example of this. It has a core membership, with special interest groups to reflect specialist areas of practice.

We also see a lack of clear leadership and forward momentum in other jurisdictions.

For example:

- The Financial Planning Institute (FPI) in South Africa has had a rough couple of years at leadership level
- Australia is still trying to get to grips with, and recover from, the impact of its Royal Commission, and the subsequent damaging headlines around ‘fee for no service’
- In the US we’re seeing some misalignment between the Financial Planning Association (FPA) and the CFP board, as well as much of the Balkanisation we see in the UK

The pattern is apparent, and it poses a number of concerns.

This process of Balkanisation makes it easy for regulators to marginalise financial planners, so that we get lumped in with everyone else in regulatory terms.

By their very nature, these special interest groups are usually set up and run by small numbers of enthusiasts with limited infrastructure and resource. As they depend on volunteers, they may have limited impact and influence when it comes to the bigger picture, that is, on the media, consumers and regulation.

While there are clearly threads that unite the particular organisations I list (as well as those I haven’t listed), there are other issues these organisations are simply never going to explicitly address.

For example, what’s the role of financial planning as families become increasingly cross-border? Who is working on creating standard financial planning assumptions, or an academic approach to risk tolerance?

A profession needs a common language, and common standards.

Let’s take medicine and health as an example. Every medical professional, everywhere in the world, measures blood pressure on the same scale. The very phrase ‘2020 vision’ tells us how opticians around the world test eyesight.

But have you ever tried having a risk tolerance conversation across different firms, let alone different countries?

Even within the UK, I’ve seen a portfolio labelled balanced with an equity content that ranges from 30 to 80 per cent. Some balanced portfolios choose to include alternative and geared assets.

What would be the financial planning ‘house view’ on asset growth and inflation over three, five and 10 years?

Without a designated financial planning body leading this kind of research, it’s a free for all. No doubt many of us can call to mind examples of in-house risk profiling and asset allocation tools that, no matter the answer given, allocated to in-house funds without fail.

So the question is: does the growth of these specialisms make it difficult to drive the direction of change? My reluctant answer is, it would seem it does.

If we were to look at financial planning from the outside, where do people go for help and support? Is it all simply too confusing for the media and consumers to understand?

I emphasise, this is in no way the fault of particular groups. I salute and support the work they do. But I believe they need some ‘top cover’, that is, an umbrella organisation that can then free them up to do the work they want to do.

Key questions

- The CFP marque is growing slowly in developed countries, but falling in the UK. Why has the UK failed to increase the numbers of CFPs over recent years?
- Arguably, there's been an increasing lack of leadership in financial planning in the UK, or at least a lack of a shared vison. Are we seeing the 'Balkanisation' of financial planning?
- The emergence of specialist groups has led to positive developments, but these disparate groups can also make it difficult to come together to drive the profession forward. Who is doing the work that's needed on creating a common language and common standards for the financial planning profession?

Actions

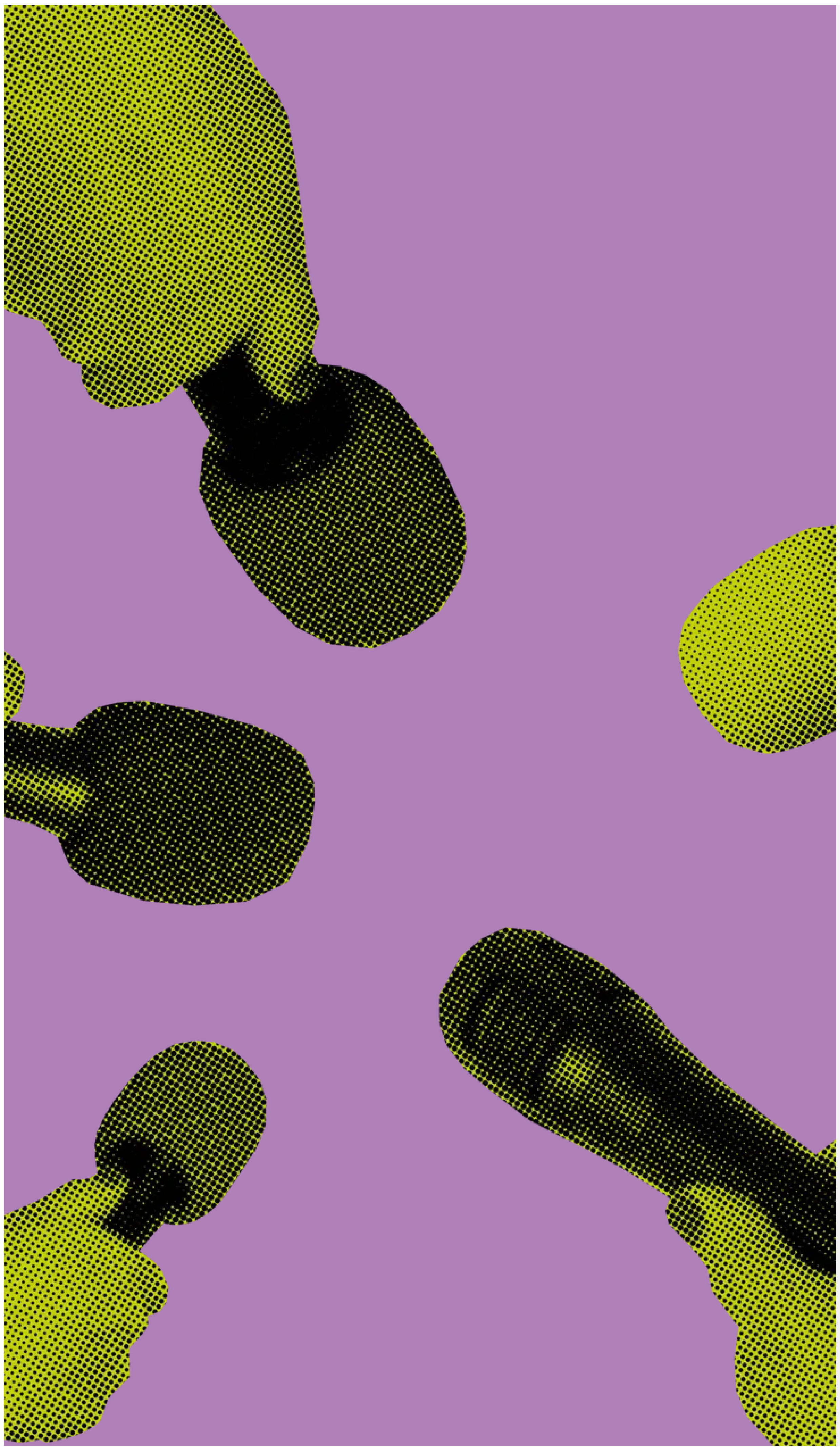
- Clearly define your business model and advice status to ensure it is transparent and easily understood.
- Define the preferred route to support your business model – chartered or CFP and actively champion it.
- Review how you describe your qualifications to clients and test their understanding.
- Educate your clients on the differences between advice and planning models so they understand your value proposition and corresponding fees.
- Consider what you want from membership of your professional body and ensure they know how you want them to represent you and your business.
- Consider what you want from membership of a so called 'splinter group' and be clear how it differs from the chartered or certified bodies.

