For financial advisers only

Adviser attitudes report 2024

Cost of living, market volatility and interest rates create challenges and opportunities

Contents

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Foreword: Cost of living, market volatility and interest rates create challenges and opportunities

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Welcome to the fourth edition of Adviser Attitudes, which collates the views of 200 advisers on a range of topics related to how they structure their investment business, investment trends, client behaviour and how they're responding to recent economic challenges.

As ever, our results are an interesting window into the wider economic climate and its impact on investor behaviour.

This year, in particular, we wanted to know how advisers' clients were managing their finances during the rise in the cost of living. We were rewarded with some fascinating insights into how it's affected investment strategies, especially for those near or in retirement.

Inflation and interest rates impacted investors heavily

A lot has happened since we last surveyed advisers in 2020 – the long tail of COVID, high inflation, the invasion of Ukraine, the Kwasi Kwarteng 'fiscal event' – all contributing to a squeeze on the nation's finances. Inflation reached peaks not seen since the 1970s, with food and non-alcoholic beverages reaching an eye watering annual inflation rate of **19.2%** in March 2023 compared with the overall rate for the consumer prices index including owner occupiers' housing costs (CPIH) of **8.9%**.[1]

On top of this interest rates followed a similar upward trajectory, with the Bank of England rate reaching a high of **5.25%** in August 2023, and it remains to be seen whether 2024 will see the reductions the market is expecting.[2] Homeowners, who had enjoyed a long period of low interest rates, faced the challenge of seeing their mortgage rates go up significantly, creating a further drain on their disposable income.

Retiring clients turned to advisers during cost-of-living crisis

It perhaps comes as no surprise that **33%** of advisers surveyed reported an increase in queries from clients, with **58%** of those coming from clients aged over 55. For advisers' retiring clients, market volatility and the cost of living crisis impacted even the best laid retirement plans, with **54%** delaying retirement and **32%** reducing retirement income. Despite this turbulent economic context, drawdown remained the favoured retirement income option for **67%** of retirees' assets, while annuities languished at around **11%** despite improved rates and a significant uptick in usage since 2020.

Advisers predict worsening outlook for 'safer' investments

As ever in times of high interest rates and elevated volatility, there's been great temptation to turn to safer investments, in particular to take advantage of high interest rates offered by bank savings accounts. Amongst advised clients, we've seen some evidence of this, but not nearly to the extent that we might have anticipated in the current environment. This is perhaps no surprise given the long-term investment horizon of the typical advised client. Advisers surveyed also confirmed our own view that interest rates will come down over the course of the next 12 months – **36%** believe cash will be the second worst performer this year, with gilts the third worst predicted asset class according to **28%** of advisers.

But the asset class which **60%** of advisers predicted would be the worst performer is commercial property – a sign they're struggling to see past recent challenges. This pessimism is not without reason. The adoption of hybrid and remote working has hit offices and the businesses that rely on commuter traffic hard, which the prevalence of 'to let' signs on most high streets in the country can attest to.

It's good to see advisers share our general optimism for equities going forward. Even in an uncertain political and economic backdrop long-term investing and time in the markets is more important than timing the markets.

Multi-asset strategies still dominate investment advice

Multi-asset strategies continue to dominate, both for accumulating and decumulating clients, with nine out of 10 advisers using them. Advisers told us a quarter of client assets were held in multi-asset funds (**25%**), while DFM-built portfolios have moved into second place (at **20%**). It will be interesting to see if Consumer Duty increases multi-asset funds' popularity over DFMs. **40%** of retiring clients' portfolios are in multi-asset strategies, making them by far the most favoured strategy for older investors amongst those advisers surveyed.

Advisers enhance ESG propositions

In the responsible investing arena, advisers have been enhancing their propositions in response to changing regulation, with **43%** of firms revising their client factfinds and **23%** increasing the number of environmental, social and governance (ESG) options available. Barriers in terms of poor understanding remain, however, with only **5%** of advisers saying their clients fully understand their options. Looking forward we hope that the Sustainability Disclosure Requirements (SDR) regulations may make it easier to identify and understand ESG options.

Steadying the course

Advisers have clearly responded to these challenges in their usual sensible fashion, overwhelmingly urging their clients (**70%**) to stick to the plan. It's safe to say that without their level-headedness, the role of providers like us would have been a great deal harder over the past few years. I want to thank you again for your support and hope you find this year's report useful.

Key research findings

Multi-asset funds still top with DFM portfolios second

Multi-asset funds are still the most popular strategy, making up:

25%
of advised assets

DFM portfolios have moved up into second place since our last survey, with almost:

20%
of advised assets

Advisers choose multi-asset for diversification and risk-rated solutions

The **top three reasons** advisers give for recommending multi-asset funds are:

Diversification of assets	Ability to select risk-rated funds	Asset allocation expertise
63%	45%	35%

Drawdown remains dominant retirement strategy

67%

of clients opt for income drawdown. It is by far the most used retirement strategy, with clients:

Taking income	Not currently taking income	Using drip-feed drawdown
33%	20%	14%

Clients turn to IFAs in cost of living crisis

33%

have seen an increase in queries since the cost-of-living crisis started. **58%** of queries are from over 55s and those close to, already in or forced back from retirement.

Increase in those opting to delay retirement

54%

of advisers say there's been an increase in clients opting to delay retirement since the start of the cost-of-living crisis.

32%

have seen an increase in requests to reduce retirement income.

Firms gearing up to meet changing ESG regulation

43%

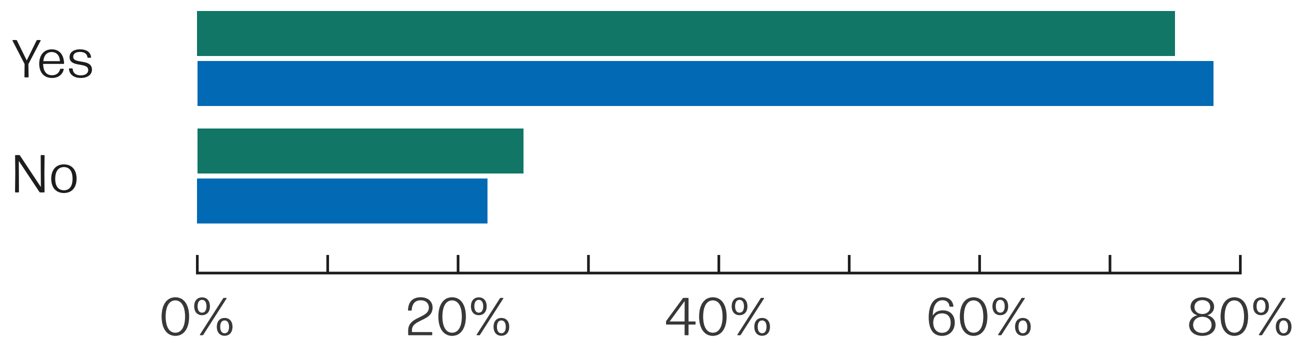
have revised client factfinds to ask about ESG preferences. Advisers made significant improvements to ESG propositions – with some increasing choice and including ESG in all recommended portfolios as standard.

1. Structure of adviser investment propositions

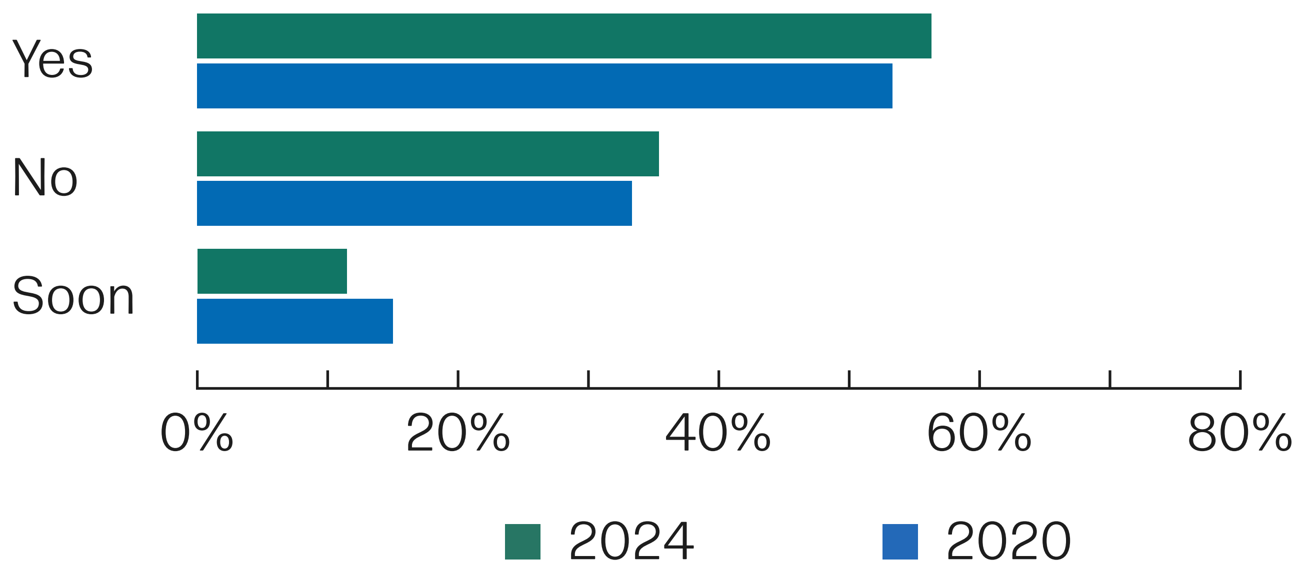
Since we last asked advisers in 2020, there are some indications that firms are becoming less prescriptive and more flexible in terms of their business models. It'll be interesting to see how consolidation activity in the market affects future reports.

75% of firms have a company-wide investment proposition (CIP) and **56%** have a company-wide retirement proposition (CRP) – indicating that some of the firms that told us of their intention to do so last time round have now adopted a CRP.

Does your firm have a company-wide investment proposition (CIP)?



Does your firm have a company-wide retirement investment proposition (CRP)?

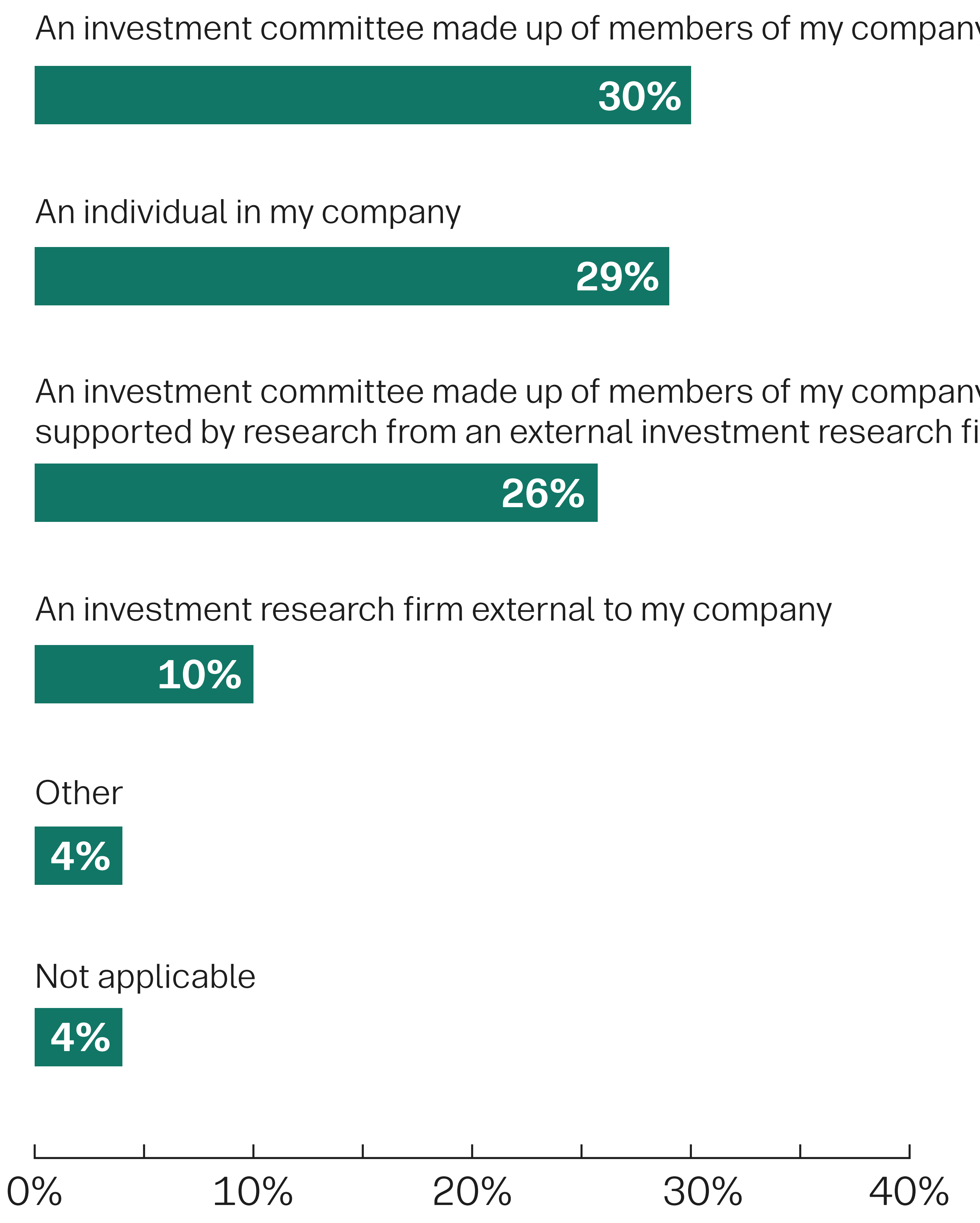


In terms of how firms set up, maintain and monitor their fund ranges, there's quite an even split across the various approaches, perhaps an indication of the tussle many firms face balancing risk and cost. **36%** now use some form of external support in creating and governing their fund ranges – likely due to the risk associated with doing this in house.

By contrast, we've seen a few firms set up investment committees solely made up of members of their own firm since our last survey (an increase from **24%** to **30%**). This is most likely driven by cost, with external governance perhaps being seen by these firms as a luxury in straitened times. Slightly fewer firms are relying on one individual within the company to create and maintain their fund range – down from **30%** to **29%**. We may see the risks of relying on an individual within firms come to outweigh the benefits of this approach.

Investment committees run by a combination of internal and external members have reduced from **31%** in 2020 to **26%** and there's been a slight increase in firms using external research firms to manage their proposition, from **7%** to **10%**.

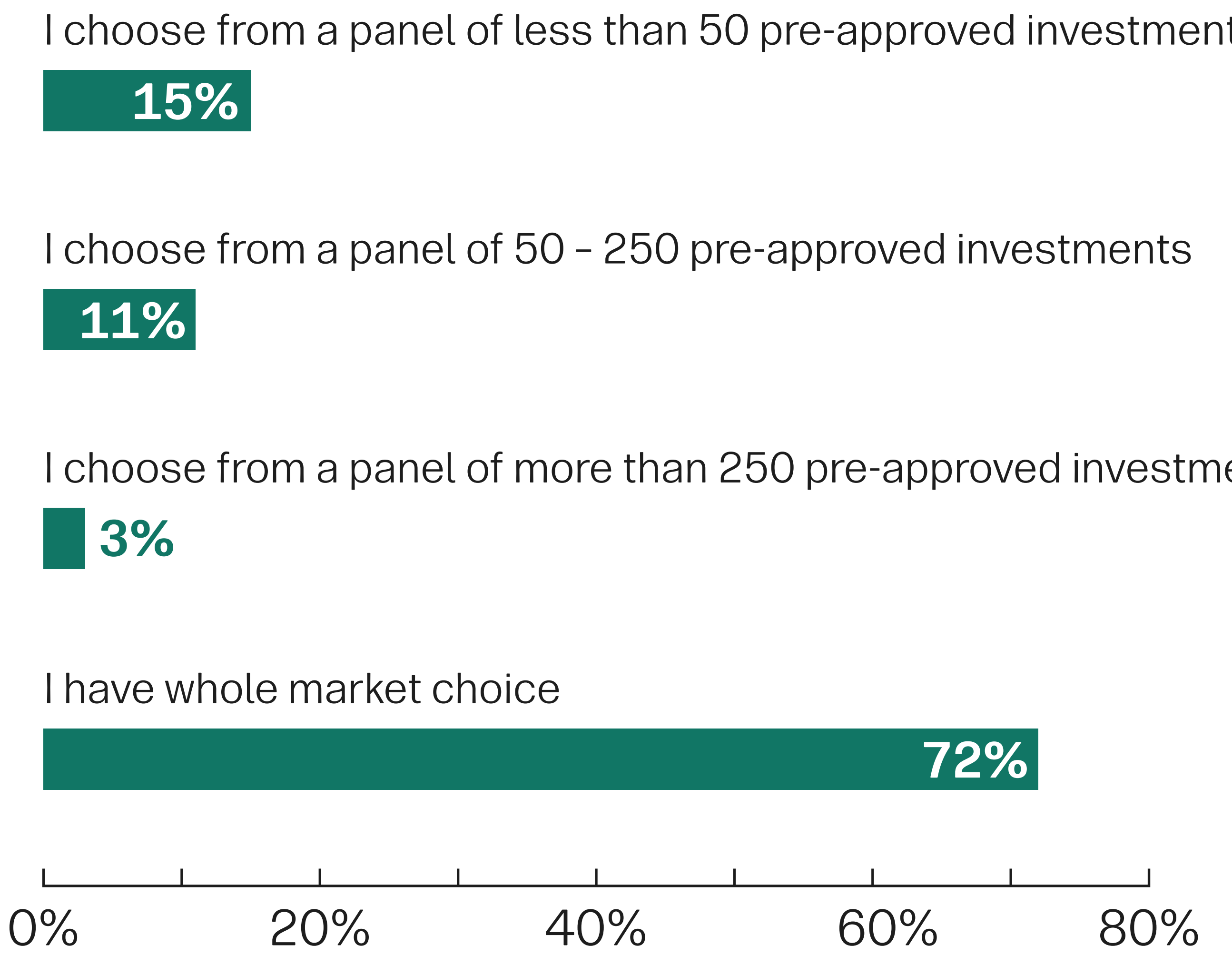
Who defines, creates and monitors the fund ranges your firm offers?



