



Space Money Talks  
Financial  
Advice in a  
Digital World

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# Introduction

## Financial Advice in a Digital World.

Following our debate this month, hosted by Space Money Talks and Digital Wealth Insights, we have collated what we think are the 10 big discussion points from the night's discussion, with headlines, a short explanation and the relevant quotes. A full transcript is available too on request.

## Our panel of experts



**Ian McKenna**  
*Founder of Digital Wealth Insights*



**Lisa Caplan**  
*Head of Advice for Nutmeg*



**Jack McVitie**  
*Chief Executive of LEBC Group*



**Sheriar Bradbury**  
*Founder and Managing Director of Bradbury Hamilton*



**Peter Chadborn**  
*Director of Plan Money*



**Ben Goss**  
*CEO of Distribution Technology, provider of Dynamic Planner*



**Moderator**  
**John Lappin**  
*Editor of Mindful Money and Retirement Review*

# Space Money Talks

## Financial Advice in a Digital World.

*In association with*



A new service that has been created for professionals who want to understand more about the digital wealth management (robo advice) market both in the UK and globally.

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# IFA businesses will sell for much more if they invest in digital.

**Ian McKenna**

*Founder of Digital Wealth Insights*



**Digital Wealth Insights founder Ian McKenna also warns that paper-based advice businesses may have zero value. Ian McKenna says:**

***“Why should advice businesses be investing in digital even at a time when they’re doing better than ever, even when they’ve got more demand for their services than they’ve ever had?”***

*The reason is because the average age of an adviser in the UK is now 57. They’re all approaching retirement themselves. I believe they should be investing in a digital element of their businesses, in fact investing in completely digitising their businesses, because they’re actually going to be able to sell their businesses for significantly more.*

*In terms of what we’re hearing, we’ve been talking to a number of organisations about this recently, and the suggestion is that if you’ve got a good, well documented, digitised business that’s far more attractive to a buyer.*

*We’ve equally had some people suggest to us that there is zero value in a paper-based financial advice business anymore, because the people buying simply have nothing on which to measure what their return will be.”*

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## Lessons from retail – it's online, offline and digital.

**Jack McVitie**

*Chief Executive of LEBC Group*



**LEBC Group chief executive Jack McVitie says digital is driven by clients and customers to access advice service when and how they want to:**

***“A lot of clients I’ve advised through the years are high street retailers. They’ve been going through this for the last 17 or 18 years, trying to come to terms with how you deal with retailing in a changing environment.***

*They will talk about offline, they’ll talk about online, and they’ll talk about digital. Our approach with bionic was to try and redefine this digital space for advice, to say ‘Look, you’ve got offline, where the vast majority of stuff is now, you’ve got online which is aspirational - people think will deliver a lot going forward in terms of value, and then you’ve got the digital space, where you’re trying to combine the two.’*

*The reason you’re combining the two is not because you can, but because you realise that the empowered customer who has that device in their hand wants you to combine those things, wants to choose the way that they access your business, take what they want from you as a provider of that service, and then live their life.”*

## 3 Digital - the answer to reinvigorating older books of business?

### Sheriar Bradbury

Founder and Managing Director of Bradbury Hamilton



**Having bought up many smaller IFAs, Bradbury Hamilton Managing Director Sheriar Bradbury wants automation to help reach the 50,000 people he has data on. Sheriar Bradbury says:**

***“The number that we actually actively deal with from the 50,000-odd that are on our database is about 2,000 people. They are the ones we’ve got some kind of ongoing contact with. There are a lot of people that have got too small an amount of money to make it viable to give them advice. Where digital will help is in being able to provide some kind of service to those people.***

*They are not going to be viable for an adviser to do business with, because regulatory costs are too high. Yet reaching this group could be a good way to develop clients for the future. At the moment, we’re just looking at how best to use the data that we’ve got. It is quite clear that data is valuable, but it is being somewhat wasted at the moment.*

*A lot of the firms that we’ve acquired have got passive income streams from old renewals coming in from the past, but with the sunset clauses that revenue stream is going down. I want to rejuvenate this business and get some kind of revenue from it.*

*There’s going to be a market for the high-end client-facing work at a high value. I think we can supplement that with digital services. But there will still need to be communication from an adviser. However, with the regulation that we’ve got, a fully automated solution is going to be very difficult indeed.”*

