



The land that RDR forgot:

regenerating mass-market
investment advice



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The lie of the land

In this paper, we explore the potential impact of the Advice Guidance Boundary Review proposals. Culturally, the United Kingdom has not valued advice, the implications of which have been compounded by the culmination of the Retail Distribution Review and auto-enrolment. These regulatory and legislative changes served to create a mass market of savers and an unintentional gap in the provision of financial decision-making support available to that cohort, to cultivate good outcomes. Good outcomes necessitated by the economic challenges of an aging demographic and diminishing viability of state provision. The Advice Guidance Boundary Review proposals follow the well-trodden path that supply-side remedies could close the ‘advice gap’, but risks failing to achieve its objectives in the continued absence of demand-side strategies to counter consumer apathy and financial capability. We invite you to join us on an exploration of the ‘advice gap’, what created it and whether it has been mischaracterised. We present insight from a series of in-depth interviews with representatives across the industry with strong views on the proposals. We round off by asking whether the proposals can close the ‘advice gap’, who the winners and losers may be, and explore the risks and practical, operational, and technological challenges for the market on implementing the proposal.

In 2012, the introduction of auto-enrolment irrevocably altered the market by ensuring that nearly all employed workers in the United Kingdom were opted into a Defined Contribution pension. In December of 2012 the Financial Conduct Authority (FCA) put into place the Retail Distribution Review with the goal of increasing transparency, improving services through higher qualifications, and ensuring investors understood the true cost of advice. These two pieces of regulation, and their interaction with each other over the next decade, would lay the groundwork for a widening gap in the level of support available to the mass market for financial decisions.

Fast forward a decade and in late 2023, the FCA released the ‘Advice Guidance Boundary Review’ (Discussion Paper 23/5) – a paper that recognised the emergence of this ‘advice gap’, combined with a set of proposals for closing it.

The regulator recognised that the United Kingdom does not have a culture of engaging in financial planning. More fundamentally, our view is that the FCA’s proposals are an admission that financial services have to be sold because they are not bought. Many consumers struggle to connect products and services with the financial needs and outcomes they are designed to achieve.

Confronted by a bewildering array of options and technical jargon, many consumers fall back on inertia and disengagement, often failing to engage even with the products they own. The Advice Guidance Boundary Review, particularly the proposal for Targeted Support, is seeking to return financial services to a proactive rather than passive consumer engagement footing.

For many years this proactive approach was at the heart of how our industry worked, and continues, for good reason, in many countries globally. Manufacturers incentivise distributors to promote their products to consumers to meet their needs. For over a hundred years the model worked well until consumer confidence and trust was eroded by scandals. After each scandal the regulator would introduce new rules to tighten up the sales process, but unscrupulous actors always found a way around them – until the Retail Distribution Review came into force and significantly reduced the scope for misaligned incentives.

The increases in quality came with an increase in costs and a rise in risk aversion amongst providers. This made financial advice less attainable to the mass market who increasingly need it. The purpose of the FCA’s proposals is to make a more proactive version of guidance, coaching, planning or advice accessible to the mass market, and drive up the quality of outcomes for consumers. This is in keeping with Consumer Duty, which requires firms to take proactive steps to prevent foreseeable harm. Given the potential wider implications, this is to the benefit of the individual, but also wider society, particularly when considering the implications of mass retirement poverty. Our old-age dependency ratio rose from less than 20% in 1950 to over 30% in 2020 and the OBR predicts it will exceed 50% by 2070. Meanwhile, the proportion of private sector workers who can look forward to a defined benefit pension has shrunk with 3.5m people in 2006 to under 0.9m in 2022.

As the pendulum continues to swing towards individuals bearing the responsibility for their own long-term savings outcomes, the need to engage people in doing so has never been greater. The message is clear, we need to plan for our own financial futures.

The growing case for a new approach to supporting the mass market.

Research by the FCA puts advice adoption in the United Kingdom around 8%, which is low compared to global comparators. Factor in limitations of financial capability and consumer understanding and more concerning is the fact that around a third of people believe they get financial advice, when on closer examination, what they received does not constitute regulated, financial advice.

Ninety percent that do access financial advice are satisfied and achieve better outcomes, adding credence to the value of making a form of support accessible to all. It is also right to recognise that not every individual needs full, regulated advice in all circumstances, and that different tiers of “advice” can be very effective.

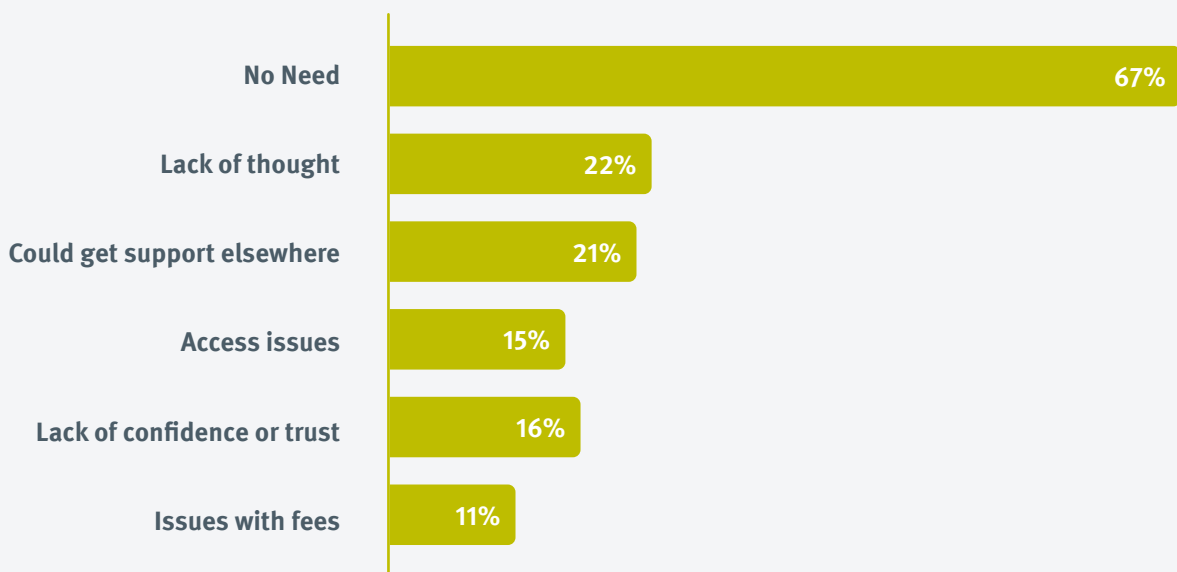
A core objective under the umbrella of Consumer Duty is that consumers can display understanding and articulate what service they have received, including its relative merits and limitations. Given the gap between those who get financial advice and those who think they do, meeting this objective represents a challenge. There is a risk of complicating the issue if the Advice Guidance Boundary Review introduces

new jargon such as Targeted Support to sit alongside existing terms such as financial advice, financial planning, holistic, simplified, independent, restricted, tied, guidance and coaching. Jargon that is wasted on a mass market that neither understands the terms, nor cares. People want help making financial decisions, to connect the outcomes they seek with products and services, and the peace of mind that comes with financial wellbeing.

The barrier to adoption is often led by a belief that advice is too expensive. In a study by the Financial Services Compensation Scheme (FSCS), 80% of consumers agreed there should be more affordable ways to access advice, while 51% of adults in 2020 reported being willing to pay for advice ‘if the costs were reasonable’, suggesting consumers perceive value in advice but there is elasticity in demand based on price.

However, research has found evidence that many have no expectation of the typical cost and that barriers are often a lack of awareness that services exist and what benefit they deliver. Price and value concerns were compounded by a confidence to look after our own finances, never being cognisant, or contemplative of advice as a service, that finances were too simple, or that we do not meet the wealth threshold.

Reasons, by theme, given for not taking regulated advice in the last twelve months by adults who have not had advice but might have a need for support



Source: Financial Conduct Authority

Mapping the wasteland

The ‘advice gap’ has never been formally defined, although the Financial Conduct Authority’s definition that customers with over £10,000 in investible assets may benefit from some form of financial expertise offers one definition.

Estimates of the size of the advice gap vary significantly, ranging from 13m¹ to 39m² people. The latter figure is particularly confronting, as it represents 57% of the population.

Has the issue itself been mischaracterised as the ‘advice gap’? The financial advice market, post the Retail Distribution Review, is well designed to meet the needs and characteristics of its target market. Financial advice and financial planning are thorough and complex undertakings, delivered by highly qualified people, based on a holistic understand of the consumers specific circumstances and needs. Consequently, the cost of delivery is high and typically defaults the target market to the mass affluent and above.

The current situation is better characterised as a market failure on the part of the regulatory framework and wider financial services to deliver a viable proposition for the mass market. Framed this way, the goal is to support consumers in financial decision making and in finding products that meet their needs and achieve their goals. This is the gap that the Advice Guidance Boundary Review needs to close, a product, support, and engagement gap.

“It is essential we remember this is no longer the market that RDR reshaped. This is a market shaped by Consumer Duty”

Platform/Tech Provider respondent

What caused the ‘advice gap’?

The ‘advice gap’, what caused it and what the remedy could be, has dominated column inches from those with prophetic views on industry matters. In economic terms, successful markets are derived where there is a balance between demand and supply. Closing the ‘advice gap’ requires a mixture of supply and demand-side initiatives, but regulation and the industry have been guilty of a narrow focus on supply-side solutions alone. If you reflect on the market, there is no shortage of information, products, solutions, or propositions that have come to market trying to tap into the mass market need, but there is an acute failure on the demand side.

A key objective for the Advice Guidance Boundary Review is to overcome consumer paralysis and educate the mass market ‘to know what they don’t know’, which is a complex challenge that requires demand-side awareness to be generated, and/or the implementation of powerful nudge and choice architecture techniques. The need for auto-enrolment to automatically opt people in is a prime example and epitomises that financial services need to be sold as they are not bought. The ability under Targeted Support for courses of action to be ‘put to’, or ‘sold to’ consumers based on ‘people like you’ insights will stimulate the demand-side, but we would challenge the efficacy without wider initiatives.

The growing need for financial decision-making support has been driven by changes in the long-term investments and savings market. In the last two to three decades, retirement income risk has shifted from the state and employer to the individual, but consumer behaviour suggests many consumers are not aware of, or are apathetic to this shift and the implications of inaction. Auto-enrolment was imposed by public policy and didn’t serve to generate any real improvements in engagement or understanding. In 2023, three in four people did not know how much they have in pension savings³ and over two-fifths in their 50s and early 60s do not know how they plan to access their pension pots⁴

¹ Boring Money - <https://www.boringmoneybusiness.co.uk/learn/articles/advice-gap-reaches-new-high-of-13-2-million-as-interest-in-digital-solutions-rises/>

² Royal London - <https://adviser.royallondon.com/articles-and-guides/research/advice-gap/>

Government needs to act to generate greater consumer understanding, financial literacy through education and awareness of the need to take more personal responsibility. The Advice Guidance Boundary Review would do well to deliver Targeted Support in a manner that implores the industry to embed financial coaching to help consumers build financial confidence and capability to understand the what, the how and the why.

