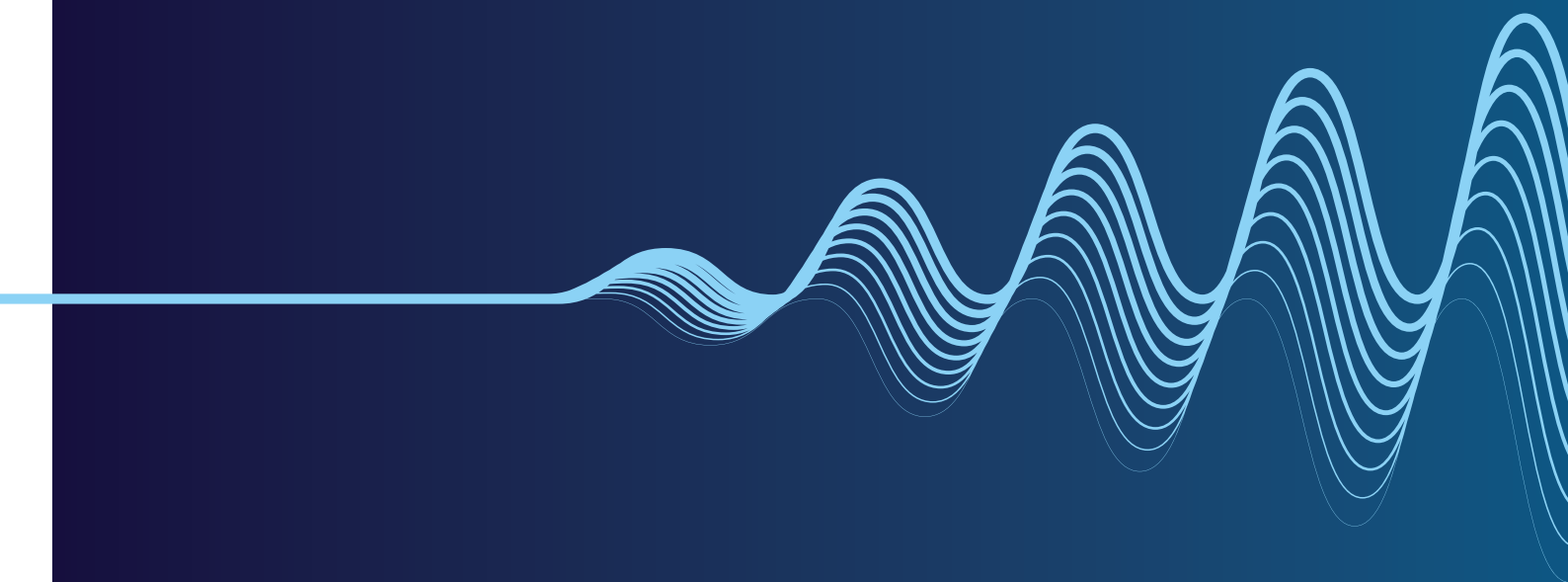


Gradually, then suddenly

Wealth management's
tipping point



SECCL
part of octopus

"How did you go bankrupt?"

"Two ways.
Gradually, then suddenly."

Ernest Hemingway, *The Sun Also Rises*

Foreword

I don't know how else to say this...



But much of the technology that drives our market is losing its relevance. It's scarcely automated, poorly architected and badly connected. And it costs planning professionals, forward-thinking technology firms and customers a fortune – whether indirectly in lost productivity, or directly in client fees.

Worse than that, it's misaligned. Some of the most important vendors in our market are driven by the wrong incentives. Rather than working to make life better for customers, they seem to be making it more difficult. Feels like a feature, not a bug.

I'd go so far as to say that the infrastructure of our market falls drastically behind that of nearly any other. Even banking makes us look bad. It's getting awkward.

So why are we so behind the curve? Well, ours is a long-term industry, with a complex series of interdependencies between market participants. And at the heart of it all are financial planning professionals themselves, cleaning up the mess.

One of the unintended consequences of planners being generally excellent at what they do – building and maintaining great client relationships – is that the providers they rely on are shielded from rising customer expectations.

Advisers bear the brunt of customer interactions. They soften the blow of poor technology – explaining, excusing and generally covering for the failings of others. They act as the valve in a creaking pressure cooker that's well overdue its service.

But it can only go on like this for so long. Like all things interconnected, our market is only as strong as its weakest link. Sooner or later, one of them will break. (Hint: we think it's sooner.)

That's the argument we'll be putting forward in this paper. I hope you find it an interesting read and that it provokes some new thinking...

We'd love to know your view. If you have any comments, feedback or questions, get in touch with me or one of the team (you'll find our details on the back page).

Enjoy!

David Ferguson, CEO of Seccl

Introduction

A warning from history...

Cast your mind back to 2010. The iPad had just launched. Rihanna and Eminem were top of the charts. Toy Story 3 was on its way to becoming the highest-grossing animated film on record. And the share price of Netflix was rising fast – nearly quadrupling over the course of the year.

By this point, Netflix had been around for over a decade. But it had only recently begun to shift from its core DVD rental business, towards the online streaming model it launched only three years earlier.

Already, its impact on the established video rental market had begun to be felt. Its share price, which back in January 2007 was just over a tenth of Blockbuster's, was now 1200% higher than its established competitor.

But many in the established media and entertainment market had their heads in the sand.

As the New York Times reported in December 2010, "the companies that make the shows and movies that Netflix delivers – companies whose stocks have not enjoyed the same frothy rise, and whose chief executives have not won the same accolades – are pushing back, arguing that the company is overhyped."

One such CEO, a Jeffrey L Bewkes of Time Warner, poured scorn on the digital upstart, claiming that "It's a little bit like, is the Albanian army going to take over the world? I don't think so."¹

Mr Bewkes was soon made to look at best shortsighted, at worst foolishly arrogant. A few short years later, Blockbuster had ceased trading. While today, Netflix's market capitalisation stands just short of \$300 billion – well in excess of the \$85.4 billion Time Warner was acquired for in 2016.

It's now a modern fable. It demonstrates that no one, no matter how large or successful, is safe from technological progress. It also goes to show that while change can build gradually, its impact can be brutally sudden.

To stay with the entertainment theme and paraphrase a Hollywood great, Eddie Cantor, "it takes twenty years to be an overnight success..."

¹ – New York Times, 'Time Warner Views Netflix as a Fading Star' (December 2010).



Blink and you'll miss it

The fact is that we humans aren't always particularly good at perceiving change. Neuroscientists even have a phrase for our perceptive fallibility: 'change blindness'.

The theory holds that, when our attention is interrupted, or things evolve slowly, we often fail to notice even the most obvious changes.

It's a phenomenon we can probably all relate to. Our daily lives are so busy, our spans of attention so stretched, that most of us struggle to appreciate just how much is changing before our very eyes. It's only when we pause and reflect on the long term that we realise the full extent of the transformation.

And it's not just the here and now where the myopia strikes – but the future, too. As well as being blind to the changes around us, we're also not great at imagining what's to come. Like Bill Gates famously said, "people overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten."

To put it in perspective, consider just how much our world has changed in recent years.

Back in 2010, when Mr Bewkes was dismissing the threat of Netflix, less than 1% of the global population had an iPhone. By 2023, over half the planet (4.3 billion) owned a smartphone. It's a feverishly rapid tech adoption that has reshaped nearly every aspect of our lives.

Why do we say all this?

We think the wealth management industry is on the cusp of massive transformation. An iPhone moment, Blockbuster moment, Kodak moment – whatever you choose to call it, it's set to be momentous.

Over the next few years, major forces will converge. They have been bubbling away for some time. Soon they will suddenly transform our market beyond recognition.

Financial planning, its infrastructure, delivery methods and economics will all change, creating both opportunity and jeopardy in equal measure.

As Hemingway's character responded when asked how he went bankrupt: "Two ways. Gradually, then suddenly."

In this paper, we'll set out our key predictions for this new era in a bit more detail – and explore what it might mean for you.

