

Peace of mind

Understanding the non-financial
benefits of financial advice



Advice
Intergenerational
Financial Planning
Life expectancy
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ST. JAMES'S PLACE
WEALTH MANAGEMENT

An independent ILC report, produced with the support
of St. James's Place Wealth Management

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Executive summary

"Financial advice has made me a lot more confident. It's more security, and peace of mind, and knowing that, for current situations and the future as well, I've sat down and I have made goals." Male/55-74/
Lower wealth/Advised

In recent years, everyone has had to take more responsibility for their own wealth, with changes in pensions, retirement ages, and regulation. Professional financial advice is more crucial than ever in helping people make informed decisions. Yet a significant advice gap remains (where consumers are unable to find or get financial advice) and many aren't getting the help they need.

A previous ILC-UK report, *The Value of Financial Advice*, found that taking advice confers significant financial benefits, and that the difference is even starker among less wealthy individuals. On average, the financial benefits of advice outweigh the costs associated with it.

This report builds on our previous report to demonstrate that financial advice also delivers significant non-financial benefits to recipients.

Employing in-depth qualitative research with consumers^a, an extensive literature review, and two expert roundtables, our research posed the following questions:

1. Are there non-financial benefits to taking financial advice (and what are they)?
2. Do those who have not received advice perceive any non-financial benefits?
3. Do the perceived or actual non-financial benefits differ for different sub-groups (sex, age, wealth)?
4. What could be driving the non-financial benefits of advice?

Through our roundtables, we also sought to explore the policy implications of this research. This included potential solutions, to promote the benefits of advice and to help widen access to advice and guidance.

^aSemi-structured interviews with 32 individuals in the UK, with the group split between those who had taken financial advice and those who had not. (See Appendix for methods.)

Our findings

- People who take advice are more confident and better prepared.
- Advice improves financial literacy, confidence, and delivers greater control, reassurance and peace of mind.
- Men and women see the non-financial benefits of advice differently.
- Delivery of non-financial benefits depends on the adviser and the service having certain characteristics.
- To achieve change we need collaboration between the broader financial service industry, the regulator and the Government.

We found that people who had taken advice are more confident and better prepared

Those who took advice were not only **more confident** about their financial future but also appeared to be **better prepared** for retirement than those who didn't. This was evidenced by the actions they had taken, including:

- Spending considerable time thinking about how they would finance their retirement.
- Having milestones in place to ensure that they were on track.
- Focusing on their end goal.
- Building a diverse portfolio of assets.

They considered the advice they took to be an important nudge to action, helping them overcome their natural inertia towards beginning and carrying out their plans.

In contrast, those who hadn't taken advice were generally more likely to talk about **feeling worried**, evidenced by:

- Being generally more uncertain, less clear and less confident about whether they would realise their long-term goals.
- Worry for some about insufficient retirement income. Some showed a preference for spending today rather than saving for the future (which could be a reason to avoid seeing a

financial adviser), while others spoke of difficulty balancing and maintaining their current lifestyle with ensuring that they have enough in retirement.

- Beyond having pensions, they were more likely to describe their savings as cash accounts rather than investments.

Some reported feeling confident but this often came from the fact of 'having a pension' and/or 'owning their own home' rather than a cohesive financial plan.

Advice improves financial literacy and delivers control, reassurance and peace of mind

Interviews with those who had taken advice revealed benefits that go well beyond financial gain. Given their immediacy, **the non-financial benefits of advice could be more important for wellbeing and mental health than any financial benefits.**

Those who have taken financial advice describe themselves as having:

- **Improved financial literacy** and capability through interaction with their financial adviser, which had helped them better understand the risk and reward trade-offs when saving and investing for later life.
- **Greater control of their financial future**, including a sense of relief that their finances are being reviewed constantly by an expert who can guide them through the financial 'minefield' and offer a consultative relationship around decision-making.
- **Greater reassurance**, knowing that they're 'doing the right thing' by consulting an expert, thereby avoiding constant self-questioning about whether their decisions are right or wrong, whether they're 'on the right track' and whether they're 'missing anything'.
- **A boost in confidence**, knowing that they have a clear, detailed plan of how they will achieve their long-term goals, particularly accessing their pension.
- **Less worry** than they felt they would have had without advice. Their **peace of mind** and security came in part from having taken the advice given and actioned their plans, and in part from

knowing that they had safeguarded their future.

Except for not expecting advice to offer greater control, those who hadn't taken advice generally expected much the same benefits as those described by those who had.

Men and women see the non-financial benefits of advice differently

While the research suggested a number of differences among the sub-groups we spoke to, we found the most marked difference in views to be between men and women:

- Women who had taken advice more commonly expressed the view that financial literacy made them feel more empowered to make informed decisions, whereas men said it made them more confident to try new ways of investing. Women who hadn't taken advice didn't expect it to improve their financial literacy skills.
- Men who had taken advice more clearly reported that it added to their feelings of being in control of their finances. Women (who both had and hadn't taken advice) expressed concern about a potential loss of control in taking advice and worried about decisions being made for them. Women who hadn't taken advice perceived this concern as a barrier to doing so; those who did take advice had this concern addressed by their adviser.
- Women who hadn't taken advice worried that doing so could increase their worry levels, particularly if there were no manageable solutions to resolve their financial position.

Delivery of non-financial benefits depends on the adviser and the service having certain characteristics

Participants described the adviser's **professional status, knowledge and expertise and ability to explain finances** as adding considerable value to the client-adviser relationship, as well as engendering confidence and reassurance in decision making. Some who hadn't taken advice, however, were uncertain how to tell advisers had the requisite qualifications.

We found that the relationship between adviser and client also works best when the adviser displays **people skills** such as empathy, patience and not pushing clients into making decisions. This is further enhanced by **impartiality** of advice, a quality many who had taken advice felt their adviser possessed but which many

who hadn't taken advice were uncertain advisers could deliver.

The most valued service characteristic was **personalised and tailored advice** to fit each client's needs and a **wide range of options**. Offering a **detailed financial plan** was found to offer more respondents greater reassurance, a boost in confidence, reduction in worry, and greater peace of mind and security.

Users also derived greater reassurance and confidence from advice delivered **face-to-face** and felt that trust could be built more readily. Participants who had not taken advice felt that face-to-face interaction could overcome scepticism about advisers. Those who had taken advice said that any **ongoing relationship** provided the reassurance of having an expert to consult should unexpected events occur, and that it reduced worry and offered increased peace of mind and security about their financial future.

While participants value the same characteristics of advice and advisers whether they had taken advice or not, the latter are more sceptical whether these characteristics would be delivered, and if so, how to find advisers who deliver them.

What happens next?

Our research presents powerful evidence that advice not only has financial benefits for consumers, but also non-financial ones. We have shown that it is as important to mental wellbeing as to financial wellbeing.

But far too few people get the support they need to maximise their financial and mental wellbeing.

The pension freedoms allowed people to access their Defined Contribution pension benefits in more flexible ways. Data from the Financial Conduct Authority shows that most savers don't take financial advice when accessing their pension savings under the freedoms.¹

We believe that our report highlights the importance of ensuring growth in the number of people who need advice, receiving it. **We want to see a shrinking of the advice gap. And alongside this ambition we support the Money and Pensions Service objective of ensuring that an extra five million people understand enough to plan for later life by 2030.**

We've been talking about the advice gap for well over a decade – this is not a new challenge and there are no easy solutions. **To**

achieve change we need collaboration between the broader financial service industry, the regulator and the Government to do three things:

- Attract people into advice by highlighting the non-financial benefits as well as financial benefits.
- Explore ways of appealing to a more diverse customer group.
- Increase the supply and efficiency of advice.

Attract people into advice by highlighting the non-financial benefits as well as the financial benefits

All stakeholders should work together to promote both the financial and non-financial benefits of advice.

Whilst our research shows that people value financial advice and its ability to deliver many non-financial benefits, it's also important to avoid pitting advice and guidance against each other. One in five users say that their main reason for arranging a Pension Wise appointment is to prepare them for a meeting with a financial adviser, who can provide regulated advice and a recommendation based on their personal circumstances and objectives.² It is important, therefore, that those within the wider industry delivering financial advice and guidance understand the non-financial value of advice so that individuals are signposted to the service that will best meet their needs.

The advice sector should explore ways of appealing to a more diverse customer group

Our report presents evidence which should help develop a targeted approach to marketing advice to a more diverse customer group. This revised marketing should particularly target: women; younger, less wealthy consumers; and those unfamiliar with seeking out financial advice. Messaging should also seek to address any misperceptions that consumers have about the benefits of advice.

Evidence in this report for example highlights which characteristics people value in an adviser. It is critical that the customer trusts their adviser to deliver impartial advice designed specifically for their needs and circumstances. The trust that is vital to a customer-adviser relationship is often built up through maintaining an ongoing relationship rather than treating advice as individual transactional acts.

This information can help to target marketing and policy interventions. A more inclusive approach to the design of advice services may also be required, including changes to recruitment and training of advisers. A more diverse adviser population could help people feel that their adviser really understands their interests and build the required level of trust. But getting advice out to non-traditional settings within communities could also play a role in helping the financial advice sector convince consumers that advice is for them.

Increase the supply and efficiency of advice

Technology has a potentially important role in improving efficiency and thus supporting an increased supply of advice. But it won't solve all supply problems. Our research demonstrates that robo-advice would not offer the same non-financial benefits to consumers as face-to-face ongoing advice from a human.

As we increase the use of technology in advice and in back office functions, it is vital to protect some of the more personalised aspects of face-to-face financial advice to ensure the non-financial benefits identified in this report are maintained.

The financial advice sector could and should be a growing market. We must ensure that we have the skills to deliver confidence to consumers. Our roundtable attendees made it clear that there were major concerns about the supply of advice going forward – 15,000 advisers are expected to leave the sector in the next 10 years.³ The sector must work to fill the supply gap, by making it an attractive career, supporting the training of new people into the sector.

To ensure advisers possess the characteristics that this report has identified as vital to generate the non-financial benefits of advice, the advice sector must consider recruiting from a diverse pool of applicants with varied life and work experiences.

The Government and regulator can support this by ensuring the right regulatory environment to support a growing, more diverse and vibrant financial advice sector.

Introduction

Significant pension reforms have reshaped the degree of responsibility that individuals must take for their finances in recent years. At the same time we have witnessed a widening of the financial advice gap.

The advice gap

Defined here as situations where consumers are unable to find or get financial advice.

The FCA has estimated that there are 18.2 million individuals who could benefit from financial advice but do not receive it. Our analysis of ONS data finds that between 2014 and 2016 only 15% of the population took advice.

The Government and the Financial Conduct Authority (FCA) have been concerned about the advice gap for many years, especially for consumers with low financial literacy. This concern has triggered a number of reviews and initiatives over the years, from the Thoresen Review of 2008⁴ through to the ongoing Financial Advice Market Review.⁵ Narrowing the gap has many complex challenges, which relate to consumer views on the value for money of advice.

This research is intended to contribute to the debate on the advice gap. While previous research, including a recent report by ILC-UK, *The Value of Financial Advice*,⁶ points to advice having substantial financial benefits, much less is known about the non-financial benefits. One piece of US research suggests that positive psychological outcomes account for 45% of the overall perceived value of advice.⁷

Understanding the extent to which people derive non-financial benefits from advice will help us understand its full value. This could be key to improving the perception of value for money, in turn increasing demand, and closing the advice gap.

This report, produced with the support of St. James's Place Wealth Management, builds on previous ILC-UK research, by exploring whether there are non-financial benefits to taking financial advice. Employing in-depth qualitative research with consumers, we asked:

1. Are there non-financial benefits to taking financial advice (and what are they)?

2. Do those who have not received advice perceive any non-financial benefits?
3. Do the perceived or actual non-financial benefits differ for different sub-groups (sex, age, wealth)?
4. What could be driving the non-financial benefits of advice?

We have supplemented our findings with an extensive review of the existing literature. We also carried out two roundtables with industry experts. The findings of the roundtables contributed to our overall findings, and have informed our recommendations.

Exploring the advice gap

For many years, the Government and FCA have sought to tackle the advice gap in the UK with a series of initiatives. But what are the causes of this gap?

Pension policy reforms

The pension saving landscape has changed considerably since the early 1990s, with many private sector final salary (DB) pension schemes gradually being closed to new entrants and replaced with money purchase (DC) pension schemes. DC schemes require individuals to determine how much they need to save to ensure enough retirement income for the rest of their life; this is a much harder task now that people may spend a greater proportion of their lives in retirement.