Increased freedom when choosing funds

There is some polarisation within CIPs,with firms choosing to use a focused panel of less than 50 pre-approved investments at one end of the spectrum, and those with whole of market choice at the other. While the number of firms with smaller panels has remained fairly static, there's been an increase in the those with the freedom to pick funds from the full universe available from **66%** to **72%**, making this by far the most dominant strategy. Overall, there appears to be a slight move away from panel-based fund ranges, to a freer approach to fund selection.

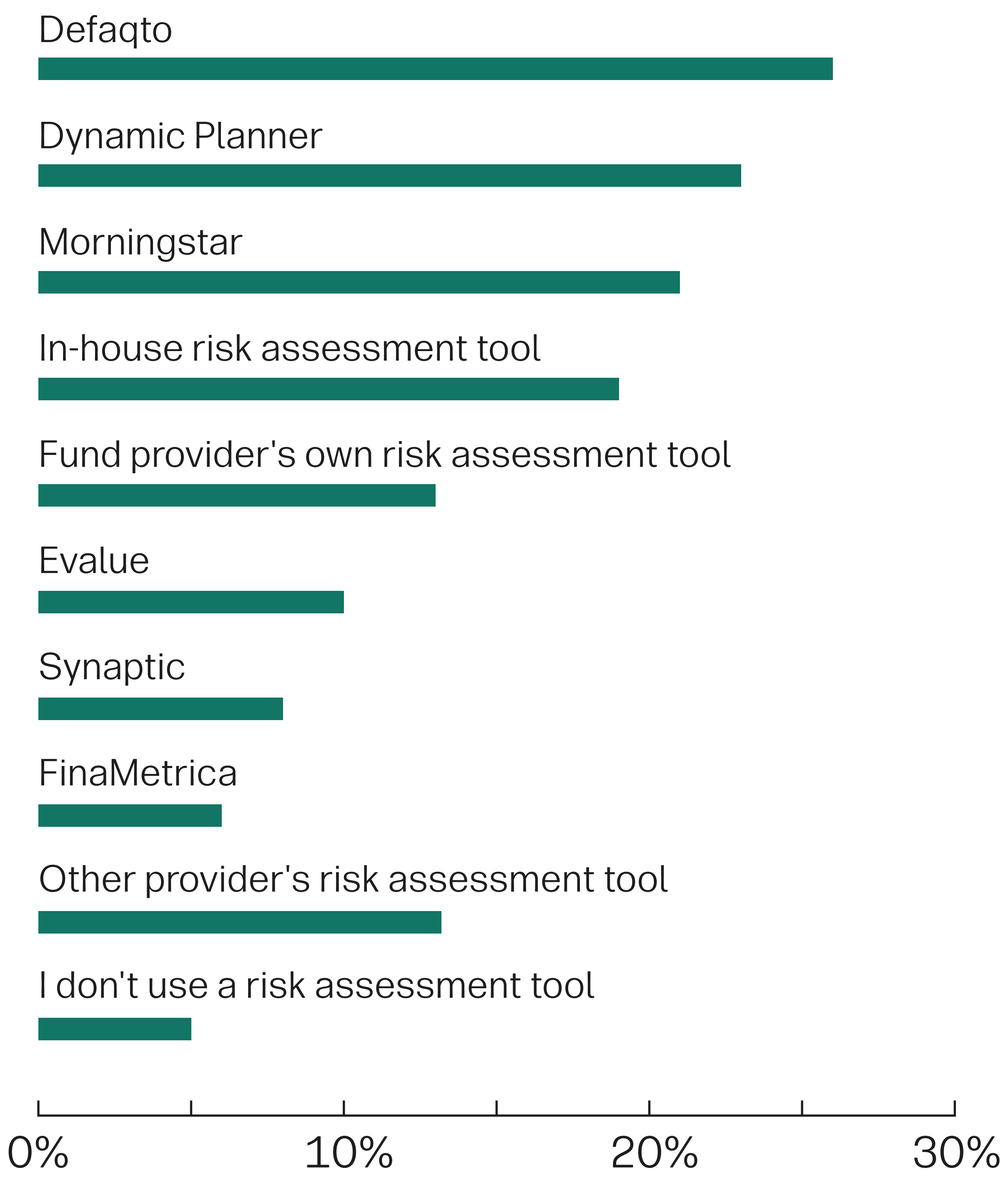
What size of fund range do you choose from?



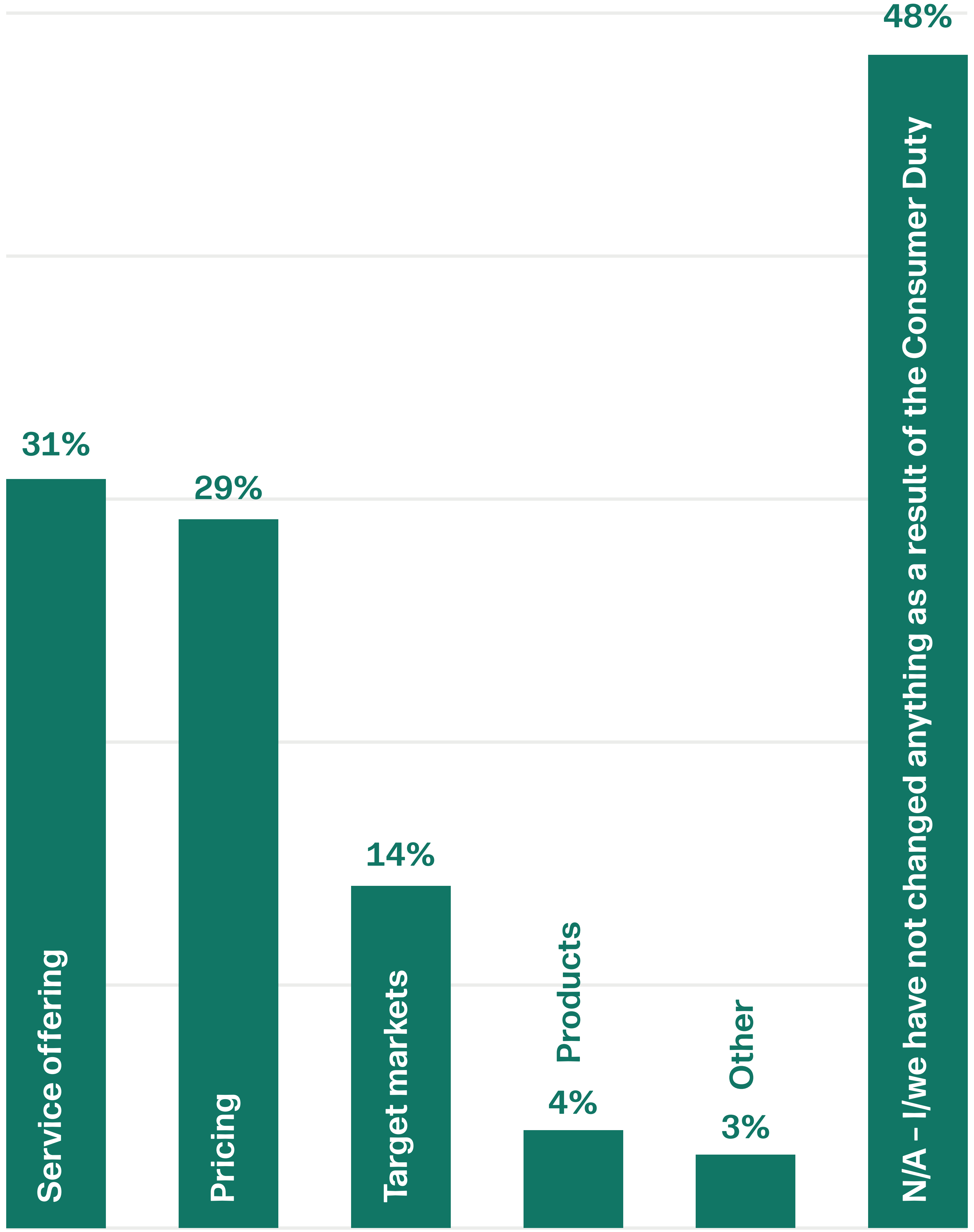
Risk assessment tools and platform use

There's been little change in the pecking order when it comes to risk assessment tools. Defaqto is still the most used by advisers (**26%**), Dynamic Planner second (**23%**) and Morningstar third (**21%**).

Which of the following, if any, risk assessment tools do you use? Please select all that apply.



Which, if any the following, have you changed as a result of the Consumer Duty? Please select all that apply.



Consumer duty – 52% of firms change proposition

We asked firms if they'd made changes in response to the introduction of Consumer Duty regulation and the responses were quite interesting given how far reaching the new regulation is.

- **31%** said they'd changed their service offering
- **29%** said they'd changed their pricing
- **14%** had made changes to their target markets
- **4%** changed their products

In total, over half of firms have made changes as a result of the regulation, but almost half (**48%**) have made none at all.

It may seem odd that so few firms have made changes, but this could be seen as a healthy picture. It suggests that most firms on reviewing their processes, communication, charges and advice process, felt that they only had to make minor changes to accommodate the new rules.

2. **Investment strategies:** multi-asset continues to dominate with increased use of DFM-built portfolios

Multi-asset funds remain the most used investment strategy by advisers, above models and DFM-built portfolios.

Multi-asset funds made up **25%** of assets under management in advised portfolios, compared to **20%** in DFM portfolios, **20%** in model portfolios (run fully in-house) and **18%** in model portfolios (built using external expertise). Fewer advisers are using single strategy funds (**12%**) – while stock-pickers are now a rare breed (**1%**). However, it's clear that advisers are considering multiple strategies when meeting client needs, with a fairly even spread across different types.

Extensive use of outsourced investment expertise

The results this year also reveal extensive use of outsourced investment expertise, whether it's to multi-asset funds and DFMs (with asset allocation and governance baked in) or the use of external researchers to help build model portfolios. If we take these together, they amount to **63%** of advised assets.

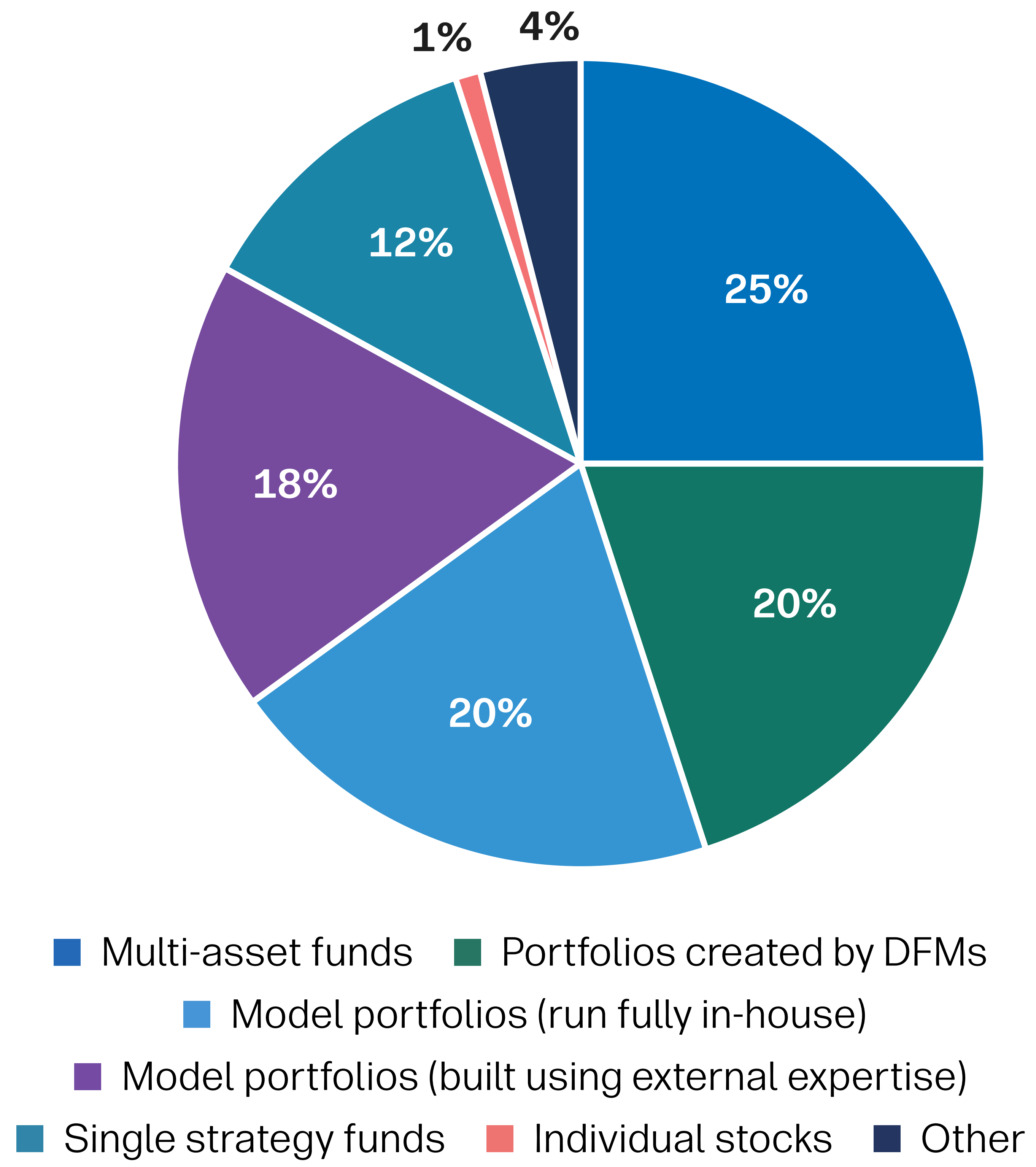
The rise in popularity of DFM-built portfolios is perhaps surprising in an increasingly competitive and cost-conscious market, especially as **80%** of advisers see them as the most expensive option and only a fraction of IFA firms have discretionary permissions (**16%**). However, it's clear that advisers are being selective about which clients they're recommended to.

The continued popularity of multi-asset funds is partly due to the fact that they're the least expensive option (according to **53%** of advisers) and therefore can be recommended to the majority of their clients.

63% of advised assets in outsourced solutions

This year's survey is perhaps the first where the effects of MIFID II and PRIIPs regulation is flowing through into adviser propositions. We'll explore this further in the cost and complexity section.

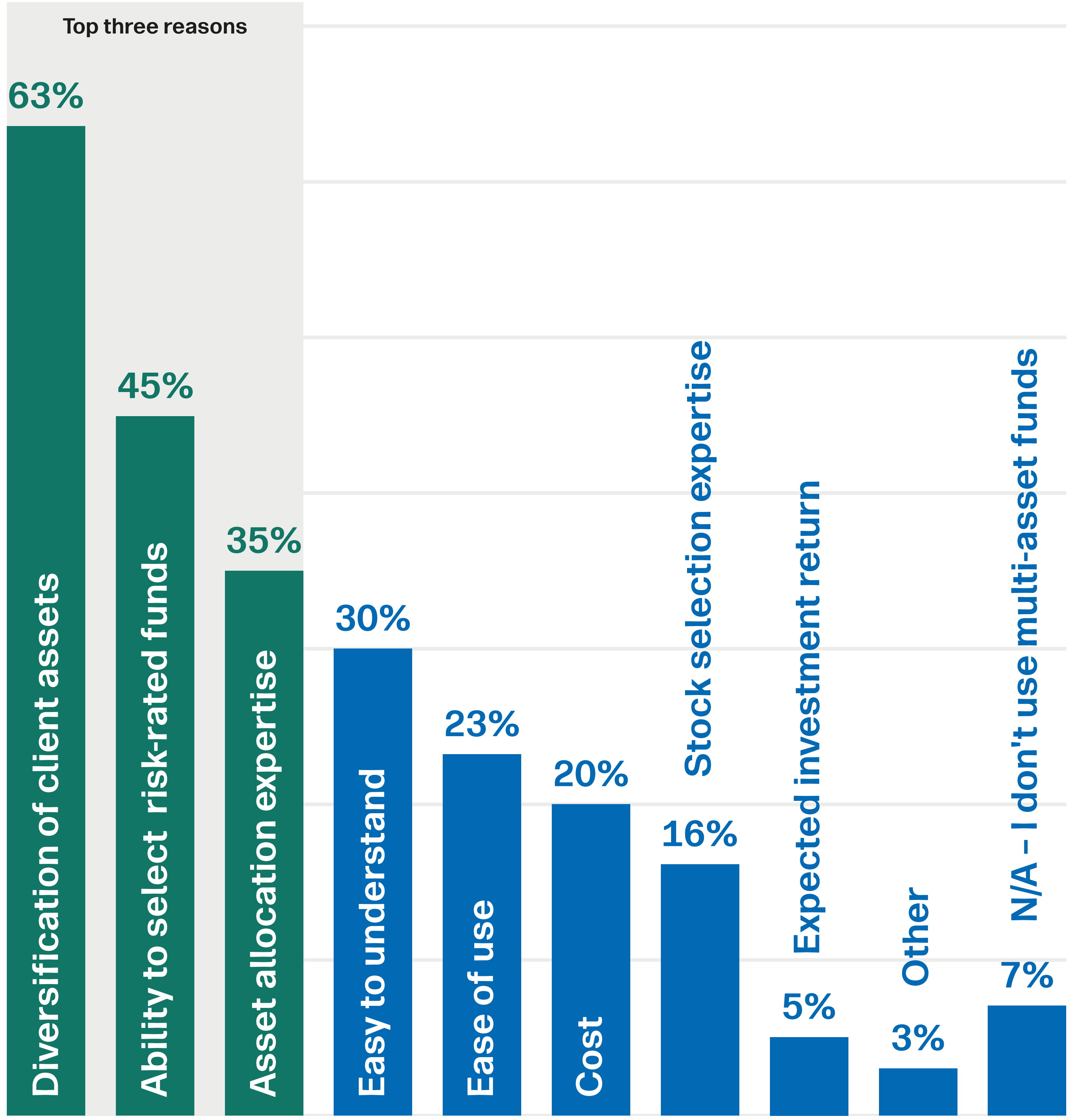
What proportion of the assets you invest are placed in the following types of investment strategy?



