
What we've learned from our adviser clients in 2023

Morningstar Wealth

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For Financial Advisers

It's been an eventful year so far for the financial planning market, with advisers at the forefront of much of it. So how are they feeling and what do they think about the future?

Our adviser clients are our most valuable sources of insight. Throughout 2023 we've asked the audiences of our monthly adviser webinars for their views on a range of topics; here are a just a few of our learnings.

1. Consumer Duty has changed how advisers engage with their clients

In general there was a sense that advice firms were already doing much of what is now required for Consumer Duty. The change – a major undertaking – is in documenting this to the FCA's satisfaction.

The resource demands have proved a challenge for many, particularly smaller firms, where the additional administrative load has led to less time for client contact. However, the requirement to 'avoid foreseeable harm' has meant clients can no longer evade certain issues they may not otherwise have wanted to engage with.

One-fifth of our July webinar audience reported that their Consumer Duty work had led to them revisiting their target market, while one third (31%) have subsequently changed how they engage with clients. For example, those with less in investable assets could only be serviced on a transactional basis and existing clients in this situation will have to exit because the increased work required cannot be justified. There were some positive changes too, such as now being open to dealing with a broader range of clients or having found better ways of reporting.

2. Your clients have been most concerned about the investment environment

It came as no surprise when, in answer to the question of what your clients were most concerned about, nearly two-thirds (62%) of our April webinar audience responded with the investment environment, followed by cost of living (33%). Increased mortgage payments and energy bills put pressure on resources, with less available to invest in many cases. Those already in or approaching retirement were concerned about their funds providing the steady, long-term income they had anticipated and planned for.

Back in February when asked specifically about the prospect of a recession, two thirds (68%) of advisers reported they were 'somewhat concerned', with 80% saying their clients were also somewhat concerned. This poll had one of the higher response rates with numerous comments and some clear themes quickly emerged. Clients were asking about switching to cash, the potential impact of a recession on their investments and how long a recession might last. In other words, they wanted to know when things might 'get better'.

What we were seeing here was the very human need for certainty. While advisers can't do anything about market movements or interest rates, what we see time and again is the importance and positive impact of advisers setting and managing clear, realistic expectations with their clients. We know from our own research into what makes clients trust an adviser the difference this can make. Clients who are well prepared for the inevitable ups and downs are much less likely to worry or overreact because they have the reassurance of knowing that this is part of investing, and their adviser is with them for the long haul.

3. Advisers generally see AI as an opportunity but have not spent time on it

As a digital-first provider we are always looking to technology and how we can use it to make life easier for our advisers and their clients. Artificial Intelligence (AI) has been a major talking point this year and we wanted to gauge how advisers were feeling about it.

Just a fifth of advisers who responded to our March webinar exit poll had been actively reading about or exploring ChatGPT as a potential resource for their business. Despite that, four fifths view it as an opportunity for their practice and not a threat. Comments about AI in the broader sense spoke of potential for it to help with sourcing and sharing information in client communications and reporting. The feeling was that it could be a useful tool to help advisers but could not replace any part of the advice process.

4. Remote client meetings are now a norm but with room to develop

Another digital talking point has been the growth of remote advice since the pandemic, and we asked our May webinar adviser audience for their views. Nearly all advisers make use of remote meetings in one way or another. In fact only 10% don't use them at all. It all comes down, as we would expect, to client needs with three-quarters (76%) of advisers stating that their clients appreciate having the choice of meeting in-person or online.

The major themes of 2023 so far have been cost of living, technology and Consumer Duty. All three intertwine and it might be those who adopt and embrace technology that tackle the other two themes most effectively for their businesses and clients. ■■■

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