If you look at the main barriers to adoption of financial advice, most sit on the demand-side. Not knowing where to start, the perception of the cost/value etc. However, there are supply-side issues too, particularly delivering a scalable and commercially viable proposition that works for the mass market within the confines of the existing regulatory framework.

The Retail Distribution Review (RDR) succeeded in raising the quality of advice, but it raised the cost of delivery and made the charges explicit to the consumer. In doing so, it defaulted the target market for financial advice to the mass affluent market and above. This was an unintended consequence for a country with a growing retirement population and increasingly stretched state provision. The detractions of the pre-RDR model and the behaviours and customer detriment it caused are well understood but removing the illusion of ‘free’ advice has been to the detriment of consumers who historically may have done something, rather than nothing.

There has been no shortage of supply-side solutions proposed for the advice gap. After all, the mass market is a significant and potentially lucrative underserved market. Robo and algorithmic advice is a proposition that looked to have the capability to remedy the ‘advice gap’ by using technology to lower the wealth entry point significantly and leverage behavioural finance to help consumers navigate and understand it. However, like many efforts, it was a ‘build it, and they will come’ solution with the demand-side strategy resting on unsustainable marketing expenditure to generate awareness and attract consumers. Consumers didn’t know they needed it or didn’t know it was there, and if they did, didn’t understand or trust it. Other options have been centred on the notion of advice-light, a proposal that dilutes the value of financial advice.

The task of improving financial outcomes for consumers requires a mixture of supply and demand-side initiatives and cannot be resolved with a narrow focus on supply-side solutions alone. The industry has a strong role to play in generating demand and many of our clients are keen to develop these solutions but without a supportive regulatory, and perhaps more importantly, government policy framework, the target benefits of the FCA’s proposals may struggle to be fully realised.



³ Standard Life - <https://www.standardlife.co.uk/about/press-releases/75-percent-of-uk-adults-dont-know-how-much-is-in-their-pension-pot>

⁴ Institute of Fiscal Studies - <https://ifs.org.uk/publications/how-important-are-defined-contribution-pensions-financing-retirement>

Mapping the wasteland

The decline in supply of financial advice

RDR has caused significant shifts in the structure of the advice market. Although the data is conflicting, the decline in the advice community is accepted.

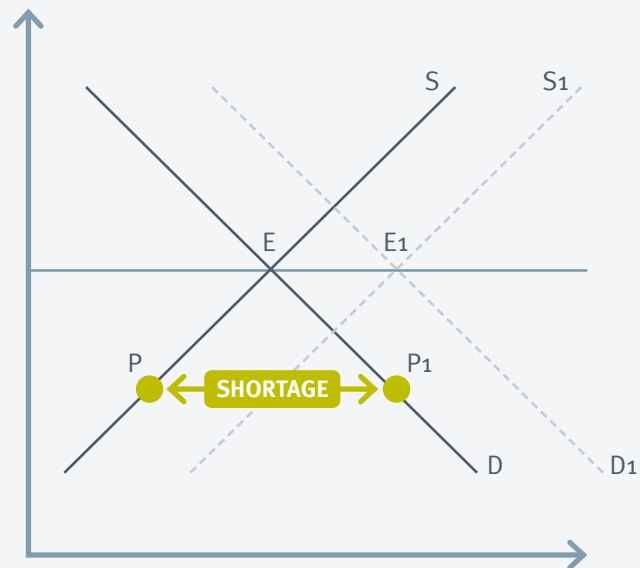
In contrast to the widely held perception, the number of advisers has risen around 20% from 31,132 in 2012 to 37,381 in 2022. However, this number is below pre-RDR levels in 2011, when it was estimated at 40,566. Consistent with high levels of consolidation, the number of firms authorised to provide retail investment advice has also gone into decline, reducing by 435 firms, or 7%, in the 18 months between August 2022 and February 2024. The number of advisers has changed, but they are becoming more concentrated in fewer firms, potentially restricting consumer choice and market competitiveness.

The data suggest that numbers may be at risk of future decline, with 50% of advisers over 50, and just 6% under 30. With the average age sitting at 58, it is unsurprising that research by Octopus Investments (2020) found that 60% of advisers plan to retire before 2030. These stats point to further pressure on the imbalance between demand and supply if industry effort fails to attract younger advisers and planners into the market and automation does not advance productivity and increase adviser-to-client ratios across the sector.

Correcting the shortage of supply and demand

The market for financial decision making support has both shortage of supply and demand (P_1). Post the Retail Distribution Review, supply in the financial advice market went into decline, as explicit charges suppressed demand, compounding issues related to consumer financial capability and apathy.

The market is in disequilibrium. To resolve the 'advice gap', the Advice Guidance Boundary Review is targeting the increase in supply (of financial decision making support), but to move the market to equilibrium (E_1), it will require both supply and demand-side strategies, rather than a sole focus on the supply-side alone.



The regulatory response

Faced with this combination of demand and supply-side challenges, the Financial Conduct Authority is proposing three options to resolve the advice gap.

- 1] **Boundary Clarification:** providing further clarity around where the boundary sits between advice and guidance, to give firms more confidence to operate closer to it.
- 2] **Targeted Support:** the opportunity to call out suboptimal circumstances and recommend products and services, or courses of action to consumers based on understanding their position within the target market and customer segments, to deliver suggestions and courses of actions based on ‘people like you’.
- 3] **Simplified Advice:** enhancing the regime that would permit firms to offer one-off investment advice to consumers with less complex needs.

It is the industry’s role and that of the Advice Guidance Boundary Review to create an environment where we can better connect consumers to the products and solutions that can deliver good outcomes.

The proposals would allow financial services to be sold more proactively again in a safer environment with commission virtually outlawed. Although cross-subsidisation could re-incentivise certain behaviours that RDR sought to eradicate, the implementation of Consumer Duty feels critical to negating that eventuality. The higher standard now imposed on firms to put consumer interests first should give the FCA confidence to row back on elements of the Retail Distribution Review that unintentionally killed mass market investment. This is no longer the market that RDR sought to reshape, it is a market recharacterised by the cultural shift and more consumer-centric, principles-based approach brought about by the Consumer Duty.

We are facing a savings and investment crisis. Solving it starts with a recognition that there is a big difference between paying for advice and a personal recommendation, where you should expect independence and liability, versus any cross-subsidised, ‘free at the point of use’ recommendations that nudges to a better outcome. A key component of the Advice Guidance Boundary Review is to accept that the outcomes we support consumers to achieve do not always need to be the ‘best’ and that ‘good’ may often be good enough.

“Using customer data to deliver better outcomes is a highly attractive alternative to current guidance approaches - at its core this is about moving from a passive to a proactive footing”

Life Company respondent

“These proposals are about getting consumers the help they need and giving providers the tools they need to comply with their Consumer Duty requirements”

Platform/Tech Provider respondent

The green shoots of recovery

Industry's interest in the proposals

The Targeted Support proposal is attracting the strongest level of interest with positive sentiment about the shift to a more proactive footing for the provision of financial guidance. There is a strong recognition of the benefit a more personalised, data-informed financial guidance could have for consumers and help improve their financial health and establish good financial habits.

There is caution around maintaining the integrity of advice and the need to avoid a return to certain sales-oriented practices. The sentiment is a readiness to embrace innovation, but to safeguard consumer interests and maintain the integrity and quality of any financial support.

Conversely, the proposal for Simplified Advice revealed a sense of ambivalence. While there is strong support for the idea of broadening access to financial advice to the mass market, respondents voiced significant concerns that, in its proposed form, it is unlikely to address the full breadth of consumer financial situations or reduce the cost of delivery – making it uneconomical as standalone offering. A vocal minority of respondents expressed surprise at the unwillingness to support greater innovation in this space by leveraging the potential of technology to further streamline advice.

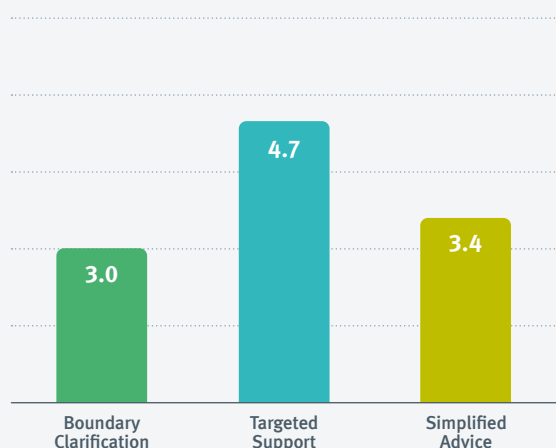
The exclusion of pension decumulation from Simplified Advice is perceived as another major drawback. There is surprise that Targeted Support is in scope for those approaching decumulation and Simplified Advice is not.

From March to April 2024, Altus Consulting conducted in-depth research into the industry's reaction to the Advice Guidance Boundary Review proposals across 32 life companies, advisers & wealth managers, platforms & technology providers, and banks & personal savings providers.

It was felt that a key purpose of Simplified Advice would be to take up the journeys of consumers who had reached the limit of what Targeted Support could offer, but who fell short of the means or willingness to engage full holistic advice. Respondents felt that if decumulation remains out of scope, where the demand and need for more economical advice is highest, it brings the value of Simplified Advice into question.

Proposals to clarify the advice boundary received the lowest interest. Firms felt that they already had a good understanding of the boundary, with many larger providers feeling they have undertaken significant levels of engagement with both the regulator and the industry more broadly to reach this understanding. In terms of the level of guidance firms offer consumers, this reflected the firm's risk appetite, rather than ambiguity on where the boundary sits. Further clarification was seen as unlikely to significantly alter this risk appetite, making the impact likely to be trivial.

Overall respondent level of interest in current proposals (average total scores, 1=low, 6=high)



OVER 65% would consider offering targeted support services compared to 33% for simplified advice

41% see those with investible wealth of £250k-£500k as part of targeted support's target market

In stark contrast to the FCA **76%** said simplified advice needed to be available to the over-55s

Defining the target market

Views on the target market for the proposals align with where the advice / support gap is largest – consumers with investable assets below £250,000. Surprisingly, many respondents felt Targeted Support had a role in those parts of the market that are the target market for holistic advice. 41% felt that those with investable assets up to £500,000 should be seen as part of the target market, while just over 25% felt that Targeted Support could add value to those with more than £500,000.

These insights recognise that financial needs can vary significantly within different wealth brackets, and that the mass affluent and high-net-worth cohorts are not, by default, adopters of financial advice and immune from displaying absenteeism from engaging in their finances. This reflects an emerging generation of information seekers who are increasingly confident to self-direct in low-complex scenarios but see value in advice as life events create greater complexity. We believe we will increasingly see demand from consumers to move seamlessly between advice tiers. Targeted Support could be a tool to improve engagement and incubate consumers toward full advice.