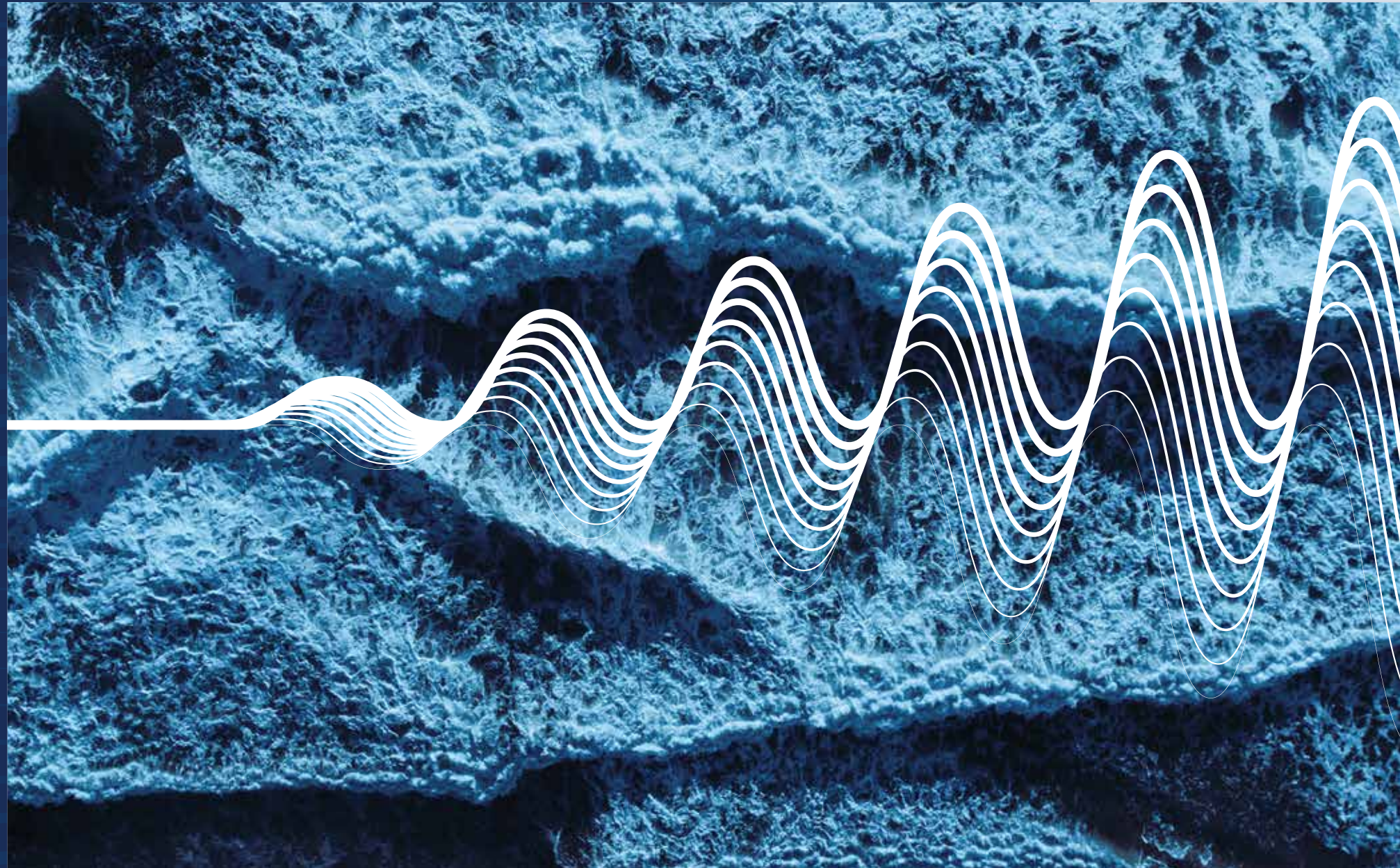
As with all predictions, we're bound to be wrong about plenty. But about one thing we're pretty sure. Things are going to look very, very different quite soon.

At a glance

- 1 Change:**
A perfect storm
- 2 Stasis:**
Wealth management is stuck in a time warp
- 3 Wealth 2035:**
What will the future hold?
- 4 Conclusion:**
What does it all mean for me?

Part 1.

Change A perfect storm...



Change

Two decades in society, technology and wealth management

We live in a world of constant change. Here we'll explore some of the most striking dynamics that are unfolding within the UK wealth management market – and society at large.

Viewed in combination, we believe they represent a 'perfect storm' that has created a tipping point for wholesale change in our market over the decade to come...

New generations, new clients, new challenges

The UK is getting old. Between the last two census dates of 2011 and 2021, the number of people aged 65 years and over in England and Wales grew from 9.2 million to over 11 million – meaning nearly 20% of the population is now of retirement age.¹

Zoom out to include the soon-to-retire baby boomer generation and that population share rises to 31.1%.²

Unsurprisingly, this large but minority segment of the UK population holds a disproportionate share of our total household wealth – nearly 70%, in fact, according to analysis by the Vanguard Advisory Research Centre.³

It's a demographic trend that will soon precipitate the largest transfer of intergenerational wealth since records began. In the UK alone, £7 trillion in today's money is predicted to pass to Millennials and their younger Gen Z siblings over the next thirty years.⁴

Few of these inheritors currently have much experience of wealth management. Research from NextWealth shows that 60% of all clients are over the age of 55,⁵ while the proportion of those with an adviser steadily falls with age.

And, to state the obvious, it's an incoming cohort of clients that have grown up in a radically different economic context to their parents and grandparents.

Successive periods of downturn. An unforgiving housing market, where rents account for an increasingly large share of take-home pay and house price-to-earnings ratios continue to climb. Not to mention the rising cost of childcare and many other living expenses besides.

It's not just their present that is uncertain, but their future, too. These are generations for whom defined benefit (DB) pensions represent the impossible dream of a bygone era. Even with auto-enrolment doing some of the heavy lifting, they will have to build pension pots more deliberately, proactively and consistently than ever, all while being more financially stretched. Retirement planning has never been more essential, nor more difficult to prioritise.

To wear an optimistic hat for a moment, we can hope that the so-called 'great wealth transfer' can help to adjust these fortunes for the better.

Similarly, the shape of retirement itself will continue to change – away from today's 'cliff edge', towards a more gradual phasing that sees more of us continue to work, in some form or another, into our later years. (Whether by choice or necessity...)

Either way, these clients will face challenges – and carry expectations – that are wholly different to their predecessors.

It's not surprising, then, that research by Deloitte showed as many as 90% of heirs go on to replace their parents' financial adviser...⁶

1 –
ONS, 'Profile of the older population living in England and Wales in 2021 and changes since 2011' (April 2023)

5 –
NextWealth, 'Financial Advice Business Benchmarks 2023' (October 2023)

2, 3, 4 –
Vanguard, 'The Great Wealth Transfer: building trust and relationships across generations' (August 2024)

6 –
Deloitte, 'Wealth Management Digitalization changes client advisory more than ever before' (June 2017)

Change

New regulations, new pressures, new economics

From RDR in 2012, to MiFID II and its PROD rules in 2018 – and most recently the introduction of Consumer Duty – the last decade has been punctuated by a steady drumbeat of major regulatory changes, creating continued pressure for firms of all sizes to adapt.

And it seems to be taking its toll on some firms. A recent poll by Professional Adviser showed that financial advisers “are feeling increasingly concerned about regulatory pressure”, with the “overwhelming sentiment among respondents [being] that regulation continues to be the biggest hurdle”.¹

It’s true that Consumer Duty, as the single most wide-reaching piece of regulatory reform of the last 10 years, has raised the bar on the standards required of all actors in the sector.

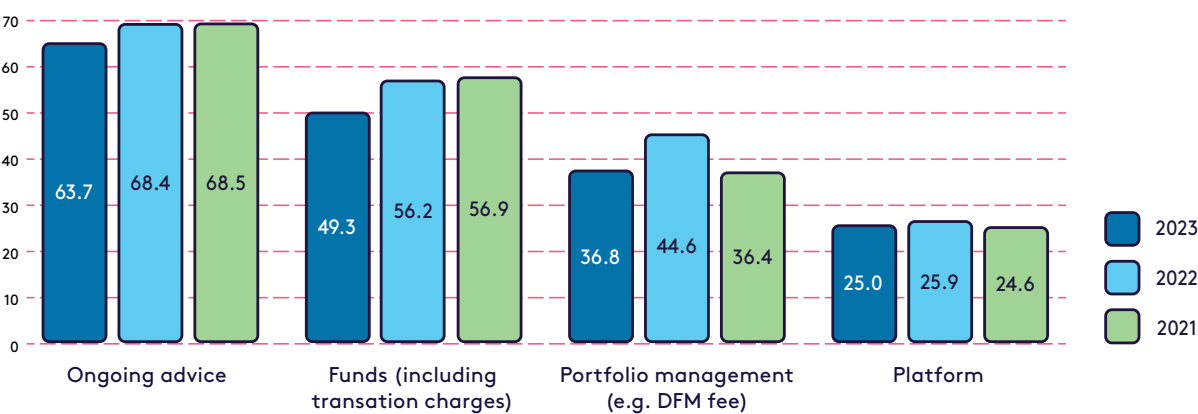
For investment platforms, it has already led to a re-evaluation of charging models. The FCA’s Dear CEO letter to 42 platforms and SIPP providers in 2023 – outlining its readiness to crack down where investment platforms are acting in conflict with customers on the treatment of cash interest – made clear that the Duty has teeth, and it isn’t afraid to bare them.

For advisers, meanwhile, it has forced firms to justify the appropriateness of their offering, raising particular questions around the nature and value of the ongoing service they provide.

If the story for providers has been one of mounting regulatory pressure, what about for customers themselves?

On the one hand, the decade following RDR (and the greater transparency it created) has seen an overall reduction in client costs, as well as a significant restructuring of the value chain and realignment of fees between market participants.²

Average basis point fee paid by clients (excluding VAT)



Source: Next wealth, Financial Advice Business Benchmarks report – Issue 5, Oct 2023
Note: the platform fees shown here don’t account for the retention of interest on cash.

In general, control has moved toward customers and their advisers, resulting in ongoing advice fees going up, broader use of model portfolio services, and significant reductions in platform and fund management fees. So far, so good.

It’s also beyond doubt, though, that regulation has made the process of delivering advice more complex and costly, raising the barriers to entry for consumers in the process.

There is now clear consensus, for example, that RDR has contributed to widening the so-called ‘advice gap’,³ while recent research by the lang cat indicates that Consumer Duty might be having an impact of its own.

Extrapolating from the responses to its adviser survey, the consultancy concluded that 600,000 clients might already have stopped receiving advice – and a further 800,000 more at risk of being cut loose – following the introduction of the Duty. “That’s around 1.5m clients in total”, it explains, “which is a significant addition to the advice gap.”⁴

The conclusion isn’t that these regulatory developments are bad. Far from it. That firms must now do more to ensure positive outcomes for their customers is, we think, only a good thing.