Auto-enrolment made it compulsory for employers to automatically enrol employees into a pension scheme; employers must also contribute to that scheme. The defaults embedded in the policy^b were explicitly designed to reduce the extent to which individuals would need to take advice on whether to stay in or opt out, or on how to invest their savings.

Most observers consider this initiative to be a significant success. Since the scheme was introduced in 2012, pension membership has increased across all eligible employees, from under 50% to over 90% by 2019.⁸

However, industry commentators consider the default saving amounts to be inadequate – and by 2017, 31% of adults still had no private pension despite the initiative.⁹

In 2015 the government introduced 'pension freedoms,' which gave people with a DC pension aged 55 or over the flexibility to access their pension pot and choose how they draw their savings. This popular policy gave people greater autonomy over decisions on how and when to take their pension to suit their personal circumstances. However, it also brought increased complexity, and increased choice and, as a result, the potential for poor outcomes. Without advice, it is feared that many could be making poor decisions. The FCA's Retirement Outcomes Review¹⁰ has highlighted a number of issues associated with decisions made without advice, including the

^bThe defaults included minimum levels of contribution, capped charges on schemes into which individuals were automatically enrolled and a default investment fund.

need for complex investment decisions, how much to withdraw and consideration of longevity, considerations that are beyond the financial capability of many individuals.

Changes to the financial advice market

Given policy changes and the wider economic climate, there is a clear need for consumers to take financial advice, not just at retirement, but at various points in their lives. Yet recent changes to the financial advice market have made it harder to access advice.

In 2012 the FCA's predecessor, the Financial Services Authority, implemented the *Retail Distribution Review* (RDR). This was intended to improve consumer confidence and trust in the financial services sector by improving the quality and independence of financial advice.¹¹ The RDR raised the minimum level of qualifications required for advisers, and replaced the traditional commission-based advice payment structure with a fee-based structure. In addition to the new fee structure, adviser firms faced increased regulatory costs, both from the higher qualification requirements, and from the need for additional compliance systems.

Before the RDR, financial advisers would receive a commission from the product provider. Advisers were incentivised to sell products rather than give advice, and product providers were incentivised to offer them high commissions to attract business. Commissions generated from wealthier clients could help offset the cost of offering advice to less wealthy clients for advisers,¹² while product charges incorporated the cost of advice, meaning that clients paid for advice indirectly, through these higher charges on their savings and pensions.

Under this system, advice was more widely available than today and, at face value, more affordable to many. But there were significant concerns around lack of transparency on the costs of advice and whether recommendations on commission were always in the best interests of consumers.¹³

Since the implementation of these changes, many firms and advisers, particularly those working for banks, have withdrawn from the sector. Many remaining businesses have tailored their services towards clients with a higher net worth, to offset higher regulatory and other costs.¹⁴

And our research suggests that the intended increases in consumer confidence have not arisen.

The FCA and HM Treasury launched the Financial Advice Market Review (FAMR) in 2015. The aim was to continue to address the advice gap, by exploring how the financial advice sector, the regulator, and Government could individually and collectively make financial advice more affordable and accessible to the public. This led to recommendations addressing three key areas:

- Affordability, including steps to make advice and guidance more cost effective.
- Accessibility, to help consumers engage more effectively with advice including giving better access to financial information, better access to advice, and the use of nudges to encourage people to take advice.
- Liabilities and consumer redress, which helped to increase clarity and transparency in how consumer complaints are handled.¹⁵

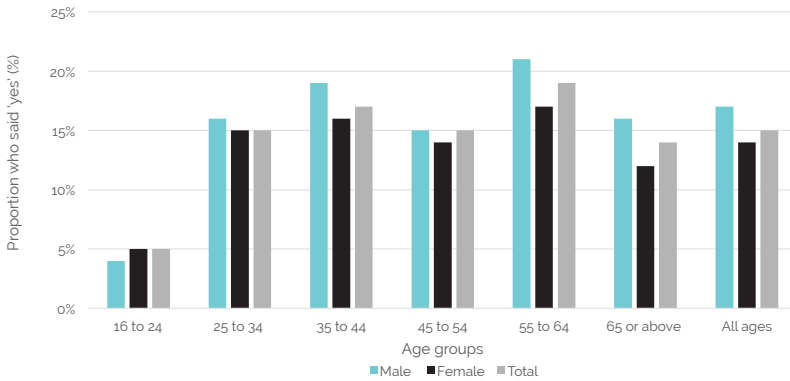
These recommendations resulted in a number of initiatives, but the reforms so far haven't had the desired impact. A 2018 Aegon survey¹⁶ found that only one in seven advisers believe that the measures introduced in FAMR were actively helping close the advice gap. A fuller evaluation of RDR and FAMR in the latter part of 2020 will consider whether the reviews have led to a greater understanding of how to make advice more accessible and affordable to the public.¹⁷

Understanding the consumer market

There has already been research on consumer behaviour, as well as consumer attitudes towards, and experiences with, the financial services sector. This provides us with insight into how the sector, the Government and the regulator can better serve the public interest and increase uptake of financial advice. Understanding the barriers to advice helped to shape this programme of research and discussions with consumers.

Our analysis of ONS data on financial advice finds¹⁸ that only 15% of the population had received advice between 2014 and 2016. Men are more likely to take advice (17%) than women (14%) and those aged between 35-44 and 55-64 are the age groups most likely to seek advice.

Figure 1: Proportion who have received financial advice in the last two years by age group



Source: ONS Wealth and Assets Survey, Wave 5

Those who took advice did so mainly on investments, mortgages, and pensions. Age played a factor in the type of advice individuals sought. Those aged 65 and over were much more likely to seek advice on investments (55%) and savings (14%), while those aged 45 or younger were more likely to seek advice on mortgages (60%) and debt (11%). Those aged 45-64 were most likely to seek advice on pensions and investments (26%), although generally speaking this cohort were the most varied in their advice needs.

Figure 2: Main reason for seeking financial advice by age group



Source: ONS Wealth and Assets Survey, Wave 5

The FCA's interim consumer research to inform the FAMR¹⁹ found that 45% of those who hadn't taken advice in 2017/18 took some financial action (aside from taking or paying down their mortgage, the most frequent actions were: purchasing an investment or putting a lump sum into it; taking out a cash ISA; and increasing monthly payments into an investment). Moreover the FCA found that in 2018/2019 alone, almost half the population who accessed their pension pot did so without financial advice or guidance.²⁰

Previous ILC-UK research additionally found that when it came to making a decision about investing in risky assets, only 23% sought advice from a regulated financial adviser.²¹ In 2018, the FCA estimated that 18.2 million UK adults could potentially benefit from receiving financial advice but don't currently do so. Within this group, 34% of those who hadn't taken advice in the last 12 months had never taken financial advice before at all.²²

The reasons why people don't seek advice are complex. The 2018 FAMR Survey²³ shows the main reason those identified as potentially benefiting from advice but don't take it, is that they don't recognise that they need advice. It also showed that cost represents a barrier for 15% of those who 'have a need for advice but haven't taken it'. From the comments in this survey it's clear that while absolute cost is a consideration, people are also concerned with whether advice offers value for money. Their comments also reveal that their level of trust in a financial adviser and perceived quality of advice contribute to a sense of 'value for money'.

Among those who said that they wouldn't consider taking advice in the future, one main barrier was previous bad experiences (a view held by older people in particular); these individuals often recalled taking advice many years ago when advisers were paid by commission or during peak periods of misselling. Other barriers (from the wider literature as well as FAMR) include preconceptions:

- Advice is for the very wealthy.²⁴
- The respondent has no need for it (including responses that they would only take advice for a significant change in financial circumstances, such as a life event or inheritance).
- The perception that they're capable of making financial decisions on their own.²⁵
- Risk aversion.

- Prioritising immediate financial rewards over long-term ones.
- Lack of knowledge about the advice sector.
- Inertia.²⁶

The financial benefits of advice

Research conducted in 2017 by ILC-UK²⁷ demonstrated that professional financial advice could boost people's finances. We looked at those who received advice and those who didn't. We estimated that those who received advice and were more affluent were 6.7% more likely to save and 9.7% more likely to invest in the equity market than those who didn't. We estimated that those who were less affluent were 9.7% more likely to save and 10.8% more likely to invest in the equity market than their equivalent group that didn't take advice.

Those from the affluent group who had taken advice subsequently had 17% more financial assets, 16% higher pension wealth, and 16% greater pension income each year. Among the less affluent we calculated that they had 39% more financial assets, 21% more pension wealth and 19% greater pension income per year.

This research contributed significantly to our understanding of the value of advice, and has helped to illustrate that advice is, on average, financially beneficial across the wealth spectrum, with the benefits outweighing any costs associated with it.

The non-financial benefits of advice

There have been several studies looking at the non-financial benefits of advice.

This includes a 2020 study of 4,007 individuals by Royal London, which found that the top three non-financial benefits of an adviser were 'feeling more confident in my financial plans', 'feeling in control of my finances', and having greater 'peace of mind'. The top three qualities clients valued in their adviser were quality of advice and expertise (82%), trustworthiness (81%), and communication style (81%).²⁸

A 2019 US study by Vanguard,²⁹ based on a survey of more than 500 clients, found that emotional statements strongly related to financial peace of mind accounted for almost half (45%) of people's overall perceived value of advice. Half of these statements came from 'relationship with a trusted expert', 28% from statements

under 'protection and assurance' (such as 'I need to feel that I am on track to meet my financial goals'), and 7% from planning-related statements (such as 'I need a customised financial plan that covers more than just my investments'), with 10% attributable to differences in household demographics such as age, wealth, risk tolerance, and investment sophistication.

The FCA's qualitative research to inform the FAMR baseline³⁰ also provided some useful insights into how people experience non-financial benefits. Their findings suggest that the emotional benefits of advice outweigh functional benefits such as specialist expertise, having a financial plan, or offering a wide range of products. Overall, a strong emotional benefit was peace of mind that they were doing their best to meet their financial objectives. In particular, those with very little to no prior financial experience perceived their adviser as someone providing reassurance that they weren't making mistakes and poor decisions; they also felt that advice reduced overall hassle and boosted their confidence that they would meet their financial goals. Participants received positive psychological benefits from one-off advice sessions as well as from ongoing ones.

Research conducted by Aviva in 2011³⁴ also explored the psychological outcomes from taking advice. They found that the main perceived benefits were psychological, including 44% feeling more confident about managing their money, 42% saying they felt they were making the right financial decisions, 28% feeling secure about having a financial plan in place, 20% feeling better educated about finance, and 10% feeling less stressed about the future.

While there is no substantive literature on understanding whether people who don't take advice would expect psychological benefits from advice, a 2012 Standard Life study³² surveying 1,600 UK adults found that 36% of people looking for advice are mainly looking for greater confidence and security – this significantly outweighs financial benefits such as more wealth (7%), greater income (9%), or a bigger pension (11%). The survey also found 47% felt more confident that they were in control of their finances after taking financial advice. In addition, the research found that emotional reassurance that they are 'doing the right thing' was the most valuable outcome from the advice process (21% felt this way).

Our findings: Does advice affect confidence in one's financial preparation for the future?

Before understanding participants' specific perceptions of, and attitudes towards, financial advice, we studied the extent to which they felt confident in their financial preparedness to support their long-term goals. We compared responses from those who took advice and those who didn't, to analyse whether advice influences their psychological disposition toward their finances.

The findings from the research confirmed that a comfortable, healthy, financially independent retirement, and one that offers flexibility in terms of leisure and continuing to work, is an aspiration for all participants. However, not all felt able to achieve these long-term goals.

We found that:

- Those **who took advice** were not only **more confident** about their financial future but also appeared to be **better prepared** for retirement than those who did not take advice.
- Those **who hadn't taken advice** were generally more likely to talk about feeling **worried** about their financial future than those who had.

Feeling confident and financially prepared is more common among those who have taken advice

When asked to what extent they were confident in their financial preparations to support their long-term goals, **the group who had taken advice were more likely to express confidence evidenced by actions they had taken or considered.**

Participants who had taken advice often said they had spent considerable time thinking about how they would finance their long-term goals (most of which related to having sufficient retirement income). They also reported one or more additional actions: having milestones in place to ensure they were on track (and to provide a sense of feeling they were); being focussed on their end goal; and building a diverse portfolio of investments.

