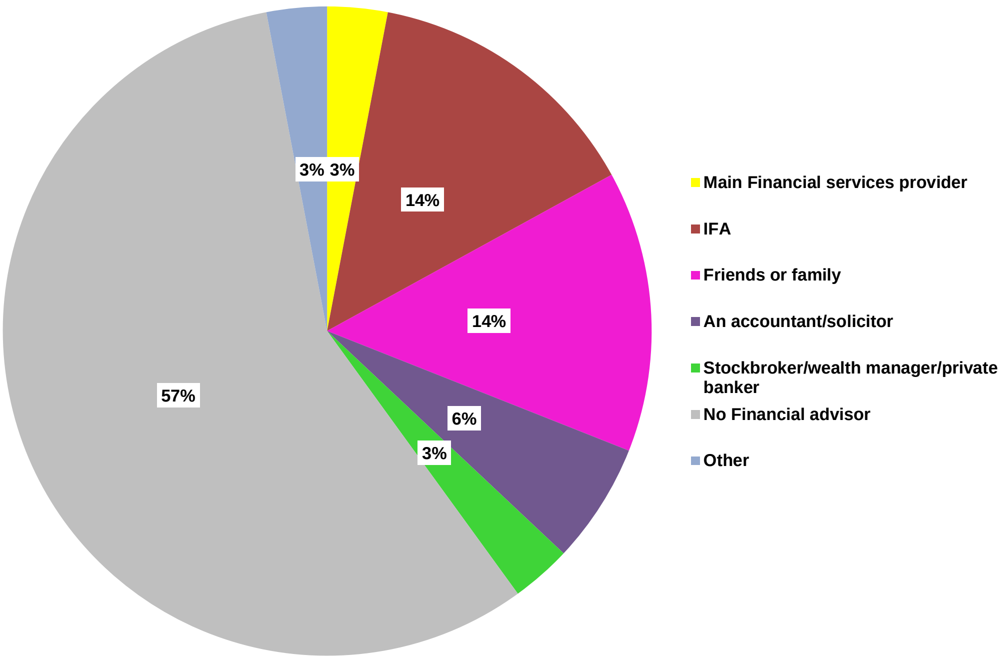
Financial Advice 2016: Still a preference for Financial DIY

Over recent years JGFR, in conjunction with wealth research consultancy ComPeer Ltd, has produced an annual Financial DIY report.

At the centre of the report is an analysis of the demand for financial advice tracked by asking people whether they had a main financial services adviser.

Less than a half of the population now consider they have a financial adviser as such, with only 25% having a 'professional' financial adviser – an IFA, accountant / solicitor, wealth manger / stockbroker or main financial services provider (MFSP) - invariably a high street bank / building society.

Having a main financial advisor, UK 2016



Source: GfK / JGFR

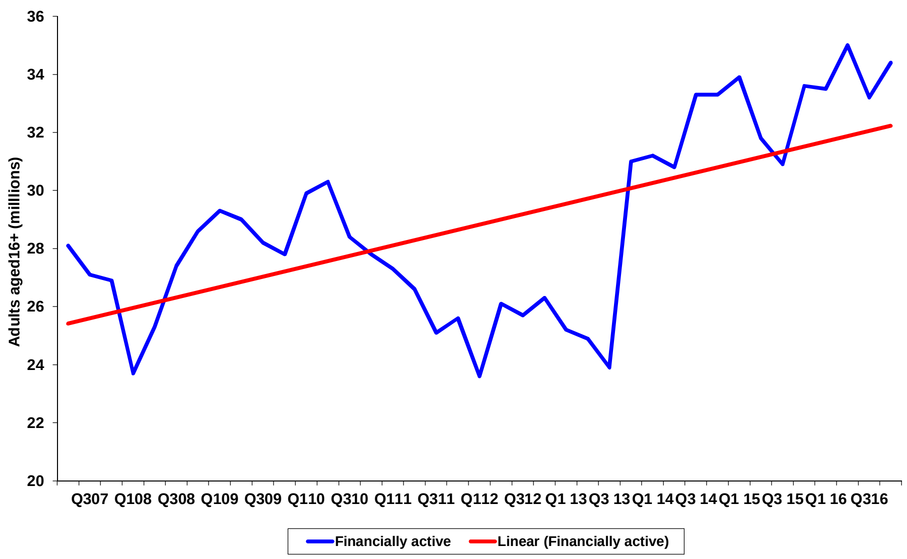
There has been relatively little change in the proportion of people (around 55%) without a financial adviser over the past 4 years. The main trend has been a drop in the number of professional advisers cited, falling over the past decade from around a third of adults, to around a quarter in the 2016 survey . This may reflect regulatory changes and the rise in fees.

