



Report shows that professionals value Chartered status when evaluating financial advisers

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Summary

In May 2010, J.P. Morgan Asset Management published a report adding to the growing consensus that Chartered status raises IFAs' competitiveness in professional markets.¹ It surveys over 200 legal and accountancy firms across the UK, and finds that when evaluating advisers, these professions tend to favour qualifications, especially firms with Chartered status. J.P. Morgan's findings echo many of those in a CII/PFS paper published in late 2009: members of the public value and trust Chartered status above all other professional designations.²

Key Findings

- The most important factor when assessing an IFA to work with/recommend for both solicitors and accountants is that they hold recognised professional qualifications such as Chartered status. 62% of accountants and 68% of solicitors regarded holding Chartered status as important for evaluating a new IFA. This finding echoes the CII's own research, in which Chartered Financial Planners say that Chartered status has enhanced their reputation and attracted more professional referrals.
- Currently, numbers of solicitors and accountants in the UK outnumber IFAs by approximately five to one, suggesting that **financial advisers should be at an advantage in the professional connections market**. 70% of solicitors and 83% of accountants already refer clients to an IFA, and **both professions believe there is potential to increase this level of referral**.
- 82% of accountants and 92% of solicitors source IFAs through **personal or professional recommendation** and favour firms with a strong local profile and reputation.
- While solicitors and accountants both put great value on qualifications, very few are likely to know what an IFA's required qualifications entail, and fewer still are familiar with the FSA's Retail Distribution Review (RDR). The report thus recommends that **any presentation to a solicitor or accountant firm include a thorough explanation of both base-line and advanced qualifications** and an explanation of the new minimum standard imposed by the RDR.
- **IFAs with Chartered Financial Planner status should promote their qualification**, detailing its differing requirements and the Code of Ethics entailed in membership.

Assessing the opportunity

Over 80% of both solicitors and accountants believe there is potential to increase the already high levels of referral to IFAs. It identifies drivers that might encourage growth in the professional connections market, including the new legal services act, guidance from the Solicitors Regulation Authority, and the RDR. From 2012/13, the RDR may also encourage more solicitors and accountants to forge alliances with IFAs as professional standards become more aligned with their own.

¹ *Professional Connections: Creating opportunities between IFAs and other advisory professionals*, by J.P. Morgan Asset Management, May 2010 <http://www.jpmorganassetmanagement.co.uk/Adviser/AdviserInsights/ProfessionalConnections/>

² *The Stamp of Quality? The Importance of Being Chartered*, CII Paper in Professionalism number 5, Sep 2009 http://www.cii.co.uk/downloaddata/PP5_Chartered_Status.PDF

However awareness of the RDR among solicitors and accountants is currently extremely low. The potential positive implications need to be properly communicated to other advice professionals if IFAs, as a sector, are to reap the full benefits of the uplift of their own professional standards.

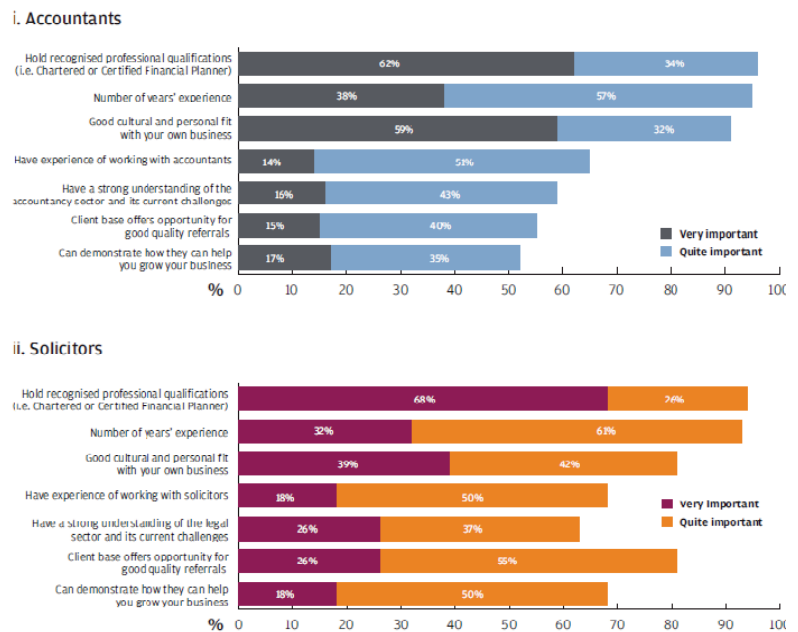
Finally IFAs have been given additional support by the Solicitors Regulation Authority (SRA) which has recommended in its Code of Conduct that investment advice should only be given by independent intermediaries. The SRA's proposals to overhaul the Solicitors' Code of Conduct strongly mirror the FSA's own recently-adopted approach with a focus on outcome rather than 'tick-box' regulation. As such, IFAs may be in an invaluable position to show solicitors how the transition from rules-based to outcome-based compliance can be achieved and demonstrated to the regulator.

Making connections

How should IFAs go about building professional connections? The report makes a strong case for networking and profile-building, as the vast majority of solicitors and accountants say that they source IFAs through personal or professional connections.

- Chartered status is highly sought after and considered very important by twice as many respondents as an IFA's length of experience (see Figure 1).
- Many do not actively seek IFAs out; 38% of solicitors say that they have used IFAs who contacted them first.
- When assessing an IFA, both solicitors and accountants put very high emphasis on recognised professional qualifications.
- A strong cultural and personal fit with the professional's own firm is also a strong deciding factor, especially among accountants.
- In terms of remuneration, over 40% of accountants and solicitors say that they actively seek out an IFA who charges on a fee basis.
- The issue of fees versus commission is mainly driven by concerns over client affordability.

Figure 1: Positive Factors when evaluating an IFA



Question: Overall, if you were evaluating a new IFA, how important would each of the following be?

Source: J.P. Morgan report, p.16.

Given the low awareness of the RDR among the survey sample, the report recommends IFAs include an explanation of the adviser charging proposals – and how they are planning for them – in their discussions with solicitors and accountants.

Working together

The bulk of accountants (45%) prefer to refer clients to an IFA with no additional interaction. However, two-thirds of solicitors say they are keen to find opportunities to work more with external IFAs to increase business and diversify their proposition.

IFAs can potentially advise on a wide range of areas. Most of these were of some or great interest to the professionals surveyed, the notable exception being debt guidance. However, IFAs may benefit from targeting their areas of expertise carefully; for example, advice on pensions and retirement is sought by both groups, but only 24% of solicitors say it is of great interest to their clients compared to 73% of accountants.

Of course, all the advice professions are currently battling with the economic downturn which as one solicitor puts it means that 'most law firms are trying to keep their heads down and anything involving risk is frowned upon'. But as the economy recovers, IFAs who possess the attributes outlined in the report, notably recognised professional qualifications, will be the most likely beneficiaries of ambitions like alternative business structures or joint ventures.