## 4 Most people want advice – the challenge is in cost to serve.

### Ben Goss

CEO of Distribution Technology, provider of Dynamic Planner



**Distribution Technology CEO Ben Goss believes that most people want advice. Getting that advice to people is a problem the Treasury wants to solve. Ben Goss says:**

***“What’s about to change will be a tsunami compared to the changes that we’ve seen over the last decade. I don’t think there’s any evidence worldwide actually that you can build a demand-driven self-directed investment model from scratch without losing a whole heap of money.***

*Eighty per cent, ninety per cent of people want advice. It might not be all the time, but you want an adviser relationship. All of the statistics point to that being the case. So what do I think has changed? Advisers have found post-RDR and the banning of commission that it’s very difficult to deal with smaller case sizes.*

*Yet the banks have exited the industry, leaving millions of people without access to advice. I think the regulator’s stance has changed. It is very clear to me that the Treasury is going to make it much, much easier for the industry to adopt technology in the advice process direct with customers. The Treasury is forcing that. Project Innovate is being super helpful. But the number one objective for financial advice in the FCA’s business plan this year is access to affordable advice using innovative technology. It’s a cost to serve problem.*

*Advisers that want to grow their practices have realised it’s too expensive to do it through traditional means. They have moved their customer bases up and to the right. Clients have got older, wealthier, but they’re not able to talk to people who are earlier in their wealth-creation journey and engage with them profitably, economically. As technology is made available I think what we’ll see is huge changes in the way in which advisers are able to deal with clients and customers, though it is more a cost to serve challenge than a demand challenge.”*

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## Digital will eventually provide complicated holistic advice.



**There is a debate about the limits of technology but Ian McKenna believes it can deal with most advice challenges while current regulations give certainty. DWI founder Ian McKenna says:**

***“We’re in a particularly strong position in the UK because we have such a rigorous regulatory regime about advice and financial planning. At the moment, we are in an instinctive state of evolution.***

*Digital is being applied to relatively simple transactions, but I can think of many people who are already working on some very, very complex solutions, moving towards holistic advice, people talking to me on a very regular basis about fully automated holistic advice solutions being available in the next 12-18 months in the UK, in a fully compliant way.*

*But I think it’s important to recognise here two things: one, the best combination is going to be finding the right mix of analogue advice, if you like human advice, and digital. This is an enormous opportunity to grow the financial advice market.*

*For financial advisers, there has never been more demand for their services, they’ve never been more profitable, but at the same time that only services 5-10% at best of the community. There is a huge community out there that could really hugely benefit from, and has an appetite for advice.”*

## 6 Advice or guidance – most younger people simply know they need help.

**Lisa Caplan**

*Head of Advice for Nutmeg*



**Nutmeg's Lisa Caplan spells out why technology is needed to reach them:**

***“There are just not enough advisers. But that’s the supply side; there’s also the demand side, where many people don’t see advice being something that they would seek in the traditional sense.*”**

*They just don’t see it as right for them. That’s not how they engage with the world. And that’s where we are with Nutmeg. For younger people it’s a completely different approach. And it’s not traditional advice, they’re looking for. They’re looking for information so they can make their own decisions. And they know what they want.*

*The millennials is a sort of catch-all phrase, they are painted as financially irresponsible, but that’s not the case. They are extremely responsible. They have onerous problems that older people don’t have, and it’s part of what tech can do to empower people to understand what they can do to achieve what they want to achieve.”*

## 7 Does automated service mean less quality?



**Digital proponents believe their service stands scrutiny and indeed may be safer than traditional advice. Lisa Caplan says:**

***“People who come through our process end up in an investment solution which is good and sound and right for them.***

We have ways of excluding people who should not be investing through very clear processes compared to the traditional model.

It’s very simple and easy for us to put real numbers in front of people and say ‘If you invest in this way you could lose this amount of money, can you take it?’”



