Financial Advice and Guidance: Qualitative research to inform the Financial Advice Market Review (FAMR) Baseline

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Authors & Acknowledgements

This document reports the findings of a research project carried out for the Financial Conduct Authority (FCA) in December 2016 by NMG Consulting.

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The views contained within the implications and conclusions of the report are NMG's, based on the research findings. Any errors in the report are the responsibility of the author.

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1 List of Abbreviations

Abbreviation	Meaning
CAB	Citizens Advice Bureau
FA	Financial Adviser
FAMR	Financial Advice Market Review
FCA	Financial Conduct Authority
FOS	Financial Ombudsman Service
FSCS	Financial Services Compensation Scheme
HMT	Her Majesty's Treasury
IFA	Independent Financial Adviser
MAS	Money Advice Service
RDR	Retail Distribution Review
TPAS	The Pensions Advisory Service

2 Executive Summary

The Financial Advice Market Review (FAMR) launched in August 2015 in light of concerns that the market for financial advice was not working well for consumers. FAMR's final report in March 2016 included a set of recommended actions intended to improve the affordability and accessibility of advice and guidance. One of these recommendations was that the Financial Conduct Authority (FCA) should work with HM Treasury to identify indicators to establish a baseline from which developments can be monitored as the FAMR recommendations are implemented.

The FCA's Financial Lives Survey 2017 provides input to this baseline, based on interviews with nearly 13,000 UK adults. Qualitative consumer research, provided via this NMG study, will be used in conjunction with the survey results to form the FAMR baseline on the demand side. This report describes the findings of this qualitative research study amongst 40 active participants[1] (14 advised and 26 guided) and 20 inactive participants[2] of the retail pensions and investments market. Its aim is to explore their experiences when thinking about or making pension or investment decisions, with particular (but not exclusive) focus on the accessibility of advice and guidance[3]. A wide range of consumers were interviewed, from those in younger life stages setting up personal pensions or investments for the first time, through to those in retirement making pension decumulation decisions.

As this is a qualitative sample, views may not be representative of the population but are indicative of attitudes and behaviours.

Key Findings

Satisfaction:

1. ***Advised participants[4] cite largely positive experiences when making pension or investment transactions in the past 12 months.*** Perceptions of those using regulated advice[5] are highly positive with strong levels of satisfaction, for both one-off and on-going regulated advice. A key outcome is the emotional benefit of receiving peace of mind that appropriate action is being taken to meet financial objectives. The value of advice is clear to this group.

2. ***Guided participants[6] also have mostly positive feedback about their experience.*** Most have been able to move forward using information received without seeing a need for further regulated advice. For those using guidance services, the most positive driver towards using guidance is the reassurance of human interaction where available and the lack of fees/charges. In the sample, guidance was most often sourced from product providers and financial professionals (e.g. workplace advisers or accountants). These appear to be accessible sources of guidance that provide an important human element.

[1] Individuals who took part in the face-to-face research who have actively engaged with the pensions and/or investment market.
[2] Individuals who took part in the telephone research who have not engaged with the pensions and/or investment market and might have a need for regulated advice or guidance. See para 5.2 for a full description of this group.
[3] The provision of information, generic advice and/or a general recommendation supporting customers in making their own decisions which does not (in and of itself) involve a personal recommendation.
[4] For description of this group please see para 4.2 (1).
[5] For the purposes of this report, we use this term to describe a personal recommendation on retail investments or pensions.
[6] For description of this group please see para 4.2 (2).

Awareness and access:

3. ***There are however a few issues around guidance raised by the sample. Across those active (advised and guided) and inactive in the market, awareness of government-backed guidance services is very low. A key issue raised by some within the sample who had experienced guidance is the lack of personalisation and proactive follow-up.*** There is very low awareness of government-backed guidance services such as The Pensions Advisory Service (TPAS) or the Money Advice Service (MAS), both of their availability and their remit, and this is a key barrier to engaging with them. There is a disconnect between participant perception of their services and what the services can deliver. A lack of personalisation and proactive follow-up are key issues experienced around guidance which can lead to a lack of action in the absence of further support.

4. ***In the advised sample there were no issues around accessing regulated advice, with most relying on recommendations.*** Guided participants who had transacted without seeking advice expect to be able to find a financial adviser[7] if they need to. Advised participants tend to accept recommendations of advisers with little validation or shopping around to compare them. They may visit a firm's website but otherwise tend to rely on intuition and the ability to build rapport with the adviser rather than conduct a rational assessment of credentials. In the absence of a recommendation, participants anticipate that they would simply search online for an appropriate adviser and are unable to name an independent "go-to" source for finding one. There is discontent among a few participants at the lack of access to regulated advice via high street banks. No active (advised or guided) participant in the sample had been rejected by a financial adviser.