Over 80% of respondents felt the core target market for Simplified Advice sat at £100,000-£250,000 of investable assets, deviating significantly from the regulator’s proposal that it should be focused on those with less than £85,000. Enthusiasm for the current Simplified Advice proposals remained muted, with respondents citing a combination of disproportionate cost to serve smaller pots relative to revenue, the complexity of scaling down services without compromising quality, and the availability

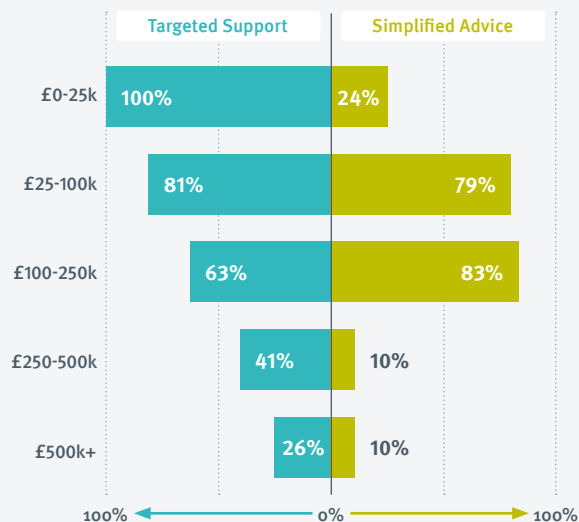
of more cost-effective solutions for individuals with simple financial needs.

Targeted Support, despite being in scope of decumulation, received higher levels of support for its use in the accumulation phase. By leveraging ‘people like you’ perspectives, it could contextualise financial decisions through social proof, which younger consumers may find relatable and actionable, and could embed better longer-term behaviours, emphasizing the compounding effect over time.

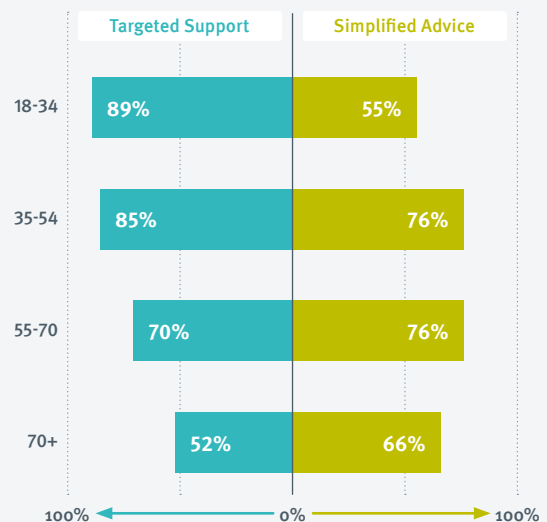
The notable consensus around the 55-70 age group for Targeted Support indicates an acknowledgment of its potential value at retirement. However, an expressed concern was about its capability to address the complexity of retirement decisions. A significant minority of respondents doubt whether ‘people-like-you’ recommendations can adequately support clients at and in retirement, whose circumstances need to be more fully understood to support the intricate choices connected to decumulation.

For Simplified Advice, respondents held a strong belief that those over retirement age should be included within the target market, which contrasts to the FCA’s proposals. There was a strongly held view that there is palpable demand for more cost-effective and efficient advice in that market. Individuals, particularly homeowners who are asset-rich but cash-poor and may not have the wealth to pay for full advice, will value the reassurance of a personal recommendation and may derive significant benefit. This feedback suggests a shift is needed in regulatory thinking as to how to support a more inclusive approach in the development of advice solutions that cater to the needs of the growing number of mass market at-retirement clients.

Core target markets by investible wealth
(% respondents selecting each wealth bracket)



Core target markets by age range
(% respondents selecting each age range)



The green shoots of recovery

Banks & Personal Savings Providers

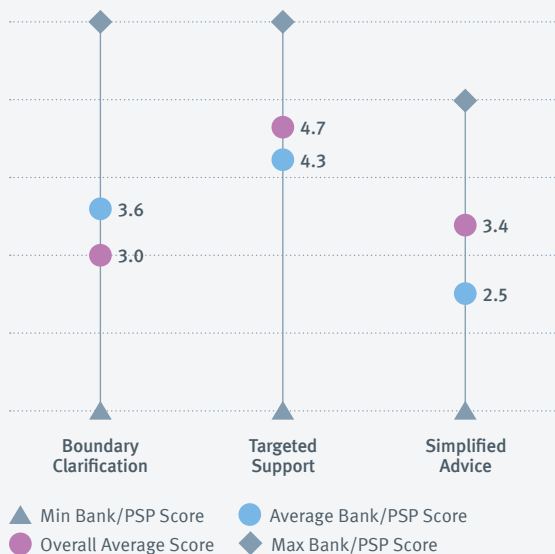
Banks and Building Societies serve over 98% of the population and manage a significant proportion of household wealth. They benefit from strong brand awareness, a large captive audience of existing clients, and a wealth of data about financial circumstances and behaviours. Uniquely positioned to benefit from the Advice Guidance Boundary Review they could close the ‘gap’ with the potential for Targeted Support and Simplified Advice to be integrated into their services, offering significant opportunity to engage a larger segment of the market at a lower cost.

Our research reinforces that Banks and Personal Savings Providers are interested in the Targeted Support proposals, seeing a way to utilise existing consumer data to enhance engagement and guide financial decisions. However, enthusiasm is moderated by concerns about implementation, particularly the risk of reverting to pre-RDR sales-oriented behaviours. It was strongly suggested by some of these providers that a more effective

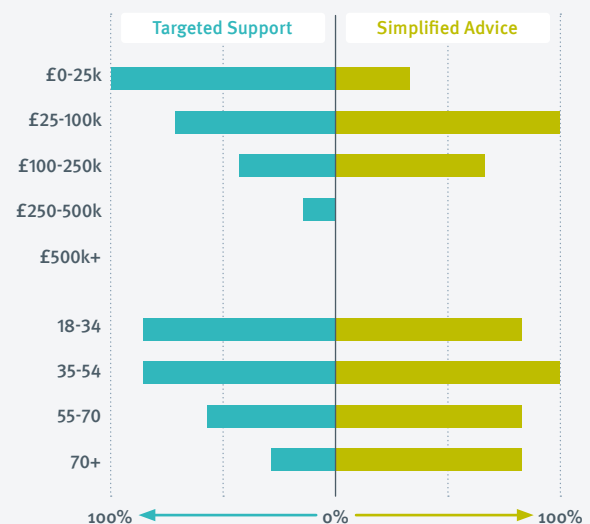
approach would be to focus on clarifying and expanding the existing guidance framework to proactively support customers, without venturing into the riskier territory of making ‘people like you’ recommendations; especially for older consumers in decumulation with concerns revolving around generalised nudges that do not adequately address complex financial needs. Furthermore, concerns about the practicality and economic viability of providing Simplified Advice came through as a common thread.

Banks and Personal Savings Providers see the FCA’s review as a substantial opportunity, both commercially and to reshape their role in financial advice. They acknowledge the potential for Targeted Support to significantly impact financial inclusion and consumer engagement, but recognise the need for careful implementation and further regulatory clarity to avoid mis-selling. With the right safeguards and a clear regulatory framework, banks could effectively harness their extensive data to deliver valuable financial guidance and support to the broadest spectrum of consumers.

Banks/Personal Savings Providers - level of interest in current proposals (1=low, 6=high)



Banks/Personal Savings Providers - target markets by wealth & age (% respondents selecting each wealth/age range)



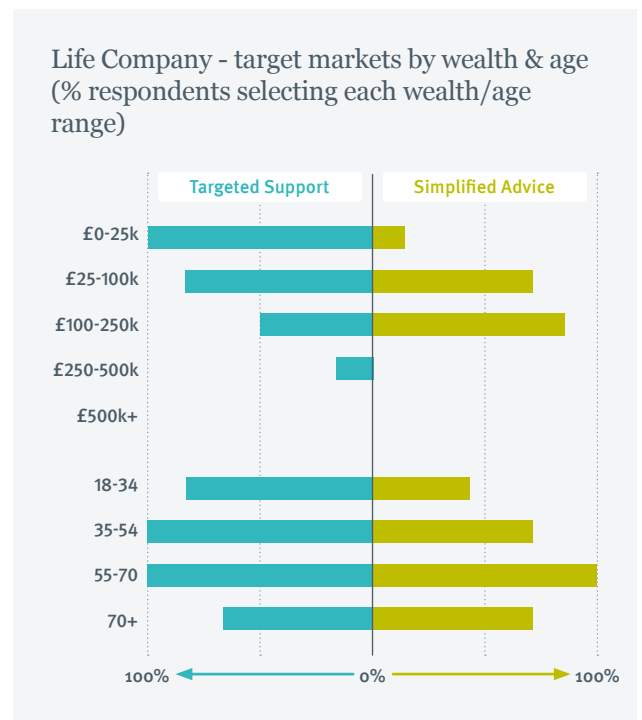
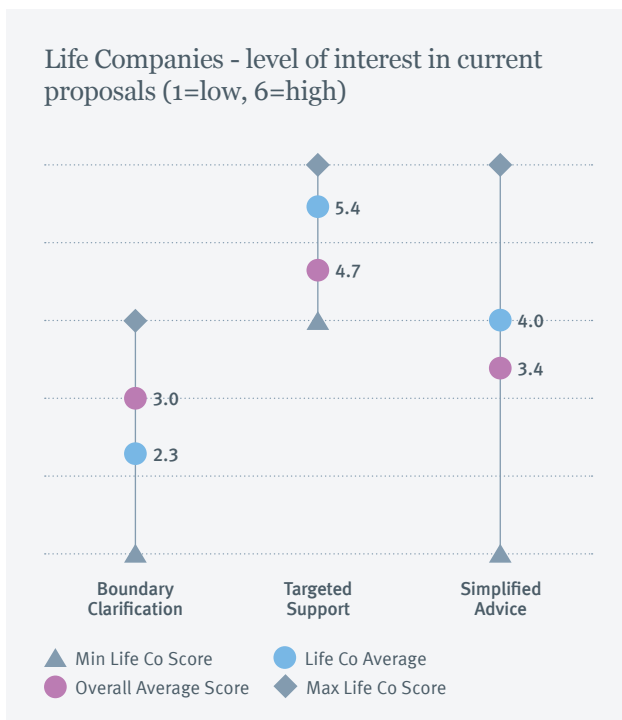
Life Companies

Life Companies exhibit strong enthusiasm for the Targeted Support proposal, viewing it as a critical tool to boost customer engagement, especially within workplace settings. This enthusiasm stems from a strong desire to integrate proactive, data-driven financial guidance directly into their operations. In doing so, Life Companies see an opportunity to enhance financial literacy and promote a long-term savings mindset among employees. They acknowledge the power of Targeted Support as a strategic tool that could improve client retention by building consumer trust more effectively through regular, targeted interactions in the savings phase of customer journeys.

Recognising Simplified Advice’s potential to democratise access to financial advice for those with straightforward needs or smaller wealth, they express concern about regulatory constraints that could hamper its effectiveness and reach.

Asset caps and stringent adviser qualifications are seen as limitations that prevent Simplified Advice from fully serving the mass market, especially older consumers approaching retirement who they see as a key demographic for this service. They propose this group requires a more inclusive approach that balances the complexity of their financial planning needs with their expectations on the costs and value of financial advice.