Instead, it demonstrates the importance of highly efficient technology in making advice more accessible. It also shows the opportunity that exists for firms looking to develop innovative solutions at the interface between advice and guidance.

Though the outcome of its advice-guidance boundary review is still up in the air, the FCA’s continued focus on this area seems assured – particularly given the socio-economic trends previously outlined, and the growing need for financial support that they create.

While the future regulatory landscape is there for the shaping, one thing is for certain. Constant change is here to stay...

1 – Professional Adviser, ‘Advisers grapple with escalating regulatory pressure’ (August 2024)

2 – Savanta, ‘Cost and fee pressures help push more wealth manager mergers’ (September 2021)

3 – FT Adviser, ‘FCA admits RDR contributed to advice gap’ (July 2016)

4 – The lang cat, ‘Advice gap 2024’ (July 2024)

Change

New technology, new journeys, new expectations

These trends would be enough to transform financial advice alone. But, of course, they haven't occurred in isolation.

They have unfolded against a backdrop of unrelenting technological change – change that has transformed consumer expectations and commercial realities in equal measure.

After all, in most areas of our life, we've come to demand a level of convenience and speed that would have been unthinkable even a decade ago.

Consider, for example, that more than half of today's shoppers say they would give up on a purchase if they encountered any checkout friction whatsoever.¹

Or that, in the retail banking sector, 75% of banking customers say they would prefer to use more agile fintechs, since they offer fast, easy-to-use products and experiences.² Digital banking is now so mainstream that only 13% of UK customers refuse to use this channel.³

Each sector will have its own tale of progress over the last two decades. But the real impact of technology has been its blurring of traditional sector divides. It has allowed brands to meet more consumer needs in a single, integrated journey.

Nowhere is this better illustrated than in the embedded finance propositions that have become a staple of daily digital life. Today, financial services like payments, credit and insurance are distributed seamlessly through the online or in-app user journeys of non-financial brands. Disjointed, standalone customer experiences have been replaced with rich and unified ones.

Now consider this: if today's digitally embedded world was unimaginable 10 years ago, what might the next 10 years have in store?

1 – PYMNTS, 'Online Retailers May Lose Half of Sales to Checkout Friction' (January 2023)

2 – Capgemini, 'World Retail Banking Report 2022' (April 2022)

3 – YouGov, 'How often Brits use mobile banking' (July 2024)

Two decades of digital progress

The seamless digital experiences we have come to expect are made possible by 'APIs' (application programming interfaces).

Put simply, APIs allow different pieces of software to 'talk' to each other. They provide a means for engineering teams to connect different offerings, by allowing data to be passed easily and securely between different systems.

Web APIs were first championed by Salesforce, eBay and Amazon back in the early 2000s – three businesses that did more than most to power the e-commerce boom of the early millennium.

Fast forward a few years and APIs were powering the development of new social media platforms like Facebook and Twitter – platforms that would go on to transform the way we communicate, network, share and do business.

Add in the launch of the iPhone and Android in 2007 and the scene would be set for a wholesale re-orientation of living and working habits around the possibilities – and demands – of mobile internet.

So ubiquitous has mobile technology become that, fast, friction-free journeys are now the baseline expectation for consumers of all ages, in all sectors – a trend only accelerated by the pandemic and the digital connectivity it forced on both companies and consumers.

The proliferation of mobile-enabled experiences has not only transformed our expectations, but our infrastructure needs, too.

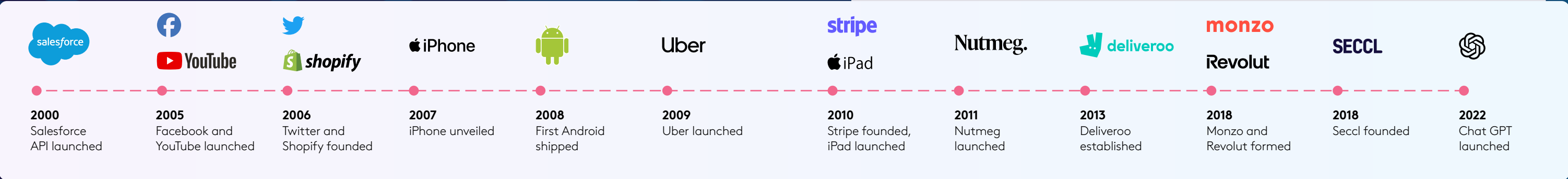
We now produce and consume data at an astonishing scale. Our total accumulated wealth of data is set to exceed 180 zettabytes by 2025 – an unfathomable sum equivalent to 180 trillion gigabytes.⁴

This sheer volume of data has encouraged the steady shift away from traditional physical infrastructure towards cloud-based data storage options that offer greater flexibility and scalability. In the process, it has placed ever-greater strain on businesses reliant on more traditional infrastructure vendors.

At the same time, it has fuelled a decade of relentless research and innovation, first in machine learning and now in generative AI. As we enter what many call the 'fifth industrial revolution', developments in artificial intelligence look set to stretch the bounds of digital possibility beyond all imagination, as well as shake the foundations of established careers and ways of working.

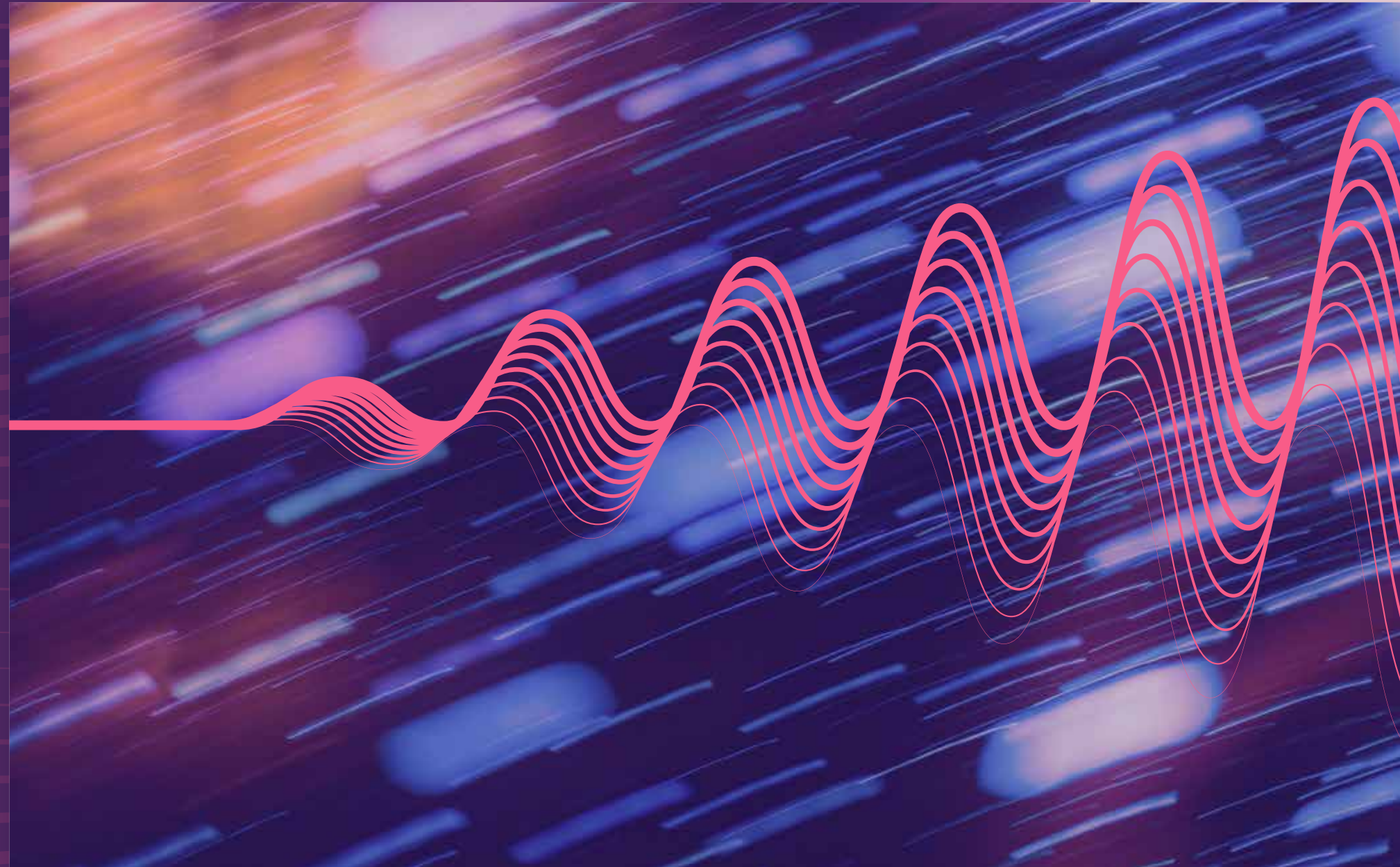
Put simply? The digital landscape is shifting at bewildering speed. And it shows no signs of stopping...

4 – World Economic Forum Annual Meeting, 2023



Part 2.

Stasis Wealth management is stuck in a time warp



Stasis

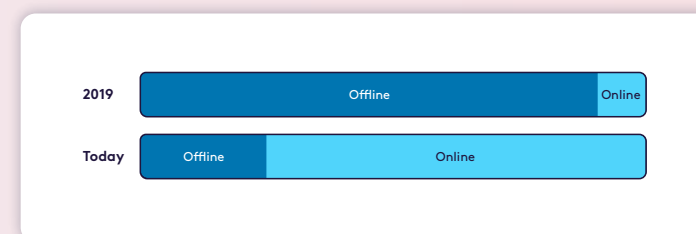
A wealth of change... except in wealth itself?