Reasons for choosing multi-asset funds

Advisers still mention diversification as the main reason for using multi-asset funds (**63%**), with the ability to select risk-rated funds second (**45%**), followed by asset allocation expertise (**35%**).

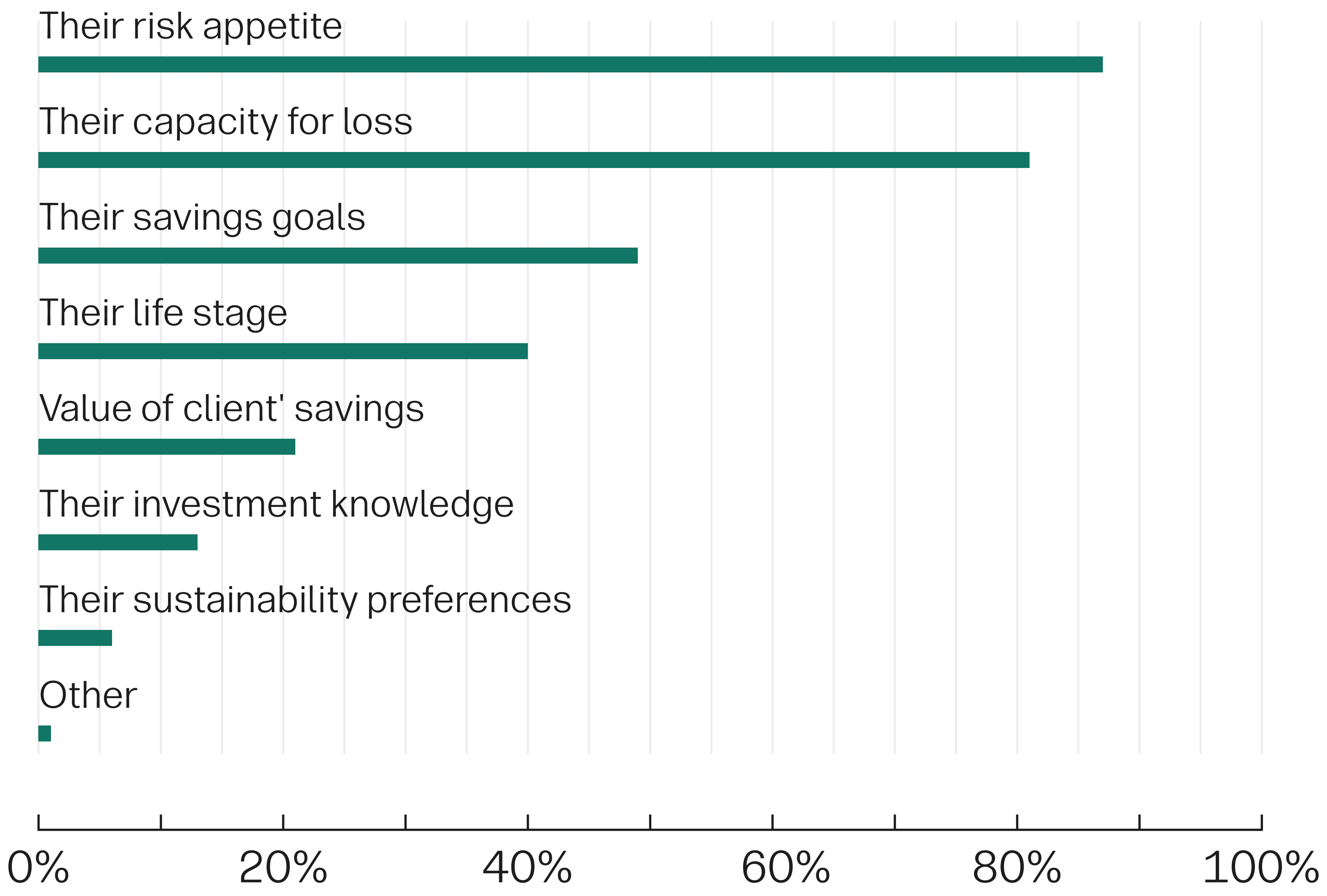
If you use multi-asset funds, what is the main reason you recommend this investment strategy? Please select a maximum of three answer options.



Risk appetite and capacity for loss key factors in investment recommendations

The popularity of multi-asset is no doubt closely related to the top two factors advisers take into account when making recommendations, risk appetite and capacity for loss. These are still by far the most important with **87%** of advisers choosing a strategy based on their clients' risk appetite and **81%** based on their capacity for loss. It's interesting to note that there's greater emphasis this time round on a client's savings goals (an increase from **36%** to **49%**) and less on the value of their savings (decrease from **28%** to **21%**) since we surveyed in 2020.

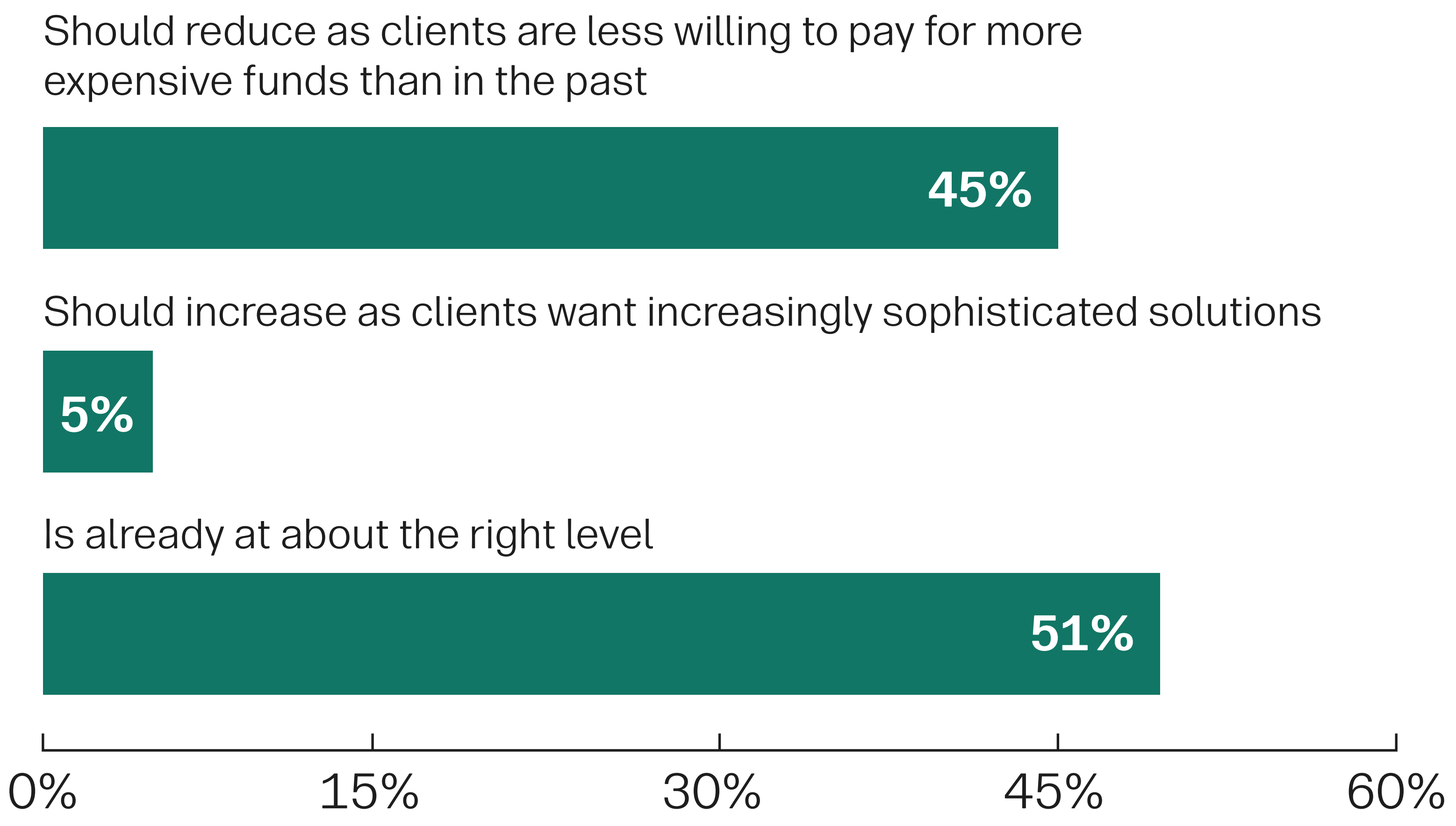
Which three areas are important when assessing the suitability of an investment strategy for a client?



3. Cost and complexity

This year, we took the opportunity to ask more questions relating to fund costs and ongoing adviser charges – partly due to constraints placed on investors' finances since the start of the rise in the cost of living. But also because there's now been sufficient time since the introduction of MIFID II and PRIIPs regulation for us to see evidence of change in our survey results.

Do you think the average fund cost...



In 2020, we asked how advisers were changing their firm's investment proposition in light of the new MIFID II/PRIPPs regulation. **Almost 30%** said they were increasing their use of lower cost solutions and reducing the use of higher cost solutions.

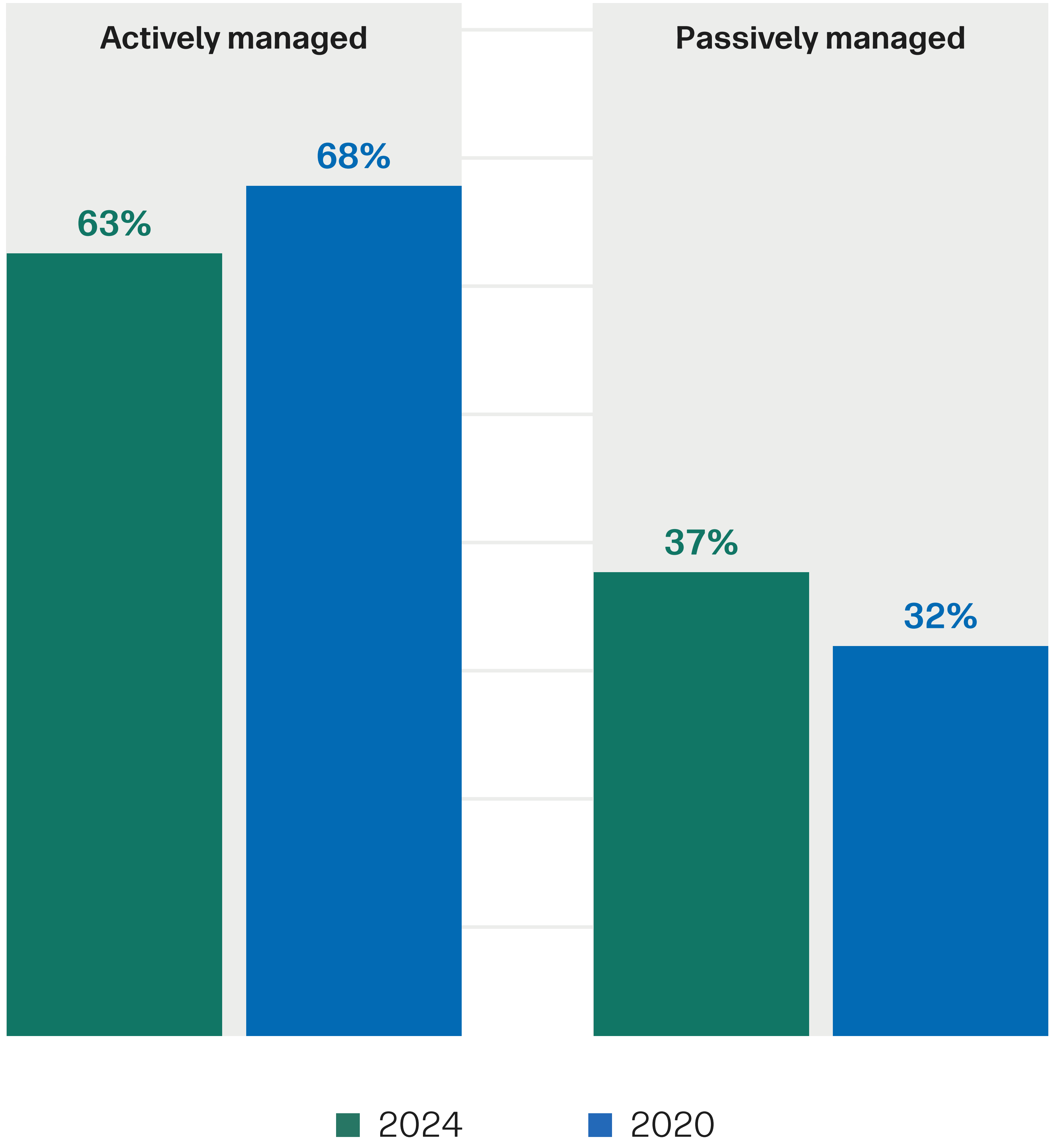
This time around, we asked a question specific to changes advisers had made in light of Consumer Duty and **29%** said they'd changed their pricing. It's good to see that this year's results closely reflect the 2020 predictions. In this year's survey, we also wanted to see whether firms differentiate their costs according to how complex a client's needs are.

Still pressure on fund costs to reduce

When asked about fund costs in general, most advisers felt the average fund cost was about right (**51%**), but almost half (**45%**) felt it should reduce as they're finding clients are less willing to pay for more expensive funds than in the past. Clearly there is still significant downwards pressure on fund charges.

Given such large numbers feel fund costs should reduce, it's no surprise to see an increase in the use of passively managed funds relative to actively managed. When we last asked in 2020, the split was **68%** active, **32%** passive, compared with **63%** active and **37%** passive this year.

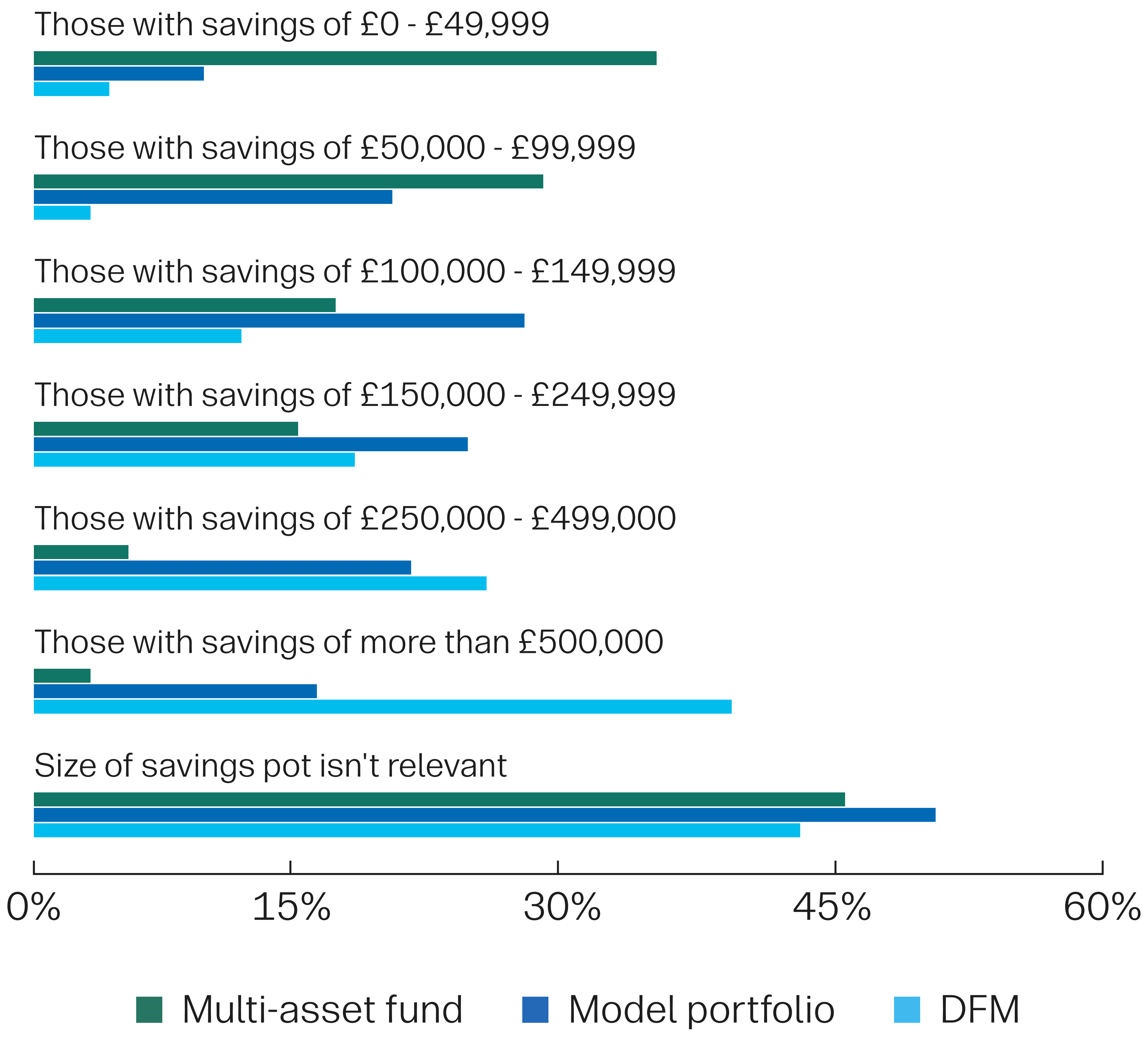
What proportion of the assets you invest tends to be placed in the following fund types?



