Two Million Fewer People With No Financial Adviser In 2012

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Two million fewer people with no financial adviser in 2012; three million set to leave their adviser in 2013.

This yearâ€™s ComPeer-JGFR Financial DIY report finds the continuation of the trend towards people undertaking their own Financial DIY. Fewer people have a professional main financial services
adviser, down from a third of adults (around 17 million) in 2011 to 29% (some 15 million) in 2012.

There is little change in numbers using non-professional main financial advisers - mainly friends and family (15% - nearly 8 million). In the past decade the numbers of non-professionally advised adults has surged from 21 million to 35 million at a time when the changes in retirement provision are set to make millions more people responsible for their own pension pots.

With the introduction of the Retail Distribution Review there is little doubt that the demand for professional financial advice will fall sharply in 2013 with some 3 million people who cite a noncharging IFA as their MFSA likely to become non-advised.

Despite fewer banks giving financial advice, more people cite them as their main financial services adviser compared to a year ago. This may result from a minority of non-advised people now needing a financial adviser and a fall-out from up-front fee charging by IFAs.

The move to a high quality professional advice service at the expense of millions of mass-market customers relying on non-advised execution only offerings seems set to take effect. Only 5% (some 2.5 million adults) are prepared to pay Â£100-Â£200 an hour for financial advice.

Dissatisfaction with fees and charges in 2012 has resulted in a big jump in people switching between advisers and away from advice. This is likely to relate to the new charging basis introduced in the RDR. In 2011 the main reason for switching was poor investment performance (a third of switchers). In the current survey 36% of switchers cite high fees, up from 27% a year ago. Other factors in leading to switching are poor communications (especially among young people) and an adviser leaving or moving on (especially among the better off).

The research found a higher proportion of people (38%) preferring financial advice to be part of the product cost with a smaller minority (17%) preferring their investments to be managed on payment of an annual management fee. High hourly based fees do not go down well with the public in a climate where trust in financial service advice has fallen. In 2012 22% of adults did not trust the quality of advice from financial advisers, up from 17% a year ago.

Nearly all people who have switched to being non-advised in 2012 are financially active*. Currently around 13% of adults use an execution only stockbroker or share-dealing service and 10% use a fund supermarket or platform. Many will go online to research / transact. In recent years around 3 out of 10 people have agreed that being able to research and carry out financial product transactions online has reduced their need for a financial adviser. Online the distinction between financial information, guidance and advice is getting distinctly blurred with the quality of financial investment websites enabling many people to form well advised judgements.

Around 1 in 10 of the public are using their mobile phone for finance and investment research / transactions with just under 1 in 10 using social media to find out what friends and others are saying about investment products.

Of the three-quarters of the population who specify using an information / advice source, using a search engine is the most popular source. Among the over 45s and better off segments business television / radio and the personal finance sections of newspapers are the primary sources of information / advice. Overall they are popular
with just over a quarter of the public.

Younger people are the biggest users of financial services company websites and platforms, mobile phone apps and social media, with Facebook the most popular of the three social media channels specified.

With the introduction last year of auto-enrolment into employer pension schemes, there is a growing demand for information / advice to employees. Among 25-34 year olds their employer is
one of the leading sources of information / advice used.

One other finding in the report is of a notable rise in people with savings / investments including pension fund assets of

between Â£50,000 and Â£250,000. Part of this rise may reflect more people having control over where there pension fund is invested. Currently 22% of adults have control over where their pension funds are invested, with the highest proportion among 55-64 year olds (28%).

Commenting on the findings of the report John Gilbert, Chief Executive of JGFR commented:

â€œThis yearâ€™s Financial DIY report highlights the major structural change that the retail investment industry is undergoing. Almost by stealth the industry is adopting an execution only, mainly online
offering, increasingly dominated by platforms. The impact of the RDR is to have accelerated this trend. Professional financial advice will only be offered to the better off with many of this segment
increasingly only dipping in and out"

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