Out of adversity comes opportunity

Our latest research reveals more than eight in ten retirement advisers anticipate business growth over the next year and call on providers to improve speed and accessibility

2020 was a difficult year for retirement and wealth adviser firms and their clients. Covid-19 was both a health-based and a financial-based emergency. Adviser firms themselves had to adapt to working from home-based offices and were unable to see clients face to face. Processes and practices were adapted and use of technology - for advisers, clients and the providers - accelerated. Advisers report 2020 as a busy year servicing existing clients who needed additional hand-holding and reassurance, and had more time on their hands in the successive lockdowns to engage with their finances.

Now, more than a year on from the initial lockdown, we asked advisers on our **Adviser Exchange Sounding Board** how they feel about the future of the market and the outlook for their business in particular.

We found overwhelming optimism with **most advisers anticipating a growth** in their business over the coming 12 months while **less than one in twenty are anticipating a decline***. We conducted some in-depth interviews with a group of retirement specialist and holistic advisers to canvass their views on how they have adapted to the new normal and what is driving market optimism, including:

- The impact of Covid prompting existing client conversations and new client enquiries
- The continued popularity of drawdown
- Post-lockdown market recovery stimulating demand
- The increased need for advice following the April budget
- Accelerated technological developments

We also assessed how service from providers has impacted adviser businesses and what they need going forward to meet the increased demand.

More than eight in ten advisers anticipate a growth in their business over the coming 12 months while less than one in twenty are anticipating a decline

The initial impact of Covid on financial markets prompted a lot of conversations with existing clients

Significant falls in pension fund values triggered concern among existing clients and generated a lot of queries and conversations during the initial Covid lockdown period. Advisers report that many clients who were already in drawdown reduced their income short-term to protect as much of the pot as possible.

"Everything was closed and they couldn't go out; holidays were cancelled so they couldn't spend it even if they wanted to."

Although there was widespread concern and some shifts in behaviour among certain segments, advisers report that they were able to reassure the majority of clients and encourage them to sit tight.

"The overwhelming majority of clients had seen market volatility before… we were always reminding clients of the fact it's possible that we may see market volatility in the future."

Indeed, some clients who make regular contributions saw it as an opportunity to buy more while the market is low.

“Clients with regular contributions felt like they were filling their boots; they knew they were getting more for their money.”

Only a minority of clients acted (against advice) by moving money to cash. These tended to be older clients in drawdown as opposed to accumulation.

“A lot of clients were quite disturbed when they saw stock markets falling… it was quite extreme but I only had one client that got really nervous to the extent he insisted I moved everything to cash despite me advising him not to. But then six months later he wished he hadn’t.”

The appetite for drawdown hasn’t diminished

Despite the initial drop in investment value, advisers don’t report significant changes in the types of products they advise on. Drawdown has remained popular and advisers say Covid has not substantially increased the demand for guaranteed income from annuities.

“I still talk about annuities to clients but the type of clients I deal with are very keen to keep that flexibility, the ability to change the income levels and they’ve still got one eye on inheritance, on passing funds onto the next generation.”

The impact of Covid also triggered new business enquiries

While dealing with existing clients has taken up a lot of adviser time over the past year, new business enquiries have continued to come in. Advisers report that they saw an increase in people interested in retiring early, either because of being forced into the situation by an unstable job market or out of their own desire. Indeed, market data from HMRC and ONS shows that there were more people immediately post-lockdown accessing pension pots or describing themselves as ‘retired’. This triggered new business enquiries for adviser firms.

“I think it may perhaps bring some people’s retirement forward. They say actually life is too short.”

Advisers report most existing retirement planning clients adapted well to remote channels including Zoom, Teams or telephone. However, advisers also say they haven’t necessarily been able to capitalise on all their new business leads yet as they still perceive a need to meet face to face with new clients initially.

HM Revenue and Customs (HMRC) figures show 347,000 people withdrew from their pensions throughout July, August and September 2020 during the Covid pandemic – a 6% increase compared with the same period 2019.