Does the value of client assets affect recommendations?

Given the difference in cost, we were keen to explore how multi-asset funds, models and DFM strategies were being used by advisers. Unsurprisingly, multi-asset funds are popular for clients with lower savings, with **60%** being recommended to clients with savings of less than £100,000. At the other end of the scale, **37%** said they recommend DFMs to those with savings of more than £500,000. But the majority said that the size of savings pot wasn't relevant when recommending these types of fund.

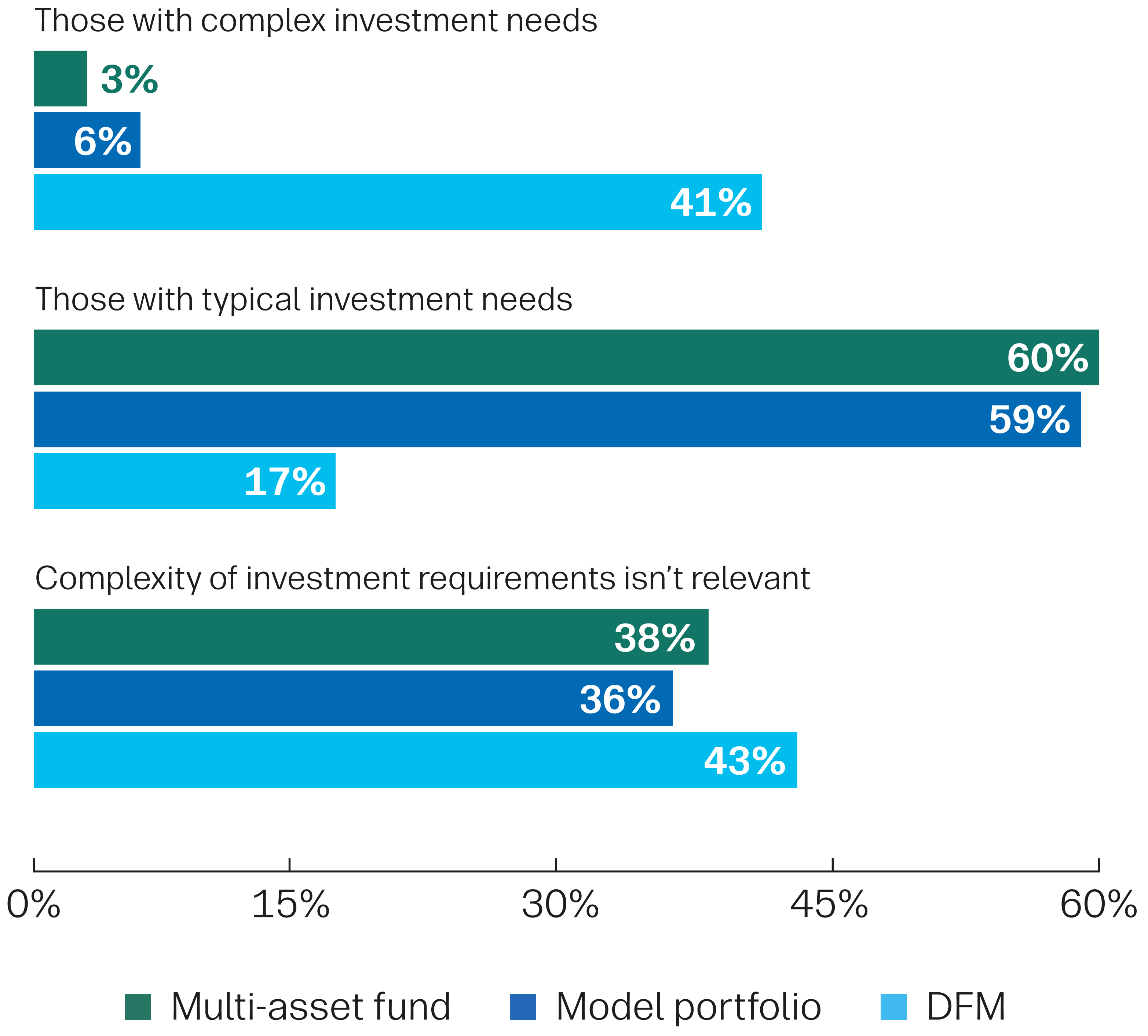
Which groups are you most likely to recommend these types of fund to? Please select all that apply.



Multi-asset funds and models favoured for those with 'typical' investment needs

Complexity of a client's investment needs also influenced advisers' decisions when making recommendations. **41%** of advisers said they were much more likely to recommend a DFM portfolio to those with complex investment needs than those with typical investment needs (**17%**). Conversely models (**59%**) or multi-asset funds (**60%**) were much more likely to be recommended to those with typical investment needs.

Which groups are you most likely to recommend using these funds to?



4. Retirement investment patterns: drawdown dominates despite higher annuity rates

Given advisers estimated that retirement advice would account for 58% of the assets they advise on in 2023, rising to 62% over the following three years, retirement patterns have the potential to have a huge impact on adviser firms in the coming years.[3]

With this in mind, we asked advisers a number of questions specific to their retirement propositions with a particular emphasis this year on questions about whether the cost-of-living crisis had impacted retirement advice.

Clients retiring later

This year, we asked advisers if they'd seen a change in the age at which people were retiring:

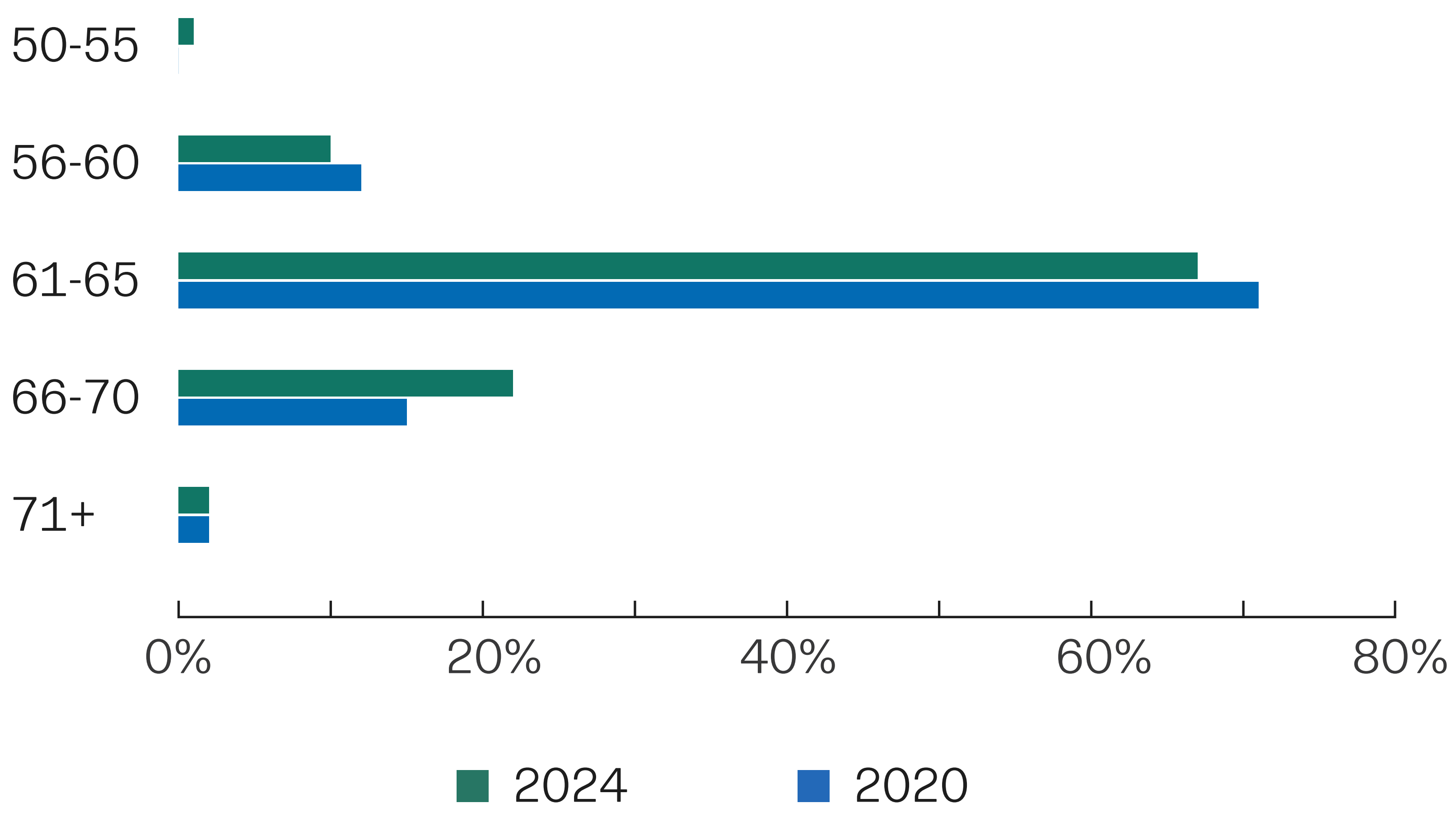
- **46%** said they'd seen no change
- **24%** said some clients were choosing to retire earlier
- Almost a third (**31%**) said their clients were retiring later

As you'll see later in this section, there's been a stark rise in those postponing retirement or reducing income during the cost-of-living crisis.

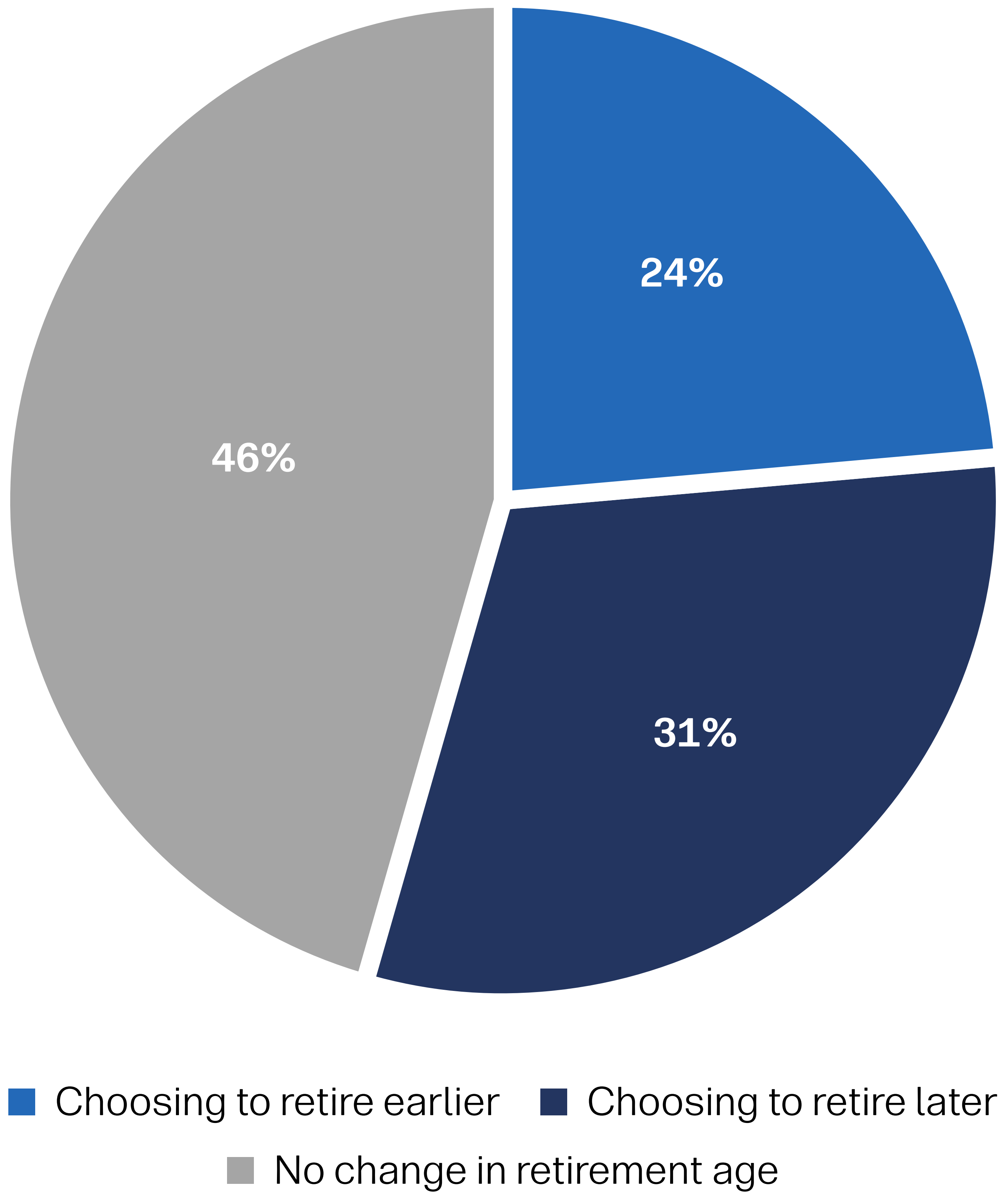
As in previous years, we wanted to get a sense of the age bracket in which the average client retires. Most still retire between 61 and 65 (**67%**) but **22%** are now retiring between 66 and 70 compared with **15%** in 2020.

There's also been a slight decrease in those retiring earlier from **12%** to **11%**. This continues a trend we've seen since we started these surveys of clients delaying retirement. It likely reflects general concerns about the affordability of retirement and the increase in the state pension age, which many rely on to supplement their retirement income.

Average age of retiring client



Have you seen a change in the age people are retiring?



Retirees still worried about running out of money

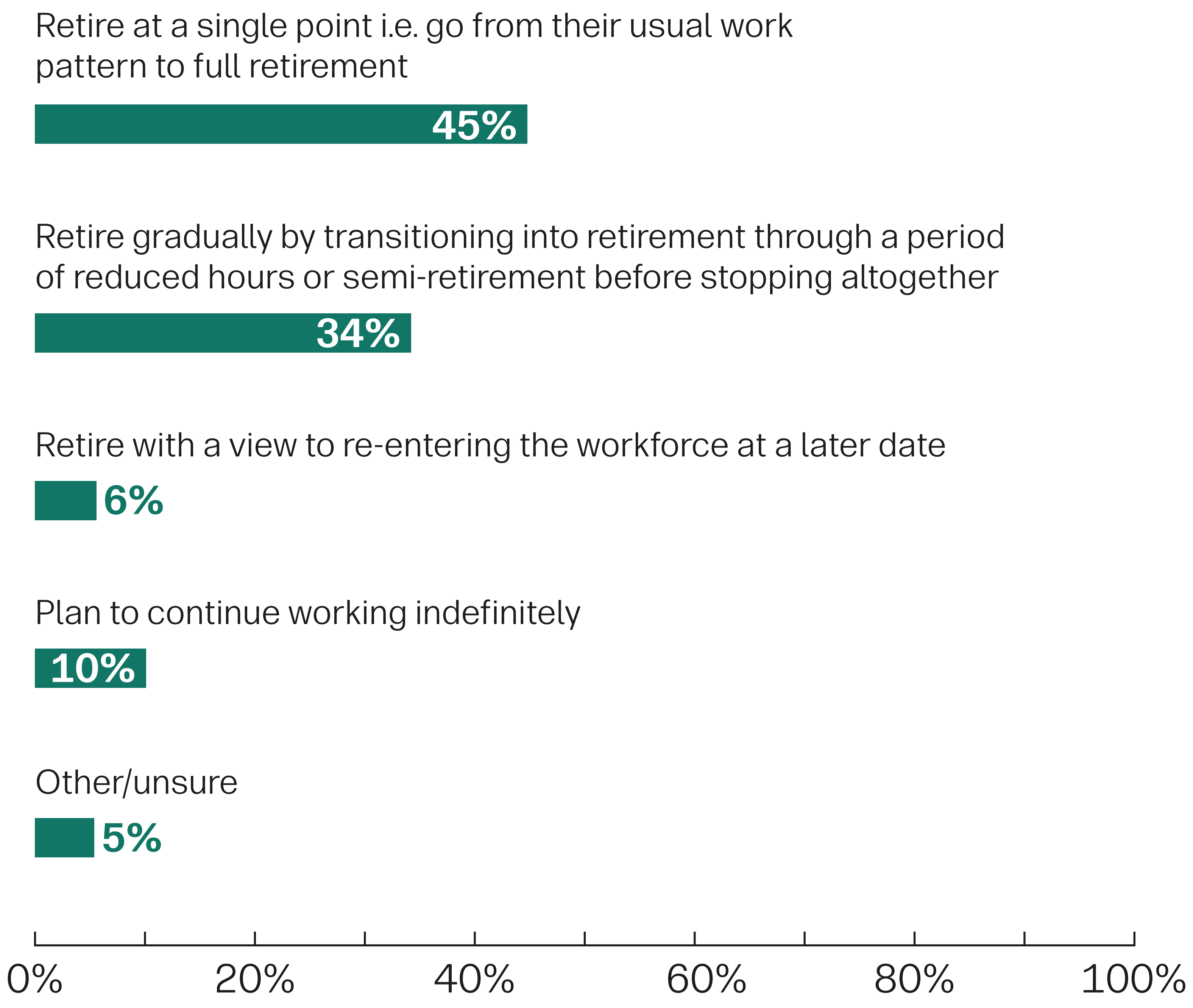
The most common challenges retiring clients face have remained similar to last time round, with **77%** concerned about running out of money in retirement and **63%** worried about how much income they might need. **33%** need help choosing which strategy is best for them to create retirement income and the same number want to understand their investment options better.