Next… chapter three

What do planners and the profession think?

Glossary

Glossary of abbreviations



03

What do planners and the profession think?

So far in this white paper Phil has posed some big questions. They are the kind of questions that prompt a myriad of answers and no doubt more questions, depending on your own experience and point of view.

To get a sense of the wider perspective across the profession, we held a virtual roundtable debate to see what planners, professional bodies and planning organisations thought about some of these key topics and how we might take financial planning forward.

Introducing our round table panellists…

Phil Billingham

Director, Perceptive Planning

Gerhardt Meyer

Chairperson 2019-20, Financial Planning Standards Board

Keith Richards

Chief executive, Personal Finance Society

Kerry Nelson

Chief executive, Nexus Independent Financial Advisers


Nicola Ellis

Director, Wellington Wealth

Rohan Sivajoti

Director and head of innovation, NextGen Planners

Sally Plant

Head of financial planning, Chartered Institute for Securities & Investment

Tom Morris

Executive member, Initiative for Financial Wellbeing

To get the roundtable discussion started we asked Phil to set the scene in terms of his thinking in the previous couple of chapters.

In chapter one Phil looked at the idea of 'true' financial planning, what this means and whether we have got away from it.

But Sally Plant, head of financial planning at the Chartered Institute for Securities & Investment (CISI), suggested that the opposite in fact might be true, with the general trend being towards financial planning rather than away from it.

She said: "I think that's due to a combination of mega-trends, such as longevity and pension freedoms, but also the ever-changing world we are in. With the effects of Brexit and the pandemic, with shifting mindsets and shifting risk, people are looking more towards goal-based planning, which is what true financial planning is about.

"When we speak to our members, we see that the need for financial planning is there. But the fact is, consumers can't want financial planning if they don't know what it is. When people go to see a planner they're excited by the proposition, but if they don't know what it is, they're not going to look for it. There is an education and consumer awareness piece of work there."

"Due to a combination of mega-trends, people are looking more towards goal-based financial planning, which is what true financial planning is about."

Sally Plant

"In conversations with them, the FCA is actually quite concerned about trying to force people down a single route."

Keith Richards

Within the profession, there have been concerns about people calling themselves financial planners when they haven't met the required standards, whether that's chartered or certified.

Keith Richards, outgoing chief executive of the Personal Finance Society (PFS), said "I think in the general market, when people refer to true financial planning, most financial advisers consider that they do financial planning. Now, the fact that it doesn't meet a methodology adopted by a group or an organisation is often what's caused some conflict in the market."

Keith said he's long seen the chartered and certified financial planner (CFP) routes as complementary and whilst the PFS membership is a broad church, they have taken an inclusive approach to share good practice of financial planning through its Power financial planning initiative to create guides and material with financial planning at the heart of what all advisers do.

Yet Keith pointed out that from a consumer perspective, financial planning is a generic term, in the same way that advice is which is important for us to remember as ultimately, it's the public's view that counts.

He said: "We've also been battling with regulatory environments where the regulator itself doesn't differentiate [between advice and planning]. In conversations, the FCA is understandably concerned about trying to force people down a single route and worth bearing in mind the unintended consequences accordingly. Some people in their life journey have a simple, transactional need for professional advice, rather than the full-blown holistic plan where firms might otherwise be deliberately seen as charging clients for an ongoing service they may have less need for. But we all know that transactional clients can turn into life-long clients once they fully recognise the value of financial planning, but it must be their decision and choice."

Phil noted that from a global perspective, a lot of the growth in financial planning designations around the world stems from large organisations where the financial planning element is questionable.

He said: "If you look at organisations in countries with a developing middle class, whether that's India, China, Malaysia or Indonesia, they have got the CFP licence.

But if you look at what their staff are doing all day, they are selling products. There is no financial planning, or no attempt at financial planning."

Rohan Sivajoti, director and head of innovation at NextGen Planners believes the challenge in getting financial planning out to more people lies in the nature of the service and the cost of delivery. He said: "Planning is a lot more of an in-depth process, it takes more work than just some straight up product style advice service. So the people who can afford to pay for financial planning are the upper echelons of society… it's not cost-effective for somebody on a low income to receive proper financial planning."

Nicola Ellis, director of Wellington Wealth, agreed noting that the advice gap was massive and the planning gap even bigger, and said there was a need to better articulate the full range of advice and planning services on offer. Here's what they had to say:

"Is financial planning in its current state doing its bit for the greater good and for wider society? I would argue, probably not."

Rohan Sivajoti

"The advice gap that's already there is massive, and I think the planning gap is even bigger."

Nicola Ellis

Bridging the gap

For those that are fully subscribed to the financial planning model, it can be hard to see people calling themselves planners who don't deliver planning services, or providers launching so-called 'financial planning' arms that are simply a means of distribution.

Tom Morris, executive member of the Initiative for Financial Wellbeing and director at Ovation Finance, said instances like these can rankle, and can diminish the hard work that goes into 'proper' financial planning.

He also picked up on Nicola's point about the advice and planning gap, and suggested the answer might lie in a guidance/coaching approach.

"There's an awful lot of people who fall into the advice gap. There's also this big cohort of financial coaches that are growing by the month who could help us with filling that gap. Maybe that's something we could do – bring those coaches into the fold a bit more and say to them: 'When people get to the point where their affairs get more complicated, or where they need hand holding to push the button and make a decision, where they need regulated advice as well as the planning, we're here to help.'"

Gerhardt Meyer, former chairperson of the Financial Planning Standards Board (FPSB), said the debate around advice versus planning had been a long-running one around the world.