A significant period of generational crossover.
A growing drumbeat of regulatory pressure.
A whirlwind of technological advancement.

And yet, here in our sector, the digital advances
are few and far between...

In fairness, there has been progress at the coalface of adviser-client relationships. Delivery models have shifted away from purely face-to-face, towards a blend of online and offline interactions – accelerated by the pandemic.

Graeme Inglis, director and chartered financial planner at Poise Financial Planning, summed it up well. “Around 25% of our firm’s client interaction is now done face to face”, he explained to IFA Magazine back in 2022. “This compares to almost 100% pre-pandemic. There has been a huge shift towards using the likes of Zoom and Teams as part of the advice process and for client reviews.”¹



Newer entrants in the client engagement space, meanwhile – like moneyinfo and Money Alive – are satisfying the demand for easy-to-use apps.

There has also been significant activity over the last few years in the CRM and practice management space. These technologies began with commission and fee reconciliation, not client engagement. But they are now re-inventing themselves into ‘customer-first’ solutions that emphasise speed and ease of use.

Scratch the surface to examine the back-end operational processes that power the sector, though, and the story is closer to one of steady stasis.

In fact, we’d argue that the prevalent infrastructure of today’s wealth management market is more similar to that of 2000 than it is different.

It took a pandemic to challenge the paper-based, wet-signature-requiring norms of most providers. And the legacy of our pre-digital era still lives on in the much-maligned ‘letter of authority’ (LoA) process.

A report by Origo and the lang cat showed that “on a best-case scenario, firms are on average waiting for nearly 10 days, but at worst nearly two months” for providers to return the data they need to be able to advise their clients.

As Mark Polson, CEO of the lang cat, lamented: “Every financial adviser has a unique entry in a digital register. Every provider does too. Very nearly every client has the means of verifying their identity digitally. And what does our industry do? Demand letters with wet signatures.”²

It’s a painful, inconsistent and time-consuming process, as frustrating for clients as it is advisers. A few steps down the advice journey and the delays begin again with the transfer of assets. In its September 2023 Dear CEO letter to platforms, the FCA expressed its concern over “a significant rise in the number of consumers who lose time out of the market while investments are moved across platforms.”³ Despite improvements in transfer times, the average pension transfer still takes nearly a fortnight.⁴

1 –
IFA Magazine, “Video calls “the foundation of modern financial advice” (February 2022)

2 –
Origo, “LoA Process: Just Fix It Already” (October 2023)

3 –
Citywire New Model Adviser, “Revealed: Why it’s taking so long to transfer off a platform” (November 2023)

4 –
Pensions Age, “Significant ‘improvements made in average pension transfer times’ (May 2024)

“

The prevalent infrastructure of today’s wealth management market is more similar to that of 2000 than it is different.

Stasis

This reluctant dialogue between providers couldn't be further from the open communication that characterises the rest of our digital lives. Even in other areas of financial services, like retail banking.

And while the customer pain might mostly be limited to a few crunch points of provider interaction (like the LoA and transfer processes), the struggle for financial planning professionals is more-or-less constant.

That's because most advisory businesses use upwards of half a dozen different systems and tools. And the two most prominent of these – CRMs and platforms – have notoriously shallow integration capabilities.

As the lang cat notes in its 2022 report, A fragmented world, “vanishingly few platforms allow advisers to transact with them via other systems. You can get (some) data out, but setting up a new client, investing monies, rebalancing and so on nearly always needs to happen on platform.”

The siloed nature of adviser technology stacks is partly a result of commercial incentives. It's part of a quest for ultimate control of the adviser experience, which acts as a blocker to deep integration.

“Platforms don't like the idea that they can be commoditised into a custody, admin and dealing service”, the lang cat explains. “This doesn't sound like the sort of thing that can cost from 25-45 basis points, and so they pile on more and more richness to try and sweeten the deal.”¹

But it's also a function of architecture, too. The simple fact is that the largest and most used of adviser tools are built on ageing technology stacks, which fly in the face of modern digital practices.

Most platforms, for example, are powered by one of a handful of underlying technology vendors. They spin up a separate instance of their code base for each of their platform clients – a practice that makes ongoing change management vastly more complex, costly and time-consuming.

GBST's four-year development of its Composer platform, for example, involved rewriting as many as 14 million lines of code.² Bravura, meanwhile, reportedly operates 14 instances of its Sonata platform – with Fidelity's recent £29 million decision to purchase the source code behind its own instance apparently stemming from frustration at the pace of ongoing development.³

Even those operating on proprietary technology stacks tend to package up their changes into infrequent 'big bang' releases. It's a practice long since rejected by firms looking to minimise the impact and increase the overall pace of technology change. Monzo, for example, deploys changes as often as 100 times a day.⁴

And to top it all, well-documented APIs – which have done so much to drive innovation in other sectors – are still the market exception, not the rule.

Where they do exist, APIs seem to be more of an afterthought. They typically allow other systems to access only a small portion of the overall suite of functionality – rendering the integration at best shallow, at worst largely useless.

Technology is getting in the way...

1 –
The lang cat, 'A fragmented world' (September 2022)

2 –
Money Marketing, 'GBST rebrands as it launches revamped wealth platform' (March 2023)

3 –
Citywire New Model Adviser, 'Why Fidelity's £29m Bravura software tie-up is a big deal for advisers' (August 2024)

4 –
Monzo, 'How we deploy to production over 100 times a day' (May 2022)

5 –
Monzo, 'Year in review 2024' (June 2024)

Change is possible... the retail banking view

For decades, the mere mention of any of the UK's high street banks would trigger eye-rolling, head-shaking and a chorus of frustration – not helped by repeated mis-selling scandals and their role in the 2008 financial crisis.

While some saw little hope for better, others – particularly digital challenger banks like Monzo, Starling Bank and Revolut – recognised an opportunity for disruption in an arguably stagnant and arrogant market.

The traditional arguments against change prevailed: “The banks are too big, too old and entrenched to be disrupted”. “Regulatory barriers are insurmountable.” “Your money won't be safe with these new players”. “People won't trust a digital bank”.

But neobanks have successfully leveraged modern technology, data-driven insights and a groundswell of frustration with the traditional banks to lay the foundations for disruption. And it paid off.

Rather than retreating, or trying to buy their way out of trouble, they responded with heavy investment in digital transformation. The result? Modern apps, forward-thinking approaches, and continually improving customer experiences.

The progress in digital banking is dramatic enough to leave the customer experience here in wealth management looking, well, distinctly non-digital...

By way of provocation, ask yourself this: why is it that the digital experience of someone with £200 in their current account is more seamless and delightful than someone with £200,000 that they're looking to invest?

Monzo alone boasts over 9.3 million customers – with over 2.3 million new customers in 2023 alone – making it the UK's seventh-largest retail bank.⁵ And even if the digital challengers never surpass the incumbents in scale, profitability or market share, their most significant short-term impact has been on the incumbent banks themselves.



Stasis

Something's got to give...

In this tale of two cities – dizzying change on the one hand, frustrating stasis on the other – client-facing firms are caught in the middle.

No matter how forward-thinking these firms might be, they are held back by the weakest links in our market's complex chain of interconnected parties – the outdated technology and processes that still characterise today's investment infrastructure.

As the dynamics we have explored shift rapidly through our market, they will leave both opportunities and threats in their wake.

But inflexible and inefficient technology is hampering firms' ability to react – rendering them immobile at precisely the time when speed and agility is most needed.