There's been a sharp decrease in those concerned about consolidating pensions or transferring out of defined benefits schemes – from **15%** in 2020 to **3%** in 2024. There are a variety of reasons for this – changes that the FCA has introduced over recent years together with the business risk of undertaking this advice as well as falling transfer values as a result of higher interest rates.

Retirees opting for greater flexibility

While many (**45%**) still opt for the traditional route of retiring at a single point in time, that does leave around half (**50%**) who choose a more fluid approach to retirement. **34%** choose to transition into retirement by reducing hours or entering a period of semi-retirement. **6%** retire with a view to re-entering the workforce at a later date, **10%** intend to continue working indefinitely and **5%** are unsure what they'll do.

What proportion of your retiring clients...

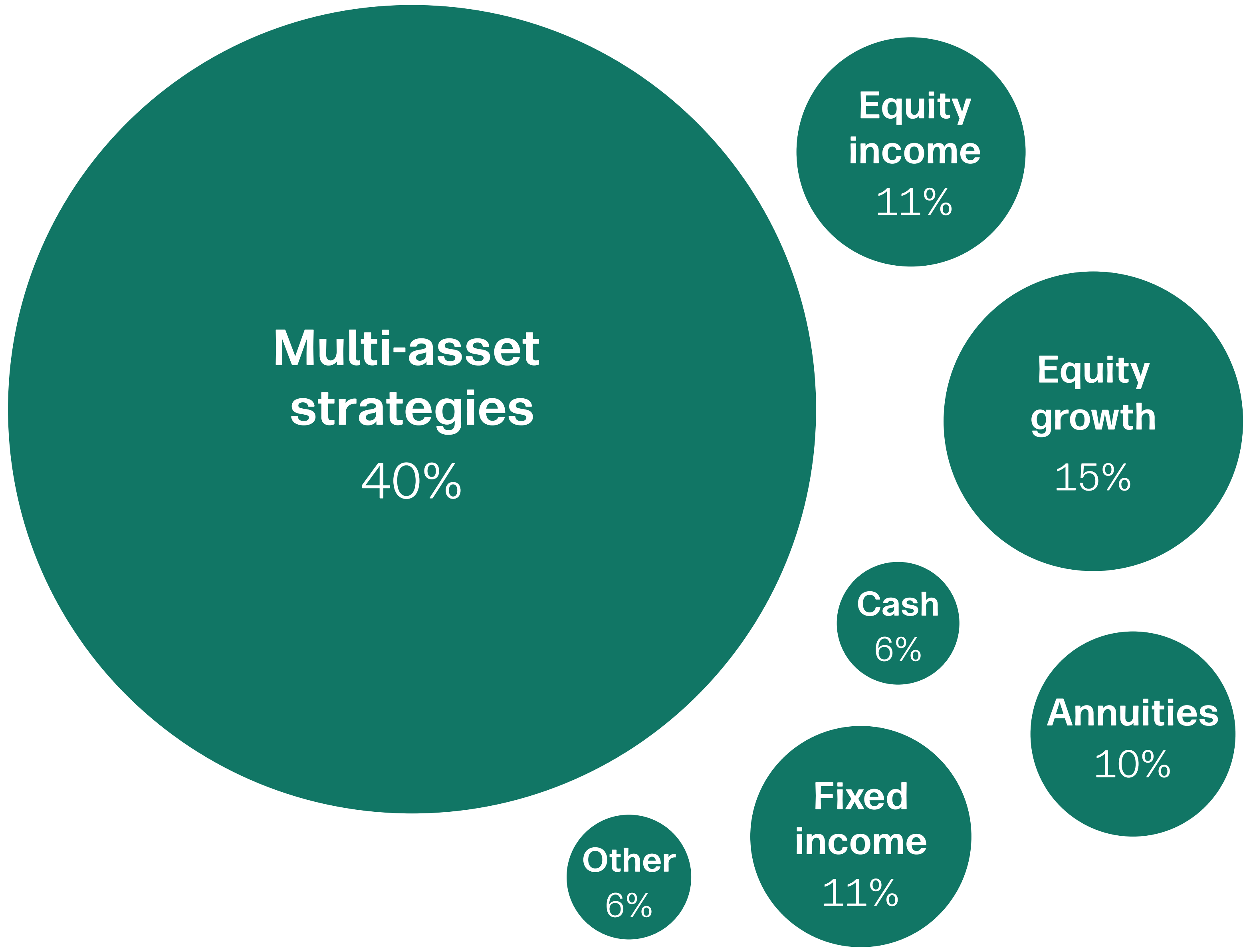


What are the most common challenges your retiring clients face? Please select a maximum of three answer options.

Multi-asset strategies most favoured by retiring clients

Multi-asset strategies are by far the most popular strategy with retiring clients, with **40%** of advised assets. This may well be due to their versatility and the ability to downgrade risk as clients move into and beyond retirement. As we'll see later when looking at retirement patterns, this flexibility is essential for those close to or already in retirement and has proved invaluable during the cost-of-living crisis.

What proportion of your retiring clients' pension assets are invested in the following types of strategy?



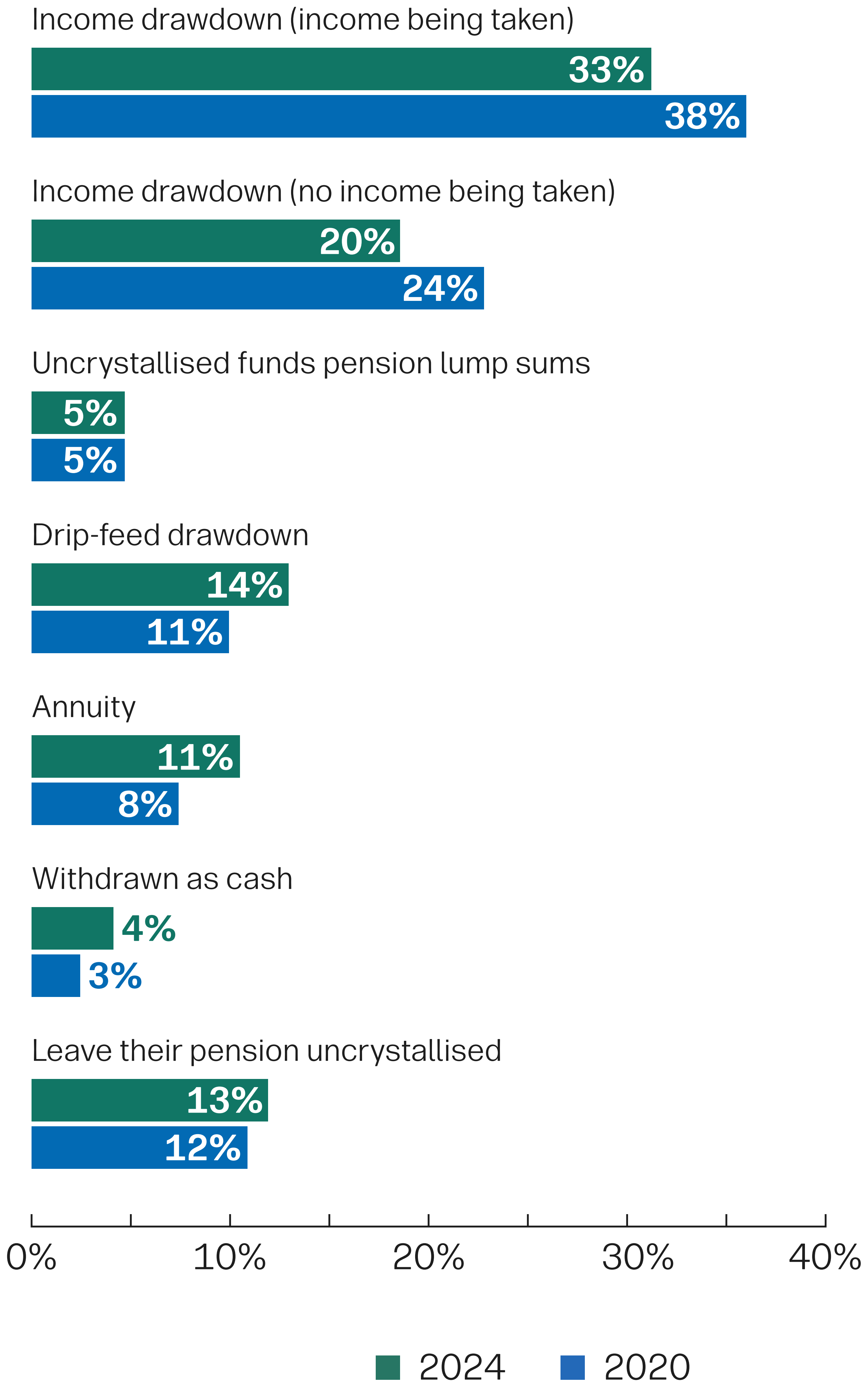
Drawdown still dominant strategy used by retiring clients

Drawdown is still by far the most dominant retirement strategy, with **67%** of recently retired clients using this in one form or another. **33%** are currently taking income, while **20%** have opted for drawdown but aren't currently taking any income. A further **14%** are using drip-feed drawdown.

There's been a recent increase in the numbers using annuities, but perhaps not as much as we might have expected given recent market volatility and relatively attractive annuity rates. Those taking annuities increased from **8%** in 2020 to **11%** in 2024.

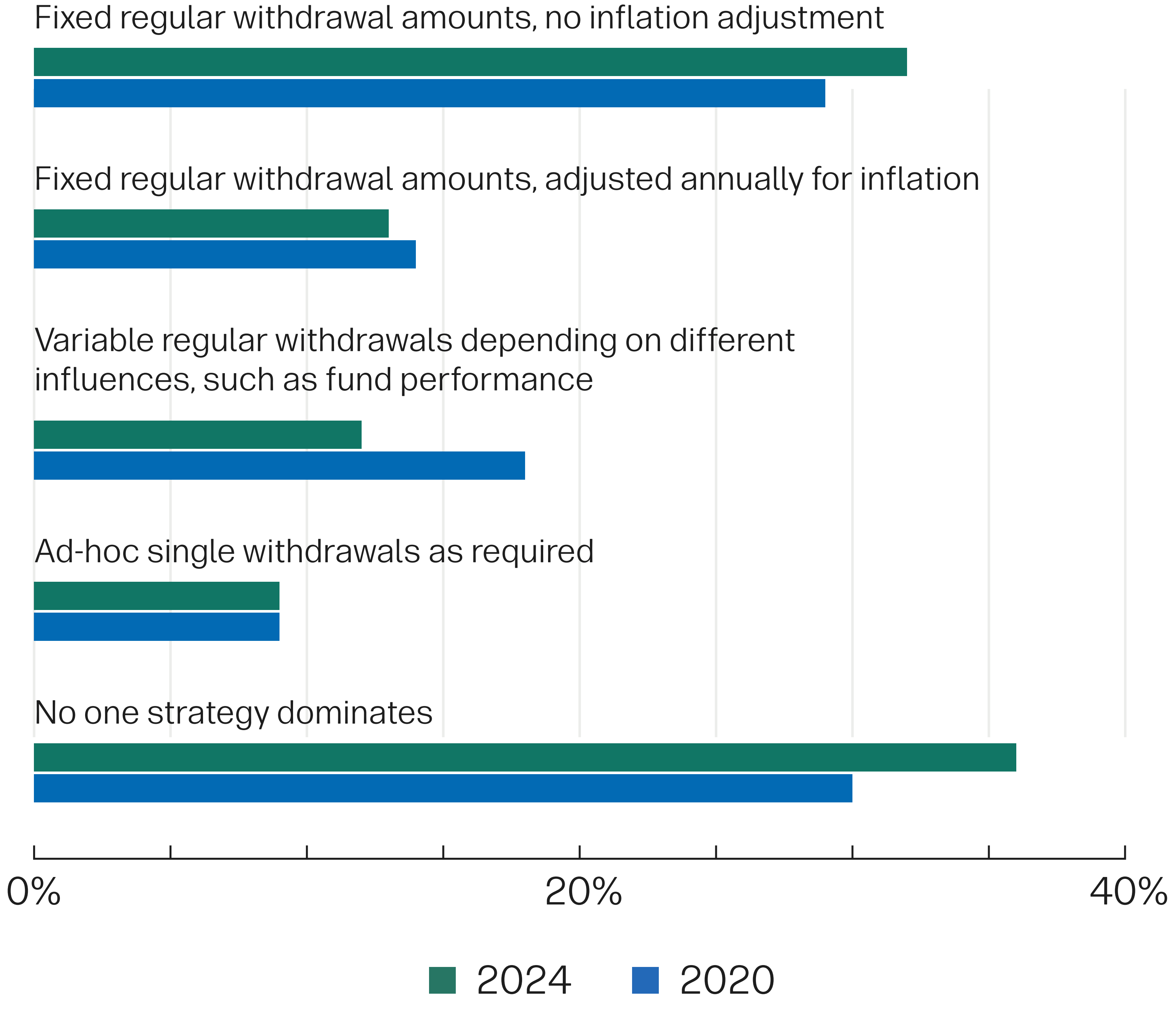
There's also been a marginal increase in those cashing in their pension savings (from **3%** to **4%**) and slightly more people leaving their pension uncrystallised. This could be an early indication that some are having to cash in their pension savings to live, while others are reluctant to access their pension savings while the economic climate is so unstable.

On average what proportion of your recently retired clients' pension assets use these types of strategy?



Relatively few are choosing to inflation-proof their pensions (**13%**), with the majority still using fixed withdrawal amounts (**32%**). You might have expected the opposite given the sharp rise in the cost of living, but this is no doubt due to concerns about running out of money with many choosing to make lifestyle adjustments rather than immediately increasing their income.

For pension drawdown clients, what income withdrawal strategy are you using most with your retiring clients?



Effects of cost of living crisis on retiring clients

The cost-of-living crisis has had the biggest impact on advisers' retiring clients. Advisers have seen a number of changes in their clients' behaviour during the crisis – all indications that they're feeling more nervous in general about how they'll finance their retirement.

