

# Taking the plunge

WITH THE NUMBER OF IFAS IN DECLINE, **ANNIE MAKOFF** ASKS WHAT CAN BE DONE TO REVERSE THE TREND AND TO ATTRACT FRESH BLOOD TO THE PROFESSION

As pensions become more complex and the increasing long-term care needs of an ageing population adds to the financial burden on families, the demands on IFAs have never been greater.

## Fall in number of IFAs

Yet the implementation of the Retail Distribution Review (RDR) in 2013 has led to a decline in IFAs. According to the Financial Services Association (FSA), IFA numbers fell from 40,566 in 2011 to 31,132 in 2013. Although things have since

stabilised, advice gap concerns and government initiatives to encourage individuals to take more responsibility for their own financial wellbeing has created additional challenges for new IFAs.

So in this brave new world of pension freedoms, financial wellbeing and greater transparency, how can we support new IFAs entering the profession?

## Very different landscape

For Nathan Elstob, Executive Director of Investments at innovation charity, Nesta, it's

about helping new advisers adapt to change in the sector. "There's been massive changes in the market structure over the last few years. The financial services landscape is very different to what it once was."

With emerging support networks like Succession Advisory Services, which aids transition from the old partnership model to a more corporate structure, Elstob believes such support will make it easier for new advisers to get involved.

"Companies could do more to identify the needs of young people in terms of materials and funding," added 24-year-old IFA trainee Joshua Porter. "Otherwise, it's quite difficult to get started, especially if you're trying to start your own firm."

Even so, Tim Harvey, CEMAP CeLTCI DipFA, at HR Independent Financial Services describes current support levels as "diabolical". It's a cause for concern, not least because regulatory changes such as RDR could be putting off potential IFAs from joining the profession.

## Unlimited liability clause

Yet according to Harvey, the issue goes deeper than RDR. IFA numbers have been declining since the introduction of the Financial Services and Markets Act 2000, where the decision was taken to introduce an unlimited liability clause for financial advisers. Attempts to bring about a

15-year longstop as enjoyed by other professions have so far failed.

The nervousness around liability goes somehow to explain why administrative roles are becoming new areas of growth within the sector.

"The paraplanning route is now starting to look quite a robust option for new joiners," says Chartered Financial Planner Phil Billingham of Perceptive Planning. "This has the advantage of clear roles and no pressure for 'new' planners to look to bring high levels of new business with them."

## Support network

It was the general lack of support within the sector overall that led IFAs Adam

Carolan and Rohan Sivajoti to set up NextGen Planners, a support network for financial planners to share best practice.

It's currently accessed as a private Facebook group, and includes podcasts by industry experts, advice and support centred on key issues such as soft skills training, exam technique, setting up a new business and succession planning.

With the website yet to launch, the group has already 'piqued' people's interest. Rohan Sivajoti said: "Experienced advisers are happy to share their wisdom and knowledge, but it's a two-way street – the younger ones have some great tips for the experienced advisers, too."

## Return of the larger players

At the same time, the Association of Professional Financial Advisers (APFA) is optimistic that despite a "fragmented industry", larger players are coming back to the market, which in turn will bring their own levels of support.

"The focus around pension freedoms and the demand for advisers to help people manage the extra complexities means that banks and insurers are returning to the advice space," said Chris Hannant, Director General at APFA. "That will bode well for the medium-term, especially as it will open up more training opportunities for larger groups of advisers."

Old Mutual Wealth, too, recently acquired Sesame Bankall's not-for-profit Financial Adviser School. And according to Head, Darren Smith, it will be a "support tool" for new IFAs.

While he praises such initiatives, Sivajoti believes there's a lack of emphasis on soft skills training. "Being able to communicate with your audience is the most crucial part of the job; there's just not enough focus around this," he said.

It's why Harvey is so sceptical of predictions that robo-advice will eventually take over the industry. He said: "So much of our job is about challenging clients' thought processes. The relationship between the IFA and the client is a very intimate one. I get invited to weddings, bar mitzvahs and funerals – you can't build that into a computer program."

## Ethical investments

The trend towards sustainability and ethical

investing is also a pertinent one for new joiners. According to Nesta's Elstob, the sector is "not well serviced" with information about such products, despite increased client interest. Discussions are therefore "side-lined" as "too difficult". But for Harvey, the answer is simple.

"You just need to ask the question – 'do you have a view?' There are many ethical investment funds that boast a fabulous performance, so it's not just a question of ramming it down people's throats. Many clients will say, 'I don't want my money to be a force for bad – I'm interested in this.'"

However IFAs choose to advise their clients, Billingham is adamant that new IFAs can and will rise to the occasion. "People will always need help, advice, support and guidance in their financial lives," he insists. "And IFAs are the only people who can provide that. We're at the start of a golden age – not the end of one." ■



Annie Makoff is freelance journalist specialising in business, finance and HR

## WANT TO KNOW MORE?

- [www.anniemakoff.co.uk](http://www.anniemakoff.co.uk)
- [@anniecat84](https://twitter.com/anniecat84)