He said: "I feel like I've been in this conversation for the past 10 years with tea breaks in between, it's fascinating.

"We've seen examples in Malaysia which tried to regulate the concept and activities of financial planning. This led to infighting around which regulations should apply to which people, and it became really difficult to govern. Meanwhile the Australian regulator gave up and said: 'financial adviser, financial planner, it's the same thing.' Where we've gotten to in the South African debate is to try and define what it means to be a planner and an adviser, and get away from a debate about activities."

In terms of educating the public about financial planning, Gerhardt said what's worked quite well in South Africa is for professional bodies and their members to deliver pro bono work, and community outreach programmes where people can talk about financial planning.

"I think we have all the component parts now in financial planning around the world. Now we just have to be clear with the consumer what they should expect and what they'll get."

Gerhardt Meyer

"Consumers want to know they can trust us, and they care about what we're going to do for them. It doesn't really matter about the job title."

Kerry Nelson

Kerry Nelson, director of Nexus Independent Financial Advisers, pointed out that education around financial planning goes beyond firms' existing clients and building wider consumer awareness, but applies from a recruitment point of view as well.

She said: "I think it's for us to be involved in the whole food chain, not only about having a sound understanding and knowledge of financial planning and the impact it has on our lives, but also encouraging people to come join us and be part of that journey in changing the perception of financial planning.

"At the end of the day, consumers want to know they can trust us, and they care about what we're going to do for them. It doesn't really matter about the job title. Actually what's important to us as businesses is how we can transform and translate good, sound advice, in whatever title we want to use, so that it impacts our clients' lives."

The evolution of financial planning

Arguably, the debate around the future of financial planning is less concerned with titles than the business model that underpins the financial planning process.

Phil put it this way: "Delivery of financial planning is a business model, not an aspiration."

In that context, he believes people need to understand what it is they're actually going to get when they go to a financial planner.

Gerhardt agreed, saying there was a need to distinguish between 'what' financial planning is ahead of 'how' to structure the profession.

The panellists all agreed on the role of recruitment and appealing to the younger generations as a way of evolving planning for the future.

Sally said: "Attracting good people into the profession is one of our biggest agenda items, because we can see a gap coming up and we can see a greater need for planning and all the wide breadth of propositions within our sector.

"So, it's about engaging and educating young people on how exciting being a planner is. It's entrepreneurial, you can have work-life balance, while still being ambitious with it. Lots of these key points attract the next generation who want more flexibility, and are looking at the use of technology. The pandemic has been a catalyst to us all using more technology, and has probably shot us ahead about five years in the space of several months. This is all attractive. So the goal is to make them realise a) what a planner does and what a good career it could be, and b) using that next generation to reach the consumer."

Gerhardt said the pandemic had helped accelerate a more efficient process, with planners and their clients embracing planning sessions on Zoom and Teams, perhaps for the first time. But he said the central question remained about agreeing what the consumer should expect from a financial planning firm, and what firms themselves can do to build profitable, future-proof financial planning businesses.

He and Tom concluded by noting that once these issues have been nailed – including the all-important elevator pitch for financial planning – the profession would have a firm foundation for the future.

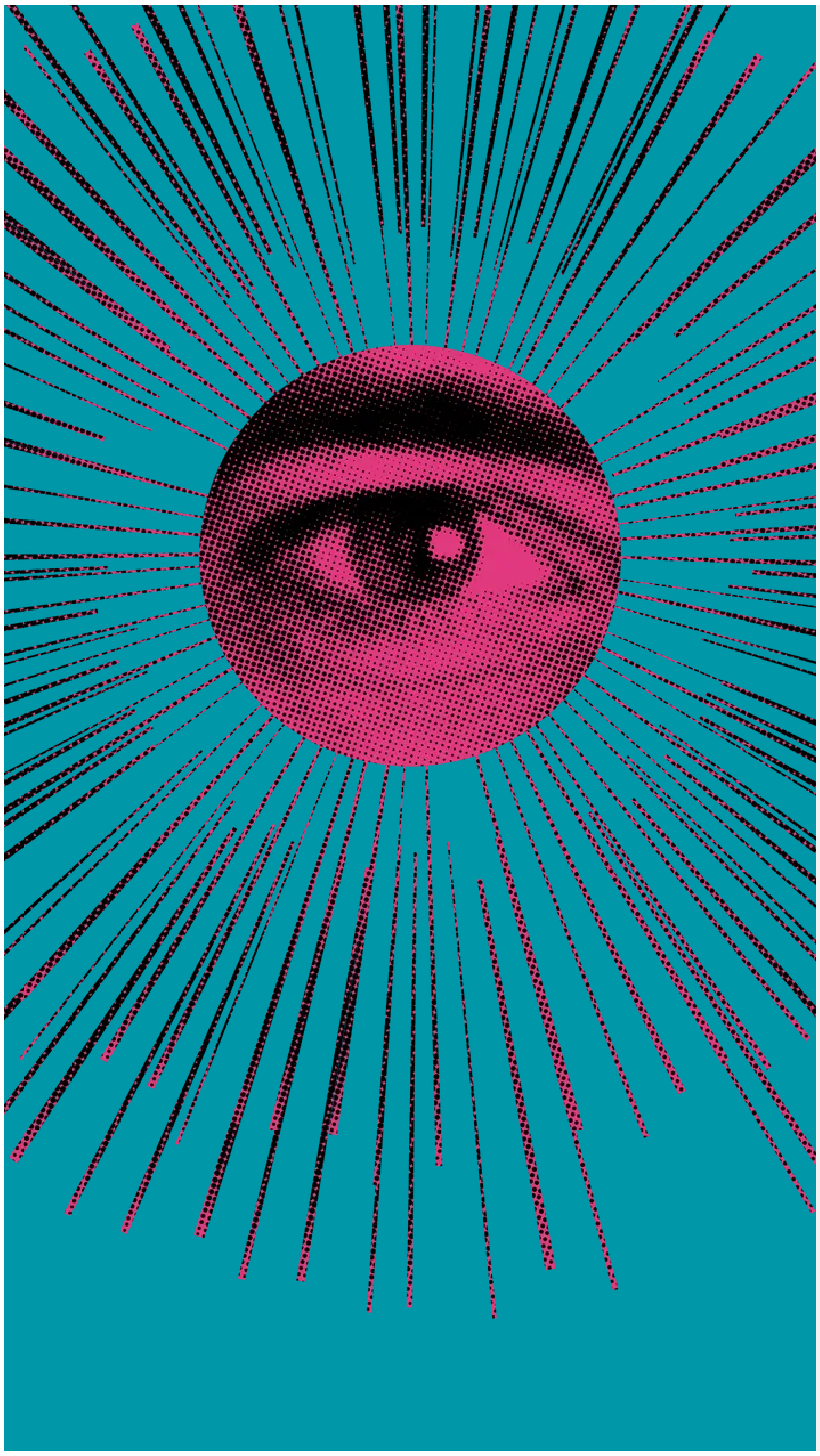
"If we can make the elevator pitch for financial planners clear that'd be great."