"My priority would be making sure that I have enough money to be able to retire. I own an apartment. I am saving for my pension. I've got personal savings generally. I have investments in shares and

other financial investment trusts. My focus is definitely building that retirement nest egg... I think at the moment, in my mind, it's just saving as much as I can, and then I'll probably start to calibrate in about 5-10 years' time... so I'm conscious to try to save. That is a priority. All being equal, I'm relatively confident." Female/45-54/Higher Wealth/Advised

When we asked **participants who had not taken advice** how confident they were, some, particularly younger participants, expressed confidence even though **their supporting actions were not as strong as people in the other group**. Their main source of confidence was having a pension (and paying additional contributions), and feeling that they still had enough time to plan. Another factor that heightened confidence, was their ability to save on a regular basis and make shorter-term investments that they saw as supporting them along the way. Due to other financial commitments, planning for later life was less of a priority for them. When compared with the equivalent age cohorts in the advised group, the group who hadn't taken advice appeared less financially prepared. This suggests the effect of financial advice impacts preparedness, rather than age.

"I've always had a pension, so for me, I've always thought about my long-term... I think we've always been quite savvy in terms of saving money for ourselves and saving money for the kids. So, I think, looking forward, I think that lifestyle that we want, I think we can have it if we just continue the way that we're saving the money, being frugal, not spending as much on certain things... I think we are okay for the future in that respect... we haven't got that much capital yet to think about getting a couple of investments, it's just bank accounts at the moment, but hopefully, over a period of time... and once the kids are financially secure, and once we've paid off the mortgage, etc., then we can think about putting money elsewhere." Male/30-44/Lower Wealth/ Non-advised

A few participants expressed confidence that was evidenced by actions they took or had considered, similar to the other advised group. But their plans for retirement were more reliant upon their housing wealth (in addition to their pension), supplementing their retirement income with work or other forms of income, and quite possible downsizing, rather than investments such as a stocks or shares.

"I am reasonably confident, because I'm actually quite crafty... I'm lucky in that I have the house... I'm renting out the garage, I'm renting out a room. I've got a lodger. What I can do long-term is sell the house and move into a flat... which would be big enough to have a lodger if needs be... I don't have a mortgage on the house, so there'll be that money available. I have actually thought things through. I'm not earning a lot at the moment, but I'm actually quite good at making money... I have a pension, which I had when I used to work as a management consultant, years ago. I also have another pension which started with the work I do now... I've been putting the maximum I can into my work pension." Female/55-74/Lower Wealth/Non-advised

Among those who had not taken advice, women, particularly in the older age cohort, were more likely than those who had taken advice **to express lower confidence in their financial future.** It was clear that these participants did worry about their future financial stability and recognised the urgency of thinking more seriously about their future. The reason behind this gender difference might be due to differences in work trajectories that affect their ability to save for retirement. Indeed, we find that women's median pension wealth is about a third of men's and 50% more women are heading towards retirement without any private pension savings than men.³³

"I don't feel prepared. I'm not really sure how much money I would need to support myself over the longer term... I've seen the numbers bandied about, the amount of money that you need just to maintain a decent level in retirement, some of them are actually quite scary... It would be good to have a ballpark figure but that presumably depends on my outgoings and also depends on the lifestyle I want to lead. I don't know how long I'm going to live and I don't know what my needs are going to be... I have thought about these things, I'm currently in the process of ramping it up, putting more money aside." Female/55-75/Higher Wealth/ Non-advised

Worry is more prominent for those who haven't taken advice

While some **participants who had taken advice** said they might need slight adjustments to their original plans (such as giving up luxuries like multiple holidays or multiple cars), they considered these concerns rather than real worries. In fact, very few referred to worry about their financial future. One worry that

arose in conversations with this group concerned factors outside their control, such as the COVID-19 pandemic, as well as general fluctuations in the economy and the potential impact on their investments.

"Another property crash would definitely see my property portfolio fall through the floor, and then I'd end up in some negative equity there. That would be the main worry. I think from the business side of things... there's not too much of a worry... It's always something that's out of my control that worries me. I feel like I'm a pretty level-headed individual, and I like to control as much as I possibly can, but politics and pandemics and stuff like that and nature, it's just things you can't control." Male/30-44/Higher Wealth/Advised

Many older people who hadn't taken advice expressed general concern over retirement, including being worried about sufficient retirement income and the wider impact it could have on family members. Some showed a preference for spending today rather than saving for the future; whereas others were concerned that if they were to save for the future this would mean under-spending in the present and not enjoying their income, and the feeling that it was a difficult problem to solve. Indeed, in the UK almost half say they would rather think about today than plan for the future.³⁴

"Annuities are so bad. Hopefully, I'll live to a decent age. It appears to be a vast amount of money, but it really isn't. There's a fear of it running out. Annuity can't really run out, but if living costs suddenly go up, through medical care, or a retirement care facility, which I have seen friends' parents, and my mother, in the last couple of years, suddenly it's a massive cost, which you haven't planned for. The thought of ending up really poor, or terrified to open the gas bill, is not very appealing." Male/55-74/Higher Wealth/Non-advised

I've seen figures for people who want to go out to dinner and travel, they were just huge figures. I'm quite ambivalent about it, if I'm spending all my time saving money "for my retirement I'm not living now so I have to find a balance between living now and saving for the future... I've got this little bit of money, but what happens if I need it later on in life or something, so you hold it in your bank, and then the other part is, what are you saving your money for? Why not enjoy what you've worked for... Sometimes I don't spend money that I'd like to. There's no guarantee I might save up shed loads of money and then die." Female/55-74/Higher Wealth/Non-advised

A common source of worry for both groups, which became more pronounced with age, was the potential cost of care; they often referred to this as a general worry as they got older. Given that most weren't yet in a position to need care they hadn't properly considered how they might afford it. While some in both groups suggested how they might finance care, including the potential of an inheritance, downsizing or releasing equity from their house, and relying on life and/or critical illness to help cover the costs, these suggestions were in the minority. Both groups spoke of a general sense that care would have a significant impact on their finances.

"Care needs in older age and the cost of those... I guess it's a natural thing that you think about a bit more as you get older, and particularly with an older husband and thinking about how those needs will be met, and the financial impact of those... Beyond the general planning for retirement, there's no extra pot of money anywhere for it." Female/45-54/Lower Wealth/Advised

Participants who had taken advice referred to the importance of diversity in their investments more often than the group that hadn't, which may relate to the different perceptions around confidence and worry.

The investments referred to by those who had taken advice included: owning more than one property; making additional contributions to their workplace pension; having a private pension; stocks and shares; ISAs; premium bonds; and taking out insurance products. The main sources of future income for the group who hadn't taken advice were mainly limited to owning a house and having a workplace pension. Some mentioned additional voluntary pension contributions, and a small minority mentioned having premium bonds or ISAs, and many described their savings as cash accounts.

Overall, our findings suggest that financial advice may have a positive effect on the extent to which people feel confident in their financial preparedness to support their long-term goals.

Our findings: Identifying non-financial benefits

We asked participants from both groups whether they perceived any non-financial benefits from taking financial advice. The group who had taken advice described the non-financial impact they had actually experienced from that advice, while the non-advised group described the impacts they would expect if they did the same.

We found that both groups identified several non-financial benefits to taking advice. the most marked demographic difference in views were found to be between men and women.

We found that those **who had taken advice** suggested several non-financial benefits:

- **Improved financial literacy**
- **Greater control of their financial future**
- **Greater reassurance**
- **A boost in confidence**
- **Reduced worry, with increased peace of mind and feelings of security**

Men and women reported financial literacy affecting them in different ways. Older participants were more likely to mention greater reassurance, control was more likely to come up with men (although women discussed their experiences of retaining control over their finances), and confidence was slightly more likely to come up with the higher wealth group.

We found that those **who had not taken advice** also expected there to be non-financial benefits such as:

- **Improved financial literacy**
- **Greater reassurance**
- **A boost in confidence**
- **Reduced worry, with increased peace of mind and feelings of security**

They didn't expect advice to offer greater control – in fact some women were worried by some possible loss of control over their finances. They also reported advice as likely to boost confidence only when prompted. While many expected advice to reduce worry

and increase peace of mind and security, some women, particularly from the lower wealth group felt it could have the opposite effect. Women from this group also didn't report that they expected advice to improve their financial literacy.

Improved financial literacy

The group who had taken advice reported improved financial literacy. **Men commented that learning about finances made them feel more confident** in new ways of investing and taking on appropriate levels of investment risk due to increased knowledge and understanding.

"I would never have looked at anything to do with trading in the past, or buying stocks, or shares, or anything like that. I thought it was a bit of a mug's game... but then once I sought financial advice, they really shed light on how it worked in the best possible way, and what kind of funds to invest in, and that really opened my eyes to that aspect."
Male/30-44/Higher Wealth/Advised

One participant commented on the long-term impact of improved financial literacy. Learning from his adviser enabled him to apply that knowledge on his own.

"What I'd attribute to that is learning. So, every single time that you went and as the years passed, you were learning yourself as an individual... you felt like you'd built up that knowledge yourself, almost like an unofficial training course... so I treated it a little bit like up-skilling and a little bit of a part-time training course as time went on, and trying to get as much information as possible so I could go away and learn what they already knew for myself... it's quite enriching." Male/30-44/Lower Wealth/Advised

Women in particular commented that taking financial advice empowered them to make informed decisions about their financial future which gave them an added sense of comfort.

"This is a joint journey. It's about them thinking and educating me... I definitely take the view that knowledge is power. This empowers me to make informed choices about what is ultimately my greatest asset, which is my money and my investments. That's extremely comforting. I really value the knowledge and the research and the diligence that goes in behind all of that, because I just don't know what I don't know, [which] makes me quite unnerved." Female/30-44/ Higher Wealth/Advised

The UK population overall suffers from low numeracy skills (four out of five have low numeracy skills, below GCSE grade C);³⁵ and the UK ranks below the OECD average in financial literacy.³⁶ Improving financial literacy could well boost confidence and overall financial capability, which one could expect to lead to better long-term financial decision-making.

Among the group who had not taken advice, men expected advice to lead to improved financial literacy, which would help them benefit from better informed decisions. Some in particular expected advice to help them understand their financial options. Men who had taken advice reported that financial literacy helped them feel more confident to make new and riskier investments. It may improve uptake among this cohort if they are told about this added benefit.

"I'm always looking to develop myself. I don't want to stand still... Knowledge, psychologically, whatever to be ahead of the game, yes, I'd be interested... I like to educate myself about the financial markets, whatever is out there. I'm open to Bitcoin as well and stuff like that... knowledge seems to make me more comfortable." Male/30-44/Higher Wealth/Non-advised

"I would think your knowledge of finances would improve just listening to what they have to say. I know I would want to ask a lot of questions, it's good to learn and have that knowledge and to be able to learn about the different ways you can be investing your money." Male/55-74/Higher Wealth/ Non-advised

"You probably learn a lot from speaking to an adviser, all the different options you haven't thought of previously. There's probably comfort in just knowing that you understand what is going on and you're making informed decisions that will help you in the future." Male/55-74/Lower Wealth/Non-advised

No women who hadn't taken advice mentioned an expectation of improved financial literacy. Once having taken advice, however, they were as likely as men to report this benefit.

It is important to know that financial literacy makes women feel more empowered to make informed financial decisions; **a benefit which it would pay to communicate to women to improve their demand for advice.**

Greater control of their financial future

Men who had taken advice prominently mentioned greater control over finances as a benefit, but they expressed this feeling of control in a variety of ways. One participant felt in control because of the active decision to consult an adviser, and because he knew he had an expert to guide him through the financial 'minefield'.

"I'm actively saying to them, here's all my pensions, what can you do? Show me your best and then we'll go from there... I think it gives you that comfort feeling of you are in control and there's somebody else working with you, you're not just alone, it is a minefield." Male/55-74/Higher Wealth/Advised

Another participant discussed how relinquishing some control to an expert helped him feel that his finances were under control, with the added benefit that he no longer constantly had to monitor how his investments were doing, giving him a sense of relief.

"I feel like, even though I am not controlling it on a daily basis myself, or looking at it on a daily basis, I feel it is more in control now... having the financial adviser do everything for me, I know it is in good hands." Male/55-74/Lower wealth/Advised

Another, when asked to elaborate on how taking advice made him feel more in control, responded that his adviser taught him about different product options, their benefits and risks, and choosing among them gave him more direct ownership over his finances than he had had previously.