54%

saw an increase in clients opting to delay retirement

32%

said they noticed an increase in those opting to reduce their retirement income

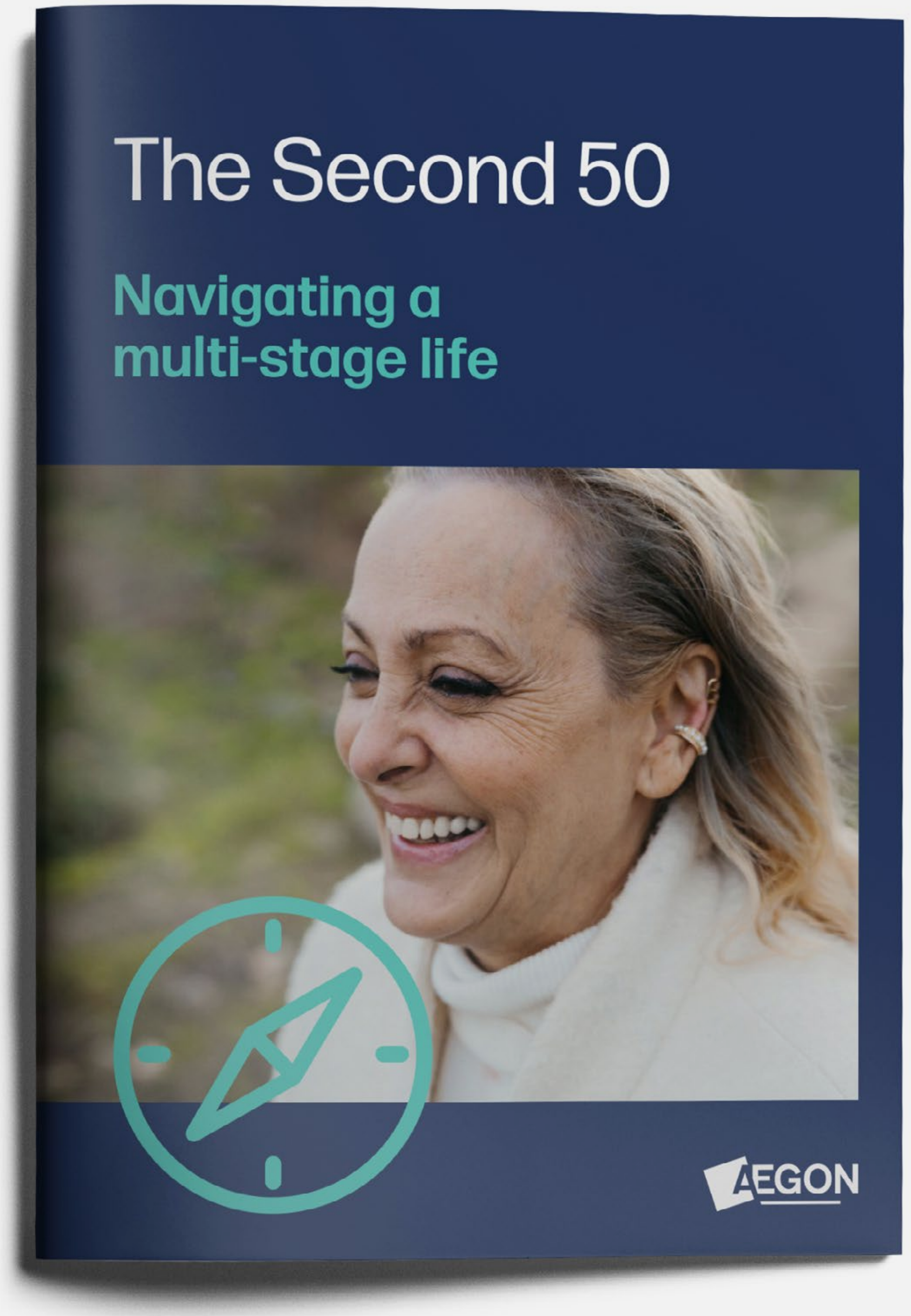
22%

saw a reduction in those opting to retire early

46%

saw an increase in those opting for annuities

These factors combined indicate a definite increase in caution among retiring clients since the start of the crisis, with a desire to postpone retirement, conserve future income or get greater certainty of income.

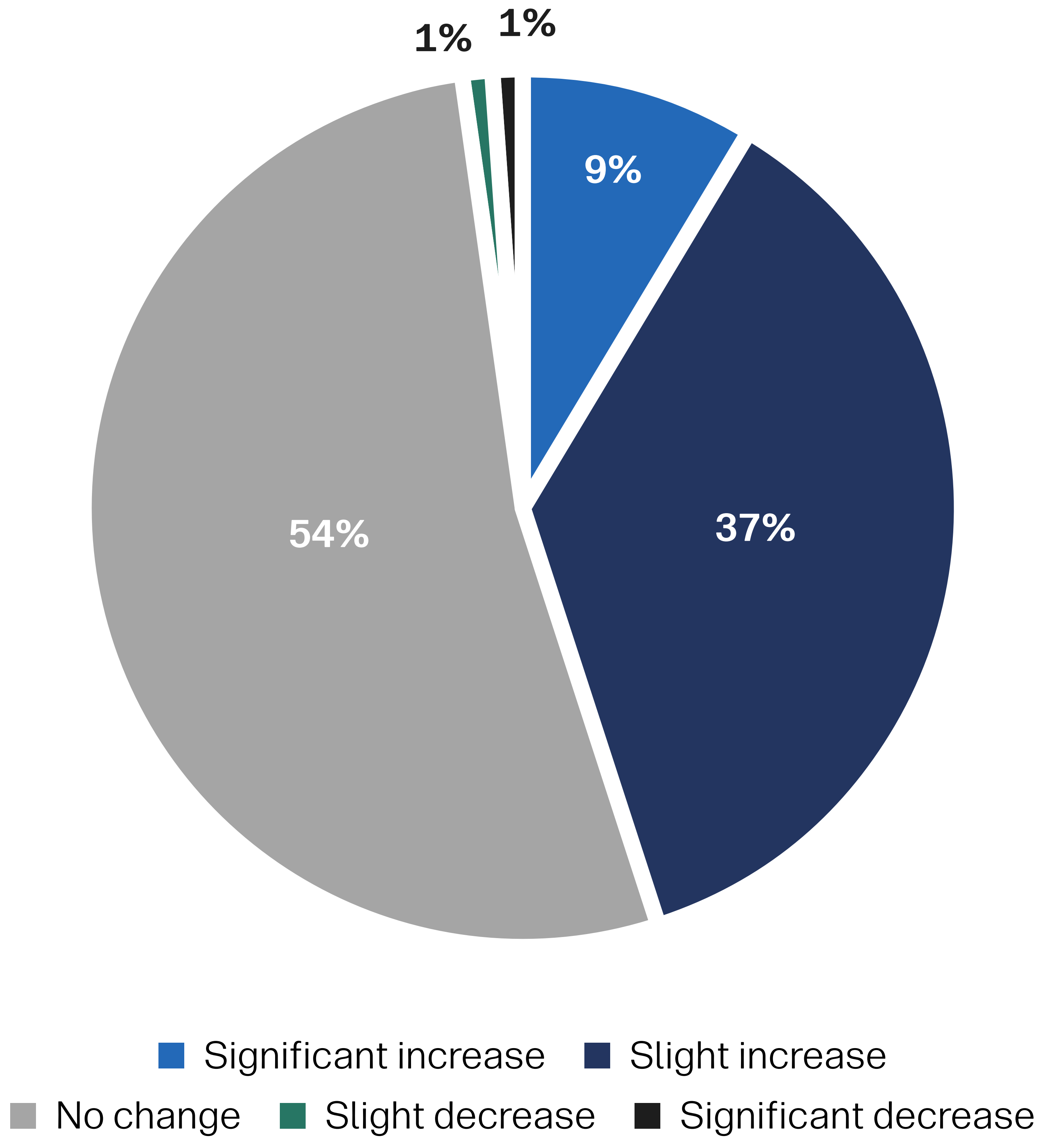


For insights and tools for clients nearing retirement, see our guide The Second 50 – navigating a multi-stage life.

Increase in clients opting for annuities

While drawdown is still by far the most dominant retirement strategy, the use of annuities has increased from a relatively low base since the cost-of-living crisis hit. **46%** of advisers have seen an increase in those opting for annuities as a result of the crisis.

Have you seen any change in clients opting for annuities as a result of the rising cost-of-living?



Advisers using annuities differently

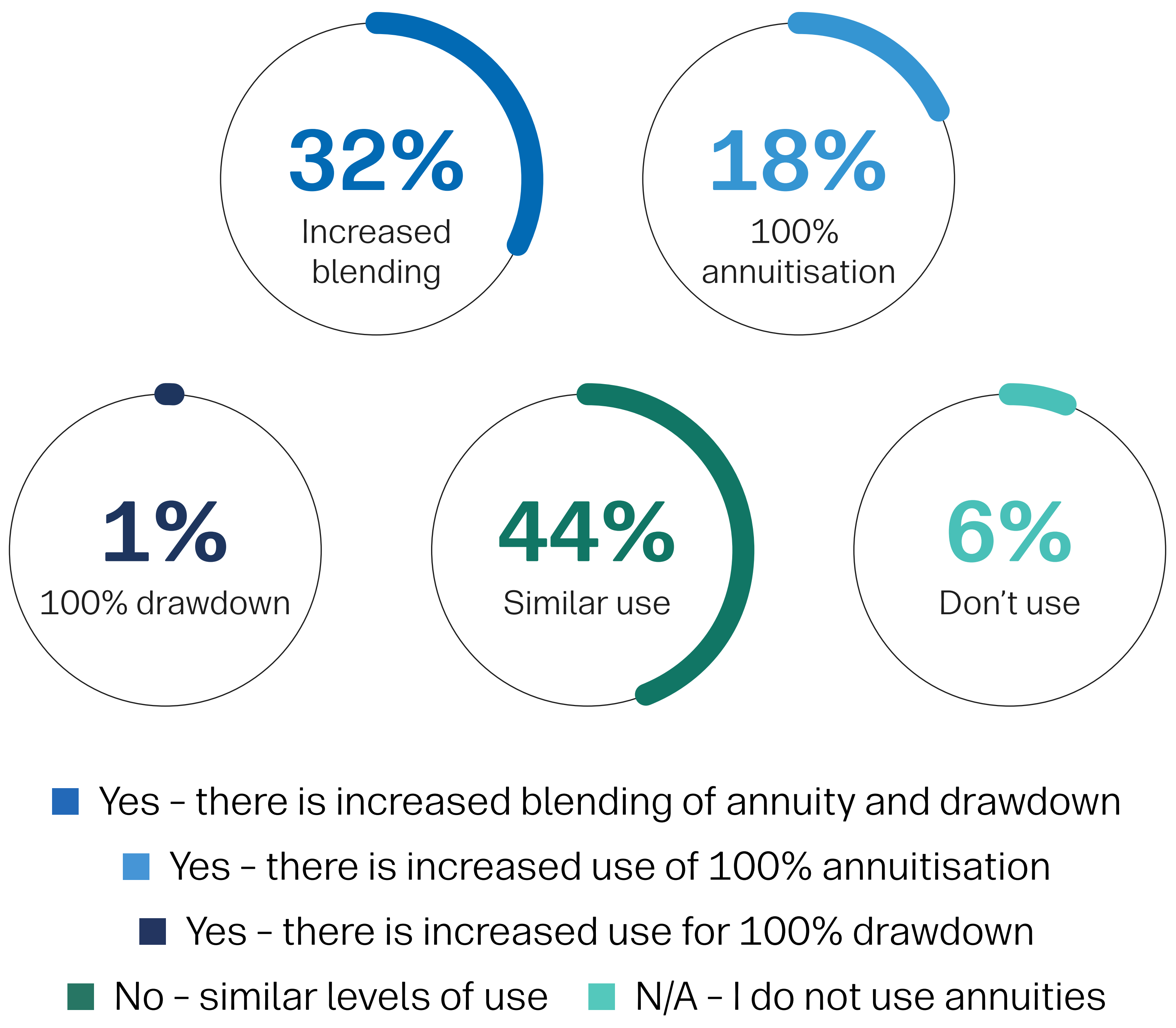
Advisers have adapted their recommendations as a result of improvements in annuity rates. Half said they'd increased their use of annuities in retirement strategies, with **32%** blending the use of annuities with drawdown while **18%** are using them for the entirety of their clients' pension pots. However, **44%** say they've seen a similar amount of use and **6%** don't use annuities at all.

50% of advisers increased their use of annuities

While this does seem significant, it's perhaps less remarkable when you take into account the considerable improvements we've seen in annuity rates following the Truss mini budget. If annuities were to have their day, you might argue it would be now, yet our data shows they still only make up around **11%** of retiring clients' assets.

It remains to be seen whether the rise in annuity use is simply a temporary blip, or whether it will reduce as and when annuity rates follow interest rates down, as they seem set to do this year. It does, however, demonstrate a strong desire for greater income certainty among current retiring clients where this is the cost-effective option.

Given the change in level of income offered by annuities, are you using them differently than 12 months ago?



5. Cost-of-living crisis increases demand for investment advice

A third of advisers (33%) noted an increase in queries from clients across the board since the cost-of-living crisis started in July 2021, with this figure rising to 41% in the North of England, Scotland and Northern Ireland, where clients appear to have been hit harder.

We asked how advisers responded to the queries and they told us overwhelmingly that they had urged clients to stick to their plan (**70%**) with a minority (**9%**) helping clients switch investments, change retirement plan (**7%**) or cash in savings (**4%**).

58% of queries from those aged 55 or older

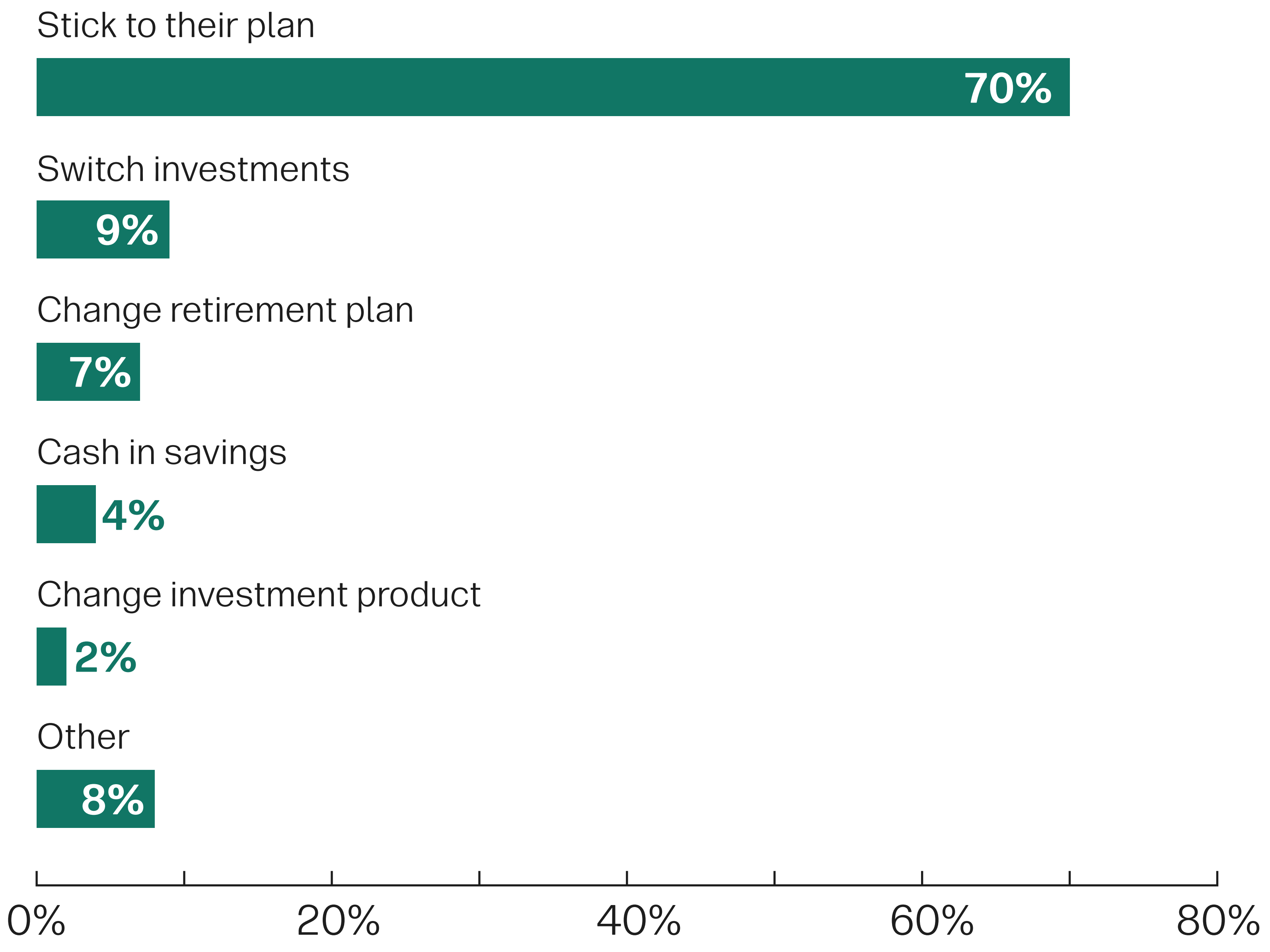
Most queries from older clients

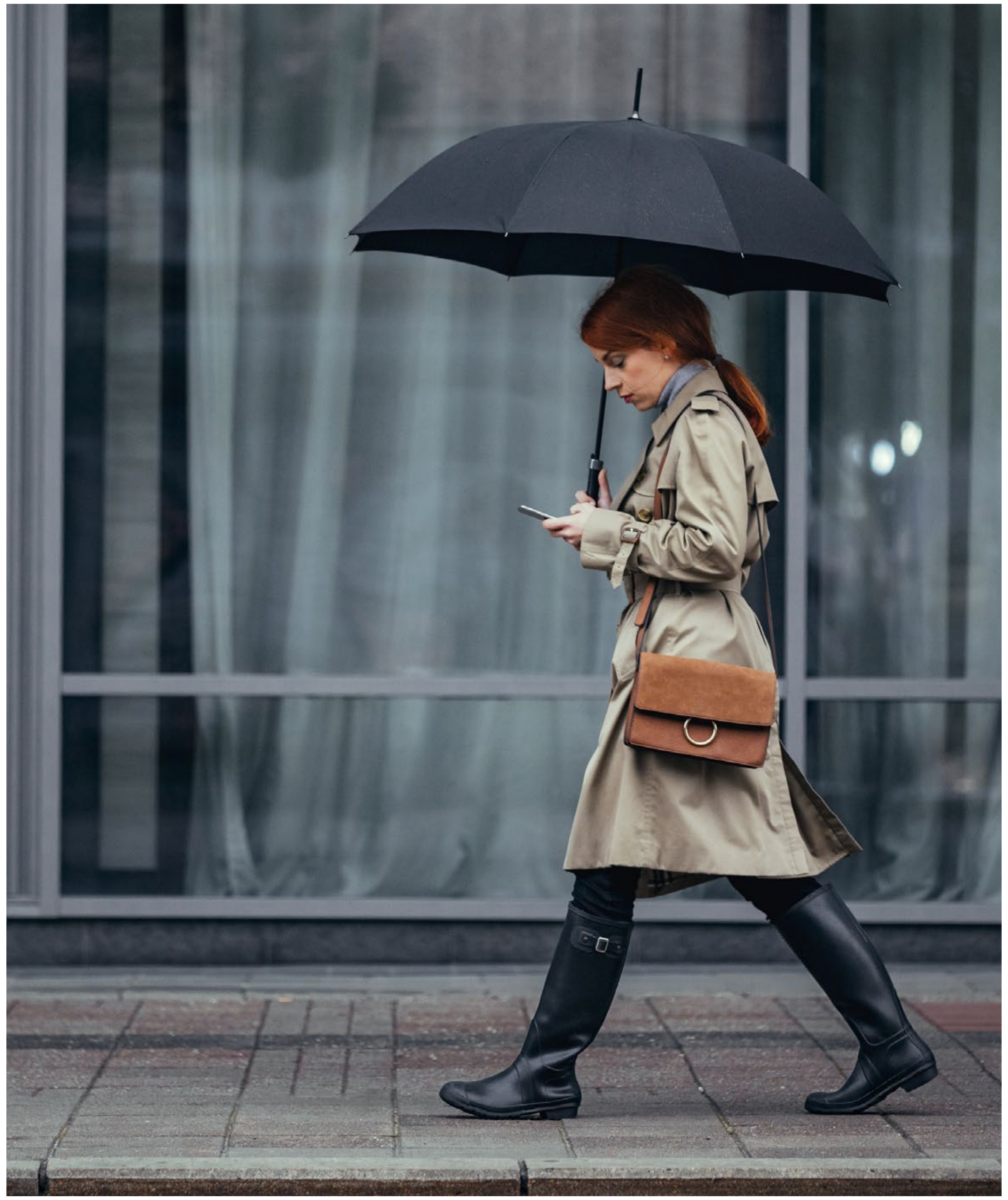
When looking in depth at where the queries were coming from, we found:

- A huge **58%** of the queries they received came from men and women aged 55 or older.
- More came from men (**55%**) while **45%** came from women.