Life Companies emphasized the need for regulatory flexibility to effectively deliver financial advice across all customer life stages. Their feedback underscores the value of Targeted Support in enhancing workplace offerings and deepening client relationships, aligning closely with their strategic objectives to foster long-term financial wellness and improve financial outcomes during both accumulation and retirement.



The green shoots of recovery

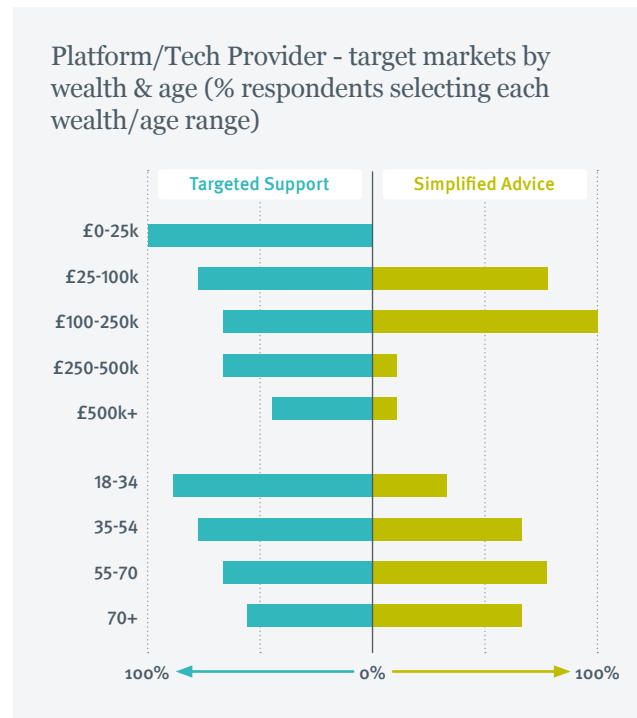
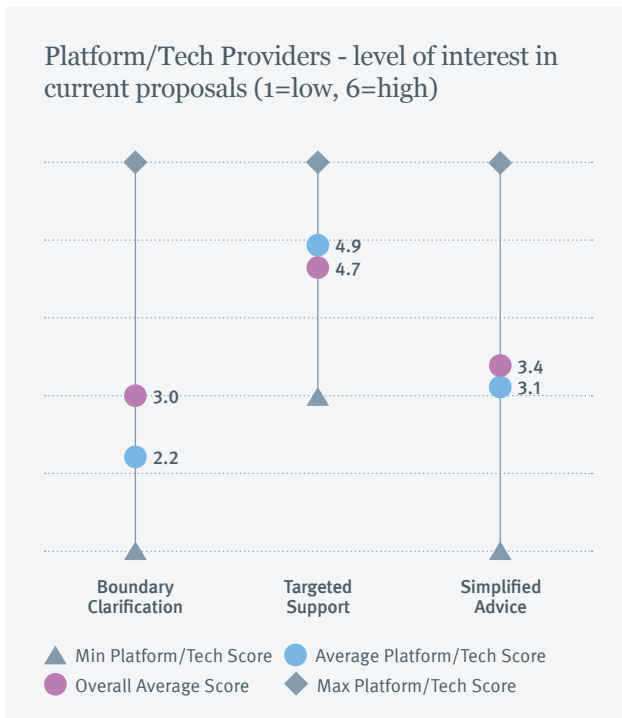
Investment platforms and tech providers

While the proposals might seem of more interest to platforms with an unadvised book of business, given the tension that arises around client ownership, even for intermediated providers, Targeted Support could play a role in orphan client propositions and aid their obligations under Consumer Duty. Platforms may also take the opportunity to offer Targeted Support-type services to the adviser rather than consumers directly, communicating with the adviser where a client looks at odds with their target market, or with ‘clients like them’ behaviour.

In our research, Platform and Tech Provider responses display a keen interest in leveraging technology to integrate Targeted Support into their services, enhancing the value proposition. The group is particularly enthusiastic about the potential for data analytics and digital engagement to proactively provide tailored financial guidance, seeing this as a strategic opportunity to engage younger demographics and those with smaller investable assets.

They emphasise that the application of Targeted Support should be needs-based and has use cases beyond the mass market ‘threshold’. They rightly argue that many affluent individuals avoid seeking advice for the same reasons as less-wealthy ones, suggesting that the nudges from Targeted Support could improve decision-making across all wealth levels and act as a gateway to people seeking out comprehensive advice.

Investment Platforms and Tech Providers also share concerns regarding the regulatory environment, particularly the need for clarity that fosters innovation without compromising compliance. Regulatory ambiguity could stifle new product development and service enhancements that utilise advanced technologies like AI and machine learning.



Financial Advisers & Wealth Managers

Given our assertion that professional financial advice has found its target market, we anticipate these proposals having a limited impact on the ‘traditional’ advice market. Consumers with £250,000+ in investible wealth and complex financial lives will continue to use financial advice. In this regard, Targeted Support will be largely self-limiting, as there is no significant incentive for advice firms, focused on the wealth market, to develop a solution not aligned to their core market segment.

Our research tells a slightly different story, that of cautious interest. A belief that Targeted Support could play a role across the age ranges, if nudges were carefully designed, as well as how it could be deployed to a broader segment of clients, including those with assets under the typical threshold for personalised advice. They recognize the potential for Targeted Support to act as an initial touchpoint for clients who might otherwise be hesitant to seek advice due to cost or complexity. It could demystify the financial planning process for newcomers and potentially guide them towards more comprehensive advice services as their needs evolve. These advisers saw Targeted Support as a great way to engage the unengaged and build trust, as well as eliciting a positive behavioural response from otherwise inert wealthy clients and move them towards more personalised advice.

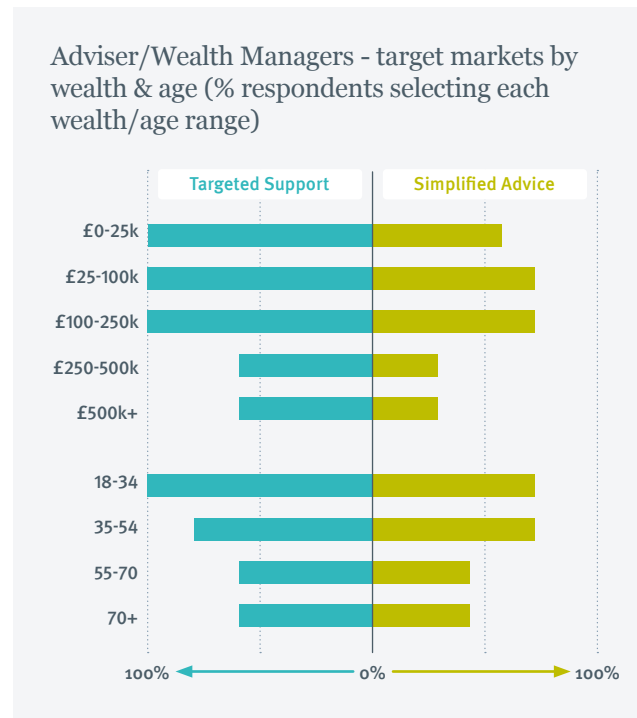
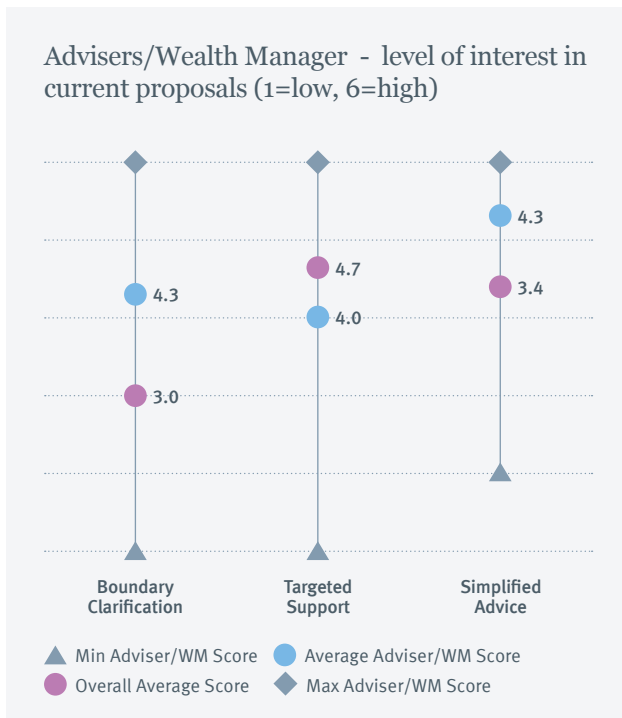
However, firms displayed a healthy amount of scepticism about the depth of support that Targeted

Support could really offer to clients in their core market. These concerns centred on the limitations that ‘people like you’ recommendations would have for consumers whose real need was for full advice. While the concept of nudging consumers in the right direction was supported, there were concerns that, taken too far, Targeted Support nudges could prove deeply unsuitable and misaligned to customer needs, especially for those at or in retirement or facing complex tax situations.

The interesting area of the review for the financial advice market is the Simplified Advice pillar. The FCA has raised the threshold for investable assets under Simplified Advice to £85,000 but firms see any cap as problematic. Firms argued that the scope for Simplified Advice should be driven by complexity of customer need rather than pot size.

Financial Advisers and Wealth Managers showed the strongest interest amongst all the respondents on the efforts to clarify the distinction between advice and guidance. They acknowledge some progress to date but advocate for greater clarity, particularly understanding the distinct value the FCA sees in guidance versus advice. These firms also expressed a desire for clearer guidelines on the extent of personal help IFAs can offer in non-product-related areas, such as goal setting and life stage planning.

They called for clarity on how the regulatory framework will cover newer advice such as social media influencers, and for regulations to cover off all forms of financial advice and guidance.



Transforming the landscape

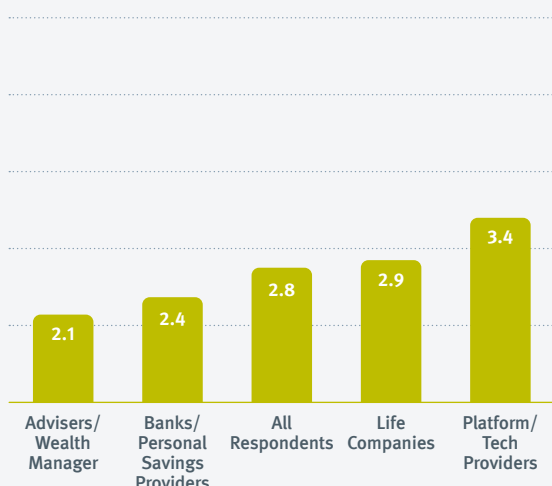
The market view

Responses are best summarised as ‘these proposals are a good start, and it is great to see the regulator in a mood to innovate, but they are likely to need to go further to achieve the maximum impact’, although many rightly posited that the advice gap is unlikely to ever be closed completely. There was a strong view, with which we agree, that no matter how hard the industry and regulators try, there will be consumers that prove un-engageable.