Friends and family have been a steady source of advice for some 10-15% of the population, especially for the young.

Compared to 2003 when the first survey was undertaken, the biggest change in the financial advice market is the demise of MFSPs down from 30% to 3% (a survey low, and down from 9% in December 2014). Commoditisation of banking services, growing regulation in the face of mis-selling of long-term savings & investment products and the rise of online fund supermarket sites have speeded up such change.

As the Treasury and FCA wrestle with the issues of financial advice, guidance and education, the public have become far more financially engaged in the past two years as household finances have improved, helped by the rising employment, low inflation and low interest rate environment. Search engines and comparison sites have helped guide the rising demand to providers.

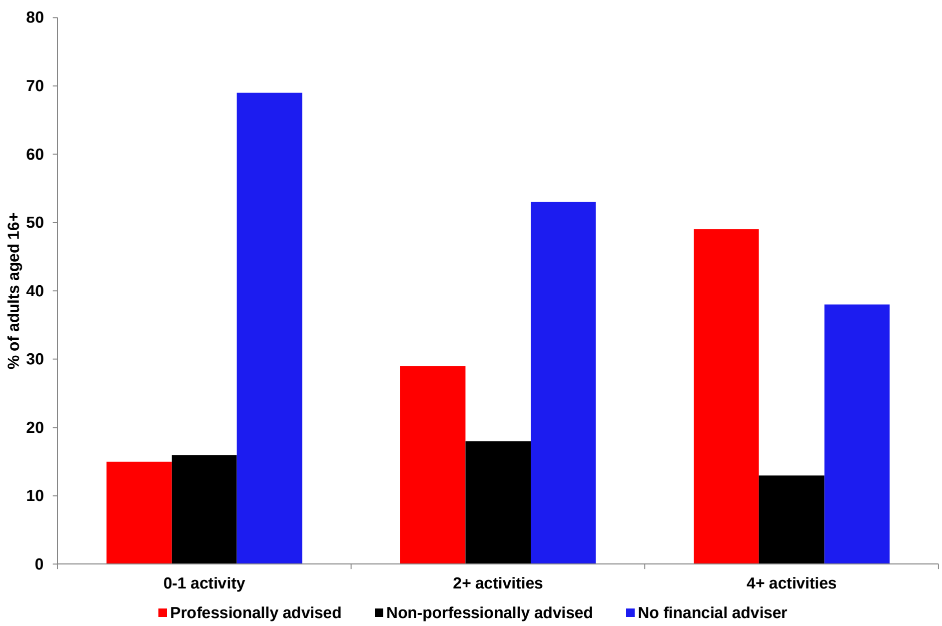
People intending to be financially active, UK 2007-16* (millions)



*financially active defined as undertaking 2 or more savings, investment or borrowing activities
Source: GfK / JGFR

In the Q4 JGFR / GfK Financial Activity Barometer** , around 34 million of adults intend to be financially active, up from some 33 million in Q3, but down from a record 35 million in Q2, with strong demand across saving, pension and borrowing products.

Number of intended financial activities by type of financial advice 2016 (% of adults aged 16+)



As people become more financially active (2 or more activities) the proportion of people with a professional financial adviser increases.