Tom Morris

Next… chapter four

What does the future look like?

Glossary
Glossary of abbreviations



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What does the future look like?

Financial planning 2030

Taking all the previous points into account, as well as the debate they've generated, the obvious questions are these:

What does the future look like? And how does financial planning need to evolve for the next 10 years?

Phil picks up again to give us his views on the future of the profession.

There are some trends we can project forward for the financial planning practice of the future.

I would contend that firms will continue to move away from the old 'hunter/administration' model, and we'll likely see a broader acceptance of the 'finder/minder/support' model as illustrated below.

This will often mean that the 'finders' who brought in the business in the past will continue to evolve into rainmakers and strategic business leaders, rather than purely the biggest fee earners. In short, their job may be to fill other people's diaries, rather than taking on clients for themselves and merely cascading excess clients and work to others.

On services, I expect these will become increasingly based around an expertise (or at least competence) in understanding behavioural finance, and a focus on financial coaching and financial wellbeing.

Tax planning, legal and trust expertise will be incorporated into financial planning practices, instead of being outsourced to high street accountants and solicitors.

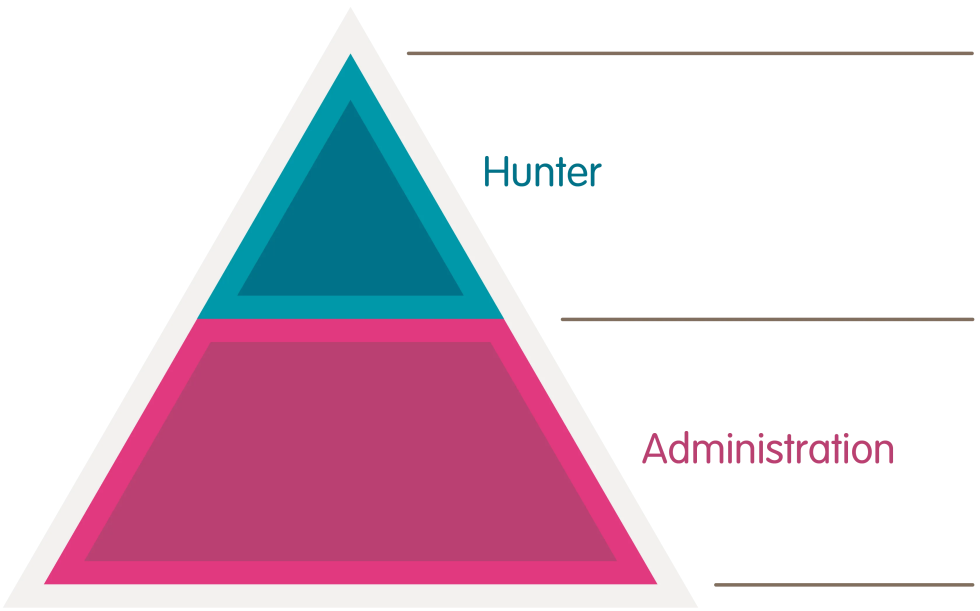
I also believe financial planners will become more niche, or focused around a specialism. This is already happening both inside and outside of our profession.

In other words, they will increasingly develop expertise in dealing with defined groups or demographics, and most of their client activity will take place within that specialism.

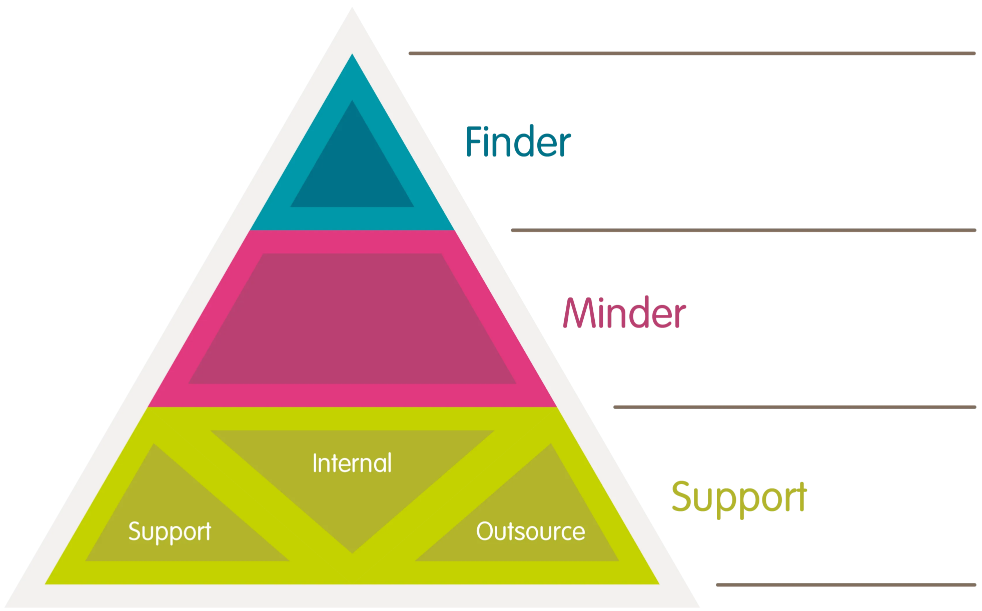
There are firms in many countries already operating in this way.

"Those who brought in the business in the past will continue to evolve into rainmakers and strategic business leaders, rather than purely the biggest fee earners."

The old model



The new model



"The challenge is to move towards multi-generational firms, supporting multi-generational planning."

Potential stumbling blocks

But on the road to this kind of financial planning practice for the future, there are some challenges ahead.

Financial planning is more long-term focused than transactional advice. We work with clients over decades, and so a multi-generational approach is needed.