Comments show an appreciation for the progressive approach and indicate a sector-wide acknowledgment of the need for change. Even if Targeted Support isn’t the endgame, it stimulates essential discussions and could significantly alter customer interactions, nudging the industry towards more diverse business models and customer engagement strategies.

Despite the optimism, respondents offer proposals for how the FCA could go further and how they would need to be implemented to have a strong chance of making a significant impact.

How confident are you that the current proposals will fully address the advice/support gap the FCA has identified? (1=low, 6=high)



1. Consumer Trust and Education: A strong call for the FCA to collaborate with other regulatory and government bodies to enhance trust and confidence in financial services. Enhancing consumer education will help demystify financial services and encourage a more informed and proactive approach to personal financial wellbeing. Respondents express concern that without increased trust and a better-educated consumer, the proposals may not influence behaviour to adequately bridge the advice gap.

2. Addressing Decumulation: A notable gap is the lack of focus on retirement and decumulation within Simplified Advice, particularly as the auto-enrolment system matures. The exclusion of the need of those nearing retirement is viewed critically. Respondents also questioned whether Targeted Support could sufficiently address retirement decisions.

3. Frictionless Delivery: Targeted Support needs to be frictionless and integrated into core services rather than being an opt-in feature. Integration will ensure it meets consumers at their point of need and embeds harm-avoiding processes seamlessly into the customer journey.

4. Holistic Approach and Flexibility: Firms emphasised that the FCA should not view the proposals in isolation but as part of a broader ecosystem that includes regulatory frameworks like Consumer Duty, financial promotion rules, and oversight from entities like the Financial Ombudsman Service (FOS). Without this holistic approach, firms may be hesitant to adopt the proposal due to fear of increased liability and the uncertainty of how related complaints and outcomes will be managed. A one-size-fits-all approach could limit the effectiveness of the initiatives, whereas allowing firms to tailor the implementation could enhance outcomes and better meet client needs.

5. Scalability and Commercial Viability: Respondents expressed concerns about the challenges of delivering Simplified Advice cost-effectively, as fixed costs related to compliance, technology, and personnel remain high despite the attempts to reduce the complexity of the service. Feedback from those already engaged in providing advice at pot sizes below £25,000 suggests that there is demand. Firms stated a need to determine whether there is demand across a broad customer base to amortize costs and generate sufficient profit margins.

“What is needed is better consumer understanding of where is best to put your money for the short, medium and long term – we need to move away from the risks of investment and focus more on the benefits”

Adviser/Wealth Manager respondent

“Targeted support will do a lot to push people to the top of the decision-making funnel BUT for many it will not be enough to get them over the decision-making line – this will require ‘economically viable’ advice”

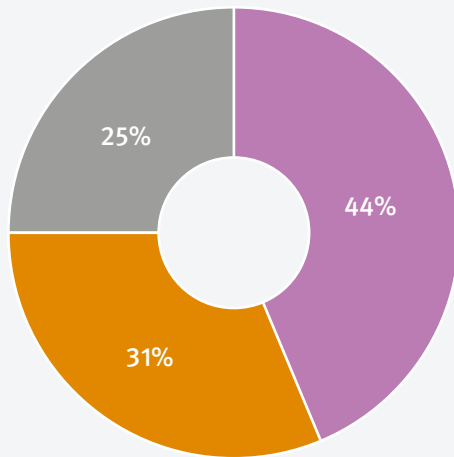
Bank/Personal Saving Provider respondent

Looking beyond the investment space we explored whether respondents felt Targeted Support services should be extended to cover debt. While many of the respondents highlighted that their firms were not in the debt servicing space, a high number felt that Targeted Support should be extended to cover at least those with high amounts of short-term debt.

For example, through an affordability check, if a consumer had high amounts of short-term debt, the response may be to flex support to that issue, rather than proceed with any investment journey. Given the duty to avoid foreseeable harm, some respondents questioned whether they would be in breach of Consumer Duty if, having uncovered this potential harm, providers simply abandoned highly indebted consumers to their fate or merely signposted

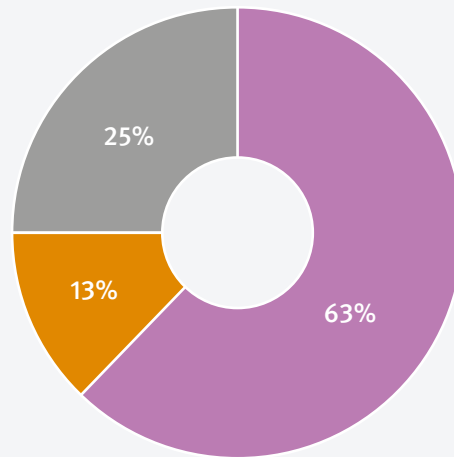
debt advice services. With personal loan rates now sitting above 6% APR, addressing this debt might be a better outcome than new or further investment; however, with debt advice having a separate set of permissions and sourcebook rules, it is something the regulations would need to adapt to. Despite this challenge some of the financial advice firms we spoke to commented that something needs to be done, as the current reality is that all too often advisers find themselves working as unofficial debt counsellors to their clients. This is one circumstance where the limitations of Targeted Support could be exposed if recommendations are based on a narrow view of the consumer’s overall context.

Should Targeted Support be extended to consumers seeking support on long-term debt/mortgages?



Yes No No Answer

Should Targeted Support be extended to consumers seeking support on short-term debt/credit cards?



Yes No No Answer

63% feel targeted support will need to effectively support individuals facing short-term debt issues

Transforming the landscape

The Altus Consulting view

The aim of the Advice Guidance Boundary Review is to:

- Deliver systemic change to the market and provide flexible forms of support that can adapt to the different types of financial decisions made by consumers.
- Design a regulatory system where commercially viable, high-quality models of support can emerge so consumers can access support through regulated channels.
- Close the ‘advice gap’.

We put forward that the advice gap has been mischaracterised. It is a combination of consumer inertia, market failure, and the unintended consequence of regulation and legislation. By lifting the veil on the ‘illusion of free’ that commission created, consumers doubled down on their preconception that financial advice was too expensive and not value for money. This is not to say that the ban on commission was wrong, it was an important step in restoring confidence and transparency in financial services, but the Advice Guidance Boundary Review is seeking to remedy the issues it created.

One of the biggest hang-ups is that services need to be hyper-personalised to be effective. This belief is why financial advice is typically holistic and the regulatory structures mandate such an approach. Robust recommendations, it is argued, can only be made off the back of a full picture of the consumers financial and wider circumstances. However, by their nature, products for the mass market must deal in some form of generalisation of consumers into groups. It is an approach that is already applied to the support offered to consumers in other areas of financial services such as the mortgage market.

Financial advice is a service, which like all services is intangible. You cannot try before you buy, it offers no guarantees, no defined outcome, or charges correlated to the outcome.

It is our view that the current proposals for Simplified Advice will not materially alter the operating costs and requirements to that of full advice. The areas where costs can be reduced are currently too insignificant to make a standalone Simplified Advice service viable. We see a place for Simplified Advice, but only as part of a longer-term client relationship that moves in and out of different advice tiers.

We will see increasing demand for transactional, point-in-time advice, even from many in the target market of holistic financial advice. Firms will need propositions that permit clients to move seamlessly between advice styles, to give greater flexibility throughout their life. Simplified Advice could be one tier of advice that becomes too compelling for financial advice firms to not have as part of their overall proposition.

If the FCA is prepared to reshape its proposals, Simplified Advice is an opportunity to expand a client base to include underserved groups, such as women, children and heirs of existing clients, and the employees of small business owners. This could significantly broaden market reach, especially among those with assets between £25,000 and £250,000 – a segment that the advice sector has focused less and less on since the introduction of RDR. However, we are aligned with our research respondents in noting that asset caps and rigid adviser qualifications are likely to hamper the commercial viability of Simplified Advice.

Of the three proposals, Targeted Support is likely to have the strongest role for enhancing mass market demand for decision-making support. In our view, Targeted Support is the start of a process of bringing the United Kingdom back in line with the levels of support customers enjoy in other global markets.

69% of firms are convinced partially qualified advisers are essential for cost-effective simplified advice delivery

Barriers that Targeted Support will overcome

Not profitable / scalable

Cross-subsidy will be a powerful force in overcoming profitability barriers, as will a return to being able to promote solutions to clients. We believe the regulator will need to be pragmatic in their guidance, as we are sceptical that any mass market financial services product can be effectively delivered with hyper-personalisation.

Too risky

Targeted Support brings a new risk profile for firms, and compliance functions will need reassuring that robust oversight and controls are in place. The regulatory litmus test from the FCA, FSCS, and FOS needs to be set lower than 'optimal' and look at whether a Targeted Support intervention provided benefit over its absence.

Lack of awareness / contemplation

The supply side, push nature of Targeted Support could help lower this barrier. Providers will need to invest in data science and personalisation as we expect customer apathy to be a strong barrier to break down.

Cross-subsidy will be an effective tool in overcoming cost and value barriers in the minds of consumers, by permitting financial services to be sold with the support they need to make best use of those products included in its overall cost.

Too expensive and not value for money

Many underlying biases and personality traits underpin this view. Social proof, underlying the 'people like you' approach is a proven and powerful persuasion technique, which could work for some in this cohort.

Can look after my own finances

A study by the FSCS found that over a fifth (23%) will not be swayed to get financial advice no matter the circumstances. Targeted Support is unlikely to win over resisters unless framed very differently to advice. However, consumers do not care how services are defined if they leave the process feeling their concerns and problem statements have been resolved.

Never contemplated advice

The ability to proactively engage consumers under Targeted Support will help where a captive audience is available, but the market needs to do more to remedy the demand-side for it to truly bridge the gap. Generating consumer awareness and heightening financial capability will be a costly and complex challenge, but it is key.

Unsure where to start

By not setting any wealth thresholds on their proposal for Targeted Support, the FCA have put most of the adult population in scope. A focus is needed on shifting mindsets toward understanding the fundamentally different outcomes on offer by engaging with financial decision making, early on, and throughout.

Finances are simple / Not wealthy enough



Transforming the landscape

Targeted Support has the potential to overcome or lower some of the barriers consumers exhibit in accessing support for financial decisions. It would be remiss, however, to ignore that a gap often exists between intention and reality.

The Discussion Paper does not appear to confirm the extent to which Targeted Support will be optional for firms. We covered how Targeted Support, while seeking to serve the mass market and improve consumer outcomes, provides commercial opportunity for firms. We expect many to pursue building Targeted Support into their proposition, but the extent to which firms will be able to opt out is unclear. Even if the FCA is not explicit in this regard, if you have consumers suffering suboptimal outcomes and firms don't offer Targeted Support, we suspect they may fall foul of Consumer Duty obligations.

The focus of Targeted Support is providing options to consumers by leveraging data to identify activities based on 'people like you'. Targeted Support draws parallels with what we see in retail today. The prime example being Amazon's 'top picks' and 'recommended for you' based on your purchase and browsing history. There is compelling evidence that this is a powerful persuasion technique⁵ with 35% of purchases on Amazon coming from product recommendations delivered by these algorithms.