Barriers and motivations:

5. ***Guided participants largely did not seek regulated advice – they were comfortable enough making their own decisions and did not see a strong need for advice. However, negative attitudes towards financial advisers and the cost of advice impact behaviour and can push people away from accessing it.*** Perceptions relating to legacy advice issues are still pervasive (commission payments and product bias) and, whilst they may be misconceptions, this can act as a barrier to seeking advice. Some guided participants reject the notion of paying for advice. More positive drivers to acting without regulated advice include a desire to be in control, confidence in being able to make decisions on relatively small amounts of money and perceived simplicity of the decision. These perceptions are found amongst those both active and inactive in the market. A few of the younger participants did not spontaneously think to look for regulated advice. Upon prompting, the need became clearer. A lack of awareness about the benefits of regulated advice is evident amongst the younger, guided and inactive participants.

6. ***Despite largely positive perceptions, there are a small number of cases where guided participants think they may have made sub-optimal decisions in the absence of regulated advice.*** This is typically the case where very informal guidance (for example, information on a web page with no interaction or a short conversation with a financial professional) had been received. In guided transactions, participants often took short-cuts in their research and used cognitive biases when making decisions (such as relying on trusted brands or recommendations from trusted peers). Overly-confident participants sometimes made spontaneous, instinctive decisions that may not have been in their best interests.

[7] Provides regulated advice to consumers including both Independent Financial Advisers and Restricted Advisers.

7. ***A cautious attitude to risk, apathy, lack of knowledge and distrust of the industry are the key barriers that stop inactive participants from engaging with the pensions and investments market.*** Despite poor returns in cash based savings, inactive participants are not willing to take the perceived risk of investing in the market. Inertia, low knowledge levels and a general lack of interest also play a key role. Where it may have been advantageous to be invested in the market (for example in an employer's workplace pension scheme), distrust of the industry can serve as a powerful disincentive to save, along with a strong present bias i.e. money now is felt to be more important than money saved away for the future. Perceptions around financial advisers are largely negative amongst those that do not engage with the market.

Alternative models for advice:

8. ***There is a muted reaction to the concept of regulated advice in the workplace.*** Regulated advice in the workplace presents some challenges due to the perceived conflict around dealing with highly personal matters in a workplace environment (focused largely on issues of confidentiality). There are also concerns around the involvement of the employer - will they pay, will they allow the time out? Whilst some have experienced generic workplace guidance (typically via group seminars) a lack of personalisation and proactive follow up has been disappointing. The workplace is therefore not top of the list for receiving regulated advice but is felt to have a key role to play in education and guidance.

9. ***There is considerable interest in the concept of streamlined advice[8].*** Many active participants, particularly those not currently using advice services, could see a role for streamlined advice around, for example, pension planning. The perceived benefits include access to specialists, reduced cost and time saving. It is expected to be transactional in nature and used on an *ad hoc* basis. This would suit the needs of many advised and guided participants. The issues focus on breadth of recommendation and the risk of important factors (e.g. existing debt) being overlooked.

10. ***There are polarised views towards automated online advice[9] and questions around who this is targeted towards. Appeal of automated online advice increases once individuals are educated on the likely nature of the service.*** Despite online services being perceived as the direction of travel for many financial matters, many respondents identify strong drivers for keeping to traditional channels for regulated advice. This is particularly true of inexperienced and less confident active participants who require significant hand-holding and the reassurance that face-to-face interactions tend to deliver.

    More experienced active participants felt more inclined to consider automated online advice (providing it was cheaper), although several of the brands and services tested were perceived to be aimed at younger and less experienced investors. Positioning and targeting is therefore key. After being walked through the proposition in more detail, those who initially rejected the concept warmed to it, highlighting a need for extensive marketing and endorsement. A well-known brand supporting the service would add reassurance given security and provider longevity are key concerns.

[8] A term used to describe advisory services that provide a personal recommendation that is limited to one or more of a client's specific needs. The service does not involve analysis of the client's circumstances that are not directly relevant to those needs.

[9] Regulated financial advice available online or as downloadable software. It is similar to advice from a traditional financial adviser, because it is personalised: consumers input financial information and objectives, and this information is used to generate suitable investment and/ or pension recommendations.