These are all indications that retiring clients are feeling more nervous in general about how they'll finance their retirement in light of the cost-of-living crisis.

What is the action you have most recommended to clients who are worried about the rising cost of living?

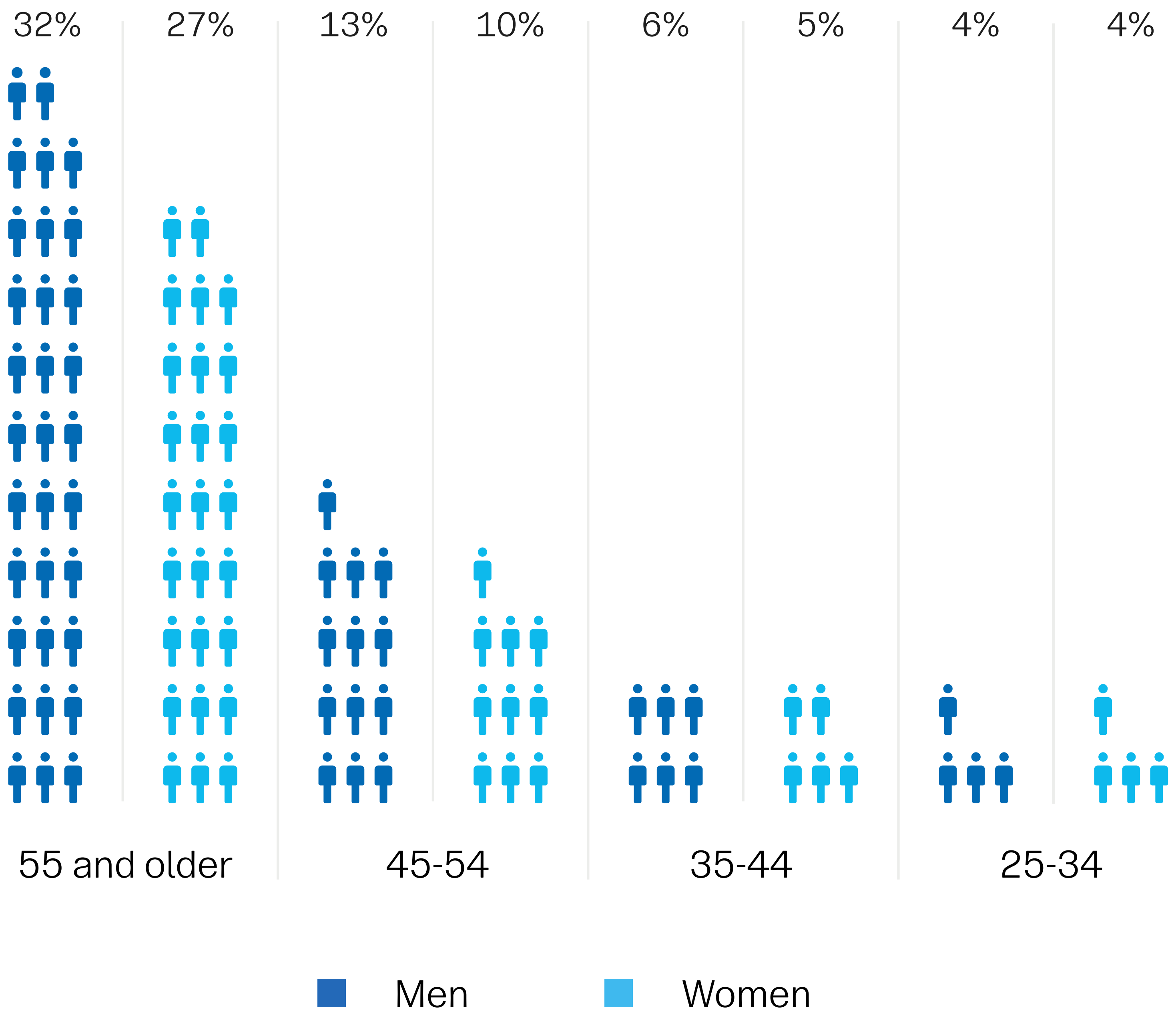




An overwhelming proportion of queries were from those who were already retired (**18%**), near retirement (**17%**), due to retire in the next two years (**20%**) or retired but forced back into work (**3%**) making the total queries from retired or nearly retired clients **58%**. This is not surprising given that those who are no longer earning have more limited options when combatting a rise in the cost of living such as we've seen.

In terms of client assets, the source of queries was fairly evenly split between those with assets upwards of £250,000 and those with fewer assets. **28%** came from those with assets of £250,000 or more and almost the same (**27%**) came from those with between £100,000 and £249,999. **21%** of queries came from those with between £50,000 and £99,999 and **23%** from those with less than £50,000. So, while slightly more queries came from the wealthiest clients, their concerns were shared by all.

What proportion of the queries you have received that relate to the rising cost of living have come from the following client categories?



What proportion of the queries you have received that relate to the rising cost of living have come from the following client category?

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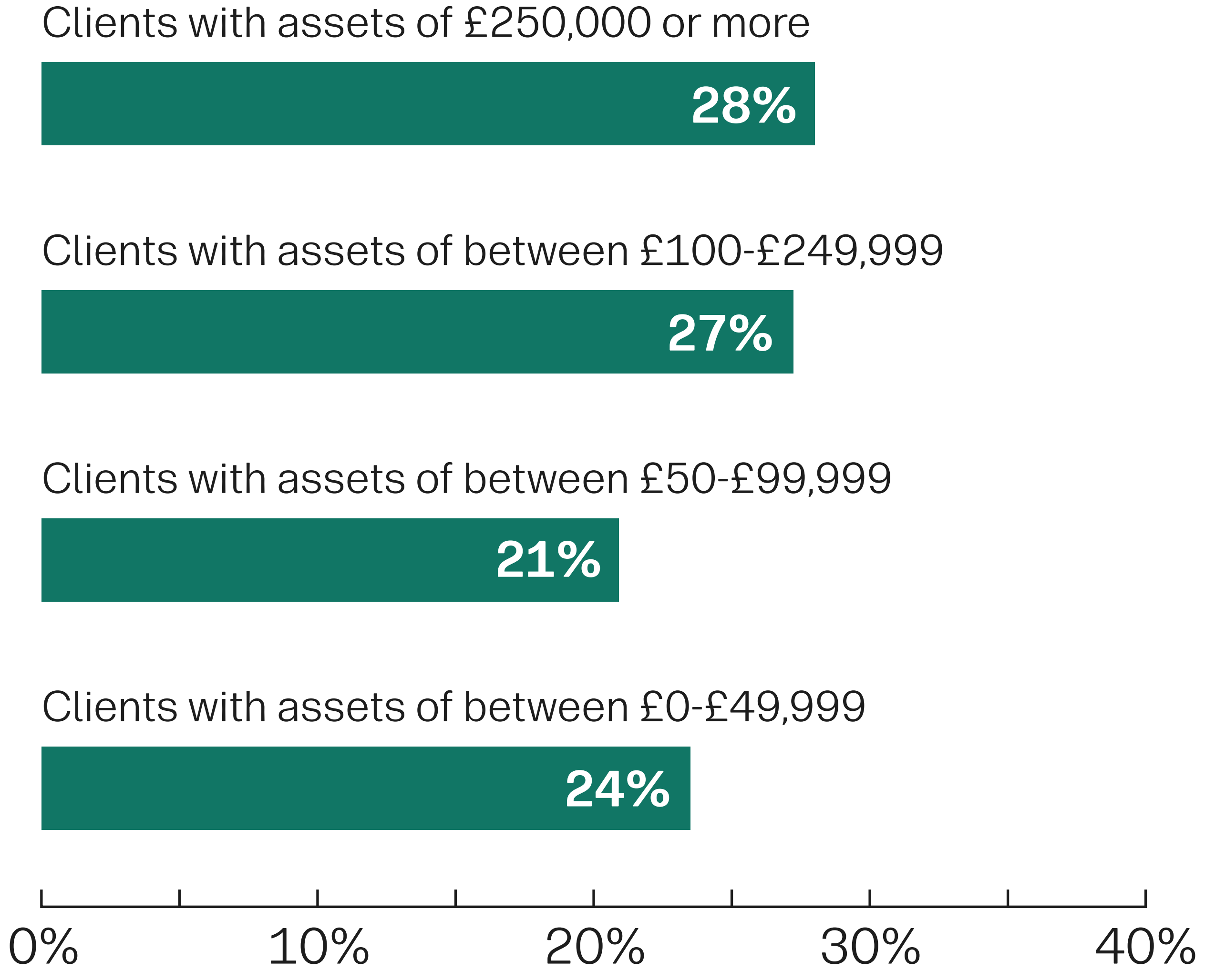
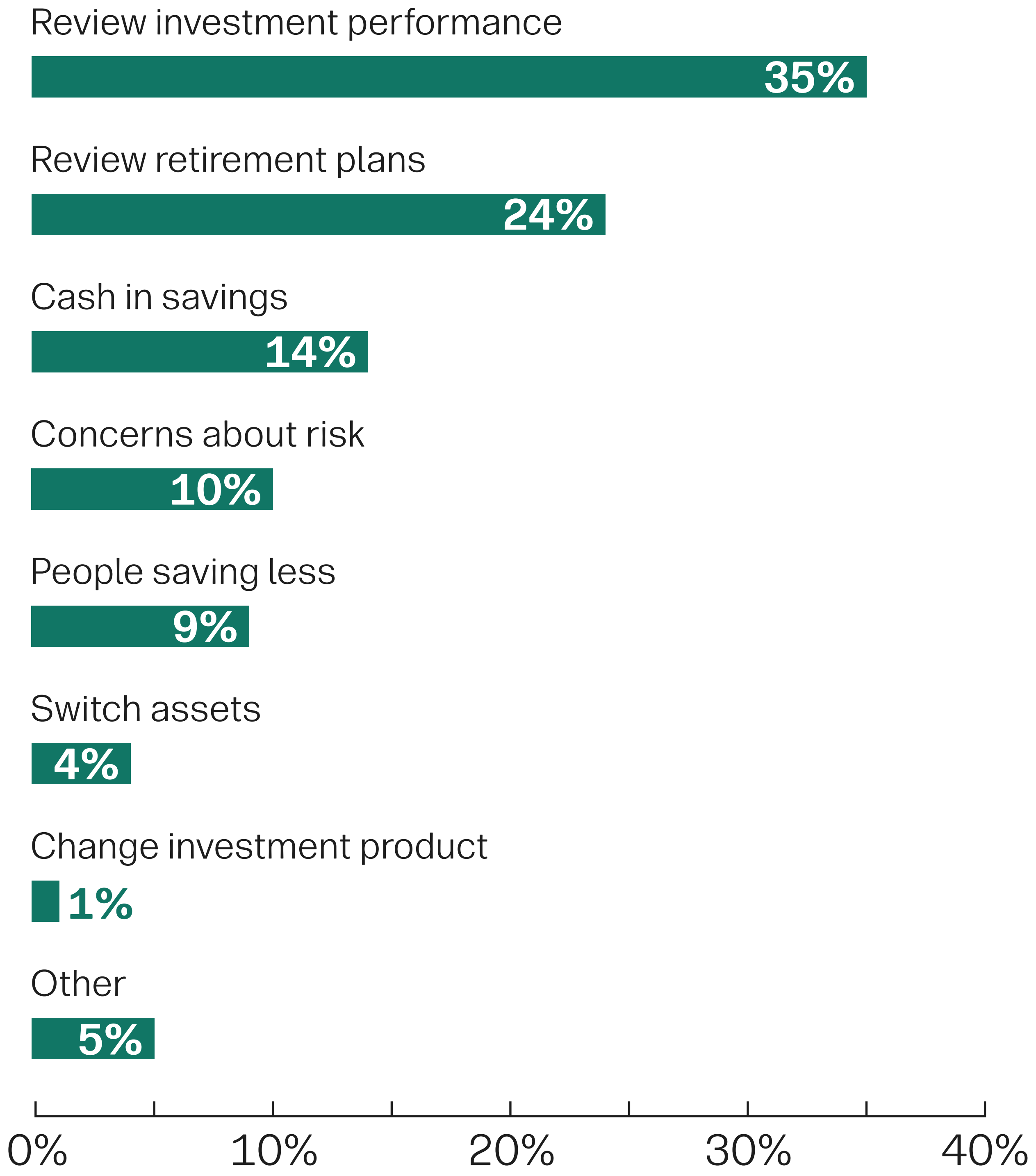


Most clients wanted to review investments or retirement plans

We asked advisers what the most common queries they had were about. **35%** of their clients wanted to review their investment performance, **24%** wanted to review their retirement plans, **14%** wanted to cash in their savings and **10%** were concerned about risk. **9%** wanted to reduce the amount they were saving.

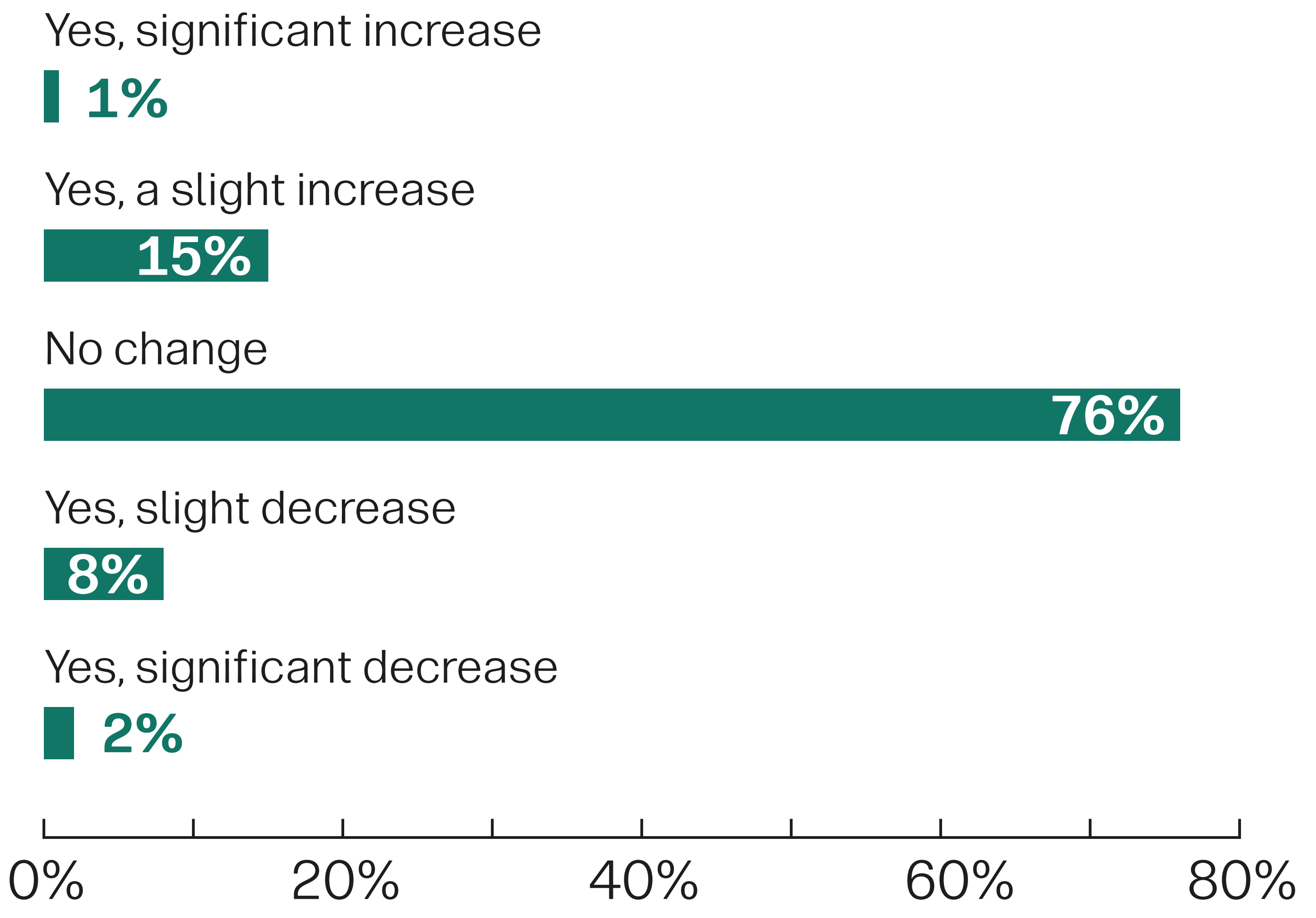
What is the most common query since the cost of living started to rise in July 2021?