The risk is that these powerful techniques, delivered to consumers, particularly remotely through digital channels, could result in impulse behaviour and people taking inappropriate action. However, experience from technology-enabled advice has brought an acknowledgment that consumers were generally not ready to trust fully automated services and continue to value human involvement in financial decision making.

The natural conclusion is that the challenge in adopting digital solutions is not technical but attitudinal in nature. We believe consumer comfort with digital, automated services will grow, as digitally native consumers become the norm and technology continues to mature and become capable of delivering ever more varied and sophisticated advice. Therefore, we believe demand-side initiatives to improve trust and awareness will yield greater adoption of digital solutions and result in more people receiving the help they need.

Targeted Support could be a great start in moving from the current product-based regulatory structure to a genuine consumer-centric position. However, this shift will be far more than the FCA can achieve in one move. We therefore believe that any implementation of Targeted Support must consider what the next incremental steps are likely to be to bring about this shift.



⁵Source: McKinsey

Cultivating the land

Behavioural insights will be key

People tend to be emotionally disconnected from their future, which explains why people often fail to save and invest for the long term. We perceive our future self as being detached from ourselves, like an entirely different person. Equally, we operate in a more complex world where our cognitive capacity is often challenged by an increasing number of information sources, leaving us reliant on our automatic system for shortcuts and making us prone to biases and suboptimal decision making.

The way our brains operate, wired for instinctive and quick responses, was advantageous to our ancestors, using information collected by our senses to detect threats and act instantly. Fast forward and these primal responses have not changed and continue to guide our behaviour, but they are at odds with modern life and optimal financial decision making. Instant and unlimited access to information, and expectations set by other sectors, has played into modern consumers' need for instant gratification. The retail sector knows that consumers are at the mercy of this behaviour and have implemented technology and processes to make shopping easier and faster. Combined with a tendency to forego future benefit to obtain a less rewarding, but more immediate benefit, it is not difficult to see why long-term saving and investing behaviour is often discarded. It is also right to recognise that 23% of the UK adult population display low financial resilience, and for at least a quarter of the population, maybe more, saving and investing is simply unaffordable.

If Targeted Support or Simplified Advice are to succeed, they need to acknowledge that these behavioural tendencies add friction to consumers engaging with their financial wellbeing. Holistic financial planning is a lengthy and detailed undertaking, requiring consumers to engage their analytical, rational system, which is logical and cautious, but slow and takes effort. The challenge is that even though we would ideally make financial decisions with the rational system, we are more often guided by our irrational system that is unconscious, fast, and automatic. In the battle between the two, the latter is often the winner.

The financial technology market recognised this and embedded behavioural psychology into their propositions but have often found themselves stifled by the regulatory framework and barriers to scaling. Their approach, however, is worthy of acknowledgment when you look at the rise of investment apps (e.g., Trading212, Robinhood) that have improved participation and accessibility with no-fee models and easy smartphone access, making them particularly attractive to younger audiences. Combined with social media and stories of potentially high returns from day trading strategies, cryptocurrencies etc., and targeted at a generation facing challenges of student debt and generating a house deposit, then it is another pull toward immediate gratification for the automatic system.

“I started looking at investment websites like Vanguard, but I felt completely out of my depth, almost like I didn't belong there. Apps like Trading 212 are really easy to use – the accessibility really catered to me and they even have demo accounts to try it out first.”⁶

If we want Targeted Support to deliver for the mass market, the challenge for the regulator and the industry is to make the process consumer-friendly, engaging, and delivered from the consumers' perspective. The customer experience needs to be central. While it would be ideal to build in positive friction to engage consumers' rational system, we need to take lessons from the trading apps and make Targeted Support short, simple, engaging and as frictionless as possible to match our attention span and keep cost of delivery scalable. It should be offered without the need for excess detail and built on intelligible language consumers can understand.

⁶Source: Britain Thinks, Understanding self-directed investors. Available from: <https://www.fca.org.uk/publication/research/understanding-self-directed-investors.pdf>

Cultivating the land

It is an uncomfortable truth that the internet has democratised access to information and the opinions of “experts”. 79% of Millennials and Gen-Z have got financial advice from social media. 40% of the 18-24 cohort think TikTok influencers give better advice than their financial provider (26%)⁷. This kind of engaging content is attracting new audiences through its bite-sized catchy nature that doesn’t require excessive cognitive load. There has been a significant increase in the number of younger people investing, up from 20% of 18–34-year-olds in 2020 – to 30% in 2022.

Traditional financial services need to catch up. The regulatory framework needs to allow firms to deliver in a manner aligned to consumers behaviour. Targeted Support needs to be built on the principle of the ‘greatest good’, even if it is not perfect, or at a minimum the ‘least bad’. The benchmark needs to be whether it can remedy more consumer harms than it creates, where interventions are judged based on whether the recommendation can be deemed to be better than inaction, as the regulator looks to balance the trade-off between how it would ideally work (financial advice), and what really works (trading apps).

It is unfair to contrast financial and retail decisions, but retail’s use of data, near-field communication, and location services to issue personalised offers to drive buying behaviour presents a vision of both the possibilities and a broad approach of where financial services may need to get to in order to change behaviour.

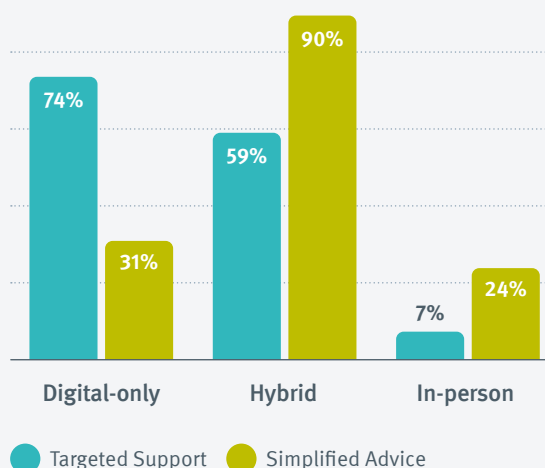
Digital-only, Hybrid or In-Person delivery of services?

Firms are strongly in favour of a delivery model that flexes between digital-first and the inclusion of human interaction. There is recognition of the value in starting the consumer journey with digital engagement for efficiency, but the majority feel human support should be accessible. The hybrid approach and human support is seen as crucial in building trust, lowering dropout rates and ensuring consumers complete the Targeted Support and Simplified Advice journeys.

Predictably, digital models are perceived to have a crucial role in engaging younger audiences and investors in the lower wealth deciles, which many see as the core market for Targeted Support.

Our research indicated that ‘people like you’ recommendations should be complemented by access to human support, given the potential clarity consumers may need in response, particularly in the context of low financial capability, or vulnerability.

What delivery model should be used for Targeted Support or Simplified Advice services? (% respondents, multiple choices allowed)



⁷Source: pay.uk

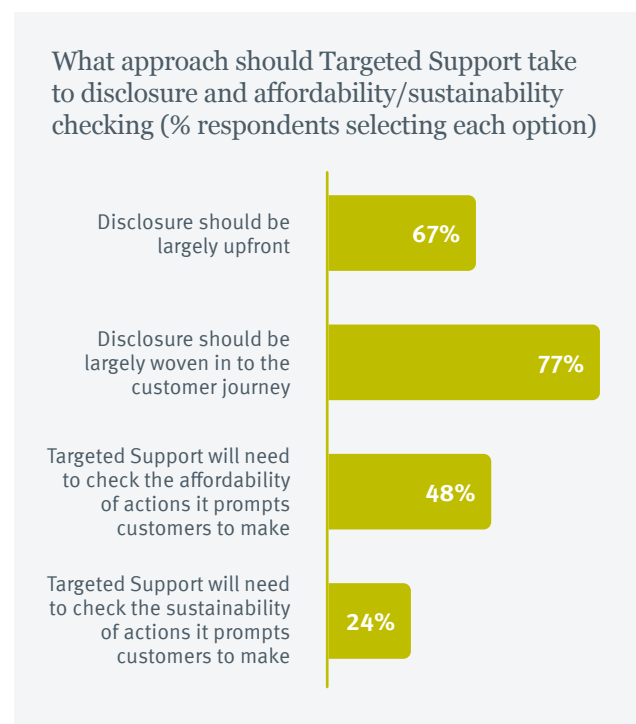
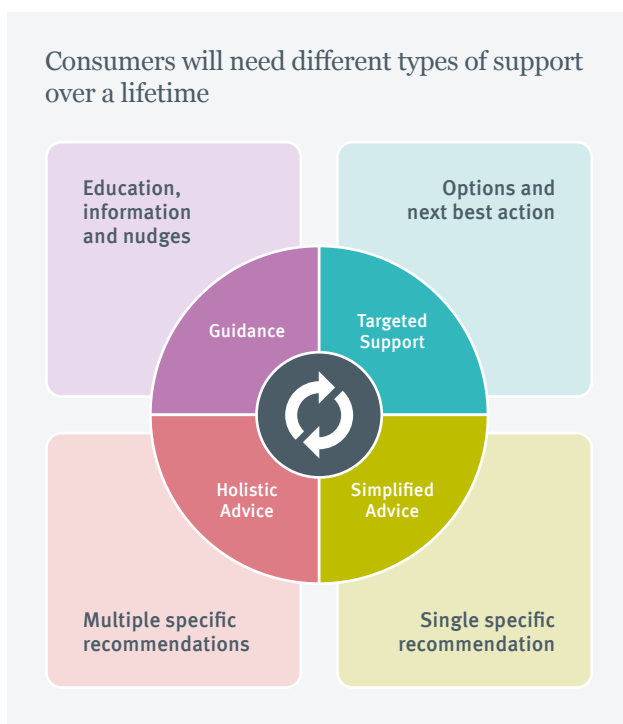
Key features of Targeted Support

For Targeted Support to work effectively, there is a critical role for disclosure – which must be upfront and woven throughout the customer journey. Interventions must make consumers aware of the merits and limitations, given it is based on the limited data the provider holds and it does not constitute ‘advice’ or consider their unique financial circumstances.

Our research highlighted the contradiction of a need for a frictionless experience to deliver value

without overwhelming consumers with information or disclosure complexity at the outset. The prospect of disclosures, however seamless, could deter engagement and create barriers.

For this reason, affordability or sustainability checking were also rejected by the majority, but there was an acknowledgment these might be necessary in specific circumstances and that their inclusion would help to align with Consumer Duty obligations.



Over 75% of respondents favour a more frictionless ‘disclosure in the journey’ approach to targeted support

Cultivating the land

Key features of Simplified Advice

Many of the key features firms see as essential to delivering effective Simplified Advice differ from what the FCA is currently proposing. While most acknowledge anything but the most basic form of transactional advice currently requires fully qualified advisers to be cost effective, Simplified Advice will need to be deliverable by partially qualified advisers.

Despite this commercial reality, firms note their caution in adopting such an approach and stressed the need for a clear, robust governance framework and oversight to ensure quality and compliance. There is also a strongly held view that partially qualified advisers could contribute to a more efficient, cost-effective advice process if supported by robust technology.