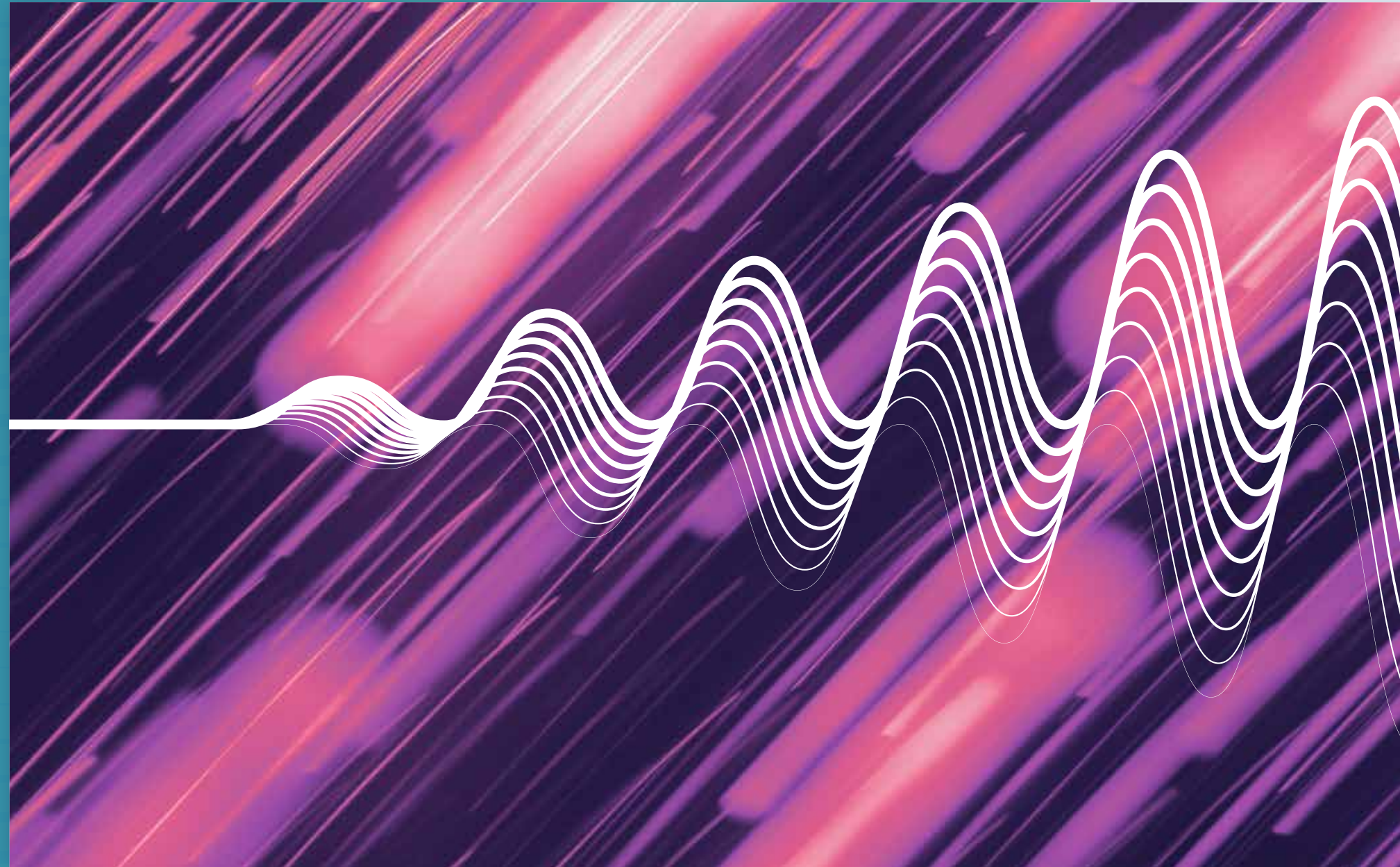
The pressure has been building – gradually, perhaps imperceptibly – over the last five to 10 years.

But it can no longer be contained. The tipping point has been passed. The creaking infrastructure is about to break – to be replaced by a new operating system that can cater for the radically evolving expectations of today's (and tomorrow's) financial consumers.

Our market is about to look very different...

Part 3.

Wealth 2035 What will the future look like?



The year is 2035... The dam broke. A while back.

A tidal wave of innovation has finally washed over the wealth management market. What new world has it created? What could the future look like?

Over the course of this chapter, we'll set out some key predictions, exploring the new technologies that will emerge, as well as the new journeys and economics that they make possible...

The future technology stack

An open architecture ecosystem

If today's wealth management tech is siloed and inefficient, tomorrow's will be anything but. It will focus on automation and an API-first design that can facilitate any number of integrations.

The result? A tech ecosystem that gives client-facing firms more control. One that enables highly customised offerings and boosts internal efficiency.

Of course, APIs have been talked up for years now. So much so that any discussion of their impact will solicit some rolling of the eyes from sceptical planners who have had their hopes dashed many times before.

That's because for most traditional vendors, connectivity has been – and still remains – an afterthought, not a core feature. Their API is often merely a bolt-on that surfaces a subset of their overall technology capability.

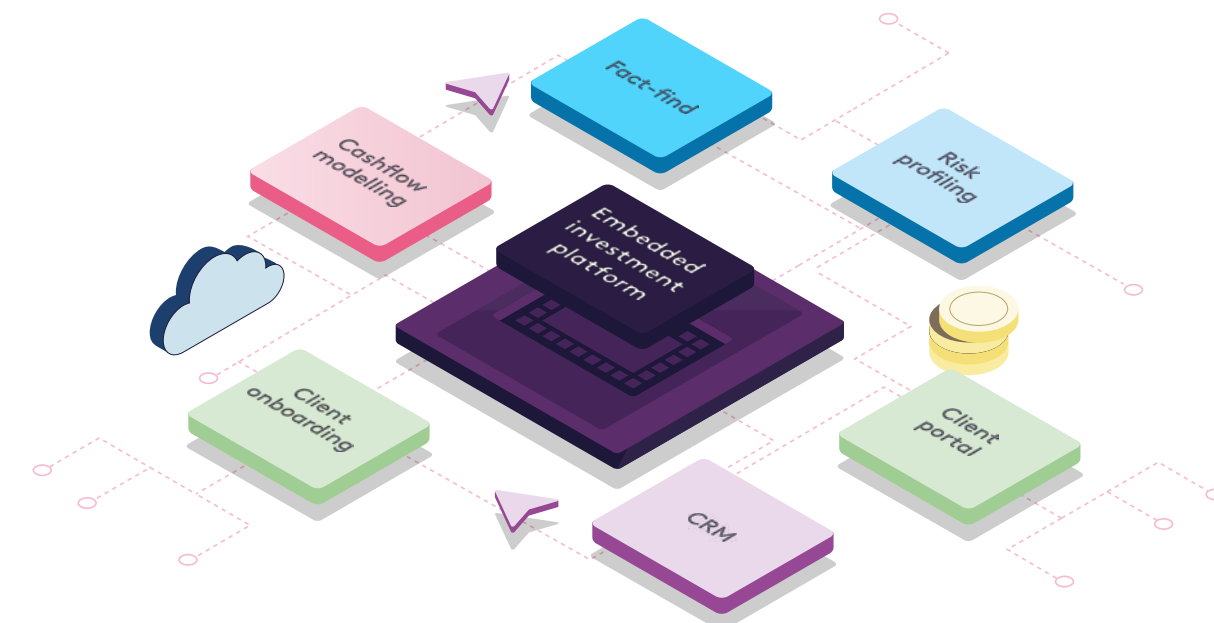
As a growing number of genuinely API-first providers emerge across the market, more and more planning professionals will gain exposure to the true potential of deep integrations – raising the bar of adviser and client expectations in the process. There is no going back from here.

This proliferation of API-first providers will also help to unlock the wasted potential of a 'best-of-breed' technology model.

Traditionally, this approach (which involves the selection of tools based on how well they perform their individual task) has led to inefficiency and fragmentation, as planners and support staff are forced to routinely re-key client information between separate, stand-alone systems.

But with deep integrations now the norm, 'out of the box' connectivity will quickly become a key selection criteria. Firms won't need deep tech skills to make APIs work. They will expect providers to support two-way integrations as a matter of course.

It's a virtuous circle that will create huge efficiency gains across the entire advice journey. It will massively drive down costs end-to-end, while transforming the adviser and client experience for the better...



Wealth 2035

From wrap platforms to operating systems

We believe the basics of investing and advice will become more ‘off the shelf.’ This includes things like processing payments, safeguarding client assets, routing orders to markets and managing tax wrappers.

Traditionally, these services have been provided through a knotty combination of technology and people-powered operations. It’s a combination that hasn’t proven itself particularly scalable. (For proof, just look at the employee numbers of underlying platform solutions vendors, which seem to have grown in-step with the underlying client assets they help to administer. Or service standards, for that matter.)

As providers automate more operational processes in the investing journey, these core services will be delivered through software alone. This, in turn, will allow them to be packaged in easy-to-embed technology modules.

It will create a new category – ‘investing as a service’ – that allows firms to embed investment journeys within any type of client journey. And it will challenge the primacy of the standalone investment platform in the process.

Of course, adviser platforms will continue to exist, but their number and type will change dramatically. Instead of the 25 or so options that exist in the market today, we’ll see a far larger pool of highly customised, low-cost and client-aligned platforms, all built on modern technology.

Planners will be able to choose from a growing range of embedded platform options that meet them where they work – from CRMs to cashflow modellers, DFMs to risk profilers – creating a fully streamlined adviser and client experience that is faster, more efficient and cheaper, too. (Check out Plannr on page 32 for an example.)

While most firms won’t adopt the adviser-as-platform model, a growing number will. And those firms who don’t will still be able to realise the benefits of modern engineering, through one of the newer (or refreshed) platform options built on digital infrastructure.

Regardless of the dominant future model, we expect a big shift away from the dominant wrap platforms in the coming years, with ownership moving to parties closer to the end customer.

It all makes for a more complex market full of optionality and ripe for customisation. And it will be powered, we think, by a small number of ‘operating systems’ – modern infrastructure vendors offering the embedded investment technology that makes it all possible.

Scalability will trump scale

The most successful infrastructure players of the future won’t necessarily be those with most scale today, but instead those that can provide the highest levels of scalability.

As fee pressure mounts, new levels of automation will be needed. Infrastructure partners will need to support billions of processes and millions of customers, with less and less human intervention.

In this context, existing scale players might quickly begin to find their enormous size a hindrance not a help. After all, their complex tech stacks could block their shift to wide-scale automation...

“

We forecast a material shift away from the dominant wrap platforms, with ownership moving towards parties that are closer to the end customer.

Wealth 2035



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Snapshot: the shifting sands of the future platform market

“As technology continues to develop, it's hard to see what the existing platform brands are bringing to the market, other than a 150% technology markup in return for distribution. The operating system hypothesis represents a much better market architecture and, we think, will gain growing traction.”

“While they still maintain a dominant position in the adviser market today, we expect a shift away from wrap platforms as new platform delivery models call their value into question – fuelled by the continued development of digital infrastructure.”

Adam Jones, strategic development director at Seccl



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Platform 3.0: the Timeline view...



Financial advisers are experiencing pressure on multiple fronts—regulatory, operational, and evolving client needs and expectations.