3 Background

This chapter describes the background to the research in light of broader work being undertaken by the FCA through FAMR and highlights some contextual economic conditions, important given the timing of the research

3.1 Background and business objectives of this research

FAMR launched in August 2015 in light of concerns that the market for financial advice was not working well for consumers. The aim of the Review was to explore ways in which the government, industry and regulators could take individual and collective steps to stimulate the development of a market which delivers affordable and accessible financial advice and guidance to everyone, at all stages of their lives.

FAMR's final report in March 2016 included a set of recommended actions intended to improve the affordability and accessibility of advice and guidance. One of these recommendations was that the FCA should work with HM Treasury to identify indicators that provide an overview of the market for financial advice. The indicators will assist in establishing a baseline from which developments can be monitored as the FAMR recommendations are implemented. They will also serve as a benchmark so that comparison can be made in future years against the 'success factors' set out in the FAMR Final Report.

The FCA's Financial Lives Survey 2017 provides valuable demand side input to this baseline, based on interviews with nearly 13,000 UK adults. The survey explored:

- Consumers' engagement with their financial affairs and their perceptions relating to financial matters, including their confidence and knowledge levels
- Levels of investment product ownership
- Usage of regulated advice, and the profiles of consumers who have and have not used advice in the last 12 months
- Reasons for not seeking advice
- Willingness to pay for advice, including for automated online advice
- Use of different sources of information and guidance

Primary qualitative research, provided via this NMG study, will be used in conjunction with the Financial Lives Survey results to form the FAMR baseline on the demand side.

This qualitative research will also give further insight in relation to FAMR recommendations around how consumers currently access advice and guidance and their preferences for the future.

3.2 Economic and regulatory backdrop to the research

It is important to consider the timing of this research and the impact of market and channel changes to the behaviours of UK investors and pension savers.

2016 was a year of uncertainty for the UK, driven largely by the Brexit referendum vote and resulting fears for the economy. Consumer confidence levels hit a 26-year low[10] immediately following the vote, although this subsequently recovered. The slump in the value of the pound had a positive impact on the FTSE, with the year ending on a record high.

Whilst this may appear to be good news for investors, caution prevailed. New fund flows for the year were significantly dampened (particularly in equities) amidst concerns of a market correction. Bank of England base rate dropped to a new low of 0.25% in August and the buy-to-let market dipped in appeal following changes to taxation. These market dynamics resulted in great consumer uncertainty about which savings vehicle to use for the longer term.

2016 saw the first full year of pension freedoms in place, giving consumers more flexibility and choice around how and when to take their pension savings. The freedoms are a strong driver for consumers taking greater flexibility and control around their retirement income and this is reflected in the increased volume of sales of income drawdown products. Consumers are making more complex decisions around how and when to take their pension savings.

Numerous shifts in the distribution landscape are also taking place that have a longer-term impact on consumer behaviour. For example:

- An increase in direct-to-consumer propositions from providers: resulting in more choices for those who wish to purchase investments and pensions without advice.
- Investment into automated online advice services: Whilst still in its infancy, most market commentators cite 'robo-advice' as the answer to the' advice gap' and there are an increasing number of new offerings in this area.
- Auto-enrolment: creating hundreds of thousands of pension savers who may be engaging with long term savings for the first time.

Any market research investigating consumer sentiment around investing and satisfaction with choices being made needs to be viewed in light of largely favourable investment returns despite the challenging market environment. For example, the favourable perceptions participants have of their advised and guided transactions in the last 12 months may be influenced by their positive investment returns. Changes in the market have significant implications for the way in which consumers navigate their choices and make investment and pension purchase decisions.

[10] GFK consumer confidence index

4 Research Objectives and Methodology

This chapter describes the aims of the research and the design of the study, including the profile of those that participated.

4.1 Research objectives

40 in-depth interviews were undertaken to explore:

- The consumer journey when seeking and receiving regulated advice or guidance
- The drivers and barriers to taking regulated advice or guidance
- Consumer decision-making without regulated advice – including factors considered, consumer confidence, awareness of FOS implications
- Reactions to, and likelihood to consider, advice provided at the workplace
- Reactions to, and likelihood to consider, streamlined advice
- Reactions to, and likelihood to consider, automated online advice

An additional 20 focused telephone in-depth interviews were undertaken with inactive participants to explore:

- Barriers to actions such as taking out a new pension, decumulating a pension or taking out an investment and the role of regulated advice or guidance in this
- Why consumers who might have a need for regulated advice or guidance have not accessed this

4.2 Research method and target market

The majority of findings described in this report are based on a series of one-to-one, qualitative face-to-face in-depth interviews carried out in December 2016 amongst a total of 40 participants.