6. Responsible investments

Advisers are still reporting a net increase in demand for environmental, social and governance (ESG) investments, with 16% seeing an increase in requests from clients in the past 12 months, with a 10% drop off in requests. While the majority have seen little change (76%) it's likely the slight cooling in ESG demand is due to the current strong performance of distinctly non-ESG friendly sectors such as oil and gas and defence as a result of the Ukraine war.

Have you seen a change in requests from clients for ESG products in the past 12 months?



Despite this, most advisers recognise that these are exceptional circumstances. We believe that well run companies with sustainable business models will prove themselves over the long term.

73% have enhanced their ESG proposition to meet client demand for ESG investments

73% of firms have made changes to their offering or advice process to reflect the changing regulatory landscape. Only **27%** of firms have made no changes. Over **40%** said their firm had revised their client factfind to ask about ESG preferences, which is unsurprising given the requirement set out in MIFID II. It's likely the remainder of firms had already made changes.

Almost a quarter (**23%**) said they'd increased the number of ESG options in their CIP. **12%** have taken the significant step to include ESG as standard within all recommended portfolios.

How has your firm responded to ESG demand? Please select all that apply.

43%
Revised client factfind to ask about ESG preferences

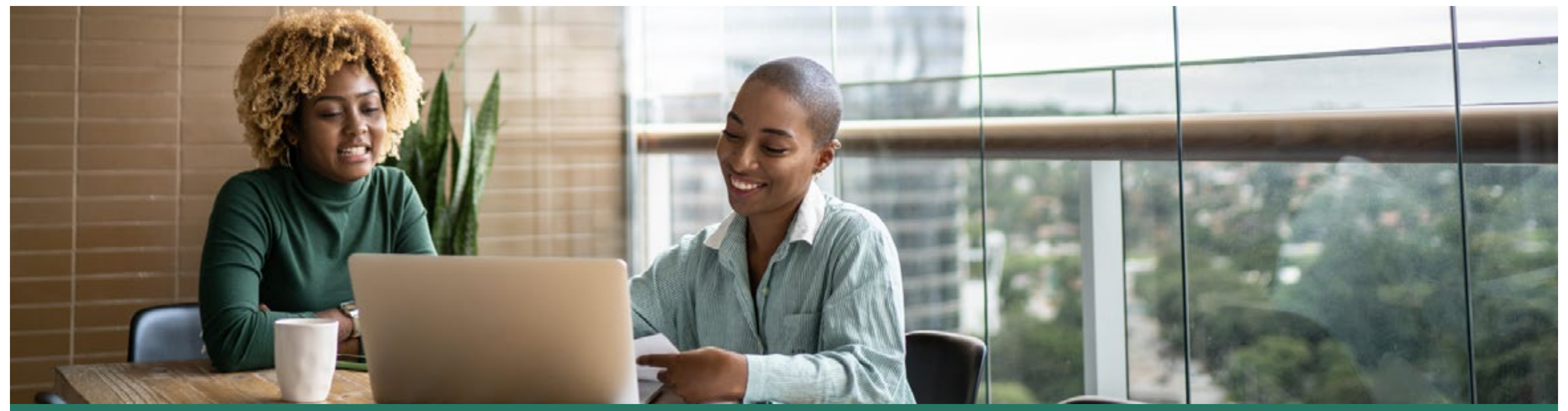
23%
Increased number of ESG options in central investment proposition

12%
ESG included in all recommended portfolios as standard

2%
Employed ESG expertise

5%
Other change

27%
N/A - No steps have been taken



Still significant barriers to ESG adoption

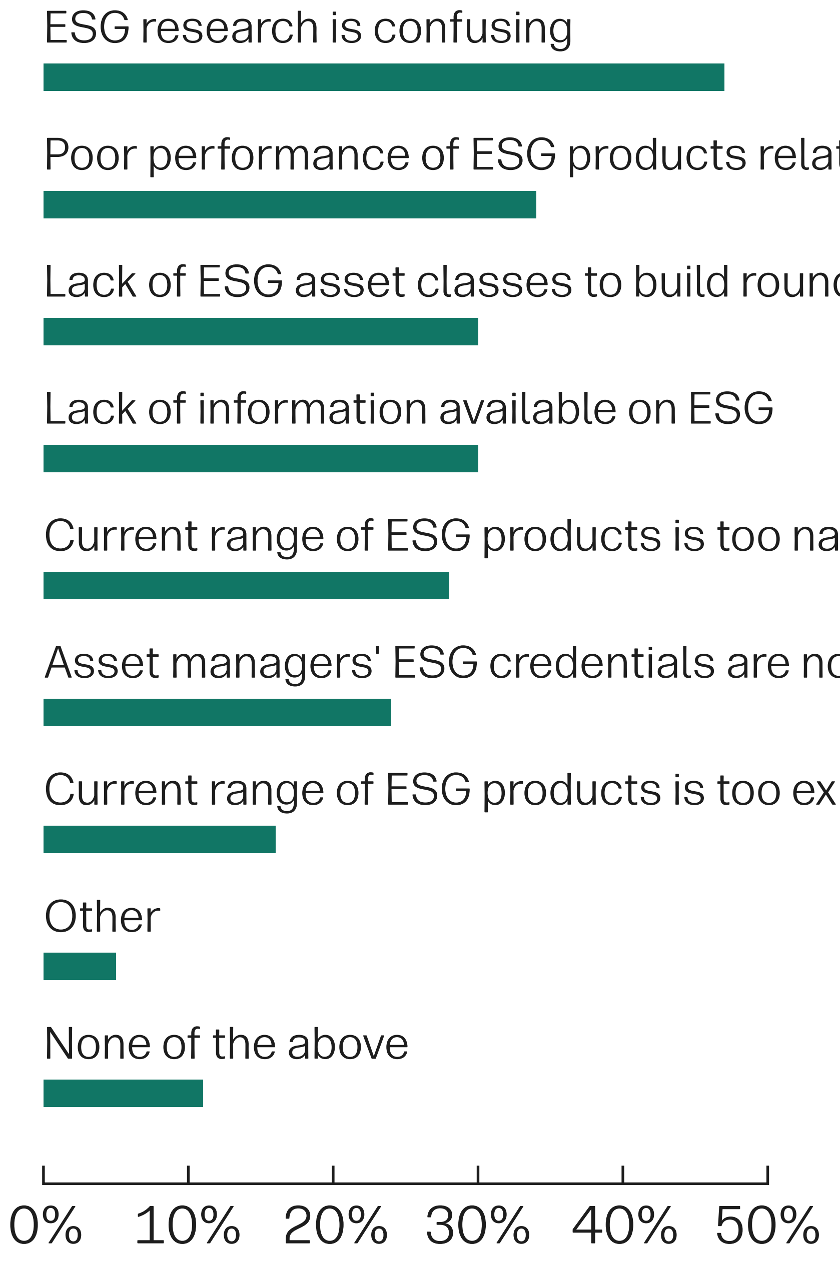
Client understanding and limited ESG research remain issues for firms when discussing responsible investments with their clients.

- **Only 5%** of advisers were confident that their clients understand the options very well
- **18%** said their clients had some knowledge
- **38%** felt their clients understood ESG funds vaguely but further education was required
- **27%** were not even aware there are differences between the ESG funds on offer

Specific issues that advisers face when selecting ESG investments are confusing research (according to **47%** of advisers), poor performance relative to the broader market (**34%**), lack of ESG asset classes (**30%**), lack of information (**30%**) and restricted product range (**28%**).

Performance aside, which wars in Ukraine and the Middle East have played no small part in, we would expect future reports to show an improvement in the quality and clarity of research and fund-related communications following the introduction of Sustainable Disclosure Requirements (SDR). This should make it easier for consumers and advisers to navigate the ESG landscape.

What are the key issues that you face when selecting ESG investment? Please select all that apply.



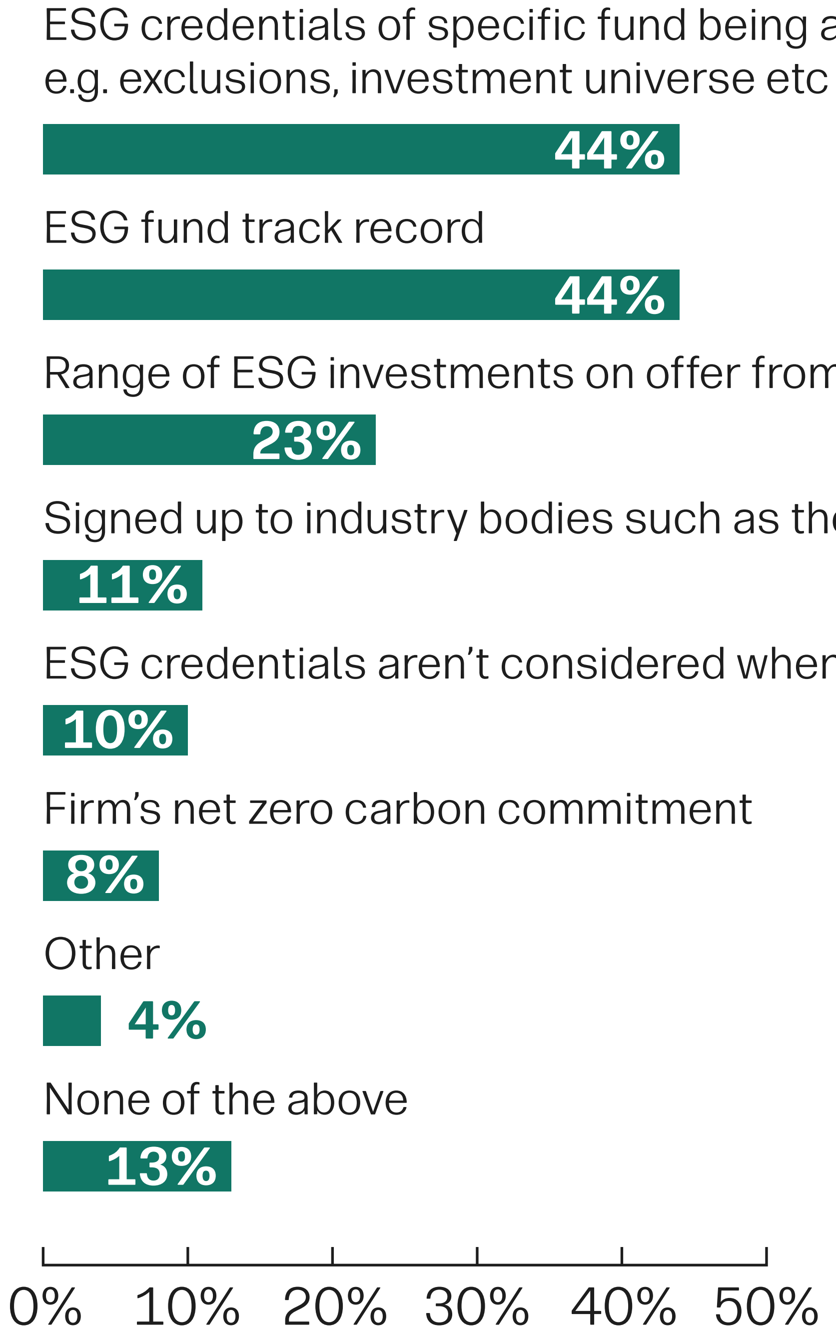
Adviser selections based on fund criteria/exclusions and performance

We asked advisers which credentials they valued most when selecting a fund and the most important factors were related to a fund's credentials – for example, exclusions and investment universe – and its track record, rather than necessarily the credentials of the firm offering them. Both were mentioned by **44%** of advisers.

23% said the range of ESG investments from individual providers was important, with **11%** feeling providers should be signed up to industry initiatives such as the Financial Reporting Council's Stewardship Code.

However, less emphasis was placed on factors such as a firm's net zero commitment and **10%** don't see ESG credentials as important when selecting funds.

Which one of the following ESG credentials is the most important to you when selecting a fund? Please select all that apply.



It's clear that more support is needed from fund providers and industry bodies in terms of education, fund specific information and reporting for the benefit of both advisers and their clients if the demand for these products is to be fully realised.

Final word: flexibility in investment propositions key to meeting future challenges

Advisers and investors have proven incredibly resilient over the past couple of years since our last survey, given how much has happened. As ever, advisers have embraced the challenge with gusto, steadying their clients' nerves and adapting their propositions to keep up with changing legislation, market conditions and client needs.

Firms offering increasingly diversified propositions and advice

Since we began conducting our surveys in 2018, we've seen a huge increase in the flexibility of advised investment propositions with many firms now outsourcing asset allocation and portfolio management to enable them to concentrate on their core purpose of managing their clients' wealth. The vast majority of advisers now have access to whole of market fund choice, including more ESG options than ever before, greater choice in terms of portfolio solutions, tools and platforms – all resulting in their having greater autonomy to select the best option for their clients.

Evidence of this flexibility is particularly evident in the mix of investment strategies firms are using – with increased use of DFM-built portfolios for select clients with complex needs at one end of the spectrum and multi-asset funds and model portfolios for those with more mainstream needs at the other.

Few advisers are now expending their energies picking individual stocks or single strategy funds where this expertise can be bought in increasingly cheaply. This enables them to meet the needs of an increasingly savvy and cost-conscious clientele.

Retiring clients – key focus for advisers during cost-of-living crisis

Much of this year's survey has focused on the retirement market in one way or another, particularly in light of the rise in the cost of living, which has clearly unsettled retiring clients more than any other age group. As the baby boomers reach retirement age, the demand for retirement advice has vastly increased and this has driven a need for greater creativity in terms of solutions.

Retirement patterns had already changed dramatically since Pensions Freedoms were introduced, but advisers are now faced with a huge wave of clients putting these into practice. The needs of these clients have been further complicated over the past two years by the cost-of-living crisis (and associated high interest rates and inflation), causing many to reappraise big decisions such as when to retire, how much income to take and how to cater for long-term care needs.

Advisers are using all the tools at their disposal to meet the highly complex needs of this, their largest client base, including reverting in some cases to annuities where these represent good value. Retirement advice is likely to be the biggest challenge for advisers for many years to come and will be a key focus of future adviser attitudes surveys.

We hope you've found our research helpful and look forward to working closely with you to help your clients live their best lives.

If you'd like to know more about how we can help, please get in touch with your usual Aegon contact or visit aegon.co.uk/adviser/investments.

Notes

Methodology

Unless otherwise stated, the research referred to throughout this document is based on the views of 200 financial advisers from across the UK. Fieldwork was conducted by Opinium between 8 to 15 January 2024.

Results have been rounded to whole numbers. Responses that total over 100% are due to those surveyed being asked to provide multiple answers.

Comparisons to previous surveys refer to fieldwork conducted by Opinium among 251 advisers between 20 and 28 October 2020, 250 advisers between 25 February and 1 March 2019 and 252 advisers between 21 and 27 June 2017.

References

1. Inflation reached peaks not seen since the 1970s, with food and alcoholic beverages reaching an eye watering annual inflation rate of 19.2% in March 2023 compared with the overall rate for the consumer prices index including owner occupiers' housing costs (CPIH) of 8.9%.

   Source: Office for National Statistics. Consumer price inflation, UK: January 2024.

2. Interest rates followed a similar upward trajectory, with the Bank of England rate reaching a high of 5.25% in July 2022.

   Source: Bank of England database: Official Bank Rate history. Rate changed on 3 August 2023, still current as at May 2024.

3. Advisers estimated that retirement advice would account for 58% of the assets they advise on in 2023, rising to 62% over the following three years.

   58% of financial advisers expected an increase in demand for retirement advice because of the then economic environment (the cost of living crisis combined with market volatility).

   Source: Managing Lifetime Wealth: retirement planning in the UK. Study conducted with 221 advisers and 209 advised clients between November and December 2022.

   Data source: NextWealth. Published February 2023. See Demand for retirement advice on page 7.

About Aegon

Our story started over 190 years ago, when we were founded as Scottish Equitable, right here in the UK. Today we're part of Aegon – an integrated, diversified, international financial services group.

As the largest investment platform, Aegon UK offers over 5,000 investment strategies (as at December 2023) alongside model portfolio functionality and access to DFMs. Our range also includes Aegon multi-asset funds.

If you'd like to know more about how we can help, please get in touch with your usual Aegon contact or visit aegon.co.uk/adviser/investments.

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