Adding to this, the business of financial advice has a growth problem. According to the FCA's latest RMAR data, average retail investment revenue per adviser declined in 2023, despite the 10% growth experienced by a typical 60/40 portfolio. Over the past five years, the cumulative increase in average retail investment revenue per adviser is a mere 12%, compared to over 32% for a 60/40 portfolio.

In other words, once you exclude market growth, typical revenue per adviser is actually shrinking. Even with market growth, retail investment revenue per adviser is growing at a much slower pace than inflation.

Houston, financial advice has a problem – specifically, an operational efficiency problem.

A key driver of this low productivity growth is that the operational systems that financial planning relies on are outdated, fragmented, and creaking at the seams. At the heart of this outdated system sits the platform. Traditional platforms (i.e Platform 2.0) are suffocating under operational inefficiencies, failed change management programmes, and protracted migration projects. Anyone still waiting for seamless integration between these incumbent platforms and all your other tools and systems, you'll be waiting a while longer.

Thankfully, financial advice firms are confronting a simple truth: a sticking plaster approach won't solve the operational inefficiency, low productivity, and regulatory pressure holding them back.

Financial planning needs a new operating system – an integrated ecosystem built for modern financial advisers. This next generation of operating systems will unify all critical advice tools, and have modern, digital-first custody and tax-wrapper capabilities deeply embedded at their core.

In this age of Consumer Duty, where cost and value for money are under the regulator's microscope, we are approaching a world where the total cost to the end client—encompassing advice, platform, and investments – could come in at 100 basis points! In this scenario, advice, which delivers the majority of the value, would take around 70 basis points, while platforms, DFMs, and funds jostle for the remaining 30 basis points!

The real winners in all of this will be the end clients! To thrive, advisers will need to adopt a modern operating system that delivers a comprehensive financial planning proposition with the client at its heart—encompassing cashflow modelling, retirement planning, low-cost investing, tax optimisation, and estate planning. The choice for advice firms is simple: stick with fragmented legacy systems that impede your growth, or rip off the band-aid and adopt a modern operating system to turbocharge your growth and future-proof your business.

Abraham Okusanya, CEO of Timeline

Wealth 2035

The rise of the client management systems

Beyond the platform market, but fuelled by the same trends, we believe we will see a more general reshaping of the adviser technology landscape away from propositions that are oriented around fee payments, towards ones that are centred on customer journeys.

Complex practice management systems will decline, as legacy investments products continue to roll off, client needs become more straightforward and assets become concentrated across fewer providers.

In their place, a new breed of 'client management' system will emerge. This one will be oriented around aggregated client data, and facilitate the smoother and simpler execution of workflows.

They will come to redefine the adviser and client experience for the better – delivering online journeys that are not only faster and more intuitive, but also provide the basis for much richer, more frequent client engagement.

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A new breed of 'client management' system will emerge – oriented around client data, and facilitate the smoother and simpler execution of workflows.

The new breed of CRM:
meet Plannr

Launched in the spring of 2024, after a year-long period of collaboration with around 70 advice firms, Plannr is a new entrant to the adviser back-office market.

It's one that, let's face it, isn't known to be the easiest to crack. "We understand that this is a highly competitive market", explains Plannr's CEO, Gareth Thompson, "but hope to do something very different through the benefit of a fresh perspective.

"Plannr is built on state-of-the-art technology by highly-skilled developers, honing the system daily in conjunction with our community of clients.

"I think this is a reflection of our times. Previously, you built technology in a vacuum and employed loads of salespeople to sell what you had built. Today, modern technology is designed and built simultaneously, with a constant feedback loop and short sprint cycles of improvements."

Designed to be "beautifully intuitive", Plannr puts plenty of emphasis on supreme ease of use, for advisers and clients alike. Even more importantly, its technology is designed to unlock efficiencies within the advice firms who use it – with a powerful task and workflow system and an automation engine that turns hour-long business processes into tasks that the system can complete in seconds.



This efficiency also comes to life in its approach to platform integrations. As we've seen, platforms and CRMs have typically supported only surface-level integrations, meaning planning professionals have been forced to make do with both systems in tandem.

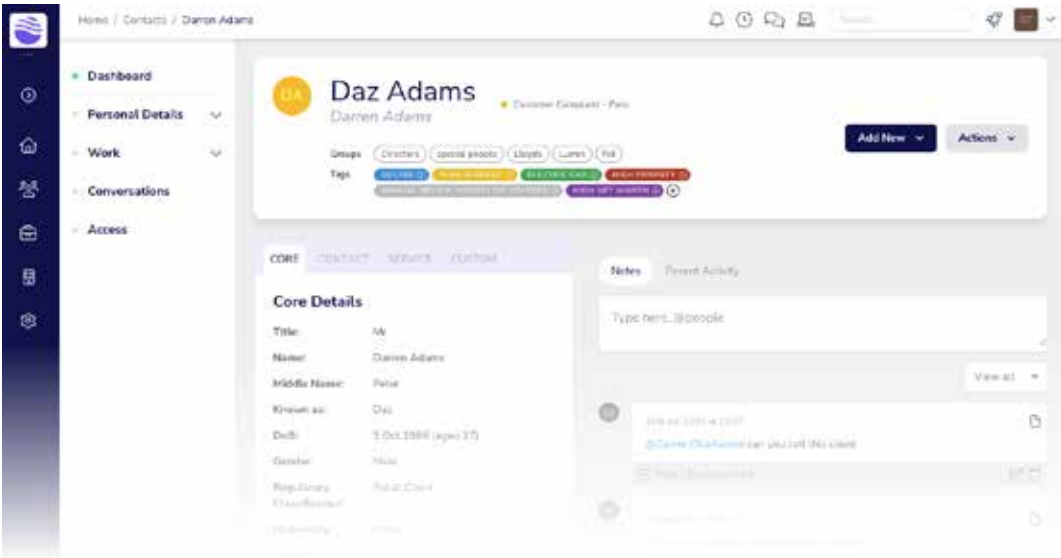
Plannr has other plans. Its API-first construction has allowed it to rapidly build a game-changing depth of connectivity with platforms and platform technology providers.

In the case of its integration with Seccl, advisers and their teams can create illustrations, open accounts and have them funded by clients, all without leaving the platform. It's a different, more unified vision of the future, where the platform meets planners where they work (that is, in Plannr itself). The need for a separate platform begins to fall away.

This novel approach is already being championed by Söderberg & Partners, the £70 billion Nordic wealth manager, in its highly publicised UK platform launch.

"At the core of this approach", explains Nick Raine, its UK CEO, "is the need for a platform that is integration-friendly which allows us to be flexible and adaptable where required."

"A key driving principle", he continues "is that all of these technologies will be completely integrated and avoid the need for re-keying at all times. We firmly believe that the technology solution we are building is a big step forward in the UK adviser market and a true end-to-end adviser solution enabling improvements to the client proposition and adviser efficiency."



All of this is made possible by the freer exchange of data that APIs allow. In this data-rich world, the perimeter gates of platforms, back-office systems, and investment product providers have been toppled. Client information will become a valuable asset, increasingly 'owned' by planning firms.

And with it, we'll begin to see some fundamental shifts in the way that advice is delivered...

The future advice journey...

'Life-centric' wealth management and the rise of coaching

With a more flexible, scalable and integrated technology ecosystem at its core, the very practice of financial planning – and the nature of adviser-client relationships – is set to evolve over the coming decade.

Accenture describes this evolution as a shift towards "life-centric wealth management", one that will turn advisers and wealth managers into "trusted prosperity partners."¹

It will see planning professionals' roles expand. They will go beyond managing a financial plan. Their work will include aspects more often linked to life coaching – a trend already underway thanks to the 'lifestyle financial planning' community.

This increasingly 'coaching' style relationship will go hand in hand with the rise of small 'a' advice, as forward-thinking firms look to bridge the widening advice gap with financial coaches.

It's a model pioneered by the likes of Octopus Money. The company's hybrid approach aims to use technology for efficiency, combining it with the power of human relationships. The goal? A low-cost planning solution fit for the future.

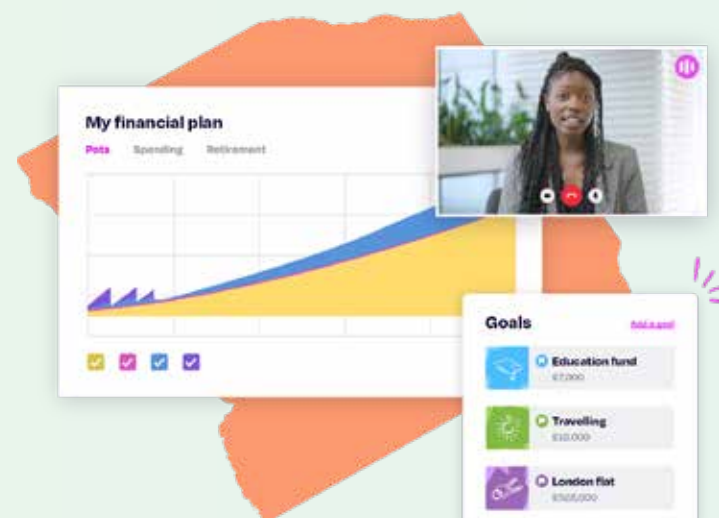
This trend also acknowledges that the need for 'advice' is neither constant nor consistently complex. It ebbs and flows with the shifting priorities and concerns that clients face as they move through life.

We believe we'll see more clients cycle in and out of 'advice', prompted by particular life events. The adviser relationship will still continue, but in an 'ambient', digital form.