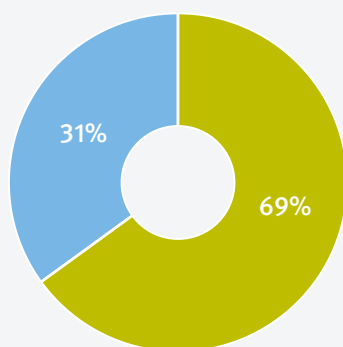
A dilution of the advice service would also require clear mechanisms for escalating clients to fully qualified advisers. Despite the challenges, many felt that the use of partially qualified advisers was the

only way, under the existing regulatory framework, that Simplified Advice could reach the mass market.

In another key departure from the current proposals, firms believe Simplified Advice should be seen as part of a longer-term, sustainable relationship rather than a one-time transaction. It should integrate into a broader spectrum of more personalised guidance and advice services that not only address immediate financial decisions but also foster long-term financial health and literacy. This approach would create a supportive environment, including the prospect of creating financial 'communities' of 'people like you', where clients benefit from a continuum of guidance, helping them to make informed decisions and develop a deeper understanding of financial concepts. The idea is to move beyond the concept of transactional advice and engage clients in a way that empowers them to manage their finances proactively with the help of coaching and educational resources.

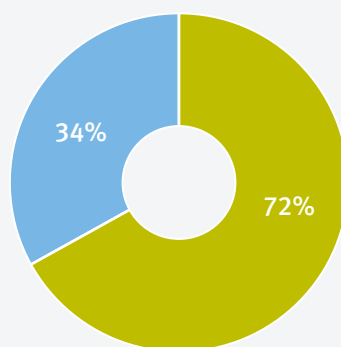
What features will Simplified Advice need in order to be delivered effectively?
(% respondents selecting each option)

Should Simplified Advice be deliverable by fully qualified or partially qualified advisers?



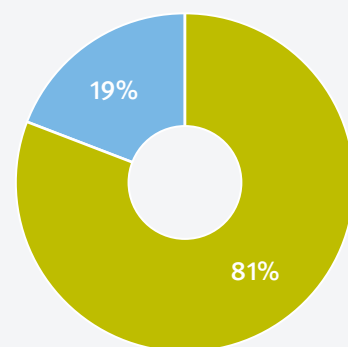
● Partially qualified advisers
● Fully qualified advisers

Should Simplified Advice be just one off advice or include repeated advice?



● Both one off and repeated advice
● One-off/transactional advice only

Should Simplified Advice solutions be part of broader holistic financial coaching/finance guidance services?

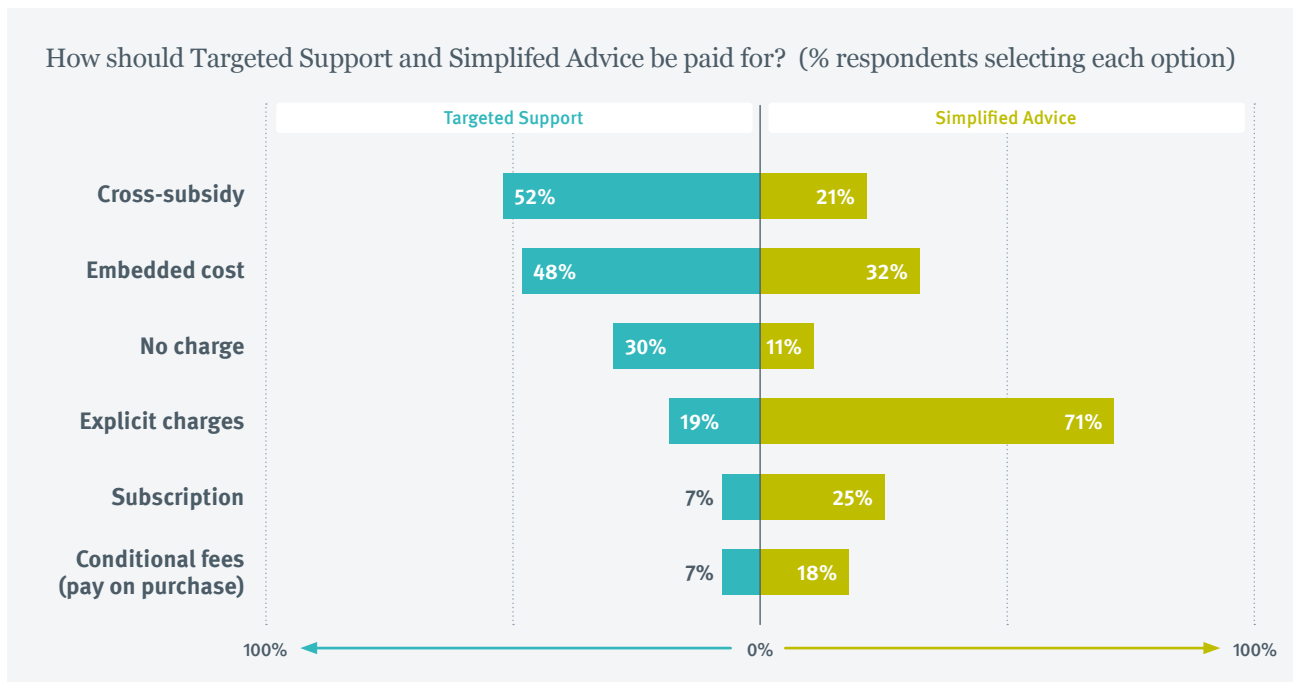


● Yes
● No

How should the services be paid for?

The proposal to use cross-subsidy and other embedded-cost approaches was largely supported by firms as the means to pay for Targeted Support, to allow the service to be offered for free at the point of need. Explicit charging was rejected on the basis that these fee models contributed to the barriers to advice due to the psychological deterrent of price and immediate evidence of its value. This could decrease effectiveness and undermine efforts to bridge the advice gap. Explicit fees contrast with the costs embedded in products and services they are accustomed to in other areas of product recommendation, such as mortgage and protection.

What is perhaps contentious is the number of respondent firms who supported alternative charging structures for Simplified Advice to the explicit charging model currently used in the advice market. 20-30% of respondents selected embedded costs, cross-subsidy, or subscription as alternatives to fund Simplified Advice, representing a significant minority who felt that it was time to re-examine how mass-market support service should be paid for. Firms point out that younger cohorts were much more likely to find the idea of a subscription model appealing as a common payment method for many modern services. If the FCA is serious about bringing financial decision-making support to the mass market, then it is going to have to accommodate a broader range of charging models.



25% favour alternative payment models such as subscription or embedded cost models for simplified advice

Cultivating the land

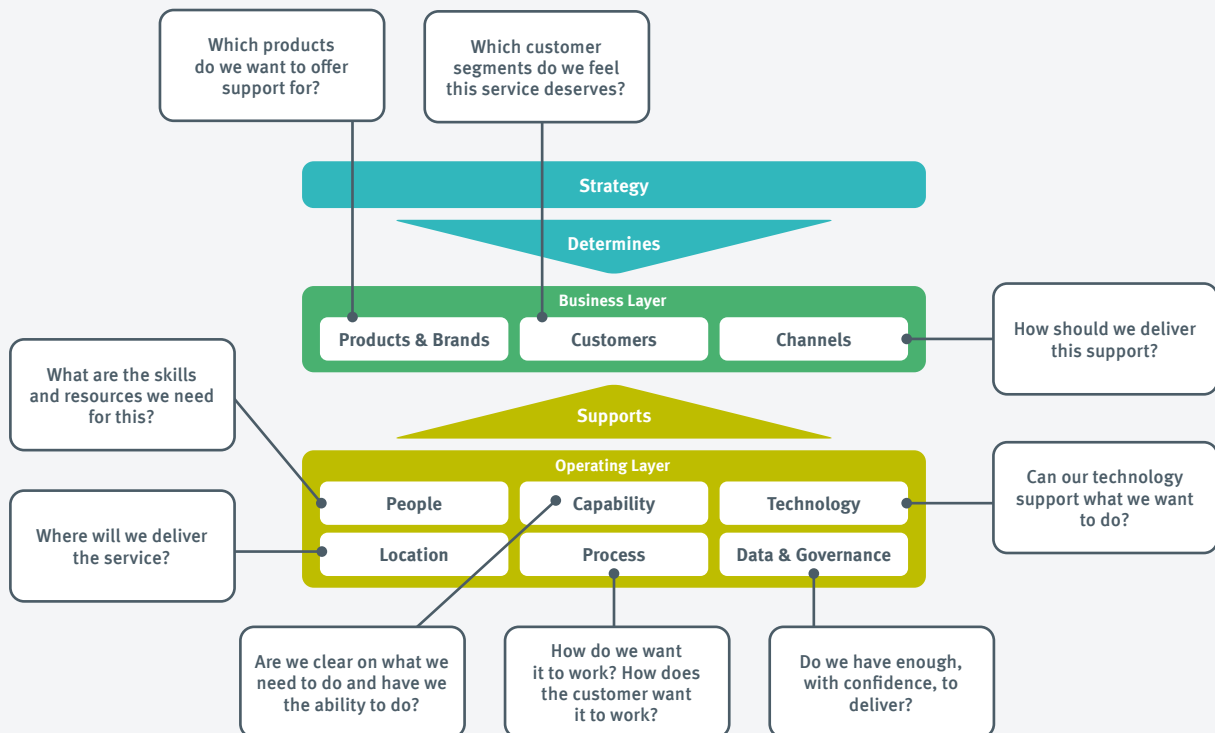
Finding your Capability Brown

A positive of Targeted Support, as defined in the Discussion Paper, is that it does not feel like it would be overly difficult for firms to operationalise. Indeed, many of the larger firms we spoke to felt that costs could be kept to a minimum because targeted support could be effectively delivered using existing guidance and communication technologies. It will, however, create a whole new set of customer experiences which will draw on capabilities across the operation and need to fit within business model and strategy. We see that many of the foundational components needed can already be found in the market, and businesses have access to the tools they need to make this real. Whichever route a firm chooses (Targeted Support, Simplified Advice, or both) building out a clear view of what, where, and how the business will change is important for confident and coherent execution.

Data is the soil in which we will grow

The delivery of ‘people like you’ recommendations will require firms to get their data organised in a structured manner that permits insights to be drawn. Critically, the insight capabilities need to be scalable, automated, and able to achieve statistical robustness on identifying ‘people like you’ behaviours that the organisation can stand behind. These need to be based not only on the whole book, but also on specific customer segments, and may need external data sources to bolster algorithmic inputs. The strength and capability of Customer Relationship Management (CRM) solutions will have a material impact on firms’ ability to identify those data points and identify coherent consumer-driven ‘next best action’. Access to those data points, however, might restrict the provision of Targeted Support to a firm’s own customers.

Impact assess across the operating model



Tooling up for the dig

Altus Consulting invests heavily in industry research and maintaining an up-to-date view of the key technology and service suppliers to our industry and has relationships with most; in particular, we work closely with FinTech & RegTech firms. The technology capable of automating and delivering increasingly sophisticated financial advice and forms of financial decision-making support has matured in the last decade. Having helped clients assess and select technology and service partners for over 15 years, we know it is never just a technology selection. Firms will need to develop or continue to mature these capabilities to continue to meet customer expectations and maintain market-comparable business efficiency. Advances in direct advice technology have been augmented by wider technological innovations that support engagement such as artificial intelligence, data science, customer relationship management systems, secure messaging etc. The technology is now in place, giving the sector a track to run on in terms of delivering financial decision support.