"The pensions I had were company pensions. You'd sign a form and then you'd forget about it, and then money would come out of your salary and you didn't think about it. When you talk to a financial adviser they explain the different products you can use... it opens your eyes more about where you can invest that money and how you can balance the risk of those investments... It was more something that I had to think about, rather than it being done by someone else somewhere in a company pension scheme." Male/55-74/Lower Wealth/Advised

Women from both groups discussed their fear of loss of control, as they felt they would no longer be solely in charge of their financial decision-making, with the worry that advisers would be able to make changes to their finances without their knowledge. Some women who had taken advice reported clearly communicating to their adviser

that they themselves would make the final decisions, indicating that they might have initially felt apprehensive about involving someone else in their financial planning.

This worry points to perceived loss of control being a barrier for some women. But **women who nonetheless took advice appear to have successfully established relationships with their advisers that enabled them to retain control**, suggesting that the concerns of women who haven't taken advice are misplaced. **Action by the financial advice industry and policy makers to address misperceptions over loss of control may well increase the uptake of advice among women.**

"I would never go into a full discretionary model where I just hand over the keys. We were very transparent and up front with each other that I would be consulted on absolutely everything, and the adviser would not touch the money without my permission... That's a personal preference from my perspective. I find that it's a partnership and it's a journey... I'm ultimately going to take responsibility for the decisions and understand every decision that I'm making. That's important to me. I want to be involved and feel in control. That's the way I personally want to use the advice set-up." Advised Group/30-44/Higher Wealth

"I do like to have control. Although I see the benefit of having someone who knows what they're doing, who's completely experienced, to take my money and work with it, yes that is appealing, but there's a part of me that likes a degree of control. Having someone completely manage all my money and everything would be a bit scary for me." Non-advised Group/55-74/Higher Wealth

Greater reassurance

Participants from the oldest age cohort who had taken advice were most likely to comment on a sense of reassurance. This was also commonly expressed as a psychological feeling of comfort. For some, **reassurance came from knowing that they were 'doing the right thing'** by consulting an expert, thereby avoiding constant self-questioning about whether their decisions were right or wrong.

"It really made us feel reassured and we were very grateful that we sought it. Otherwise, you would always have this angst in your mind... did I do the right thing, did I do the wrong thing?" Male/55-74/Lower Wealth/Advised

"I feel I have more reassurance of where my money is, more reassurance that where my money is, is financially secure, and it is that if there is something that is going to happen... that I would be contacted straight away, whereas in the past, I would have to constantly log onto the computer once or twice a week, or every day, if you hear something happening. Is this right? Is this wrong? Am I doing the right thing? Should I keep it there? Shall I wait?" Male/55-74/Lower Wealth/Advised

Some participants also felt particularly reassured knowing that their adviser could advise them on tailoring their investments to support their current and long-term needs. It gave participants the wider knock-on emotional benefit of feeling **that they weren't 'missing anything'**.

"I think there's definitely a comfort and a reassurance that you're not missing anything. I take value in people's expert advice... that this person has reflected upon my objectives and narrowed them down. I value that, because quite frankly, I don't know what all the options are." Female/45-54/Higher Wealth/Advised

Others felt reassured that the financial decisions they had made so far were more or less **'on the right track'** toward financially supporting their financial future.

"I suppose it's made me feel like that if anything I am where I am and where I am is probably where I thought I would be, if that makes sense... It's given me a degree of comfort." Male/55-74/Higher Wealth/Advised

"I had a personal financial forecast. I received that as a package... It just made me think about the future a bit more and what I had and where it was going... I think it said I was more or less on the right track for where I am... it was just a confirmation of that's what I thought, really... so, I thought that was quite good." Male/55-74/Higher Wealth/Advised Group

Those who had not taken advice also expected to feel reassured; as in the other group, this featured more prominently among older people. **Both groups spoke about reassurance in similar ways:** from knowing that they were 'doing the right thing', that they would be investing their money more wisely, and better protecting their future. This suggests that **reassurance could lead to greater confidence:** as one participant mentions, it's having reassurance that gives you the confidence to 'take that next step'.

"Having someone to reassure you that you're doing the right things with your finances would be hugely beneficial to me. Just knowing you're making the right choices for your future." Male/55-74/Higher Wealth/Non-advised

"It would have an impact on my comfort levels... because I would hate the thought of having £200,000 just doing nothing. I'd think, 'What a waste.'" Female/45-74/Lower Wealth/Non-advised

"It's leveraging an area of expertise. It's reassurance, you're not sure, so you're asking a professional, very similar to if you build a house, you ask the builder. It's that, you might have an idea, you ask the financial adviser, they say 'yes' or 'no' or 'we don't recommend' and that gives you the reassurance to take that next step." Female/30-44/Higher Wealth/Non-advised

Participants also expected reassurance from the idea that they would have financial security in the future.

"I think the reassurance that somebody could offer you an investment... that could provide you with what you're seeking in later life, I think that would wrap it up nicely for me." Male/55-74 /Lower Wealth/ Non-advised

"Do you know what? If somebody came and said to me, 'With what you've got in your assets, your house is paid for, you're going to be fine.' It would make life a lot easier... it would be nice for somebody just to reassure you, just somebody you can bounce things off," Female/55-74/Lower Wealth/ Non-advised

The oldest cohort have had time to accumulate significantly more wealth and savings, including significant contributions to their pension pot.³⁷ Therefore, unlike younger cohorts who have not had this time, they are now probably seeking specific advice, on ensuring they have taken all the right steps to plan adequately for retirement and thus more likely to value the strong positive effect of reassurance.

To improve uptake among this age cohort, raising awareness that advice additionally gives you reassurance that you're 'on the right track' when you need it most, could be a strong motivator to taking it.

A boost in confidence

The group with higher wealth that had taken advice were slightly more likely to feel more confident afterwards.

This confidence manifested in different ways, but **most participants experienced a boost in confidence knowing that they had planned properly for their financial future.** One attributed it to having expert advice; knowing they were less vulnerable to financial mistakes made them feel more confident. Others said they felt more confident about their future, because they had a clearer understanding of their long-term financial goals and how to achieve them.

"It did give me confidence to think that I was going to have money in the future... talking to somebody about what might happen in the future... I think it's just given me a little bit more confidence in my finances... I am more confident than if I was doing it all myself, really. I think if I wasn't confident with him, I would be tempted to do it all myself. And then it could all go disastrously wrong because I might get it wrong. At least by using somebody else's expertise there is the chance that you're going to not make too many mistakes."
Female/55-74/Higher Wealth/Advised

"When you write down a plan, it's just on a piece of paper, there's no real road map in place, and then once I had that road map in place with the financial advisers, it just gave me the confidence to know that I'm getting to where I want to go with the actions that we put in place... I definitely feel confident, in terms of what I want to achieve. I think from before the financial advice... I think I would have been more ignorant thinking I was confident." Male/30-44/Higher Wealth/Advised

"I think [the advice] reinforced what [my goals] were. I needed someone to give me confidence for the future... It made me feel that I was more prepared than I had been." Female/55-74/Lower Wealth/Advised

One participant had wanted to retire, but thought this wasn't financially feasible. When he sought advice, however, his adviser explained how he could achieve this goal. As a direct result, he felt more confident that he could pursue the kind of life he valued. **This powerful example demonstrates the value of an adviser, especially for pension decisions** – an aspect of financial planning about which many worry, even those who generally consider themselves financially confident.³⁸

"Initially, I thought that I would just take a lump-sum from work, and that would buy me a few months of breathing space, and then I'd have to get another job... The worst case scenario was that I just simply couldn't afford to leave, and I would have to keep working until I was made compulsorily redundant... once I started having those conversations, because he was able to explain to me how we could make it work financially, in terms of giving up work, and accessing already accrued pension money, which would take me through to a lifelong annuity in 5 years' time... It felt very confident, it was something of a revelation to discover that this plan could exist. It's made me realise that, with the freedom of having the mortgage paid and the bills paid as well, it frees up my time to do other things, which could be work or could be anything else, like working in the voluntary sector, for example, which is something I'm also mulling over." Male/45-54/Higher Wealth/Advised

Showing how advisers can help people to access their pension in a way that supports their long-term goals will be an important way to increase demand for advice.

Another participant made the connection that taking financial advice is another way to improve confidence levels and consequently one's overall mental wellbeing. They described how taking financial advice enabled them to take greater responsibility over their own finances, and that this helped to boost their self-confidence in public, as well as having a wider impact on their personality.

"I think in this day and age, mental health is a big word in society and this was another route where you get a little bit more self-belief and some confidence... it just gives you a wider sense of responsibility... You feel quite responsible, you feel like you're doing the right things, you feel like you're an adult really. In your everyday life with conversations you have with others, with the way that you hold yourself in public, social situations, I suppose it does change your personality on a wider scale." Male/30-44/Lower Wealth/Advised

While **the group who hadn't taken advice** also perceived it as likely to boost confidence levels, **most only mentioned this after being prompted**. Like the other group, they perceived confidence as manifesting in different ways. Some felt that they would feel more confident from knowing that they were making the right financial decisions.

"[Advice] might help me make that decision and feel more confident I've made the correct one." Female/55-74/Lower Wealth Non-advised

"I think it could help to make you feel more confident that you know you are making the right decisions that could protect you not just now but for your future as well." Male/30-44/Lower Wealth/Non-advised

"I guess if I had walked away with a concrete plan about how to get where I want to be, I would feel more confident." Female/55-74/Higher Wealth/Non-advised

Others felt that consulting an expert and having someone to guide them in financial decisions could help to boost confidence. One participant saw the expected boost to confidence as justification for taking advice in the first place.

"I'm sure it would [give me confidence]. Otherwise you wouldn't even consider doing it... You're on the start of a journey, and you've got somebody guiding you along." Male/45-54 /Higher Wealth/Non-advised

"Yes, it will [give me confidence]. If I'm speaking to someone who is proficient in that sector, and they're able to give me tips, and tell me, 'this is what you need to do', I really am looking forward to that." Female/45-55/Lower Wealth/Non-advised

Although we found that the higher wealth group who had taken advice were slightly more likely to report a confidence boost, we didn't find the same expectation among those who hadn't taken advice; further research is needed to unpick whether any significant demographic differences truly exist, and if there's any significance for policy.

However, what our research does indicate is that because the group who hadn't taken advice only mentioned confidence levels after being prompted by the interviewer, the wider public might not be able to identify that benefit on their own.

Communicating that advice helps improve confidence, particularly around accessing pensions, might be an easy way to improve the overall perceived value of advice and encourage more people to take it.

Reduced worry, with increased peace of mind and feelings of security

Participants who had taken advice overwhelmingly mentioned that it had helped minimise worry and improve their peace of mind and sense of security (or protection), as **they felt they had safeguarded their future by making changes to their finances.**

"[Advice] made me less worried, less concerned... just not having to worry about where my money is, where my investments are and how these are doing... I think it's like having job security, it is the security that you know your money is somewhere safe, somewhere that is actually going to do something for you... Maybe at the moment it is not doing much for you, but in the long-term it will do." Male/55-74/Lower Wealth/Advised

"[Advice] made us feel satisfied that we were not putting our money in a lottery... In a sense, we felt relieved that, yes, we don't have to worry any further... the anxiety, the stress we had internally saying how should we protect ourselves. That's why the professional advice was very valuable." Male/55-74/Lower Wealth/Advised

Some participants worried less and had greater peace of mind because of their adviser's expertise and ability to support them.

"There's certainly an element of peace of mind... We had no idea what we were doing and it was good to speak to an independent financial adviser and somebody... who had a lot of clients who were doing the same sorts of investments." Female/45-54/Higher Wealth/Advised

"I worried less because [of] a feeling that [a] problem shared is a problem halved. You felt you had someone working for you on your team really." Male/30-44/Lower Wealth/Advised

Participants who reported this non-financial benefit had taken advice on an ongoing basis, which suggests that **ongoing access to advice is likely to improve any mental health benefit.** We didn't find any demographic differences; this may indicate that ongoing advice would confer this benefit on a wide range of people, not just a few. Therefore, **there is merit in providing confidence within the wider population that advice, particularly on an on-going basis, can significantly reduce worry and offer peace of mind and security.**

Participants who had not taken advice expected it to reduce worry. Most expected that advice would allow them to have a greater understanding of what they could be doing with their finances, and in particular, to be sure they had considered all the options available.