For example, clients might continuously monitor their financial health from their phone, with real-time access to data from across their financial lives – supplemented by educational content designed to help them improve their own money management competencies.

They might also be given access to adjacent, unregulated services or add-on benefits relevant to their broader life goals, interests and pursuits. Then, at the point of particular need, their adviser (or coach) can supplement this ongoing digital service with specific, tailored support.

All of this will change how – and how often – advisers engage with clients. And it will affect their commercial models, too...



1 – Accenture Song, 'Life Centric Wealth Management: Becoming the Trusted Prosperity Partner' (August 2023)

2 – Age UK, 'Half of UK workers aged 40-64 won't have enough money to retire' (October 2017)

Bringing financial advice to the mass market

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The financial advice industry boasts some of the most loyal, longest-lasting customer relationships of any sector.

The adviser's combination of trust, expertise and empathy can give clarity to a person's future, inject a feeling of control, and most importantly, motivate. We believe everybody has a right to receive this life-changing service.

However, the advice gap has perhaps never been wider, nor the stakes higher – with half of Brits reaching retirement age without enough money to live the life they want.²

I don't doubt that every financial adviser in the UK would love to open their doors to every customer, but for various reasons, this simply isn't feasible.

And the answer isn't 'fully digital' advice, either. While technology is well suited to overcoming some of the challenges that make it difficult to democratise financial advice, it can't do it all.

To my mind, the only way to close the advice gap is to combine the best of humanity, with the best of technology; using transparent technology to deliver regulated advice, and highly trained and effective humans to explore, communicate and motivate customers through the entire process, in good time.

This isn't a pipe dream – it's happening now. And it's an opportunity that I strongly believe every advice business, big or small, can capitalise on.

With the right digital foundations, there's absolutely no reason that firms can't materially (and profitably) grow their client base – boosting their bottom line and bridging the advice gap in the process.

Want to find out more and get started on your own hybrid journey? We don't want to be one little octopus in a giant ocean, so we're 'open-sourcing' our in-house methodology in a whitepaper for all to see (and borrow). We'll be launching it soon, so keep your eyes peeled!

Ruth Handcock, CEO of Octopus Money



Wealth 2035

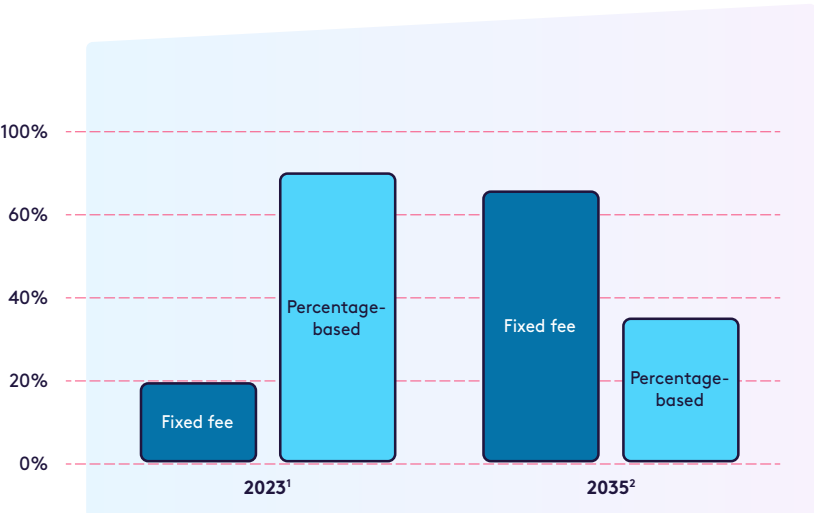
Changing engagement and fee models

Not only will the advice journey be increasingly digital, but increasingly proactive, too. The annual review cycle will be supplemented (if not in some cases replaced) by a more deliberate and timely approach – one based on need and prompted by the growing wealth of insights that will be afforded to advisers.

Armed with a rich supply of real-time data – and empowered by continued advances in artificial intelligence – planning tools will be able to pre-emptively identify areas of potential support, based on underlying client behaviours.

In this context, it seems fair to assume that traditional percentage-based fee models will come under increasing pressure. We think we’ll see the steady rise of subscription-based fee structures, perhaps punctuated by flat fees at specific points of need.

For example, clients might pay a monthly all-in fee to stay on top of their finances (in the same way they might pay for Strava, Headspace or the growing litany of physical health apps). They might then ‘top up’ with one-off fees when advice of a more traditional nature is required.



1 – FCA, ‘The retail intermediary sector in 2023’ (August 2024)

2 – Seccl prediction

“ Armed with a rich supply of real-time data – and empowered by continued advances in artificial intelligence – planning tools will be able to pre-emptively identify areas of potential support, based on underlying client behaviours.

The future value chain

Changing customer expectations. A new and more open ecosystem. Continuing regulatory focus on positive customer outcomes. These seismic trends won't simply transform the experience of financial advice – but the broader economics of the sector, too.

Consumer Duty and digital technologies will combine to redefine market value in just as seismic a way as RDR did a decade ago.

Today, the overall fees paid by clients range from around 1% to 2.5%. Most pricing differentiation is in the cost of advice and asset management (the latter largely influenced by exposure to retail-priced, actively managed funds).

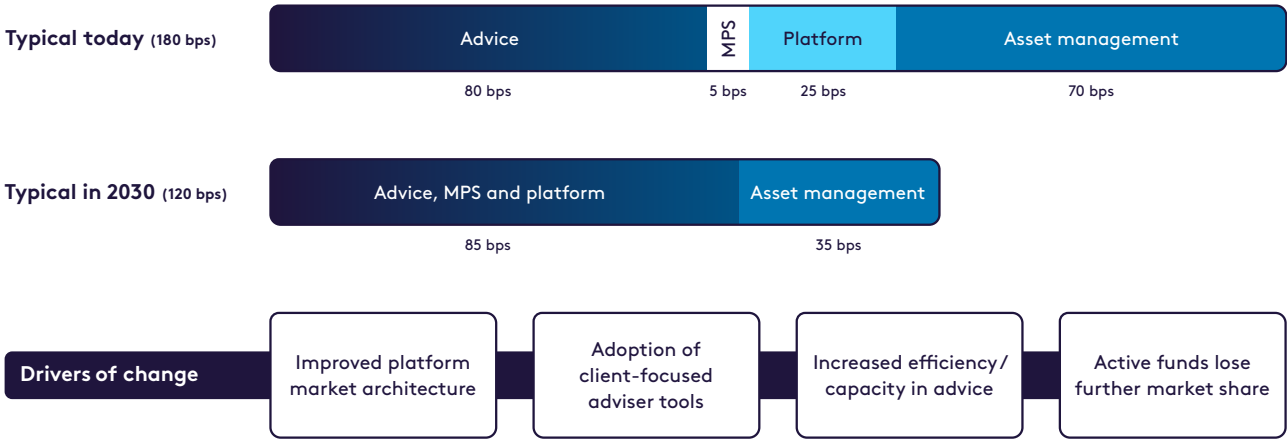
Independent adviser platforms report overall weighted average fees of about 1.80%, broken down as follows: advice (80bps); MPS (5bps); platform (25bps); asset management (70bps).

But we expect the ongoing fee pressure and the efficiency gains of technology to drive significant cost-savings throughout the chain.

For example, the new CRMs and platform models we've explored could let advisory firms cut costs by consolidating platforms, MPS, and advice. It's a cost consolidation exercise that could reduce client fees by up to two thirds.

Meanwhile, several MPS providers like P1 and Timeline are developing significant in-house tech capabilities, enabling them to offer an attractive combination of lower administration costs, better customer experience and lower fund costs.

The main driver of lower asset management fees remains the underlying shift away from active management toward indexing of one form or another. Even where lower asset management fees are resulting from fee reductions at the fund level (rather than due to the move from active to passive), the majority of the gains are emerging from index funds where competition is much greater. This seems likely to widen the value for money spread between customer-focused firms and product-focused providers who hope to use vertical integration to sell increasingly expensive looking retail funds.