Pulling the Weeds

Prior to final guidance it is difficult to pre-empt the scale of the impact on risk and compliance. It will represent a shift in risk profile for firms, particularly under a principles based approach. The provision of Targeted Support carries inherent risks which we have explored, ensuring the firm has a comfortable balance of risk, controls and oversight will be a challenge. There are questions to be worked through and answered, including how do we:

- develop a compliant process?
- walk the line between Guidance, Targeted Support, Simplified Advice, and Advice?
- align incentives and put monitoring in place to mitigate any conflict of interest that could result in customer harm?
- mitigate the risk of delivering Targeted Support in the absence of understanding the client's full financial circumstances?
- ensure customers, particularly those in vulnerable circumstances, do not act impulsively based on social proof and the perception of advice?
- develop analytical models to deliver robust 'people like you' recommendations that we can operationalise, scale, and stand behind?
- know when, how, and where personally identifiable information features and how to gather, secure, and use such information?



Cultivating the land

Laying the garden path

Customer apathy is a major barrier to engagement, while behavioural tendencies are often subversive to an optimal outcome. Beyond bank branches and surgeries offered by workplace schemes, Targeted Support is most likely to be delivered remotely and digitally. To achieve its purpose, targeted insights will need to be augmented by an experience that engages and delivers good conversion rates, which is a complex challenge. Hybrid advice showed that consumers retain a preference for human contact in financial decisions, and this is likely to manifest itself in Targeted Support which will make it difficult to deliver a fully automated process. Customer support will need to be in place and accessible to guide consumers with sufficient knowledge and empathy to understand and explain the process outcome. A key challenge to resolve will be how recommendations are delivered. In physical locations like bank branches this can follow processes we recognise today from loan, mortgage, or protection sales, but feels more

complex in digital mediums, although advances in natural language processing and large language models mean avatars could deliver the ‘human touch’ on a 24/7 digital basis. Firms without a digital-centric business model and a channel to communicate electronically across their whole customer base will find it difficult to deliver at scale.

Delivering enhanced customer experiences relies on building capability in several core business areas. It is not solely about digital or front-end design, but the enterprise-wide building blocks that enable consistent delivery of customer outcomes across all products, services, and engagement channels. This starts from a customer-focused culture, aligning customer ambitions with strategy, and using customer perspectives for collaborative customer journey design and efficient processes. This must then be supported by flexible technology, enhanced data insights, and the necessary skills across the business to enable effective execution.



Customer-Centric Culture, Strategy & Innovation

Define, innovate, or review customer strategy. What customer outcomes are desired and how do they align with customer segments, channels and product mix.



Maturity Assessment & Benchmarking

Assess the business and technical capabilities needed to deliver required levels of maturity relative to current/previous performance and/or competitors.



Customer Journey Design

Define/redefine customer journeys in line with customer strategy, new technology adoption, new/revise propositions and products, or business change initiatives.



Business & Digital Transformation

Enable transformation through definition of the operating model, road maps, and the delivery approach needed to continuously meet customer outcomes.

A green and pleasant land?

The Advice Guidance Boundary Review is attempting to remedy the advice gap and create a regulatory environment for a viable proposition to serve the mass market with financial decision making. The ‘advice gap’ is therefore better characterised as a regulatory and market failure to deliver a viable product to meet mass market consumer needs.

The shifting of retirement income risk to the individual, coupled with auto-enrolment, has broadened the mass-market need for financial decision support. This transition, combined with consumer inertia and public policy shortcomings in boosting financial literacy, presents a formidable demand-side challenge. The Retail Distribution Review (RDR) on the supply-side has inadvertently narrowed the market for financial advice.

Targeted Support, as we have put forward, is the standout proposal that has a chance of impacting the advice gap. It can draw the distinction for consumers between what ‘support’ is available for free and the value available from holistic advice. The initiative offers the prospect of greater clarity for firms on how they can offer meaningful support for consumers without overstepping regulatory boundaries. Crucially, Targeted Support would put the industry back on a more proactive engagement footing.

If funded through cross-subsidisation, it will overcome the price and value barrier to adopting advice. The delta between advice fees and consumer’s perception of value and willingness to pay is key to getting help

to the mass market. Research from Ignition House in 2020 found that consumers would only be willing to pay up to 1%, if indeed they would be prepared to pay for advice at all.

While we see Simplified Advice becoming key to the overall advice offering, permitting clients to move between different tiers of advice, in its current form it will be difficult to deliver to the mass market. We believe it will be difficult to make it viable commercially, outside of clients that have the wealth to pay for fuller holistic advice at different times during the lifetime of a longer-term client relationship. To deliver Simplified Advice effectively will require the FCA to make significant changes to its current proposals. Even then, making it a commercially viable standalone service for the mass market will require a highly automated approach. We strongly believe that the sophistication of advice technology will continue to develop to meet this need, and could well make it viable in future, but for now, it stands little chance of closing the ‘advice gap’. By their nature, products for the mass market must deal in some form of generalisation and segmentation.



A green and pleasant land?

In their 2021 book, *Radical Uncertainty*, John Kay and the former Governor of the Bank of England, Mervyn King, put forward that “As a species, humans have proved rather good at coping with and adapting to complexity and radical uncertainty. We have learned to stop searching for the ‘best’ and settle instead for the ‘good enough’”. Targeted Support embodies this philosophy.

Targeted Support isn’t perfect, but if the regulatory framework gets it right, it may be good enough. We remind ourselves of the compounding effect that one degree of difference can make, particularly over the long term. If a flight course is divergent by one degree, for every 60 miles that you travel, you’ll miss the target by one mile. If Targeted Support can just be good enough to create more good than harm by nudging consumers one-degree, small beneficial nudges, repeated over and over again, could have a huge impact on the final outcomes consumers achieve.

A further parallel can be drawn with how Dave Brailsford transformed British Cycling through his strategy of “the aggregation of marginal gains.” Can we break down everything that goes into getting the mass market to financial decision-making support and improve it by 1%? If so, we stand a better chance of making a significant difference when they are put together. This feels critical because Clarifying the Boundary, Simplified Advice, and Targeted Support are not silver bullets, and ‘marginal gains’ embodies the need to target both the demand and supply sides

of the equation. The prospect of providers being allowed to return to actively promoting the benefits of deferred gratification, their products, and simple, safe financial vehicles and investment products is significant, but needs to come with wider initiatives. In a macro-economic environment of an ageing population, moves to create better outcomes for most might mean we need to accept sub-optimal outcomes for a minority.

We are supportive of the Advice Guidance Boundary Review, but this feels like just the beginning. Our discussions reveal a strong belief in the need for personal recommendations, particularly for critical decisions at and post-retirement. Targeted Support may need to evolve further into Targeted Support+ as the approach is embedded and technology matures.

So, what next? We need to continue to stimulate the demand side of the equation through public policy initiatives to increase financial literacy and industry efforts to build out support services such as financial coaching. The FCA’s proposals offer a path forward, but building out this ecosystem will require more than just these initial regulatory changes – it demands a sustained, collaborative effort on the part of the government, regulators, and the industry to promote the benefits of long-term investing and not just highlight its risks. Only once consumers are supported to understand the what, the how and, most importantly, the why of long-term savings and investments will we have truly built a green and pleasant land for people’s long-term financial futures.

“Striving for perfection is a key risk – but there are so many polarising views you have to ask how we will ever get to a solution if we take that approach”

Life Company respondent

“This is all about trying to take customers from a stage of confusion to a state of confidence, offering them the right help at the right time”

Life Company Respondent

“If implemented ambitiously Targeted Support is a game changer because it can be delivered proactively, it is free at the point of service and commercially it both allows multiple different use cases and aligns to the industry’s Consumer Duty obligations”

Advice/Wealth Manager respondent

“People in the ‘advice gap’ need support that is holistic, human, and affordable – simplified advice is the big opportunity here but it is currently none of those things”

Bank/Personal Saving Provider respondent

Methodology

The research contained in this paper was undertaken in March-April 2024. Responses were collected from 32 firms from across the industry including life companies, advisers & wealth managers, platforms & technology providers, and banks & personal savings providers. The research was conducted using a questionnaire and in-person interviews with representatives of each firm. Firms were asked about their reaction to the proposals contained with the FCA's Advice Guidance Boundary Review Discussion Paper. Questions included firms' levels of interest in each of the three proposals; whether they thought the proposals would be effective in closing the boundary and what they thought the target markets and key features of targeted support and/or simplified advice products might be. Results analysed and presented in this report include both quantitative feedback/scoring as well as qualitative commentary provided by the respondents.

The full list of respondents can be found below:

Abrdn	JUST	Royal London
Aegon	Legal & General	Santander
AJ Bell	Lloyds Banking Group	Scottish Friendly
Ammonite	Moneybox	Skipton
Association of Financial Mutuals	Multiply.AI	Smith & Wardle Financial Planning
Boost Financial	Nationwide	The Phoenix Group
Canada Life	Nucleus	The Verve Group
Fidelity	Octopus Money	Virgin Money
Focus 360	Parmenion	Wealth Wizards
Foresters Financial	Quilter	Women's Wealth
Hargreaves Lansdown	RBC Brewin Dolphin	

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AUTOMATING ADVICE



The Buy, Build or Integrate Debate
‘The Buy, Build, or Integrate Debate’ examines what the emergence of global best-of-breed CRM tools means for the UK advice tech landscape, how achievable the curation of an ecosystem comprised of specialist tools is, and whether all-encompassing practice management solutions still have their place.

INVESTMENT PLATFORMS



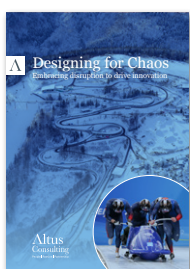
Difference & Differentiation
Nearly a quarter of a century since the concept of Investment Platforms arrived in the UK. With more and more investment solutions being delivered through this model we explore what is the difference between a platform and a product provider, and what will the next 20 years hold?

RETIREMENT OUTCOMES



Shooting for the Moon
‘Shooting for the Moon’ provides an in-depth analysis into latest initiatives – the Consumer Duty, Pensions Dashboards and Value for Money (VfM) in DC pensions – in the Regulators’ attempt to deliver a truly mass market pensions system designed to deliver good outcomes for all.

DIGITAL TRANSFORMATION



Designing for Chaos: Embracing disruption to drive innovation
We explore synergies between the approach of the GB Bobsleigh team and that of delivering transformational change within the FS industry; including chaos planning; a relentless focus on data and a determination to deliver the best outcome possible.

INVESTMENT PLATFORMS



Platforms: who's leading the charge?
‘Platforms: who's leading the charge?’ provides an in depth analysis of what is a massively complex and commercially active market and explains how existing and newly developed technologies can be harnessed to ensure the future viability of the brands we know and love.





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