In commissioning this study, the FCA was primarily interested in consumers who had made pension or investment decisions in the last 12 months (two years in the case of pension decumulation) using regulated advice or guidance.

This resulted in two types of consumer being recruited for the 40 in-depth interviews:

1. *Advised*[11] (14 participants): Paid for a personal recommendation[12] through one of four advisory channels: financial advice firm; bank/building society; product provider; automated online
2. *Guided* (26 participants): A spread of participants including those who had received guidance where some form of interaction took place (but there was no personal recommendation) including government-backed guidance sources, product providers, financial professionals such accountants, plus interactive tools online (16 participants). Also including those who had carried out their own research which typically involved guidance or information provided on websites or literature with no interaction taking place between the information provider and the participant (10 participants).

[11] Similar to Group 1 as described in the quantitative research: Financial Lives Survey 2017, Section 1.2.3.

[12] This term intended to have same meaning as in the FCA Handbook, that is: a recommendation that gives advice on investments and is presented as suitable for the person to whom it is made or is based on a consideration of the circumstances of that person.

Five of the 26 participants in this group did not go onto make a pensions or investment decision or carry out a transaction (called non-transactors).

The following additional criteria were applied:

- Mix of ages, spread quite evenly across a) Younger (30 – 45); Older (46 – 60); Pre/at/in retirement (61+)
- No minimum level of investable assets including pensions but a maximum threshold of £250,000 was applied

Recruitment quotas were set to ensure that the views of a wide variety of pension holders and investors were represented. A breakdown of the achieved sample framework is shown below and the full description of the methodology is in Appendix A.

SEGMENT	*AGE BAND*	*NO. OF DEPTHS*	*TRANSACTION TYPE*	*NO. OF DEPTHS*
Advised	Younger (25 – 45)	5	Investments	8
	Older (46 – 60)	8	Pensions saving	4
	Pre / at retirement (61+)	1	Pensions drawdown	2
			TOTAL	**14**
Guided	Younger (25 – 45)	8	Investments*	11
	Older (46 – 60)	7	Pensions saving*	6
	Pre / at retirement (61+)	11	Pensions drawdown	9
			TOTAL	**26**
*Includes 5 non-transactors (i.e. took guidance but didn't proceed to a decision)			**GRAND TOTAL**	**40**

Interviews took place in central locations across the UK to ensure a geographical spread. All interviews lasted one hour and were undertaken by one of NMG's highly experienced financial moderators. The FCA observed a small number of the interviews at the beginning of the fieldwork programme. A structured discussion guide and supporting stimulus materials, were used consistently across the interviews. All interviews were recorded and transcribed for analysis purposes.

Additionally, 20 short telephone interviews were undertaken in February 2017 with inactive consumers who have never taken regulated advice, who have not participated in the market, via investing or taking out a pension and might have a need for regulated advice or guidance. A mix of those interested and not interested in investing / taking out a pension were included across three types:

1. Pension accumulation: have not taken out a pension – self-employed, or employed but do not have any kind of workplace pension in place
2. Investment: have at least £10,000 in investable assets but have no investment products; savings products only used
3. Pension decumulation: have plans to access a defined contribution pension within the next two years but have not taken advice and have not yet taken any action

AGE BAND	*PENSION SAVINGS*	*INVESTMENTS*	*PENSIONS DECUMULATION*
<30	2	1	-
31- 45	3	3	-
46 – 60	1	3	1
61+	-	4	2
TOTAL	**6**	**11**	**3**

4.3 Reporting conventions

Verbatim comments
These are participant quotations, based on interview recordings with only minor editing. They are labelled by type of transaction and age bracket. The participant quotations demonstrate their own views and may not always be factually correct.

Case studies
More detail has been given about the views and circumstances of some participants to illustrate findings and supplement the report with some real-life examples. Names of individuals have been changed to preserve their anonymity.

5 Consumer Motivations and Triggers

This chapter seeks to understand the key motivations and drivers behind investment and pension decision making of active participants (advised and guided). It also describes the reasons behind inactivity of those unengaged in the market (inactive participants).

