

The background of the slide consists of horizontal wooden planks painted in a vibrant blue color. The paint is cracked and peeling in several places, particularly along the grain of the wood, giving it a weathered and textured appearance. The planks are separated by dark, recessed grooves.

# The adviser gap

Who will advise the next generation?

**octopus** investments

A brighter way

Research conducted among 205 UK financial advisers 17-21 June 2019 by Opinium through a monthly IFA panel. Research was also conducted via an online survey among 2061 adults from 19-24 June 2019 and 1002 UK students aged 18-21 currently studying for, or have studied A-levels or higher education 18-27 June 2019 by Opinium Matters. Issued by Octopus Investments Limited, which is authorised and regulated by the Financial Conduct Authority. Registered office: 33 Holborn, London EC1N 2HT. Registered in England and Wales No. 03942880. We record telephone calls. Issued August 2019. CAM008567-1908

# Introduction

**Nearly a third (29%) of financial advisers say they will retire within the next five years**, new research commissioned by Octopus Investments reveals.

More than a half (58%) say they plan to retire within the next ten years. That's around 15,000 advisers who plan to leave the profession in the near future!

Where will the next generation of advisers come from?

If the number of advisers shrinks, it will not only make it harder for consumers to seek advice. It will also have an impact on advice firms looking to grow.

Recruitment costs are already high, and it is difficult to find and develop talent. These issues do not look like they're going away and need to be addressed, working together with industry bodies, education providers and advisers to raise the profile of the profession.

<sup>1</sup>Based on FCA Figures (The retail intermediary market 2018) which show the total number of financial advisers at 26,677.



# The financial advice profession lacks a clear pathway for entry

With so many advisers due to leave the profession in the near future, the obvious question is who will replace them?

As things stand, it's not clear.

Advisers have told us that one of the issues with recruitment is that the industry lacks a structured pathway into the profession.

**We found that less than one in five firms (18%) say they have a graduate or training programme in place.**

That's understandable. Lots of advice firms are relatively small so can't justify the resource, particularly under administrative pressures and rising regulatory constraints. It's far more efficient for these firms to try and recruit already qualified advisers with existing client banks.

But this still implies a shortage of advisers for the industry as a whole if those who retire in the next few years are not replaced.

Firms may want to consider how they can broaden their appeal to include those currently underrepresented in the advice profession.

**For example, more than two thirds (69%) of advice firms saying they do not have an adviser under 30.**

And 30% of firms say they have no female employees. On average women make up just 20% of adviser firm employees.

# A lot of advisers choose it as a second career

Firms can also look at the talent pool from those looking to change career.

Currently three quarters of adults said they would consider a career move in the next five years.

And in fact, **44% of advisers currently in the industry came to it from another career.**

But whether recruiting recent graduates or professionals from other industries, there are a number of barriers that could stand in the way.

These will need to be addressed if enough new advisers are to be brought into the profession to replace those set to leave.





# Is regulation making it harder to recruit new advisers?

The topic of regulation divides opinion among advisers who answered our survey.

Asked to say which regulations have made it tougher to recruit new advisers:

- **50%** cite the Markets in Financial Instruments Directive (MiFID) II
- **48%** cite the Retail Distribution Review (RDR)
- **33%** cite the Senior Managers Certification Regime (SMCR).

It's notable that **around a third (32%) of advisers say they don't think any recent regulations have made it harder to focus on recruiting.**

While it's clear that regulation is an issue, it's certainly not the whole story.



# Regulation is not the only barrier

We asked advisers what barriers they face when recruiting new talent into their firm.

These were the top four responses:

**1) Finding quality candidates**

Cited by 46% of respondents.

**2) There isn't a structured pathway for students to access the profession**

Cited by 37% of respondents.

**3) The challenge of the cost of recruitment**

Cited by 31% of respondents.

**4) There is a lack of awareness of the profession**

Cited by 24% of respondents.

Taking the above points together, they suggest that more needs to be done to raise the profile of the financial advice profession as a career choice.

This is reinforced by what we found when we asked young people their views on pursuing a career in financial advice.

# What do young people think about a career in financial advice?

Over a third (36%) of students we asked had no idea what a financial adviser actually does. And unprompted, only one in ten (9%) students would consider it as a career.

**However, when given information about what a financial adviser does, 43% said it was a career they would consider pursuing.**

Students highlighted that financial advice could fit with their top job criteria of

- high earning potential (51%)
- problem-solving (49%)
- flexible working (43%)
- the ability to make a real difference to people's lives (39%).



# What can advice firms and providers do?

Some barriers to recruiting new advisers are beyond scope of what individual firms can do such as regulation for example, or the cost of recruiting already qualified advisers.

Two thirds of advisers (65%) said there needed to be more awareness of financial advice and the role it plays in society.

Others (58%) said that improved financial education in schools would help, while half cited training programmes with universities as a key solution.

**Awareness is also a key area to be tackled. Nearly a quarter (24%) of the advisers we asked agreed that there is a lack of awareness of the profession.**

But four in ten said that to solve the issue there needs to be a more fundamental shift in the way the profession is perceived.

Our results suggest the big win for firms could be in raising the profile of financial advice as a career choice – both among soon-to-be graduates and those who may be considering a change of career.

There needs to be a joint effort with universities, industry bodies, providers and advice firms working hand in hand to raise awareness to bridge the widening advice gap.



# Where to find out more

We'd be really interested in your views on this topic.

Our team would also be happy to discuss these findings with you and come to present on this research at your firm.

For further information or to arrange a meeting, please contact us –  
**[support@octopusinvestments.com](mailto:support@octopusinvestments.com)**





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