"I have questions, like how can I consolidate my pension in the different sectors that I've worked in, the different boroughs? How do I consolidate that? And when can I take that, if I wanted? What can I do to invest it? What are the other options? These are questions that I need answers to... I need to get all the help and options, and tips, that I can get. Going forward, at my age, I need to have this, I need to know. I think I would worry less... I can make changes, and it would make me, definitely, worry less." Female/45-54/Lower Wealth/Non-advised

They also saw it as minimising worry by offering future financial security and peace of mind.

"I suppose it could give you a little bit of security, couldn't it? Because you feel you're absolving your responsibility and you're passing it on to somebody else to deal with it for you... It could make you feel a little bit more secure in the knowledge that you're allowing somebody else, who is supposed to have knowledge of these situations, to take the decisions for you." Male/45-54/Higher Wealth/Non-advised

"I think the older you get, you probably like to have more peace of mind, does that make sense? The older we get I think we tend to worry a lot more about various things and money being part of that. The peace of mind aspect would definitely apply to me... that somebody could offer you an investment... When you're older you can't really afford for things to fail for you, particularly with your finances." Male/55-74/Lower Wealth/Non-advised

However, **some women, particularly from the lower wealth group, didn't share the view that advice could help minimise worry; they were concerned that it might have the opposite effect.** These participants only felt that their worries would be less if their adviser provided solutions that they could easily implement; they felt if their problems were too complex, their adviser would not be able to suggest actions that would be within their capacity to implement. Given that wealth appears to have an impact on responses, it might be that participants felt their specific financial problems were too complex and too difficult to solve.

"If he tells us things that we think we cannot do because we don't have the time or don't have the resources, or we feel that it's a huge task for us to do in so little time, then we would think, 'Oh no. We shouldn't have gone to him, because now look what has happened.' We would feel more stressed out because of that, but if it was something that was easily manageable and could be done quite quickly and smoothly, then we would say, 'Okay. This is a great thing. All we have to do is simple little steps and that's it and we are sorted!'"
Female/55-74/Lower Wealth/Non-advised

These participants clarified that they saw some value in speaking to an adviser. One said that it would be useful to take responsibility by seeking early advice and facing their problems rather than letting worries continue. But overall, their comments suggest that part of the issue may be hesitancy to take the initial step to identify and start solving financial problems. Such hesitancy may be because they feel that advisers won't offer the solutions tailored to their specific circumstances.

This could be addressed by the financial services sector more clearly communicating how they help to enhance finances and solve financial problems.

"There's no other option. We have to do it. If we don't do it, who else is going to do it? [Advice] would make us focused on that task and we would get it done. It might be worrying for us, because we don't know whether we'll get it done, but what are we left with at the moment? What other choices are we left with? We might as well get on and do it. Life has big worries. Just take the steps that he's telling us to take, and get on with our lives, rather than just keep worrying and worrying. It's not going to get you anywhere." Female/55-75/Lower Wealth/Non-advised

These findings suggest that **more could be done to educate less affluent women about how advisers can tailor their advice and offer support and solutions in a variety of individual circumstances, including difficult ones.**

Communicating non-financial benefits

People who take advice clearly perceive several non-financial benefits. Our research reflects previous findings on this topic, while offering much greater insight into how non-financial benefits manifest for consumers and the impact advice has on their long-term financial planning.

Our findings also echo a wider view, held by our roundtable attendees: that **advice is much more than a transactional relationship**. The point made by attendees was that many consumers perceive advice as simply being about their financial assets. Because many only seek advice for the financial benefits, they only act when they have a life trigger to do so.

However, good financial advisers offer much more. They focus on helping their clients develop and realise their financial goals, and support them on their life journey.

Roundtable attendees identified that the FCA has an important role to play in educating consumers that financial advice is not just transactional, and that what it offers goes beyond financial benefit.

"We tend to look at financial advice purely as a transactional thing. Some of the more interesting things about this research is that when you look at people's attitudes to advice, they focus on the benefit of the input. They focus on the certainty the plan. When we talk about the value of advice, it's the input, the value the adviser gives to the client during the process which we should really hone in on." Roundtable attendee

The demographic differences that we found around attitudes to advice (particularly between men and women) should lead the financial services sector to take a more targeted approach to communicating non-financial benefits.

Women face a number of barriers to financial planning for later life. They earn less than their male counterparts, are more likely to take a career break, are less likely to win new jobs as they get older, and are more likely to retire early.³⁹ This all has an impact on their capacity to save.

As a result, they are also more likely to have a greater need for support with financial matters to help them maximise their retirement income, as well as a much greater need for emotional support and a boost to financial confidence.

Our findings: What drives non-financial benefits?

We found that all participants, whether they had taken advice or not, believe that there are non-financial benefits to taking financial advice.

But without understanding what drives these benefits it's difficult to ensure that everyone experiences them consistently when taking advice. To help build this understanding, we asked the group who had taken advice what they valued most in their adviser relationship, and asked those who hadn't what they *thought they would* value the most in theirs. Identifying the skills and qualities people value the most is likely to elicit a strong emotional response.

We divided the skills and qualities mentioned into two categories: those that describe the characteristics of the adviser, and those that describe the design of the service.

- **Characteristics of the adviser:**
 - **Financial expertise and the ability to explain finances**
 - **People skills**
 - **An impartial approach**
- **Characteristics of the service:**
 - **Tailored advice**
 - **Face to face relationships**
 - **Ongoing relationships**
 - **A wide range of financial options**
 - **A detailed financial plan**

We found similarities in the responses from both groups. **The overall theme was the crucial role that trust plays throughout the consumer journey.** While both participant groups value the same characteristics in both advice and advisers, those who hadn't taken advice were **more sceptical about whether these benefits exist and how to find advisers who can deliver them.**

Adviser characteristics

Financial expertise and the ability to explain finances

We found that financial expertise in an adviser is likely to result in: greater reassurance, a boost in confidence, and reduced worry with increased peace of mind and security.

The ability to explain finances to others is likely to result in: improved financial literacy, a boost in confidence, greater control, greater reassurance, and reduced worry with increased peace of mind and security.

Some **participants who had taken advice** said that it was important to have an adviser with financial expertise, as this helped **boost confidence and build trust** in the quality of advice provided.

"What I'd like them to have on the table is a wealth of knowledge. It's around trying to put your trust in someone that has had a sustained and continued period of growth, and positive investments and accrues with customers and things as well. Having that on the table, he's going to give me a lot more confidence in using his advice."

Male/55-74/Higher wealth/Advised

"The fact they have the knowledge I don't, and I feel I can trust them with my money. That's what I value the most." Male/55-74/Higher wealth/Advised

Participants placed additional value in their financial adviser's ability to convey their expertise and knowledge in a clear and simple manner. They valued learning how financial markets work, recognising that without their adviser's support it would have been very difficult. Participants stressed that **they greatly valued their adviser explaining the risks associated with their investments** and discussed how that built trust and helped boost confidence.

"The whole investment is a minefield, it's very difficult to understand... I have very little knowledge about the market... the advice he gave in regard to where I should be able to put that money for getting a better retirement helped and was something that I appreciated."

Male/55-74/Lower Wealth/Advised

"They're happy to answer your questions and explain things to you and explain risks to you, that's important in terms of trust because

you hear about all these people getting conned. An adviser who points out the downsides gives me psychologically, more confidence as well." Female/45-54/Higher Wealth/Advised

The important role that advisers play in identifying risk, including avoiding harmful or even criminal routes, was a point raised during our sector expert roundtable; it was clear that the financial advice sector should offer more education on how important that can be.

Comparing the findings from those **who had and hadn't taken advice**, the latter **placed greater value on advisers' financial expertise than on their skill in explaining**. For them, expertise meant demonstrating a strong track record, at both the individual and company level, showing that they had been working in this sector for a long time, and having the necessary qualifications. These factors **improved trust levels as well as confidence in the advice provided**. Not having yet experienced receiving advice, these participants were probably less aware of the added benefits brought by clear explanations.

"What I'd like them to have on the table is a wealth of knowledge... It's around trying to put your trust in someone that has had a sustained and continued period of growth, and positive investments and accrues with customers and things as well. Having that on the table, he's going to give me a lot more confidence in using this as his advice." Male/45-54/Higher Wealth/Non-advised

"I suppose one of the most important things is to see if they've had much success in the past with the work that they've been doing... I think that's really important. You really need to know that you can trust what they say, and you believe they've got the knowledge to deal with the risk profile that you want to become associated with. A good track record, it would have to be very good, an established company, not something that's possibly fresh on the market." Male/45-54/Higher Wealth/Non-advised

Overall, these findings suggest that **while expertise plays a part in the provision of non-financial benefits, an adviser's ability to explain their expertise to their clients is of additional importance**. As financial advisers appear to generally have this latter ability, it might be helpful for financial firms to do more to publicise this likely 'under-valued' skill.

It wasn't always clear to those who hadn't taken advice whether advisers had the necessary qualifications, which qualifications were best, and their level of importance when deciding who to ask for advice. These concerns were expressed as specific barriers to taking advice. Our findings suggest that the financial advice sector and the regulator should make a concerted effort to educate the wider public on financial qualifications and their role in standards for the sector.

"If there are qualifications that advisers need to have in order to provide advice, I'm not aware of them. I think there needs to be a lot more quality assurance so that people know they are speaking to qualified professionals... I'm sure they take exams but I'm not sure about the quality or the weight of the exams... This is just my general perception, having met financial advisers, the range is just really big, it doesn't seem to be standardised like other industries."
Female/55-75/Higher Wealth/Non-advised

People skills

We found that how advisers interact with clients is a significant determinant of whether the client feels: greater reassurance, a boost in confidence, greater feelings of control, and reduced worry with increased peace of mind and security.

Many **participants who had taken advice valued people skills and felt that they helped strengthen the adviser/client relationship**. These included emotional intelligence, adopting a 'gentle' attitude, showing empathy, being 'genuine', and taking interest in them as an individual rather than a client. For some, these **people skills boosted confidence, both by helping them feel they could achieve their long-term goals, and in the advice provided**. They also said people skills helped build trust, by knowing that the adviser was acting in their best interests, and helped in terms of offering more tailored advice.

"The relationship I have with the individual that I engage with, it's still there now. We spit ball on the phone, as I mentioned, quite regularly, and it then reinforces and reinvigorates that focus to keep pushing for what I want... it's when you have that clarity, it gives you that feeling of I'm definitely going to achieve what I want to achieve here."
Male/45-54/Higher Wealth/Advised

"I think dealing with people that are confident and know their business, but at the same time have empathy and can appreciate where you're coming from. That has a big impact on the people that you deal with." Female/45-54/Lower Wealth/Advised

"He's come to my house and met my partner. He expresses an interest in me as a person, not just as a customer. I think that's quite a valuable quality. It's not something I view cynically. I think he's a very genuine guy. He's out there with my interests at heart." Male/45-54/Lower Wealth/Advised

Participants also placed importance on advisers not pushing them to make a decision, which helped them feel more in control of their finances. This could be an important quality to communicate to the wider public, particularly, women, to help overcome their perceived fear that an adviser would take full charge of decision making.

"I don't like things to be pushy and oversold, but I found that the people involved pitched it about right for me... He never pushed me to do anything I wasn't comfortable with, I think he took the right approach. He made me feel like I had control over my decisions." Female/45-54/Lower Wealth/Advised

Those who hadn't taken advice also valued people skills, and spoke about the specific qualities in a similar way to the other group. **They felt it was important their adviser took interest in them as an individual**, rather than a client, and that doing so would enable them to feel their adviser was acting in their best interests.

An important trait that these participants wanted advisers to possess was emotional intelligence; they cite how it could improve overall mental wellbeing and offer security – and even suggest that a lack of people skills could be a barrier to taking advice.