Yet the overwhelming majority of advice and planning firms die on the death or retirement of the founders. In part, this is to create a capital event to fund retirement. But it's also a reflection that these firms were set up as a lifestyle business, and were never intended to continue beyond the founder's working life.

So the challenge is to move towards multi-generational firms, supporting multi-generational planning. The recent emergence of employee ownership trusts may help with this. Other mechanisms such as Limited Liability Partnerships (LLP) structures may also be appropriate.

Making a success of a 'multi-generational' approach is a bigger issue than this paper can address fully, but in the meantime, we have a reality where studies show that many firms do not survive the death of a founder (Source: multiple, but see 'A Founder Dies' By David Lansky, PhD March 1, 2018 www.thefbcg.com as an example) and where 96% of UK businesses have fewer than 10 employees (House of Commons Briefing paper Number 06152, 22 January 2021).

Whatever the method, it's important clients are seen as clients of the business, not clients of the individual planner.

Staying with exit structures for a moment, these tend to be all about assets under management, rather than income earned from financial planning activities.

What this has meant is financial planning firms tend to have sold for around three times underlying income.*

So there's a real risk that in transitioning to the model outlined here, founders may be shooting themselves in the wallet. This circle needs to be squared.

Looking more broadly, marketing investment management expertise to those with £500,000 or so to invest is easier than explaining how financial planning can help clients better manage their relationship with money.

The 'one-stop shop' planning model has many attractions, but it may require additional regulators that don't neatly match each other. Also, a single organisation focused on profitable service delivery arguably may not sit well with a coaching model.

There is an outstanding example of a financial coaching firm which is Wise Monkey Financial Coaching, set up and run by Simonne Gnessen. One has to ask, why is there almost no competition to this firm?

* https://tomorrow-ifa.co.uk/completed-deals/

The 'L' word

In this case, that stands for leadership.

Leadership in financial planning is scattered, and is striving to achieve several objectives. These include:

- Working with regulators to balance and offset the impact of over-regulation
- Increasing knowledge and technical standards
- Holding members accountable for their ethical behaviour
- Promoting financial planning and advice to the public and the media
- Increasing the public's trust in planning and advice

These are all worthy aims. But will they really lead to a new vision of financial planning?

The danger is professional bodies end up competing for a bigger slice of the membership pie, rather than focusing on making the pie bigger.

A suggested way forward

Perhaps our starting objectives should look a bit different. For example:

- Increasing the footprint and role of financial planning in the UK and elsewhere.
- Punching up to our weight internationally. UK planners are well respected and influential on an individual basis in the international financial planning arena. Let's build on that.
- Making financial planning in the UK the business model of choice, and positively impacting many more clients as a result.

So how would we go about it?

Firstly, I would 'unite the belts', as they say in boxing. A radical way to do this would be to move financial planning and the CFP marque to the PFS. It appears that over 80 per cent or so of the 830 CFPs are, in fact, already members of the PFS.

That done, I would offer fast track practical assessments to all chartered financial planners to become certified. The objective would be to train those interested in writing a financial plan to CFP accredited standards. I believe this could be done pretty quickly, and without diluting standards.

All this begs the question: do we really need to keep promoting higher educational and technical standards for financial planners, both in the UK and internationally?

It sounds like heresy, but as the number of chartered financial planners continues to increase, I believe we need to move our focus from 'higher technical standards' to 'higher practice standards'.

It's easy to keep forgetting that financial planning is first and foremost a business model, and by focusing almost completely on the individual, we have lost sight of the business environment that the financial planner works within.

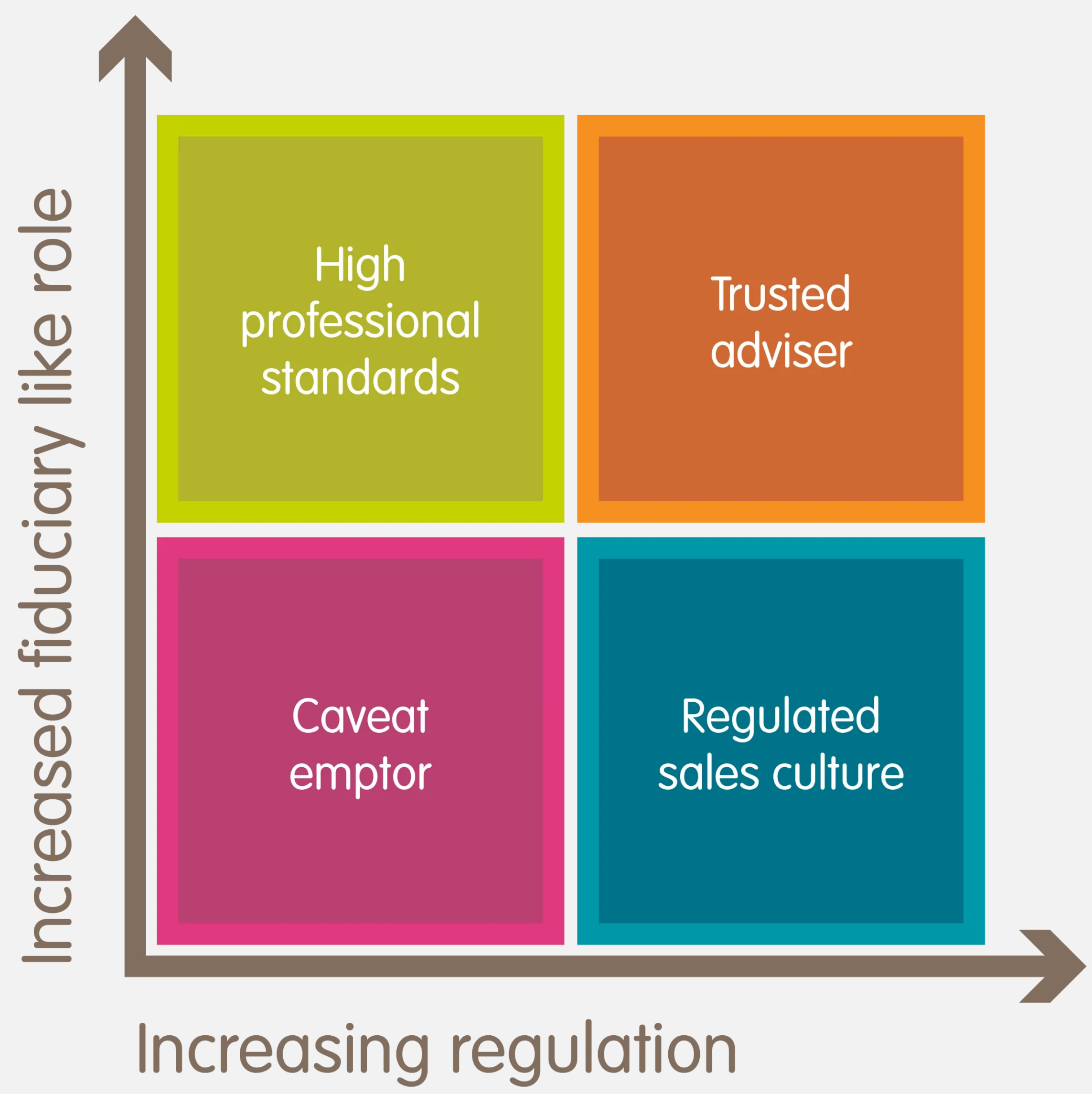
I would advocate that a shift of focus towards how financial planning can actually be delivered will have a greater impact on client outcomes than moving the dial on exam standards ever upward.