**Jack McVitie, discussing his combined digital/telephone service, says:**

***“We have a very, very clear trail. The telephone calls are recorded and available to be played if there’s a dispute as to what was or was not said. All of the online exchanges are recorded and available to be drawn down from a server, if there’s a dispute about what was or was not said.***

*The ability to scrutinise the advice given is much higher where you put the right systems in place, and you put in resolution systems. When you’ve got an adviser who’s involved in the process, who’s involved in the fact-finding, when you have a piece of advice that comes out and there is a conflict in the fact-finding which needs to be cleared up.*

*When you get somebody says one thing at one stage and then in the other part of the fact-finding something else, you get a conflict that has to be resolved.*

*In this system it means a call back to the client to say ‘Okay, let’s go through this again’. Or the adviser thinks ‘I’ve read the report, I did the fact find. I don’t think that’s right’. Then we escalate it to an arbiter who says ‘Okay, what’s the fact finding, what does the system say, what do you say’. That’s a far higher standard than you have in an analogue situation.”*

## 8 Advice unit or not - Advisers are still concerned about the regulations.



**Two of the adviser firm owners present set out the views of many IFAs and why they are still concerned about the regulations. Peter Chadborn says:**

***“Clarity’s a good word when it comes to regulations and the IFA sector, because there is a general paranoia, if only with a small p, about regulation and retrospective regulation.***

*With all good intentions some initiatives were taken with the advice sector, which later proved to be not quite as perfect as they could have been.*

*The challenge which the industry at large has, is to convince traditional IFA firms why they should take that risk. Why do I need to do anything different from what I’m doing now, if I’m already successful?*

*Every time there’s a consumer panel saying ‘We’re concerned about the quality of the advice’ in digital, all the IFA hears, or sees, is ‘Okay that’s a future headline that’s going to come back and bite me.’*



**Sheriar Bradbury says:**

***“What would be great would be if you could have some kind of engagement with those people that’s very automated. One of the key things stopping some advisers even exploring digital is the dangers of risk.***

*Many people that are in the financial services sector are scared about the downside of releasing a digital service and the liabilities that may bring on them.*

*If the regulator were to clarify things and also put more emphasis on clients and buyer-beware, I think that would make the job of improving advice to the general public much easier.*

*If we could automate certain areas, it would open up the market and improve the quality of the advice being given to the general public, and the people who need it out there.*

*There is an intermediate group of people who could be served much better through telephone-based work and with click-throughs, where things can be recorded, as for telephone conversations, and clicking through on screen, I think that would be really beneficial.”*

## 9 Digital can help the genuine personal finance industry move people from debt management to savings.



**Digital may allow those who aim to help people build their savings, help them with their debt rather than those who make their money from that debt. Ian McKenna says:**

***“You’ve got this really interesting contradiction between the people that really should be helping you take control of your debt making too much money out of you, failing to effectively manage debt.***

*Whereas actually the personal financial management arena is an absolutely ideal area for the financial advice community and product providers to engage with, to help people firstly take control of their day-to-day income and expenditure, because it’s only when they can better manage that, that they are able to save reliably in the long-term.*

*But there are new tools coming out almost every week that can help people in addressing exactly those.”*

## 10 A changing world means a shake up for traditional advice and its charging structures no matter what else happens.



**Sheriar Bradbury believes complicated advice will remain the preserve:**

***“I think that somebody who develops a solution which is cheap and functional and does the job for the mass market is going to be somebody who changes the whole dynamic of the way financial advice is given and received.***

*Governments will encourage people to do this because if there is a solution to this, it is going to revolutionise things. Where established advisers come in to the market, they are going to be dealing with the more specialist stuff, the specific advice, the more technical issues, but even here there’s going to be a change in emphasis over time.*

*The way that advisers get paid is going to change, and that’s going to change the way that they have to interact and use technology. So, for example, advisers getting large amounts of their turnover which is fund-related, I think it’s going to change in that people will look on the internet, the millennials will look there.*

*They’ll see solutions that are easy, that are cheap, and that will replace some of the ways that advice is actually dealt with. What they’ll do is they’ll use the advisers specifically for things, solutions that they need, and only those things. I think that the all-encompassing service model is going to start to change as time goes on. This is going to take time. It is going to start to develop over the next 5-10 years.”*

# Money Talks is hosted by Space, a marketing and technology agency with over 10 years' experience of working solely in the financial services sector.

The agency was formed when an IFA and a Creative Director joined forces to realise their idea: to bring together industry, technical and creative brains in order to help the financial services industry build more rewarding relationships with their customers.

Today we have over 30 in the team and we've built everything from underwriting engines to wealth management platforms and from advertising campaigns to global brands.

## Our areas of key expertise

- Research & insights
- Ideas generation
- User experience
- Communications & brand strategy
- Design & content
- Technical development

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