5.1 Motivations, goals and needs

Active participants in this study are mostly very broad in their goals and tend to be looking for growth, either in pensions or investments, to help fund a secure financial future and, in the case of pension savers, to maintain their lifestyle in retirement.

Younger active participants are more likely to mention specific goals, often relating to children (e.g. saving for university fees or to support children generally in the future) and/or themselves (saving for a wedding, saving for a house deposit). Older active participants will have retirement in mind and are often saving to boost retirement income. There is recognition amongst some of the need to self-provide for old age as the state pulls back its provision.

"My future income is the key issue." (Guided, Older)

"I'd like to retire early. I'd like to be comfortable and go on holiday and do physical activities". (Advised, Older)

Those taking tax-free cash from their pensions often have a specific reason in mind, such as to fund a special holiday, invest in a business (may be a family initiative), improve the home or buy a car. The tax-free element is very appealing and active participants are keen to utilise this, even if it is just for 'fun' spending.

Other motivations relate to improving upon the low interest rates available in cash-based savings, maximising tax efficiencies (in the case of ISA and pension savers) and 'tidying things up' in the case of pension transfer and consolidation activities. Active participants tend to talk about 'saving for a rainy day' when there is no specific goal in mind.

5.2 Triggers for taking action

There are numerous push and pull factors that lead participants to act. The most common triggers lead active participants to proactively seek advice or guidance and can be driven by significant events or reaching a notable life stage / birthday.

The most common triggers that cause active participants to act include:

- **Coming into large sums of money** – often for the first time – including an inheritance, sale of shares from business, redundancy pay-outs, and feeling that this sum of money should be used responsibly as it is likely to be a 'one-off'. This is more likely to be an advice trigger if the amount is large and the fear of 'getting it wrong' is strong.
- **Feeling a sense of responsibility** for future financial wellbeing kicking in for the first time. In our sample this was typically late twenties / early thirties.
- **Arrival of a child** – this prompts planning for the child's future / providing a 'nest egg'

- **Change in employment status** for example going from being employed to taking up self-employment, requiring the individual, for example, to set up their own pension plan.
- **Reaching the stage where disposable income levels have increased** leading to a surplus of money accumulating and wanting better growth on this money than cash interest rates can produce.

"(I had) *a bit of money built up and I needed to invest it to get a better return." (Advised, Older)*

- **Reaching an age where planning for the future – particularly retirement – is seen as an increasingly important need** and warrants action. In our sample, this was evident from the late thirties and, more typically, in the forties.

"To stop my mum driving me mad. It's the right thing to do as well – with my sensible hat on … I wanted something set up pension wise before I turn 40 and start panicking." (Advised, Younger)

- **Getting closer to retirement age** and the perceived need to plan for income in retirement starts to strengthen. This was seen amongst those aged 50 and over. Several active participants remarked on the uncertainty around State pension provision and the need to take personal responsibility for their retirement.

"Everything is changing so much, everything is up in the air. It's about security and confidence in the future." (Advised, Older)

- **Reaching retirement** and needing to make a good decision around retirement income; compounded by knowledge of Government changes to pensions decumulation, prompting a fresh look at retirement options.
- **A desire to shift asset classes**, for example from buy-to-let property into equities on the back of strong stock market returns.
- **Requiring one-off access to pension funds** post-55 years of age in order to fund a large purchase, pay off a mortgage or support children.

There are some instances of people *reacting* to contact from others. These prompts for action include:

- A phone call from the bank to review finances.
- A meeting with an accountant where investments or pensions are discussed.
- Receiving a pension statement from the provider that reveals the fund will not provide the expected level of retirement income.
- In the workplace, participating in a group seminar about retirement planning.

All these can be strong 'push factors' towards seeking advice or guidance, which otherwise may not have been initiated.

"When my husband left his last job, he had some money – a redundancy. The accountant said that, because I was a base rate tax payer and he was a higher rate tax payer, it's best to put some money in my name. So we had some money and they advised us where to put it." (Advised, Older)

Whether an individual will decide to take advice or make their own decision depends on many different factors, which are explored in the next section. Financial capability, confidence and experience play a significant role, although not all guided participants are highly confident when making decisions. Wealth levels, personal circumstances and perceptions about financial advisers also contribute to an individual's channel choice.

Case study: Advised older pension saver

Example of a satisfied advice user

Derek

Profile

Derek is 46, married with three children, works as a retail manager. In the past, he has invested in individual equities and describes himself as willing to take some risk. Enjoys reading about financial matters. Uses a financial adviser for larger financial decisions (at least £10k+), pensions and larger investments. Has used his bank and building society or family and friends for guidance on smaller decisions.