Don't misunderstand me – I am all for high technical standards. But that's just table stakes, or the price of entry. It's the business environment where that high level of knowledge resides that really matters.

From a regulatory perspective, regulators can't create a profession. That's not their job. They can only make a sales culture less harmful to consumers, as shown in the diagram here.

It takes the profession itself to make a profession.

"I would 'unite the belts'. A radical way to do this would be to move financial planning and the CFP marque to the PFS."



Final thoughts

As a relatively new profession, financial planners are perhaps still heavily influenced by the culture and beliefs of our investment management and life company heritage. It may well fall on the new movements springing up to truly move us away from those beliefs and business practices.

But there is much good to be derived from our past, and it'd be wrong to dismiss that. Millions of consumers have benefitted, both directly and indirectly, from the sheer hard work that has gone into creating the financial planning process and standards. It turns out that having higher educational standards and clear ethical codes really does matter – who'd have thought it?

The challenge we all have now is: where do we take this next?

These are difficult questions that have been posed here and views that you may (strongly) disagree with. Yet ultimately, the hope from asking these questions is that we open up discussion and debate about the future of our profession and perhaps what is seen as brave and ground-breaking today becomes normal and accepted tomorrow.

If not now, when? And if not us, then who?

How will we take the next giant stride on the road to a financial planning profession that is fit for the future?

"The hope that by asking these questions is that what's seen as ground-breaking today becomes normal and accepted tomorrow."

Key questions

- Most planners don't earn the bulk of their income from financial planning. How can we start to tackle this?
- How do we ground the profession in agreed, academically proven standards and measures? For example, making risk tolerance as clear as blood pressure
- How do we align multi-generation client relationships with single generation firm lifespans?
- Is it time to focus on higher practice standards, rather than higher technical standards?

Actions

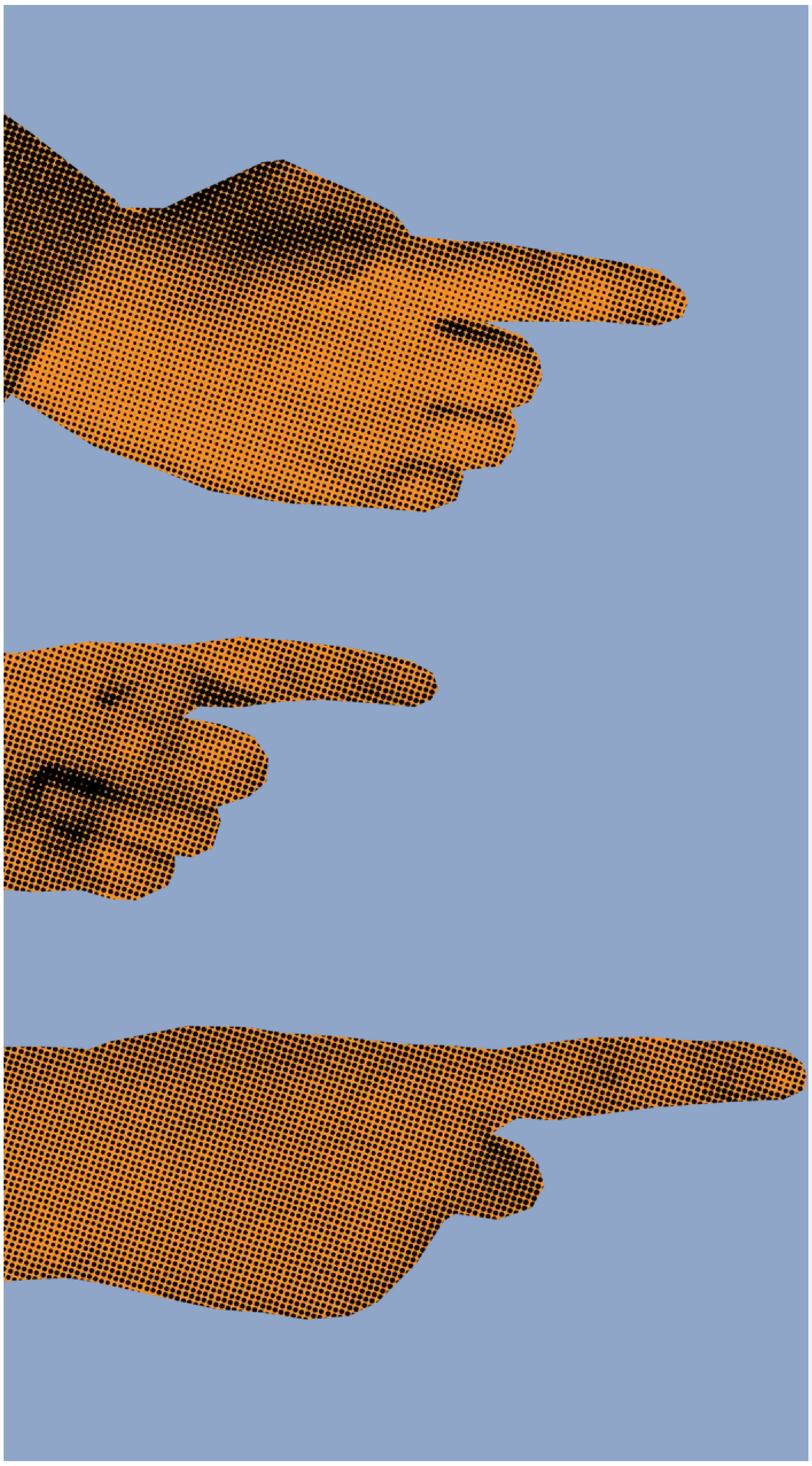
- Review how your business has changed over the last ten years and how you think it might need to evolve over the next ten. Is it a hunter/administration model or a finder/minder/support model and does it need to change to allow your business to grow?
- Examine who your biggest fee earners are today and understand how they might need to evolve in the coming years. Would evolving their roles grow the business beyond their personal ability to manage clients?
- Consider how much tax, legal and trust expertise you outsource and whether you need to change this model?
- Actively review how you deal with multi-generational advice and whether your business fully supports it and would survive the founders moving on. Is the client a client of you/your advisers or of the business? Test this with your clients.
- Assess who in your business (if anyone) has a deep understanding/expertise in behavioural finance and focus on financial coaching and financial wellbeing. Consider how this might change the type of service you offer clients.

