leading on investments and savings

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REINVENTION

Over the past 18 months there has been lots of commentary in the wealth management space on the position of the diminishing number of advisers in the market particularly with the banks withdrawing their sales forces. The focus so far however has not been on commission based pension advisers. It is not unreasonable to expect that the restructuring in the workplace pensions and the removal of millions of pounds from the pensions distribution channel change is inevitably going to lead to some fallout in terms of the numbers of jobs needed to achieve that distribution. The likelihood is therefore that the end of commission on whatever timetable will mean less people being engaged in one part of the distribution process whilst at the same time opportunities abound in the workplace pension space to an unprecedented degree, calling for those commission based advisers to morph into a reinvented model.

Legend has it in the intermediary's space that advisers have reinvented themselves regularly under various legislative changes over many years and a large number stay well ahead of market developments. If you look at the wealth management market ever since RDR was on the drawing board the prediction of a dramatic decline in adviser numbers has not happened to the extent prophesised. The existing commission based pension adviser may get the luxury of commission sunset clauses but the opportunity after the removal of commission with auto-enrolment means there will be a range of options open if those advisers can change old habits in addition to learning new skills and attributes to service the modern pension consumer. These opportunities will expand into healthcare, risk and human capital management, particularly when pensions are obligatory and employers need to differentiate themselves. The number of authorised wealth advisory firms has dropped by 33 in the past two months. The total number of advisory firms has fallen by 145 to 23,778 since December 2012 according to Matrix data. In heading for the exit, 5250 registered individuals have gone since the implementation of RDR.

Those advisers who will be equipped to benefit from future opportunities will be focused on the staging dates moving rapidly through the SME population with those employer customers employing 350 to 499 having staged in January 2014, 250 to 349 in February before moving to the 50 to 249 employee companies between April 2014 and April 2015. Does the advisor community have the capacity to cope?

Some appear to be concentrating on existing client relationships with the bigger consultancies moving to an off-the-peg offering for smaller employers. It appears the industry has learned from the early stages and lighter touch offerings specifically to get smaller clients through AE are now appearing. This, combined with offering more standard solutions, could be the industry's answer to coping. utilising a relatively low-cost skeleton project plan on the route to staging and then buying in extra support as and when needed. It would appear that size is not critical - it is more about the workload and whether commercial revenue can be generated away from the old-style commission charging. Will this market follow what has happened in the platform and wealth management space with commission and fund manager rebates disappearing, requiring the model to be restructured?

With commission being banned there is the prospect of a sunset clause as happened with platforms and rebates and possibly the banning of commission on pre-RDR schemes. AE work has already proven that clients will pay fees in acknowledgement that good financial planning needs to be paid for. However the litmus test will come when dealing with much smaller employers who will be invariably on tight financial budgets.

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