

Advice and research – time is money.

The need for advice is based on the assumption that an adviser is likely to know more than the client about the choices available to the client when considering how to achieve certain life goals.

The adviser builds up and maintains knowledge by passing the basic exams and undertaking regular Continuous Professional Development. A lot of knowledge is also built up by experience of advising clients over the years.

Advisers are expected by the FCA to select the most suitable products to enable clients to meet their demands and needs and to enable forward financial planning. It is in this selection process that a lot of time can be won and lost.

When advisers are comparing mortgages, then there are excellent mortgage sourcing software providers – Trigold, Mortgage Brain and Air Sourcing spring to mind, other are available. These are easy to use and give quick understandable answers and make selection really straightforward.

Looking at protection products, again there are excellent software providers – iress, Ipipeline and LifeQuote and several others. Again, the choice is relatively easy and the comparison of rates is clear. The slope becomes a little slippery when looking at critical illness and income protection plans because providers have different definitions of conditions and sorting which provider to use is not so clear cut. CI Expert is one product that I have seen that goes into details on critical illness as the product name suggests. I have also seen some interesting comparisons on Defaqto Engage.

So far, so good. Not much time spent on research due to the excellence of the software and the relative simplicity of the products.

When we get into investments, then the research becomes a little more involved.

Why is the client investing?

How much is the client investing?

What proportion of their overall wealth does this represent?

What is their attitude to risk? Do they understand risk?

What is the term of the investment?

How to maximise tax efficiency?

As in so many of my articles, the advice research process starts with an in-depth fact find session with the client. A detailed fact find is the best sales tool any adviser can obtain. Good fact finding also builds trust when an adviser does a minimal amount of talking and a lot of listening and noting down all the information that a client is willing to provide. Empathetic questioning to get detailed information. This will gain better detail and client buy-in than a mechanical question and answer session simply to get to the end of the questionnaire.

This leads nicely on to a detailed discussion of risk and what risk means to clients. Again, many advisers waste opportunities by rushing through a meaningless series of questions on a risk profile form. There are many providers of risk profilers. Advisers need to ensure that they understand the results from the questionnaires and that the risk ratings are in line with their own beliefs.

As far as sourcing information on various investments there are some good providers of information such as Defaqto, FE Analytics and Synaptics that can sort products quite quickly when you have learned how to use their systems. However, they are quite manipulable to produce the results that advisers want to see to suit their own Central Investment Proposition. Morningstar, FE Analytics and ARC also provide detailed investment fund information to enable comparison.

The research piece of the process is where the FCA and the advisers diverge in their stance. The FCA would like to see full research from an independent source to show a robust rationale for the choice of product and provider. Ideally, on an individual client basis to prove ultimate suitability of the solution the adviser has recommended for the client. Whilst this utopian ideal is possible, the time involved in going through an in-

depth research process for each client would make an adviser quite inefficient and would make profitability difficult to achieve.

It should be remembered that all the providers have beautiful documents extolling their virtues over all others. Some of them also provide “due diligence” documents about their products. That is why the FCA is so keen that third-party research is undertaken.

There are also excellent providers of depth comparison and review research reports, such as Hardman & Co, the Langcat, Threesixty, Defaqto, Fundscape, Platform and other that produce reports from time to time. I have also dabbled in this field with regular platform research reports and my MPS report that detailed the MPS products of 65 providers over a 160+ page report.

And this is just about products that advisers are advising upon on a regular basis.

Some advisers like to use structured products it would appear that Structured Edge by Future Value Consultants is the most utilised research tool. As well as all the latest product research it has a searchable database, comparison tools, rankings, news and education.

Some advisers also work with higher net worth clients and use the tax efficiency of Enterprise Investment Schemes (EIS), Seed EIS, Venture Capital Trusts (VCT) as additional investments and Business Relief products for inheritance tax planning. Research can be provided by various of the companies already named and probably more specialist information from MI Capital. Also, there are website focussed on these products, such as Growth Invest and Kuber that provide comparison facilities.

The problem for advisers is unfamiliarity with some of these more esoteric products or different platforms. They are starting from point of minimal knowledge. Then if they are not working regularly with certain products, they are almost starting from scratch each time they revisit the product or provider.

So, for convenience most advisers will opt for an online research provider. Something that can tick their compliance box as having undertaken independent research.

Doing the independent research can be a total time-thief so it is a difficult balance and possibly subject to the law of diminishing returns. How much information should the client receive? Does the client want? Treating Customers Fairly? The client just wants the comfort of having received expert advice to provide the solution that they need to achieve their own personal goals.

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