Next… chapter five

Final thoughts from Nucleus

Glossary

Glossary of abbreviations



05

Final thoughts from Nucleus

For those that have experienced the power of financial planning, its impact on people's lives is indisputable. The challenge continues to be in getting that message out to a wider range of people, both from a consumer perspective and to attract new entrants into the profession.

So where do we start? As Gerhardt Meyer discussed in our roundtable debate, one of the first issues to tackle is get clear on what people should expect when they go and see a financial planner, and the kind of service they should get.

From there, the profession can start to shape what strong, profitable financial planning practices look like, and the processes that underpin them.

There are also nuanced debates to be had around how to best support multi-generational planning, getting to agreed ways of working, and ultimately making sure that more and more people see the hugely positive impact financial planning can have. A bigger pie rather than a fight over a bigger slice of the same pie.

Phil has posed some big questions, and suggested some potential ways forward. But this is just one perspective; everyone reading this will have their own point of view, and will identify which of these challenges resonate most with them.

Rather than prescribing a way forward, the idea of this white paper is to encourage debate – at an individual, firm and sector level. It's about taking steps to make sure the evolution of financial planning continues, and the appeal of financial planning as a service, a business model and an established profession is clear for all to see.

No doubt the debate will continue but I hope the points raised here have given you food for thought.

Barry Neilson
Chief customer officer, Nucleus

Next… keep exploring

Read more from Phil and our round table panellists

Glossary

Glossary of abbreviations

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Keep exploring

About Phil Billingham

Phil is a director at Perceptive Planning and is a chartered financial planner, chartered wealth manager and certified financial planner.

He is a past director of both the Institute of Financial Planning and the Society of Financial Advisers, and a past member of the Financial Planning Standards Board regulatory advisory panel. Alongside Shannon Currie, he is also a director of World Citizens, which specialises in cross-border financial planning.

He has served as an expert witness to the courts of England, Gibraltar and Scotland, and has been a guest lecturer at the City of London university. He also been a judge for industry awards for a number of publications.

More from Phil on illuminate

More from illuminate on the future of financial planning

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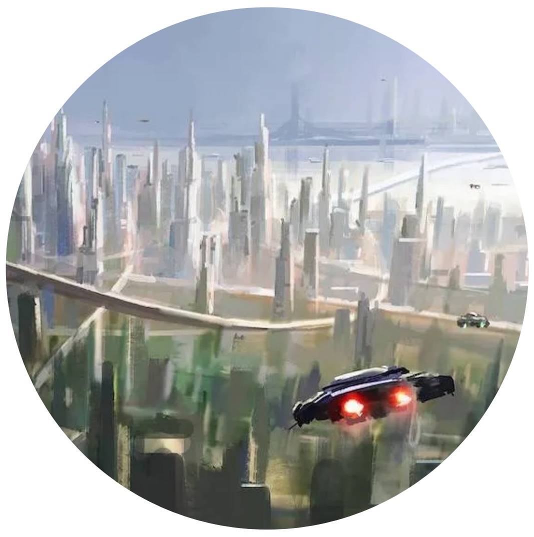

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Richard Essex, Grayside and
Jeannie Boyle, EQ Investors

The future of the financial planning profession

Phil Billingham
Perceptive Planning

The power of sharing client stories

Alan Smith
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by Phil Billingham

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by Rohan Sivajoti

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by Tom Morris

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by Keith Richards

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Each white paper sets out the issues, the key themes to be aware of as an advisory business and the action you may need to consider.

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Getting in touch…

Nucleus is an award-winning, adviser-built wrap platform. Since launch we've established ourselves as a major force for change in the market. We're a thriving community of over 850 adviser businesses who currently manage £18bn of assets (as at 31 March 2021).

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Phil is a chartered financial planner, chartered wealth manager and certified financial planner, and is the author of our latest white paper The Future of Financial Planning.

He is a past director of both the Institute of Financial Planning and the Society of Financial Advisers, and a past member of the Financial Planning Standards Board regulatory advisory panel. Alongside Shannon Currie, he is also a director of World Citizens, which specialises in cross-border financial planning.

He has served as an expert witness to the courts of England, Gibraltar and Scotland, and has been a guest lecturer at the City of London university. He also been a judge for industry awards for a number of publications.

Gerhardt-Meyer

Gerhardt Meyer

Chairperson 2019-20, Financial Planning Standards Board

www.fpsb.org

Twitter: @gerhardtmeyer

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Gerhardt served as a non-executive director and chairperson of the Financial Planning Standards Board between April 2016 and March 2021.

He is head of technical support within PSG Distribution, part of professional financial services group PSG Konsult, and is also a former chairperson of the Financial Planning Institute of Southern Africa.

A financial services lawyer by training, Gerhardt's significant national and international industry body experience has seen him spend the last 15 years talking to people around the world about what financial planning is about and how to evolve it.

He appears on our Future of Financial Planning roundtable in a personal capacity.

Keith-Richards

Keith Richards

Chief executive, Personal Finance Society

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LinkedIn: keith-richards-b585477

Keith is chief executive of the Personal Finance Society and chief membership officer of the Chartered Insurance Institute. He is stepping down from the PFS in June 2021 after eight years at the helm.

