

# RDR – Will it Work?

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## RDR – Interpreting the future adviser landscape

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TISA  
 RDR – Will it work?  
 25<sup>th</sup> March 2010



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## RDR segments

NMG's RDR segmentation model allocates advisers to one of four segments based on their progress along the RDR journey

### Enthusiastic Advocates

Hold / well advanced towards Level 4 qualification and / or implemented, or have clear plans in place to implement Adviser Charge

### Willing Adapters

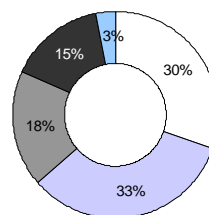
Have clear plans in place to achieve Level 4 qualification / Have clear plans in place to implement Adviser Charge

### Reluctant Accepters

Express intention to achieve Level 4 qualification in the near future / Express a longer term intention to implement an Adviser Charge model

### Steadfast Rejecters

Do not hold Level 4 qualification and do not intend to take the qualification / Do not intend to migrate to Adviser Charge



- Enthusiastic Advocates
- Willing Adapters
- Reluctant Accepters
- Steadfast Rejecters
- Not allocated

Base: IFA Census database (Jan 09 – Dec 09); 1083 advisers

Note: The above 'characteristics' are typical attributes of advisers who fall within each segment – these are NOT the actual questions asked to determine the segmentation  
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### Segment characteristics – attitudes towards business transition

**RDR progress is an indicator of attitudes to future business models**

<p><b>Enthusiastic Advocates</b></p> <ul style="list-style-type: none"> <li>• Advocates who are leading the charge towards professional status</li> <li>• RDR is <b>not</b> the catalyst</li> <li>• Moved beyond RDR compliance</li> <li>• Seeking to develop their customer proposition</li> <li>• Increasingly understand economics and seeking to re-engineering their businesses</li> </ul>	<p><b>Willing Adapters</b></p> <ul style="list-style-type: none"> <li>• See the need to change but unclear on how or what 'the end' looks like</li> <li>• RDR is the catalyst</li> <li>• Started to change remuneration model</li> <li>• Little understanding of business economics</li> <li>• See RDR compliance as the end of the journey but in time will seek further transformation</li> </ul>
<p><b>Reluctant Accepters</b></p> <ul style="list-style-type: none"> <li>• Feel pressured into change</li> <li>• Resistant but have little alternative</li> <li>• Highly commission dependent, major focus is on building fund based remuneration</li> <li>• Many will achieve RDR compliance but never fully transform</li> </ul>	<p><b>Steadfast Rejecters</b></p> <ul style="list-style-type: none"> <li>• Dismissive of need to change</li> <li>• Feel forced into premature retirement or exit</li> <li>• Will milk existing model</li> </ul>



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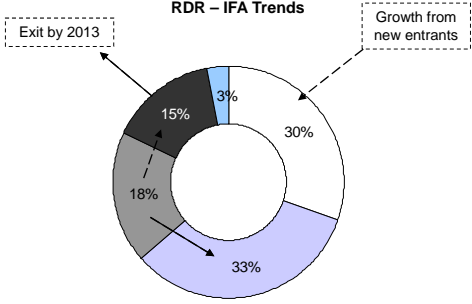
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### Sizing the future IFA market

**Our Base Case assumes a spike in IFA's exiting rather than a dramatic decline in overall numbers – however, strict application of the rules around the wider definition of whole of market could lead to a dramatic shift from Independent to Restricted Advice**


- Our base case is for a net 20% decline in IFA numbers
- Longer term the outlook is promising; pessimistic forecasts often fail to take into account
  - Published financial data on IFAs' businesses is often misleading / overly negative
  - 3 in 10 advisers are 55+ but many are supportive of RDR
  - Increasing professionalism will have a positive impact on the appeal of the advice sector as a career choice
  - Key demand drivers for advice remain
- However, as yet unknown are impacts of:
  - The application of the wider definition of whole of market rules
  - Increased capital adequacy requirements for Directly Authorised firms

**RDR – IFA Trends**



Segment	Percentage
Enthusiastic Advocates	30%
Willing Adapters	33%
Reluctant Accepters	18%
Steadfast Rejecters	15%
Not allocated	3%

Enthusiastic Advocates  
 Willing Adapters  
 Reluctant Accepters  
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## Future business models

Whilst adviser numbers may decline, new more efficient business models are emerging so maybe the absolute number of advisers is not that important?

Traditional model

New model

Younger / Better Educated / Better Qualified / ~¼ plan to become IFAs

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## Paraplanners influence on investment decisions

Whilst there are differences in how influential advisers and paraplanners view the paraplanner role, both agree that it is influential in many of the investment decisions

**Paraplanners' view**

**Advisers' view**

-100%   -50%   0%   50%   100%

Base: Paraplanner Census – Feb 10 (199) / IFA Census – Feb 10 (155)  
 How much influence do you have on each of the following investment decisions?

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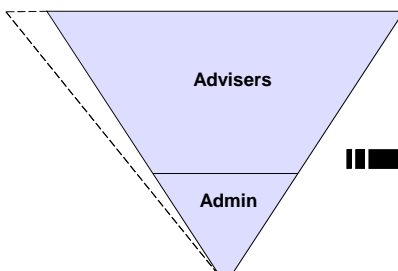
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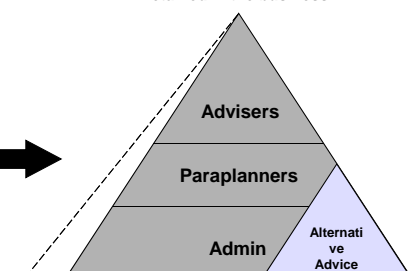
### Future business models

The future may be an IFA market of at least the equivalent size as now but with fewer advisers, operating within medium size sustainable businesses operating both independent and alternative advice models


Growth through recruiting more advisers – minimal value creation



Growth through driving activity to the lowest cost resource – value retained in the business



30% of IFAs are Enthusiastic Advocates  
Amongst those advisers working with paraplanners, 45% are Enthusiastic Advocates

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### NMG

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In July 2009 NMG merged with H2B to create the UK's leading research company dedicated solely to the financial services sector.

Our research capabilities cross both qualitative and quantitative techniques and our range of continuous tracking surveys in the advisory and wealth segments are unique in this sector. NMG is known for its depth of sector knowledge, its application of evidence-based solutions and a high quality approach.

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