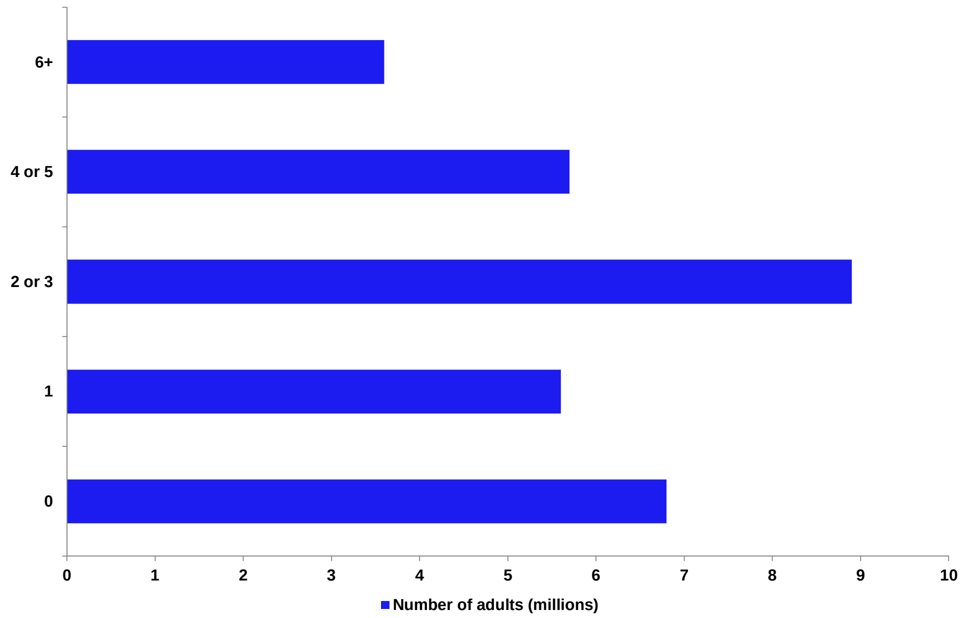
By advice profile of those financially active, 29% are professionally advised, 18% non –professionally advised and 53% have no financial adviser. More people expecting to undertake 4 or more activities are professionally advised (49%), with 13% non-professionally advised and 38% non-advised.

With Brexit uncertainty increasing numbers of the financially active and of the financially engaged (including people undertaking 1 or more activity), demand for financial advice, guidance and information continues to grow.

While many of those undertaking just 1 activity will be paying down / paying off debt (17%), higher proportions intend putting money into a life / pension scheme (26%) or into an ISA (21%)**.

Overall the numbers of the non-advised total some 30 million adults, with the majority, around 18 million (60%), financially active. Many of this group may dip in and out of advice but will be largely self-directed.

Numbers of the non-advised by intended financial activity, May 2016, UK (adults 16+)



Source: GfK /JGFR

Current government focus is on the' Just about managing' (JAM) households, who feature in the GfK consumer confidence survey that shows the mix of savings, just about managing and struggling households (running down savings and falling into debt). These household types can be segmented by the provision of financial advice taken.

Nearly 7 out of 10 JAM households have no financial adviser, compared to 65% of struggling households and a half of saving households. The biggest users of professional financial advice are found among savings households (31%), although a minority of both JAM and struggling households also use similar proportions of professional and non-professional advice (14-19%).

Debt advice is one of the key aspects of the latest HM Treasury and Department of Work and Pensions Consultation paper. Among intending borrowers seeking face-to-face advice, friends/family are the 'go to' source of financial advice rather than professional advisers, highlighting the need for better financial awareness around debt. Among students (a growing taker of debt), 40% regard their friends/family as their main source of financial advice.

Robo-advice; the new kid on the block

With the rise of Fintech one of the major features of financial services in 2016, the coming of the robo-adviser in the wealth management industry has received considerable publicity.

Awareness of robo-advice is limited, but a minority of the public (12%) agreed in a JGFR/GfK survey last March that they have / would like the idea of using an online robo-adviser. High earners and big savers (around 1 in 5) are the most supportive of the idea. Other research studies suggest that among investors aware of what robo-advice is, a majority would consider investing via a robo-adviser.

In the coming years a robo-adviser may well become a main financial services adviser, although the basis of charging and redress will remain crucial to attracting demand.

Whatever form financial advice takes in the future, the demand for financial advice will continue to grow as more responsibility falls on the individual to manage their / their household's financial affairs.

Notes

** The Financial Activity Barometer asks consumers which of 18 savings, investment and borrowing activities they intend to take in the coming 12 months. It has been running quarterly since 2002 using the same GfK omnibus as consumer confidence providing a holistic view of the mood and activity of the financial consumer.

Details

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