A recognised leader within the financial services sector, Keith has over 30 years' experience operating at executive level across manufacturing, distribution and regulation for insurance and financial planning. He has an established media profile and is a visible figurehead within the financial services sector, regularly called upon for comment both home and abroad by various organisations, including trade and national media.

In addition to guiding the operational and strategic evolution of the PFS and creation of the CII's membership programme, Keith has developed greater government and regulatory engagement for the profession, brought about enhancements to membership benefits and its national CPD programmes. He has also introduced several key consumer and professional standards initiatives.

Nicola-Ellis

Nicola Ellis

Director, Wellington Wealth

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Twitter: @WWLGlasgow

LinkedIn: nicola-ellis-28126281

Nicola is a director at Wellington Wealth, a directly authorised practice based in Glasgow, which she set up with her sister Jennifer Ellis five years ago.

Nicola is the winner of various industry awards, including winning the Scotland on Sunday's IFA of the year award twice, and has also been named Money Management's protection planner of the year.

Rohan-Sivajoti

Rohan Sivajoti

Director and head of innovation, NextGen Planners

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Twitter: @NxtGen_Progress

LinkedIn: rohan-sivajoti-6010b438/

Rohan is a director of Postcard Planning, and has over 10 years' experience working in financial services. He is also the co-founder of NextGen Planners, a community of best practice for the next generation of financial planners.

He is a chartered associate of the London Institute of Banking & Finance, and a qualified pension specialist. He also holds a 2:1 degree in financial services.

Sally-Plant

Sally Plant

Head of financial planning, Chartered Institute for Securities & Investment

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LinkedIn: sally-plant-892b444a

Sally joined the Chartered Institute for Securities as its head of financial planning in December 2020. Prior to that she worked as a paraplanner and in business development at Robur Wealth Management.

Sally also held various roles at the CISI between 2004 and 2016, including as head of Middle East and North Africa and head of education development. Before that she worked as a project officer at the UCLH NHS Foundation Trust and has also worked at Alliance Trade Finance and Alexander McQueen.

Tom-Morris

Tom Morris

Executive member, Initiative for Financial Wellbeing

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LinkedIn: tom-morris-apfs-07039b31

Tom Morris is a director and chartered financial planner at Ovation Finance.

He joined Ovation in 2015, and is also a founding director of the Initiative for Financial Wellbeing, which brings together members of the advice, financial planning and financial coaching community who want to improve clients' financial wellbeing.

Tom has worked in financial services since 2008, including as a paraplanner and financial planner at City Asset Management.

Kerry-Nelson

Kerry Nelson

Chief executive, Nexus Independent Financial Advisers

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LinkedIn: kerry-nelson-dippfs-dm-330a2012

Kerry is managing director and owner of Nexus. She has over 20 years' experience in UK financial services covering financial advice, sales, management, PR and communications. She's worked with some of the biggest names in UK retail financial services including Barclays, HSBC, Bates and The Money Portal, as both an adviser and in a corporate communications role.

She's built a strong reputation among key industry figures and journalists and is often quoted in national press, radio and television and in industry publications.

She likes to challenge the status quo, arguing for higher standards across financial services.

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Chartered-v-Certified

Chartered

Governing body

CII

Date of launch

2005

Focus

Technical competency

Membership

Over 5,000

Replaced the Financial Planning Certificate and signifies both broad and deep knowledge of technical subjects, such as pensions, investment and taxation. It's seen as the 'gold' standard in terms of the technical excellence it creates. The compulsory AF5 'The Financial Planning Process' exam has increased the amount of 'planning' competency needed to qualify, however, the overall focus on technical product expertise can lay claim to more transactional product based advice rather than the creation of long-term financial plans and client relationships. The CII is working to increase the global recognition of the chartered financial planner qualification.

Certified

Governing body

CISI

Date of launch

UK 1995

Focus

Financial planning

Membership

900 (UK)
190,000 (global)

Is an international standard of qualification issued by The Financial Planning Standards Board. It seeks to build on the knowledge of the chartered qualification and increases the focus on the ability to create a financial plan for a specimen client, using reasoned and reasonable assumptions, and written in such a way as to be clear to clients. To receive the qualification the individual must clearly demonstrate the six-step financial planning process. The first two steps are about the data gathering and client goals, with the remaining steps developing a long term relationship with the client, by creating a strong emphasis on service rather than transactions.

Options to become ‘multi-generational’

There are three main methods available for a small Financial Planning firm to become ‘multi-generational’.

Option one

The simplest is to have members of the planning team that are separated in age by decades themselves. Traditionally, founders were of similar age, and came to a point of exit at similar times. If firms can have Planners who have age ranges of 20 or even 30 years apart. Once this process has started, it should be possible to continue it over time.

This is not a new idea. Other professional practices and business have worked this way for generations.

A variation is to have the next generation from the families of founders come through the firm. This is again is nothing new, and is happening today.

Option two

The second method is the ‘buy out’ type approach, where staff buy out the aging owners. Whilst technically different, Employee Ownership Trusts – EOT’s – have a similar mind-set and objectives. See The Eternal Business Model for more details.

Option three

The last is the most common, and most brutal – the sale of the firm to a larger entity, that can employ younger advisers to work with clients. It can be disruptive for clients if not handled well and needs to be carefully managed to achieve success.

Again, this is not new. Vets, Solicitors and Accountants have all seen their landscape change as smaller firms exit by ‘merging’ with larger firms. There is nothing wrong with this approach, it can add value and expertise across a wider spectrum of advice.

Glossary of abbreviations

Glossary ets under Management

CFP – Certified Financial Planner

CII – Chartered Insurance Insititute

CISI – Chartered Institute for Securities & Investments

EOT – Employee Ownership Trust

FCA – Financial Conduct Authority

FIMBRA – Financial Intermediaries, Managers and Brokers Regulatory Association

FPI – Financial Planning Institute

FPA – Financial Planning Association

FPSB – Financial Planning Standards Board

FSA – Financial Services Authority

IAFC – International Association of Financial Counselors

ICFC – International College of Financial Counseling

IFP – Institute of Financial Planning

LAUTRO – Life Assurance and Unit Trust Regulatory Organisation

LIA – Life Insurance Association

LLP – Limited Liability Partnership

NAPFA – National Authority of Personal Financial Advisers

PFS – Personal Finance Society

PRA – Prudential Regulation Authority

RDR – Retail Distribution Review

SIB – Securities and Investment Board

SOFA – Society of Financial Advisers

STEP – Society of Trust and Estate Practitioners