"To truly understand me, from my perspective, what my requirements are. If they do that, you can always tell, when you talk with a person, this is just not about, a financial relationship. It is about, this person really knows what they are doing, and is committed to helping you." Female/45-54/Lower Wealth/Non-advised

"It's about psychological safety... feeling secure and looked after so you've got to feel that they've got your interests genuinely at hand. I think a lot of that is down to them being genuine people and human, having more of an emotional connection with you rather than a

transactional thing makes me feel like they really understand me, empathy is another thing. That they listen. That would make me feel secure and happy and safe." Male/45-54/Higher Wealth/Non-advised

"If someone offered me financial advice and I couldn't get along with them already on the phone then there's no point me going there and wasting my time or listening even an hour on the phone. Sometimes you just don't click with people and people buy people. If the financial adviser and you don't click from the beginning, there's no point." Male/30-44/Higher Wealth/Non-advised

Our findings suggest that the sector should communicate that advisers have these skills in addition to their expertise and qualifications, and that they are likely to lead to non-financial benefits.

An impartial approach

An impartial approach is likely to result in: a boost in confidence, greater reassurance, greater control, and reduced worry with increased peace of mind and security.

Participants who had taken advice valued an adviser with an impartial approach. Being 'independent' meant slightly different things for different members of this group. Some stressed the value of advice that is unbiased (a requirement of all advisers following RDR). This 'independence' helped boost confidence, and reduce worry and anxiety about the advice provided:

"The most important thing about meeting with him is he is completely unbiased of the deals. He wasn't making money from them, he was making money from me, so he was telling me what was best for me." Female/30-44/Lower Wealth/Advised

"The thing is, when [banks are] advising you, they're advising you about the bank that they're working for, they're advising you about their products only. They're very reluctant to tell you anything outside... it [boosts confidence] because he didn't tell me about the bank he used to work for's products any more." Male/55-74/Higher Wealth/Advised

Other participants from this group placed higher value on an even more extreme approach to impartiality taken by their advisers. They spoke positively about how they appreciated that their advisers

were honest and suggested going elsewhere or doing some of the work themselves if that was a better or cheaper option. The point that **their adviser was willing to put their client's best interests ahead of their potential financial gain was particularly important and helped to build trust and confidence.** US research by Vanguard found that advisers acting as 'advocates' and in the best interests of their clients were most important contributing factors when it comes to building trust.⁴⁰

"He kept saying, 'Well you can check this out, or you can look at this,' so he was giving me other options that he wasn't offering... it gave me more confidence in his advice, because it was basically 'You don't have to go with us, you could do this instead,' and so it made it my choice... and fair play to him if he hadn't been honest he could have probably tried to persuade me to sign up to something else."
Female/45-54/Higher Wealth/Advised

Those who hadn't taken advice also discussed the importance of impartial advice, saying it would be a barrier if the advice was in any way biased. They felt that **if more were done to demonstrate that advice was impartial this would attract them to take advice.** It was clear that some participants were unaware of the RDR regulations, as they commented about their worry that advisers receive a commission because they are tied to certain products. In fact, there were more participants who were unaware of these regulations than those who were aware.

Others were more concerned with whether advisers would be honest in their approach and act in their best interests. They worried whether they would be dishonest and sell them products for their own financial gain.

"If you think of independent financial advisers, they are supposed not [to] favour one company. But they all get commissions from companies that are different and some will be more rewarding than others and I always think to myself, is he recommending that one because he will get more money, or is he recommending that one because it has the best rate or the best term, or is genuinely the best policy for me, and I think unless you've got that trust it's very difficult to believe that person's got your interests at heart." Male/45-54/Higher Wealth/Non-advised

"I think they'd probably try to sell you more things, and they may not try to be honest, and once they've got your money, they can just tell

*you things that maybe you don't want to hear or try to, I don't know, give you more things to go away and think about." Male/30-44/
Lower Wealth/Non-advised*

Their concerns about whether an adviser is honest and whether they act in their client's best interests closely reflect the wider literature. Indeed, the FCA's 2017 Financial Lives survey⁴¹ found that only 39% of UK adults trust financial advisers to act in the best interest of their clients. These high levels of distrust across the UK do not mirror the experiences of those who have taken advice. Those individuals report high levels of trust, with 78% rating their trust in their adviser as 8, 9, or 10 out of 10.

This shows the importance of educating the wider public that **people who take advice value the 'independence' of what they receive and value their adviser being honest in their approach** (which is likely to address barriers to access). Furthermore, the public should be told that these are important factors providing non-financial benefits (which is likely to improve overall perceived value).

Service characteristics

Tailored advice

Tailored advice is likely to result in: greater reassurance, a boost in confidence, and reduced worry with increased peace of mind and security.

Participants who had taken advice reported that they overwhelmingly valued their advice being tailored to their individual circumstances. **The more personalised the advice felt to participants, the more they felt that they had been listened to and that their adviser was offering something they needed, the more confident they were in the advice given.** A common feeling expressed by participants was that they valued their adviser taking the time to understand their goals, and designing a financial plan to support them. They valued their adviser's ability to explain the market to them and apply that knowledge to identify what would work best for them. In particular, participants commented on the holistic approach their adviser took, going beyond finance to ask about their lifestyle and health as well, and involving other family members in their discussions. For some, it also had the wider impact of feeling valued as an individual rather than simply a client.

"In the early stages, we went through quite an exhaustive process of working out what my short, medium and longer-term goals were, financially as well as in terms of what I do in life generally. He used that as the basis on which he went away and did his research into what products might be available that could support, and what plans might work for me. Through the process we went through, to talk about not just finances, but also personal goals, we were able to cover all those bases... There was a sense that he was looking at this holistically." Male/45-54/Higher Wealth/Advised

"It was a more holistic approach, and we quite liked that, because that thought about all sorts of things. It covered all sorts from health and wellbeing to pensions and all sorts, and that was quite helpful and stimulated a discussion between us. So, really, yes, it's nice when you have an experience where somebody's not just a means to an end." Female/45-54/Lower Wealth/Advised

The value of tailored advice is more apparent when comparing it to guidance. Among the 16 participants who received advice, six received guidance from an individual (rather than from a website).

When asked whether there were any differences between advice and guidance, participants specified that advice was much more tailored to their individual circumstances.

They felt that tailored advice offered more varied and 'advanced' products, that better suited their specific circumstances; the overall perceived value was greater as a result.

"Look, the advice session is obviously much more comprehensive and far-reaching. I think the guidance, certainly the guidance I took, was more around some pretty simple products, like ISAs, SIPP's, that sort of thing. It wasn't really the most ground-breaking, and we're also talking about small quantum's. The advice that I've taken was very tailored, and the guidance was much more general, albeit again, as guidance, there's only so much detail you can go into in certain circumstances. It was perfectly fine for the purpose." Female/45-54/Higher wealth /Advised

Guidance, unlike advice, cannot suggest products to suit the client's specific needs. Participants who took both advice and guidance were able to recognise and appreciate that advice would by definition be more tailored but that guidance was still valuable. That said, other evidence suggests that people have a poor understanding of 'guidance' and 'advice', what they offer and

how they differ.⁴² **The financial services sector could additionally point to the important distinction of advice being more tailored and therefore more likely than guidance to offer non-financial benefits.**

The group who didn't take advice also valued tailored advice; in fact, **some participants expected it, because they were paying for it**, and felt that an adviser was only good at their job if the advice was personalised to the client. Our findings support other evidence that tailored advice is one of the most desired qualities in a financial adviser.⁴³ This suggests that promoting tailored advice could increase uptake and offer non-financial benefits.

"I would expect it to be personalised, if you're going to pay for a service I would expect them to look into your particular financial background." Female/30-44/Lower Wealth/Non-advised

"For anyone to be good at their job, you have to take into consideration the other person's experience and situation. It cannot just be generic kind of advice. I know what I do for people, for my own clients, based on my background, so that is what I expect from someone else." Female/45-54/Lower Wealth/Non-advised

Face-to-face relationships

Face-to-face relationships are likely to result in: greater reassurance, and a boost in confidence.

Speaking to an adviser in person was perceived by those who had taken advice as vital to building trust and helping build confidence in the relationship. This is unsurprising as the literature also finds that people highly value this characteristic.⁴⁴ One participant mentioned how it enabled them to feel more comfortable and discuss more personal matters, which they perceive as important when discussing personal finances. Some spoke about their experience approaching different firms and that many did not offer face-to-face consultations which they perceived as a deciding factor to not take their advice. It is clear that a face-to-face encounter, along with building trust, can help demonstrate dedication to the client and is likely to result in non-financial benefits.

"You read social cues and body language better, so you more quickly trust that person and their advice. It gives you better concentration when you're in person with somebody, and if you feel more

comfortable with them then you're more likely to talk about things you might otherwise be uncomfortable to mention. With finances, it's quite important that you cover everything. Quite often if you meet someone face-to-face you get more of a feel for that person, and how genuine they are, body language, eye contact, that sort of thing." Male/55-74/ Higher Wealth/Advised

"When you speak to someone in person, you get to know them as a person and understand how they work and vice versa. It's personal and I valued that in our relationship because it just made our relationship better moving forward. There was trust there."

Female/45-54/Higher Wealth/Advised

"Most of the other financial advisers that I'd spoke with just wanted to do everything over the phone, they didn't want to have that face-to-face contact... If you only do it over the phone, you can't build that relationship, they can't see you. I think until you look in the whites of their eyes, that's when the trust actually comes from... It was the initial face-to-face contact with my adviser that really tipped it over the edge." Male/30-44/ Higher Wealth/Advised

The group who had not taken advice also valued face-to-face relationships to help build trust. This was seen as **important to help people feel their adviser was honest and genuine, and looking out for their best interests**. Again, there was a sense that a personal connection was important when discussing finances.

"Straight away, and you can see a salesman in some people, but for some people, they're actually genuine and want the best for their customers. So, I think you can get that when you're sat down with somebody and engaging them on a face-to-face basis... I think the face-to-face, you can get somebody's honest opinion... You can look at their face and actually look at them and think, 'Okay, they're telling me actually the right thing,' so for me, I value that." Male/30-44/ Lower Wealth/Non-advised

"You've got to be able to trust them... because you know those guarantees are already there for you with the regulations, but it's having another level of contact, that one-to-one human interaction which makes the difference. That's why people are financial advisers." Male/45-54/High Wealth/Non-advised

The findings from both groups suggest implications for how the financial services sector should consider robo-advice. On the

one hand it has the potential to drive down the cost of advice, democratise access, and engage with consumers more efficiently;⁴⁵ on the other, people place great value in face-to-face relationships, and these appear important in helping them experience non-financial benefits. Moreover, these comments suggest that **face-to-face interactions with advisers might be more valued than any potential cost savings made from taking robo-advice**. Only 15% of people say they would trust robo-advice.⁴⁶

Attendees from both roundtables discussed the role of robo-advice in light of our research findings. They felt that robo-advice was unlikely to result in non-financial benefits. There was a consensus that in the context of the pandemic, technological solutions might allow providers to offer financial advice at a reduced cost while still offering non-financial benefits – for example, through the use of video communications between advisers and consumers. This could also help address wider barriers to access, such as consumer perception that advice is a hassle or they don't have the time (mentioned by some during the sector expert roundtable). Other ideas were suggested, such as using technology to assist advisers in their investment analysis, thereby increasing their capacity and minimising cost, while offering the emotional support clients value. Technology should and can play a role in offering advice, but the traditional robo-advice model isn't likely to be as beneficial to the client.

Ongoing relationships

Ongoing advice is likely to result in: greater reassurance, and reduced worry with increased peace of mind and security.

Those who received ongoing advice valued this because it provided security and peace of mind, both during uncertain times and generally. Participants mentioned that it also offered reassurance in their own abilities as well as in the company, provided security and comfort, and reduced stress. These comments suggest that **people highly value being able to easily contact someone they can rely on over a length of time**. They also suggest that face-to-face contact is not always necessary in an ongoing relationship (as they have likely already built trust). These findings further support the view that **people are unlikely to prefer**

a fully automated advice service, but could still derive non-financial value from using other methods of communications in an ongoing relationship.

"I think I have had three meetings with him now, since November last year... I think that's important. I think it gives you the reassurance in yourself, reassurance in the company that you are investing in, and I think that is very important... Of course, it was peace of mind that I know there is somebody there that you can ask questions to, speak to, and advice." Male/55-74/Lower Wealth/Advised

"You do get that added sense of security with the ability or that follow-up, so you can double-check you've done something correctly or if action was needed to be taken you can kind of run it through with someone almost immediately, so it kind of reinforces actions, which is good." Male/30-44/Lower Wealth/Advised

Only a small minority of **those who hadn't taken advice said they would value an ongoing relationship, possibly because they weren't aware it was an option**. Those who were interested felt it would help them achieve their specific financial outcomes.