“In lockdown we couldn’t see these new customers and I just don’t feel like it’s a topic that we can discuss over Zoom. I think it’s too involved to try and gauge from afar what the customer’s risk profile might be.”

“Sometimes it’s more difficult to win a client over when you’re on video.”

With an increase in demand from pre-retirees wanting to better understand their situation and, indeed, access their funds, this has led to a natural backlog for advisers to clear.

"The lead flow at the moment is ridiculous, I'm trying to keep up with demand so I expect to be taking on new clients more."

The Office for National Statistics (ONS) reported that in March-May 2020, the number of under-65s describing themselves as "retired" was more than 55,000 up on November 2019-January 2020.

Post-lockdown financial market recovery stimulated optimism

Initially, Covid and the financial turbulence impacted confidence; however, the subsequent recovery of the markets has since fuelled demand from both existing and new clients.

"I felt certainly this last year, a lot of people who were sitting on cash feeling nervous about investing for obvious reasons are now coming out the other end of the whole pandemic. People are becoming a lot more optimistic and happy to take that step and start investing their money."

The 2021 budget is expected to increase the need for advice

In the 2021 budget, income tax, inheritance tax and capital gains tax thresholds were all maintained and lifetime allowances for pensions remained unchanged. Advisers say this means that going forward more clients will be impacted, which will trigger clients accessing advice and needing to have those adviser conversations.

"The tax landscape has never been more complicated and to put that financial plan in place for people is incredibly useful."

"I think for us financial planners it was a good budget… very much a trigger for discussions."

"People are becoming a lot more optimistic and happy to take that step and start investing their money."

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Accelerated technological developments have improved processes

One of the positives of Covid as far as adviser firms are concerned is the fast-forwarding of technological developments from the providers and platforms. In particular, advisers comment about how welcome docusign has been for them and their clients. Being able to transact more business through e-trading platforms, removing the need for wet signatures, paper and post has improved service levels.

"The one thing I will say that's been positive is that it has forced a lot of providers who refuse to deal with anything other than reams of paper to move into the 21st century, and there's no going back. They've proved they can work on that basis so that you don't need the wet signatures anymore."

Advisers also praise the accessibility of CPD and training – and believe this is a change that's here for good.

"I've seen an uptick in training from companies. CPD, across the board… delivered through webinars, Teams, that sort of thing… I think that's brilliant, it's changed forever."

Provider turnaround times and access need to be improved

While technological developments have brought advantages, service levels have been challenging in other areas. Advisers report accessibility and finding someone to take ownership of a problem have been difficult with provider employees working from home. Speed of service – processing, answering queries and providing information – has been an issue with many elements taking longer than pre-Covid. Initially, advisers were very understanding.

"They had to get 41,000 UK employees working from home overnight… with laptops, logistics, broadband, security, suitability of working from home with families so we've been very understanding of that."

"Next time we have a downturn I think there will be less panic. If we can get through Covid, we can get through anything."

However, a year on, patience is wearing thin. The new normal is not so 'new' and these challenges have created frustrations. In fact, two thirds of the advisers on our **Adviser Exchange Sounding Board*** said their biggest pain point dealing with providers over the six months has been speed and accessibility – particularly getting through on the phone. Working from home is no longer new and advisers strongly feel initial teething issues should have been sorted by now.

"Administration from the providers is appalling. You spend more time on the phone waiting and they use Covid as an excuse."

Final thoughts

Advisers are overwhelmingly positive about the future of the market and their business – they have adapted well to the changes, have embraced new technology, are experiencing increased demand from both existing and new clients and, in short, have ridden the Covid storm and are now emerging the other side. To support them to meet the increased demand they now need providers to speed up turnaround times and be easier to access – particularly when there are issues.

Ultimately the pandemic has had some upsides for advisers: *"For us advisers it has been positive because the clients who lost money in their funds initially are happy with how their funds have performed over the past year. Some clients took some convincing to stick with it but now they have seen the strength in doing so. Next time we have a downturn I think there will be less panic. If we can get through Covid, we can get through anything."*

** data taken from 58 advisers interviewed between April-June 2021*

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