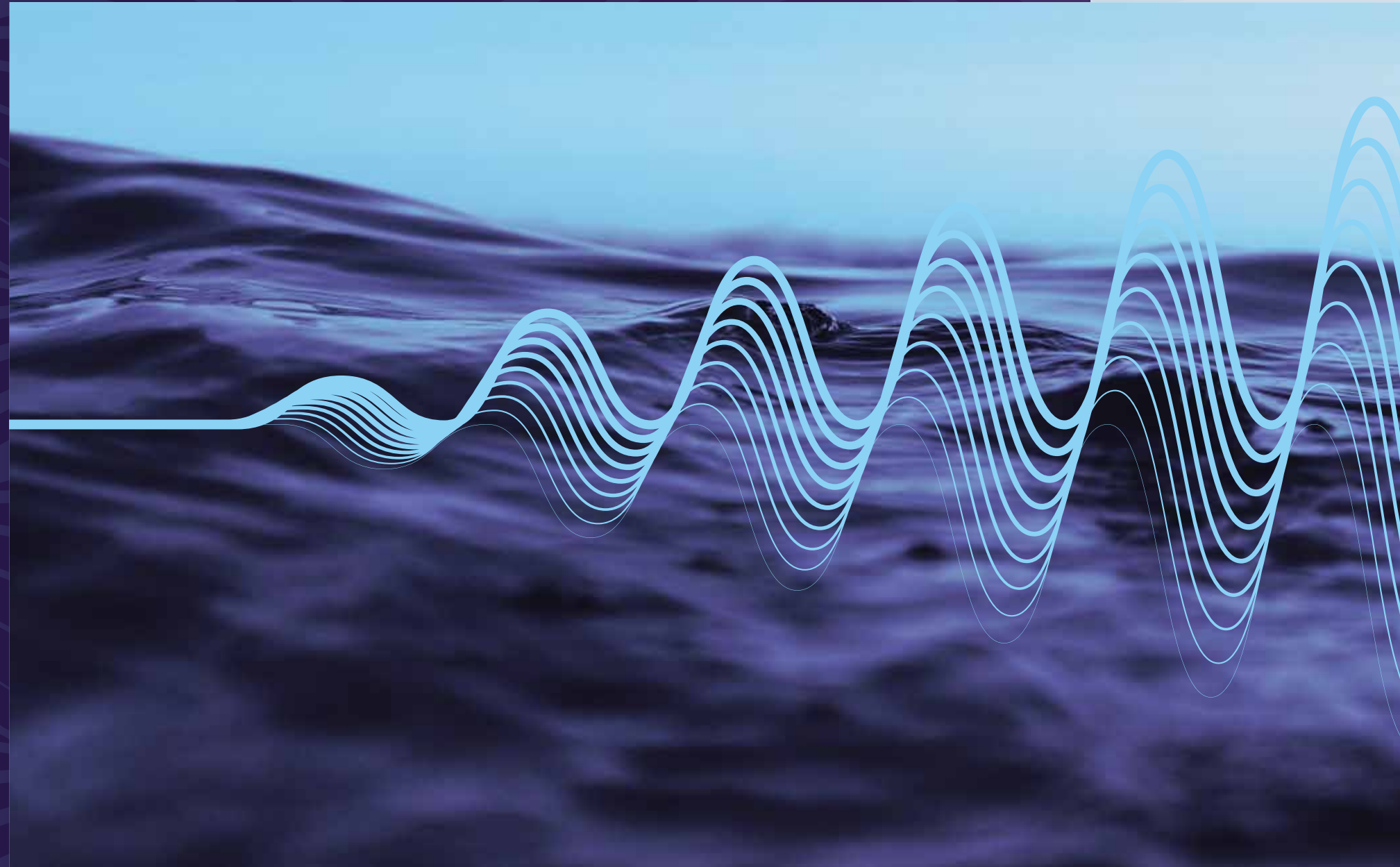
Given all these near-term trends, we expect a big drop in average fees to about 1.2% over the next two to three years. Advice, MPS, and platforms will account for about 85bps, with asset management making up the remaining 35bps.

After all, these parts are already being achieved on a standalone basis; with the pressure from the Consumer Duty, it's hard to see how incumbents can resist...

Part 4.

Conclusion

**What does it
mean for me?**



What does it mean for me?

A coherent technology strategy has never been more essential...

But opportunities are there for the taking

The digital stakes are getting higher. Baseline expectations are continually on the rise, with the gap between good and bad widening with every passing day.

What's more, as the adviser technology market continues to grow, the number of potential software permutations is scaling exponentially. There is an ever-growing universe of tooling options to choose from.

In other words, things are getting far more complex, for all actors in the chain – advisers and investment managers, platforms and product providers, new entrants and established incumbents alike.

As we enter a period of great social and technological readjustment – and with a wealth of new and shiny tech to choose from – the time is right to pause, reflect and think strategically about the role that technology should play in helping you achieve your commercial vision.

Those companies that think from 'first principles' and consider the full breadth of their technology stack – from scratch – will enjoy the most success.

This first principles approach is undoubtedly easier for new entrants, unencumbered by legacy, who are freer to start from a position of fundamental truths rather than iterating 'from here'.

But this only makes it all the more important for established firms to go back to basics to the extent that they're able. After all, the costs of getting it wrong will be high...

While the future is more complex and uncertain than ever, it's also rich with possibility. For those committed to improving outcomes for their customers, there has never been a better time to make it happen. The opportunity is there...

- **For new entrants** to push the envelope of what wealth management could look and feel like...
- **For existing advisers and wealth managers** to build more efficient and more productive businesses. Ones that can reach new segments and supercharge their customer experience with technology...
- **For advice tech providers to strengthen** their relationship with financial planning professionals, making life continually easier with services that integrate seamlessly in the toolchain...

- **For established investment and adviser platforms** to future-proof their operations and make the next two decades as successful as the last...

“

Those companies that think from 'first principles' and consider the full breadth of their technology stack – from scratch – will enjoy the most success...

What does it mean for me?

Staying still is not an option...

If one thing is clear in all this, it's that change is not going to stop. Admittedly, the wealth management market has proven itself stubbornly immune to the technological advances that have affected other markets. But there's always one domino that falls last...

To believe that things will carry on more or less as they are, is, in our view, naïve – and squanders the opportunity that our market has to learn from others' mistakes.

For platforms and product providers, that means getting on board with the technology changes that are underway, before it's too late. As KPMG notes in its recent state of the market report, "for incumbent platforms to remain competitive and retain attractiveness

to the full breadth of the market, they will need to consider their current models carefully and evolve appropriately."¹

For advisers and wealth managers, meanwhile, the task is to stay relevant in a world where, according to Accenture research, 79% of consumers would consider Google, Apple or Facebook if they offered money and wealth management services...²

But it's never too late to reinvent yourself

Make no mistake, firms must act or be left behind. But we strongly believe that all firms – old or young, big or small, complex or simple – have the potential to stay on top of the changes that are unfolding.

Yes, this is a technology challenge. But, more than that, it's a challenge of ambition. Just as history is littered with commercial failures and falls from grace, so too are there countless examples of companies that have turned a page and reinvented themselves for new eras, with new expectations and new technologies.

The question is, which list do you want to be a part of?

1 – KPMG, 'UK state of the market: adviser platform transformation' (July 2024)

2 – Accenture Song, 'Life Centric Wealth Management: Becoming the Trusted Prosperity Partner' (August 2023)

3 – See kraken.tech for case studies

Kraken the energy market... lessons from Octopus Energy



You might be familiar with our sister company, Octopus Energy. It's a business that has gone from a standing start in 2018 to the second largest UK energy retailer – and rampaging unicorn – that it is today.

Well, it owes much of its success to its proprietary software platform, Kraken. Based on advanced data and machine learning capabilities, Kraken has automated much of the energy supply chain – and allowed Octopus Energy to reach unimaginable levels of operational efficiency and customer excellence, in just a few short years after its launch.

The Octopus Energy story doesn't just demonstrate the rapid growth that new and digitally enabled market entrants can chart, however. It also proves that it's never too late for incumbent businesses to reinvent themselves by adopting modern technology infrastructure.

After all, while its first client was Octopus Energy, Kraken now operates around the world, serving 54 million energy accounts globally through licence agreements with energy giants including Tokyo Gas, Origin Energy and EDF.

To get an idea of the scale of its impact, just look at Origin – one of Australia's largest energy companies. Since adopting Kraken, it has already saved \$170 million in cost-to-serve, with a total target of \$200-250 million.

Or, for an example closer to home, take E.ON. In just two years, it migrated 5.8 million customers and nearly 9 million meters from 17 different platforms onto its new E.ON Next brand. Within 12 months, E.ON Next had earned an "excellent" 4.4-star rating on Trustpilot and turned a £250 million loss into a £150 million profit.

"This must be the largest and fastest customer migration ever undertaken in the UK", explains Mike Lewis, UK CEO of E.ON. "The fact we've achieved such success during a global pandemic and whilst delivering 'Excellent' customer satisfaction scores is a massive achievement."³

For those with the will to future-proof their operations, the opportunity is there. Just ask E.ON.

Final thoughts

The enduring quest for relevance



I'm headed toward 'ancient' these days (at least in the view of my children) and have been around this market for nearly three decades now.

In that time, I must have had thousands of conversations about the shape and direction of the industry. But one in particular sticks in my mind, from many years ago.

I was talking to a then colleague and friend about one business or another. In characteristically sardonic fashion, my colleague sniped that they were "rapidly in danger of losing relevance."

It was a throwaway line uttered during a fairly trivial conversation. But it has stuck with me ever since. After all, to become irrelevant is surely one of the most depressing and disappointing of fates.

But relevance is not a birthright. Just like respect, it has to be earned through deliberate action – and then proactively maintained. It's as true for companies in our sector as it is any other.

I say all this because the future is arriving – whether we like it or not. It's up to us whether we get on board and shape it – and stay relevant in the process – or if we stand still and get swept away.

Because like the rest of the changes this paper has explored, the loss of relevance happens two ways. **Gradually, then suddenly.**

David Ferguson

About Seccl

Seccl is the Octopus-owned embedded investment platform that's helping more people to invest – and invest well.

Our sector is being held back by old tech, dismal processes and misaligned interests. Together they create pointless complexity for financial planning and investment professionals, and provide outdated, overpriced experiences for customers. We're on a mission to fix it.

We help forward-thinking financial planners, wealth managers and investment platforms to reimagine their business and client experience – empowering them to build better, more sustainable and more valuable operations, and meet the digital demands of the future, not the baseline expectations of the past.

And we do it by reimaging their technology – with a low-cost, hyper-efficient and (genuinely) API-first technology infrastructure that handles millions of requests every day, and powers the portfolios of more than 190,000 investors.

A regulated custodian and ISA/SIPP provider, we combine the disruptive mindset and ambitious mission to shake things up, with the commitment and substance to not screw them up.

We're proud to be part of Octopus, the £multi-billion group that's on a mission to breathe new life into broken industries, through companies like Octopus Energy, Octopus Investments and Octopus Money.

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