"Because of my age, I would need on-going advice going forward, in terms of how to take care of my income, my finances. I need one that will give me specific advice on how to go forward." Female/45-54/Lower Wealth/Non-advised

"Maybe it's the type of person I am and others are different, but an ongoing relationship... framed around the future and what you're trying to achieve and paying for... getting value for that is potentially more attractive than 'come in' and 'do this piece of work.'" Male/45-54/Higher Wealth/Non-advised

On-going relationships appear important for those who take advice, but less so for those who haven't. This suggests that **the financial advice sector should encourage first-time advice seekers to consider an on-going relationship because it is likely to offer greater non-financial value**.

A wide range of financial options

Providing a variety of financial options is likely to result in: improved financial literacy, greater reassurance, a boost in confidence, and reduced worry with increased peace of mind and security.

Participants who had taken advice reported that they valued knowing that they had considered all the financial options available to them when undertaking long-term planning. **This resulted in a boost in confidence, both in the quality of advice received, and in terms of self-confidence to try new ways of investing.** It also provided peace of mind, and helped build trust.

"I just felt he was giving me all the options and laying everything on the line... he was giving me options that I liked, plus pointing out to me the things that I could do that would be more risky but I would get a better return. So I felt he gave me all the options." Female/55-74/Lower Wealth/Advised

"I was open to all the advice that was going. I didn't want to come out of the process of planning thinking that I'd left things undiscussed and unexplored. The conversations that we had enabled us to exhaust those opportunities and possibilities. I was glad to be able to do that, it allowed me to have peace of mind." Male/45-54/Higher Wealth/Advised

"The financial adviser that I speak with, they've put in place options for me to go down different routes. I never would have looked at trading before, or stocks and shares, but that's something they've opened me up to and, I've got a small portfolio in that now that I never would have had before. You've got the confidence that they know you... There were multiple options that were given to you, and it was broken down for you. It became more of a trust thing and that, to me, is the most important thing." Male/30-44/Higher Wealth/Advised

Participants who hadn't taken advice also wanted their adviser to offer a wide range of options. This appears to help them build trust, reduce worry and gain peace of mind and security.

"I'd expect them to offer many options to me. I couldn't put all my eggs in one basket if you know what I mean? But it would be quite nice to spread those eggs around... If they didn't, I wouldn't trust them." Male/45-54/Higher Wealth/Non-advised

"As long as they know they are helping me, to appreciate my options, and giving me tips that can help me and put my mind at rest, then I am happy." Female/45-54/Lower Wealth/Non-advised

Our findings suggest that, while it is important to ensure that the wider public is aware of the wide range of options given by financial advice, and that this can result in non-financial benefits, **this awareness may also help them to understand that advisers take an impartial approach to offering financial advice.**

A detailed financial plan

Having a financial plan is likely to result in: greater reassurance, a boost in confidence, and reduced worry with increased peace of mind and security.

Participants who had taken advice valued having a detailed financial plan. This prompted them to think, not just about their finances, but also about their long-term goals and how they could achieve them financially. A few participants were surprised at the level of specificity and the kinds of questions their advisers asked them when developing their plan. **All felt they came away from the process with a much clearer idea of their financial future.**

The group who didn't take advice were unaware that a financial plan might be important for non-financial benefits. This shows the importance of communicating to the wider public how having a financial plan can lead to non-financial benefits.

"They make you go through [your goals] and think about them more, in a more systematic way and review them, and plan more rather than having idle thoughts and not really making any firm plans around them. It helped me solidify them maybe, and be a bit more concrete and think about them in a bit more detail... going through that thought process about how I would feel if that wasn't achieved, and what was the flexibility around that? So, thinking about going part-time, and how that would still give me time for voluntary work and things like that."
Female/45-54/Lower Wealth/Advised

"Once the road map was in place... the trust came afterwards, but that's why I've stayed with them for so long... I think it gave me more focus to achieve what I wanted to achieve, because when it's scribbled down on a piece of paper, it goes from being an idea to a plan, but when you seek financial advice, that plan then becomes specific to what you want to achieve and how you can achieve it and what the

targets are. I think anybody can write down some figures on a page, but I think, ultimately, how do you get there? I think it really changed my perception of where I was going and it really helped me to set out that road map and that plan." Male/30-44/Higher Wealth/Advised.

Knowing what is needed to ensure consumers will experience non-financial benefits will help guide the sector, the regulator, and Government to continue delivering good quality financial advice as well as improve uptake. There are several characteristics of advisers that are valued and are likely to deliver non-financial benefits. In most cases those who have taken advice and those who haven't value similar characteristics, but our findings suggest that some participants value certain characteristics more than others – and not everyone is confident that advisers possess the characteristics they value. In the majority of cases, advisers already offer what participants value.

Trust was featured prominently in responses from both research participants and roundtable attendees. **Our findings show that those who have taken advice have high trust in their advisers, but those who haven't consistently question whether they can trust advisers.**

The roundtable discussions highlighted these low levels of trust from those who have not experienced advice is a likely reflection of the general perception of the financial advice sector, which faces a clear reputational challenge. These perceptions are often based on past events rather than the current regulatory environment. It may take a long time to educate consumers about the improved situation, especially without collective action from the sector. If the sector works together to promote the positive impact of financial advice this could overcome the current low trust levels from those who have little experience of advice.

"We research our clients and carry out interviews, and they say they come to us because we are knowledgeable and because they trust us, which is great for existing clients but how do we get that across to people who haven't yet taken advice? There are a lot of people missing out so as an industry we need to address that." Roundtable attendee

Conclusions and recommendations

The advised are more confident and better prepared

Those who took advice were not only **more confident** about their financial future but also appeared to be **better prepared** for retirement than those who did not take advice. This was evidenced by the actions they had taken, which include:

- Having spent considerable time thinking about how they would finance their retirement.
- Putting milestones in place to ensure that they were on track.
- Focusing on their end goal.
- Building a diverse portfolio of assets.

They consider the advice they had taken to be an important nudge in the right direction, helping them overcome their natural inertia towards beginning and carrying out their plans.

In contrast, those who hadn't taken advice were generally more likely to talk about **feeling worried**, evidenced by:

- Being generally more uncertain, less clear and less confident about whether they would realise their long-term goals.
- Worry for some about insufficient retirement income. Some showed a preference for spending today rather than saving for the future (which could be a reason to avoid seeing a financial adviser), while others spoke of difficulty balancing and maintaining their current lifestyle with ensuring that they have enough in retirement.
- Beyond having pensions, they were more likely to describe their savings as cash accounts rather than investments.

Some reported feeling confident but this often came from the fact of 'having a pension' and/or 'owning their own home' rather than a cohesive financial plan.

Advice improves financial literacy and delivers control, reassurance and peace of mind

Interviews with both groups, and with those who had taken advice, revealed a comprehensive set of benefits that go well beyond financial gains. Given their immediacy, **the non-financial benefits of advice could be more important for wellbeing and mental health than any financial benefits.**

Those who have taken financial advice describe themselves as having:

- **Improved financial literacy** and capability through interaction with their financial adviser, which had helped them better understand the risk and reward trade-offs when saving and investing for later life.
- **Greater control of their financial future**, including a sense of relief that their finances are being reviewed constantly by an expert who can guide them through the financial 'minefield' and offer a consultative relationship around decision-making.
- **Greater reassurance**, knowing that they're 'doing the right thing' by consulting an expert, thereby avoiding constant self-questioning about whether their decisions are right or wrong, whether they're 'on the right track' and whether they're 'missing anything'.
- **A boost in confidence**, knowing that they have a clear, detailed plan of how they will achieve their long-term goals, particularly accessing their pension.
- **Less worry** than they felt they would have had without advice. Their **peace of mind and security** came in part from having taken the advice given and actioned their plans, and in part from knowing that they had safeguarded their future.

Except for not expecting advice to offer greater control, those who hadn't taken advice generally expected much the same benefits as those described by those who had taken advice. Few were completely resistant to the idea of advice, although some women were concerned they would lose control of their decisions and investments and that advice could increase their worry.

Sector expert and policy maker roundtable attendees recognised and acknowledged that clients of financial advisers regularly benefit from advice in the ways described in this report. There was broad consensus that it would be difficult to generate all of the above benefits from guidance alone, particularly where guidance does not involve a face-to-face relationship. Some felt that guidance could go further in helping with financial literacy and helping people take control of their finances than at present, although this might require a review of the regulatory boundary.

Several participants also debated whether the non-financial benefits described by clients could be extended through more holistic advice that addressed health issues as well as wealth or retirement planning. Others suggested that everyone should receive a mid-life financial review that would include analysis of retirement preparedness.

Men and women see the non-financial benefits of advice differently

While the research suggested a number of differences among the sub-groups we spoke to, we found the most marked difference in views to be between men and women:

- Women who had taken advice more commonly expressed the view that financial literacy made them feel more empowered to make informed decisions, whereas men said it made them more confident to try new ways of investing. Women who hadn't taken advice didn't expect it to improve their financial literacy skills.
- Men who had taken advice more clearly reported that it added to their feelings of being in control of their finances. Women (who both had and hadn't taken advice) expressed concern about a potential loss of control in taking advice and worried about decisions being made for them. Women who hadn't taken advice perceived this concern as a barrier to doing so; those who did take advice had this concern addressed by their adviser.
- Women who hadn't taken advice worried that doing so could increase their worry levels, particularly if there were no solutions to resolve their financial position.

Several roundtable participants also remarked upon the differences between the expectations and experience of male and females in relation to financial advice. Some felt that a very different approach could be required to attract new female clients than the traditional marketing approach and service design used by the sector.

Delivery of non-financial benefits depends on the adviser and the service having certain characteristics

Participants described the adviser's **professional status, knowledge and expertise and ability to explain finances** as adding considerable value to the client-adviser relationship, as well as engendering confidence and reassurance in decision making. Some who hadn't taken advice, however, were uncertain how to tell advisers had the requisite qualifications.

We found that the relationship between adviser and client also works best when the adviser displays **people skills** such as empathy, patience and not pushing clients into making decisions. This is further enhanced by **impartiality** of advice, a quality many who had taken advice felt their adviser possessed but which many who hadn't taken advice were uncertain advisers could deliver.

The most valued service characteristic was **personalised and tailored advice** to fit each client's needs and a **wide range of options**. Offering a **detailed financial plan** was found to offer more respondents greater reassurance, a boost in confidence, reduction in worry, and greater peace of mind and security.

Users also derived greater reassurance and confidence from advice delivered **face-to-face**, and felt that trust could be built more readily. Participants who had not taken advice felt that face-to-face interaction could overcome any scepticism about advisers. Those who had taken advice said that **an ongoing relationship** provided the reassurance of having an expert to consult should unexpected events occur, and that it reduced worry and offered increased peace of mind and security about their financial future.

While participants value the same characteristics of advice and advisers whether they had taken advice or not, the latter are considerably more sceptical whether these characteristics would be delivered, and if so, how to find advisers who deliver them.

Our roundtable attendees concurred on the factors that deliver value to clients, although there was considerable debate around whether clients understand the current regulatory distinction between independent and restricted advice, and whether those distinctions were meaningful or relevant.

Barriers to narrowing the advice gap

Both our interviews and our roundtables attempted to identify barriers to narrowing the advice gap. Our roundtable attendees were particularly aware of the long-running policy debate around this issue.

The specific **barriers to achieving wider uptake of advice** that we found included:

- **Lack of awareness** among those we spoke to who hadn't taken advice: about whether they need it and, if they do, where best to get it. We found that participants who hadn't taken advice weren't aware of any financial advice brands or where to go for advice.
- Some were also **unaware of the types of service** and the potential benefits available, particularly the impartial nature of advice or whether adviser had the requisite expertise and professional qualifications.
- They had **difficulties judging the qualities** of an adviser or adviser firm and were **unable to get recommendations**.
- Our roundtable attendees suggested that there is a limited and potentially **shrinking supply of advisers** able or willing to reach out to a wider, more diverse market. Also, they had a sense that the supply of advisers is itself not sufficiently diverse.
- The perception among some roundtable advisers that regulatory issues are hindering a wider uptake of advice, and that, despite HM Treasury and FCA involvement in FAMR, more could be done to support advisers and thereby increase the number of clients able to access advice.
- Some roundtable attendees felt that the **cost of providing** is a barrier to extending advice to those on lower incomes and/or wealth.

"When we speak about consumers and how we can get them to take advice more broadly, the challenge for the [sector], for policy makers, and the regulator, is how do we get people to understand the value of something they have never experienced? That should be the question we need to answer." Roundtable attendee

Raising awareness and rebranding

Some consumers who had not taken advice felt that the sector simply needed more marketing and advertising. Others felt marketing should prioritise the emotional aspect of the relationship to build trust in advisers, their firms and their services.

Examples of good advertising that were suggested included demonstrating empathy with real people's lives and problems, or using gentle humour, rather than ads giving information about the company or service. To reach a wider audience, this approach should be designed to resonate with a wider demographic than that of existing advice clients.

"The Nationwide adverts, have you seen them recently? What's quite interesting through the crisis is they've done those adverts with comedy shows, it's a joke but there's a point behind it. And it's all to do with financial stuff really. It's quite emotional... I think it just shows empathy about what's actually going on and happening, whereas sometimes you see things on a bit of paper on a website, or someone explains a policy or a point to you and well, that's coming from another place, it feels very separate to what's going on for me."
Male/45-54/Higher Wealth/Non-advised

Some participants also felt there should be more clarity around advice services, including what advice is (and is not), what it can offer in terms of financial and non-financial benefits, and clearer communication about how regulations protect the public.

"I think it's difficult to work out how much it's going to cost you, and whether or not it's worth it in the long term ... I've done some soft searches online and there's a lot of jargon and it's not clear enough for me." Male/45-54/Higher Wealth/Non-advised

"I guess, if you can see that it's an initial upfront cost, but it is going to save me X amount in the long term, and because I've got specialist advice, then that would be a benefit." Female/30-44/Lower Wealth/Non-advised

Some roundtable attendees also felt that the sector could do more to promote itself in a way that would resonate with a more diverse customer base. They felt that women, in particular, care about different things and may require different messaging.

"We need to define what a financial adviser is. I don't think we are good at it as an industry. There's a lot of misconceptions of what we do, and I think that's an area we need to work on. We have lots of terminology and marketing tools to describe us but there isn't that clarity. Having that will help both the supply and demand side." Roundtable attendee

Both roundtables felt that the media should showcase the potential positive impact of advice, even though bad news is often more newsworthy. They discussed how the financial advice sector needs to work more closely with the media, by denouncing poor practice when it occurs, while helping journalists recognise that this is rare within the sector. This would help to raise trust and keep the public better informed.

Making it easy to find a recommended adviser

Some consumers commented on the need for the financial advice sector, as well as public and government sites, to improve access to advice services and make it easier to find an adviser. While organisations like the Money and Pensions Service (MaPS), Citizens Advice and the FCA offer information to assist individuals, the information might be easier to explore if all collated in one place.

"I wouldn't know where to go to get advice... I feel a bit confused. I don't think it's very clear how you do it." Female/55-74/Lower Wealth/Non-advised

"It's really confusing. There are four different government agencies and departments, all of which seem to overlap. The Money Advice Service recommend the Money Pension Service, that runs the Pensioners Advisory Service. It's just clarity is needed as to which is the right place to go. Citizens Advice have a load of stuff, which is good but different. I don't understand why there are so many different official sources of slightly different information. The advice on GOV.uk is not very good. That needs to be improved." Male/55-74/Higher Wealth/Non-advised

A number of participants stressed the need for objective, independent customer reviews that could be backed up with further

research on their part. Some felt it was important that the feedback be vetted by an impartial body, so that they knew it was honest and not cherry-picked by financial firms. They also suggested needing a free financial equivalent of *Which?*. They were generally unaware of sites such as unbiased.co.uk, or the FCA and MaPS advisers register. While better communication about such sites is clearly needed, it will also be important to ensure that the public can trust them.

"Being able to see reviews from other people that have taken advice in the past, that would be really helpful to me." Female/45-54/
Higher Wealth/Non-advised

What happens next?

Our research presents powerful evidence that advice not only has financial benefits for consumers, but also non-financial ones. We have shown that it is as important to mental wellbeing as to financial wellbeing.

But far too few people get the support they need to maximise their financial and mental wellbeing.

The pension freedoms allowed people to access their Defined Contribution pension benefits in more flexible ways. Data from the Financial Conduct Authority shows that most savers don't take financial advice when accessing their pension savings under the freedoms.⁴⁷

We believe that our report highlights the importance of ensuring growth in the number of people who need advice, receiving it. **We want to see a shrinking of the advice gap. And alongside this ambition we support MaPS objective of ensuring that an extra five million people understand enough to plan for later life by 2030.**

We've been talking about the advice gap for well over a decade – this is not a new challenge and there are no easy solutions. **To achieve change we need collaboration between the broader financial service industry, the regulator and the Government to do three things:**

- Attract people into advice by highlighting the non-financial benefits as well as financial ones.
- Explore ways of appealing to a more diverse customer group.
- Increase the supply and efficiency of advice.

Attract people into advice by highlighting the non-financial benefits as well as the financial benefits

All stakeholders should work together to promote both the financial and non-financial benefits of advice.

Whilst our research shows that people value financial advice and its ability to deliver many non-financial benefits, it's also important to avoid pitting advice and guidance against each other. One in five users say that their main reason for arranging a Pension Wise appointment is to prepare them for a meeting with a financial adviser, who can provide regulated advice and a recommendation based on their personal circumstances and objectives.^a It is important, therefore, that those within the wider industry delivering financial advice and guidance understand the non-financial value of advice so that individuals are signposted to the service that will best meet their needs.

The advice sector should explore ways of appealing to a more diverse customer group

Our report presents evidence which should help develop a targeted approach to marketing advice to a more diverse customer group. This revised marketing should particularly target: women; younger, less wealthy consumers; and those unfamiliar with seeking out financial advice. New messaging should also seek to address any misperceptions that consumers have about the benefits of advice.

Evidence in this report for example highlights which characteristics people value in an adviser. It is critical that the customer trusts their adviser to deliver impartial advice designed specifically for their needs and circumstances. The trust that is vital to a customer-adviser relationship is often built up through maintaining an ongoing relationship rather than treating advice as individual transactional acts.

This information can help to target marketing and policy interventions. A more inclusive approach to the design of advice services may also be required, including changes to recruitment and training of advisers. A more diverse adviser population could help people feel that their adviser really understands their interests and build the required level of trust. But getting advice out to non-traditional settings within communities could also play a role in helping the financial advice sector convince consumers that advice is for them.

Increase the supply and efficiency of advice

Technology has a potentially important role in improving efficiency and thus supporting an increased supply of advice. But it won't solve all supply problems. Our research demonstrates that robo-advice would not offer the same non-financial benefits to consumers as face-to-face ongoing advice from a human.

As we increase the use of technology in advice and in back office functions, it is vital to protect some of the more personalised aspects of face-to-face financial advice to ensure the non-financial benefits identified in this report are maintained.

The financial advice sector could and should be a growing market. We must ensure that we have the skills to deliver confidence to consumers. Our roundtable attendees made it clear that there were major concerns about the supply of advice going forward – 15,000 advisers are expected to leave the sector in the next 10 years. The sector must work to fill the supply gap, by making it an attractive career, supporting the training of new people into the sector.

To ensure advisers possess the characteristics that this report has identified as vital to generate the non-financial benefits of advice, the advice sector must consider recruiting from a diverse pool of applicants with varied life and work experiences.

The Government and regulator can support this by ensuring the right regulatory environment to support a growing, more diverse and vibrant financial advice sector.

Appendix: Methods

In this research, we sought to build on existing evidence to better understand whether there are non-financial benefits to taking financial advice. While some of the literature suggests that people do experience such benefits, no targeted study unpacking them has been conducted.

Our research goes further by exploring the perceptions of those who haven't taken advice. There were two reasons behind studying both groups:

1. Existing research on non-financial benefits studies only those who have already taken advice, and uses targeted questions eliciting primed responses, thus skewing findings. We compared the responses of those who had taken advice with those who hadn't, before asking targeted questions about advice. By comparing the two groups, we can better understand whether taking advice affects the participants' psychological disposition toward their finances.
2. While there is some research into the perceptions of those who haven't taken advice, it does not include research into their perception of possible non-financial benefits. Understanding their views provides greater insight into how we can close the advice gap.

We conducted semi-structured interviews with 32 UK individuals. We used a research recruitment company to screen participants on several demographic factors. Each interview lasted approximately one hour.

We also held two expert roundtables, and analysed ONS data from Wave 5 of the *Wealth and Assets Survey*.

Quotas

We outsourced the recruitment of participants to Roots Research, a research management company with experience in recruiting for qualitative financial advice studies. We screened participants via several demographic factors to ensure similarity between the two groups, for fair comparison and to study whether these factors affected responses. We conducted in-depth semi-structured interviews with 32 UK individuals, of whom 16 had received professional financial advice within the last five years, and the other 16 had not.

Sex and age

17 men and 15 women took part in the study. Ages ranged from 30-74, grouped into three separate age cohorts: 30-44, 45-54 and 55-74. We wanted greatest representation in the oldest age group, to reflect our interest in understanding financial preparedness for later life. As a result, half of the participants fell into two younger age groups, and the remaining half into the oldest age group.

Wealth and income

We categorised participants as 'higher wealth' and 'lower wealth', using different wealth quotas depending on their age. 17 fell into the 'higher wealth' category, and 15 into 'lower wealth'.

For those aged 30-44, we took a combination of gross income and wealth (DC pension, investments and savings, excluding three months routine expenditure). Those with an income between 30K and 39K and with 30-64K in gross wealth were classified as 'lower wealth', anyone above these were classified as 'higher wealth' anyone with less than 30K in income and wealth were excluded.

For those aged 45-74, we looked only at their wealth: those with 40K-99K in wealth were classified as 'lower wealth', those with 100K or more were classified as 'higher wealth', those under 40K were excluded from the study.

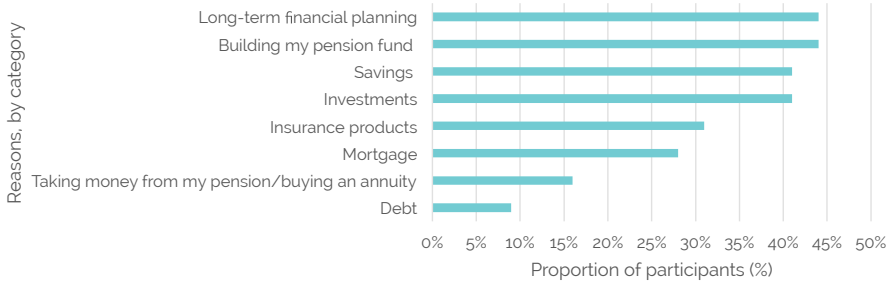
We employed different wealth quotas and exclusion quotas and used income in addition to wealth for the youngest age cohort, to account for differences in wealth accumulation over the life-course. The wealth and income quota helped us target those in the group who hadn't taken advice that might have a need for it. This segment represents the 36% of the wider population who might have a need for advice.

Nature of advice

Given the nature of our research we were particularly interested in long-term financial planning. We therefore excluded those who took advice solely for debt advice or to purchase a mortgage.

Participants selected as many topics as applied. 'taking money from my pension or buying an annuity' and 'debt' were the least common reasons, as few participants had retired, and our overall sample included wealthier individuals. 10 of the 16 who took advice received it on an ongoing basis, defined as two or more sessions.

Figure 3: Reasons for taking advice



Expert roundtables

We held two roundtables to supplement our research. The first brought together experts from the financial services sector, including financial advisers, to discuss the implications of our findings, and their views on what the Government and the regulator can do to support them better. The second brought together policy makers from Government, the regulator, ageing and financial advice charities, and professional bodies, to discuss the wider policy implications of our findings. There were 13 attendees at the first roundtable, and 15 at the second. Their findings are incorporated throughout the report and form our policy recommendations.

ONS Wealth and Assets Survey

All the *Wealth and Asset Survey* graphs in this report, which detail some descriptive statistics relating to financial advice in the UK, involved analysing data from Wave 5 of the *Wealth and Assets Survey*. We used this wave rather than the more recent Wave 6, since the latter does not contain the relevant variable on whether the respondent has received financial advice.

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About the ILC

The International Longevity Centre UK (ILC) is the UK's specialist think tank on the impact of longevity on society. The ILC was established in 1997, as one of the founder members of the International Longevity Centre Global Alliance, an international network on longevity.

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