Customer journey: Transfer of existing pension

- Catalyst was a deferred pension with a previous employer who suggested transferring Derek out of the pension, which participant was unsure of. He was also unclear on what to do with the fund once this was transferred out of the existing scheme.
- Derek decided not to re-contact an adviser he had used in the past because of poor investment performance on his recommended funds.
- Following a recommendation for an adviser from a trusted friend, he searched online to check on the adviser's reputation.
- He looked at some reviews but was unsure of the source and reliability of these.
- Adviser came to Derek's home, in line with his preferences and had an in-depth discussion of circumstances, needs and attitudes. This reassured Derek who did not then shop around further.
- Channels used: face-to-face meeting followed by letter of confirmation and phone conversations.

Drivers/barriers to using advice:

Drivers: Perceived the adviser to have a deeper knowledge of options and expertise in an area that he had no experience of. Also believed that the efficiency of the transaction and resulting peace of mind that funds are being invested optimally to be reasons he took advice.

Barriers: No barriers were mentioned by Derek apart from a mild perception that advisers may be driven by commission.

Outcome

Very satisfied with outcome and service from financial adviser.

5.3 Reasons for inactivity

An aversion to risk, a lack of knowledge and inertia are the primary hurdles to engaging in the investment market for those participants that are inactive.

A cautious, low risk attitude often prevents inactive participants moving assets from perceived safe havens (cash, premium bonds, property) into equity based products and this feeling of caution is often exacerbated by lack of experience, for example, of gaining a positive return from investments. Many of those inactive in the investment market feel ignorant and some are unsure about the basics of investing (such as what products to invest in, where to invest, the long-term nature). The perception prevails that current accounts / savings accounts will have to suffice (despite disappointing returns), with no desire to trade off risk to maximise returns. For those with lower amounts of savings, affordability and capacity for loss are also key considerations – savings have been hard earned and it would be damaging to lose (part of) them. Those more proactive seek to maximise returns from cash based savings, for example, by regularly moving cash ISAs or by setting up multiple current accounts paying higher rates of interest.

"All my savings are in current accounts as they give better rates than savings accounts. Not very much can change my mind … too cautious"
(Inactive investor)

Inertia is another key barrier to engaging in the market for inactive participants. Inactive participants are prone to inertia due to lack of interest and the length of time before retirement (younger pension savers). A strong need for money today rather than in the future can also serve as a barrier to saving in to a pension.

"All of what we're saving is going into an account for our wedding, we don't have very much right now and we'd rather focus on how to pay for that rather than a pension which is so far away"
(Inactive pension accumulator)

Distrust of the industry, across pensions and investments, can also stop inactive participants engaging. Pension scandals, potential scams, and a genuine fear of losing hard earned money, act as a strong disincentive to save within a pension or investment vehicle. This distrust often extends to perceptions around financial advisers.

"I don't have a very good opinion of the financial services industry; I had a pension that Robert Maxwell ruined"
(Inactive investor)

"I don't want to give my money to anyone else. You see on the news places like BHS and pension providers going bust and all the money you've saved being gone with no one, not even the government helping you"
(Inactive pension accumulator)

The level of distrust or need for the money today can be high enough to influence potential pension accumulators to actively opt out of their employer's auto-enrolment workplace pension scheme, seen in a couple of inactive participants.

6 The Advised Consumer Journey

This chapter describes the experience of those taking regulated advice to assist their pension or investment decisions. It explores their interactions during the journey, their usage of supplementary guidance and their overall levels of satisfaction.

6.1 Benefits of taking regulated advice

Active participants who choose to employ a financial adviser receive the emotional benefit of peace of mind that they are doing the best they can to meet their financial objectives.

Based on participant feedback, it appears that the emotional benefits of using regulated advice usually outweigh functional benefits. Perceived benefits rarely relate explicitly to a monetary amount but focus more on providing reassurance, that, for example, mistakes and poor decisions are not being made and that overall hassle is reduced. For less experienced or confident participants, it is a means by which to make a complex and complicated area more accessible and clearer.

Perceived functional benefits include access to specialist expertise and a broader product set than the individual would otherwise know about. The creation of a financial plan, time saving and protection against the ‘small print’ are also cited as clear benefits of using a financial adviser.

“It’s their world, it’s their speciality, they might come up with something you won’t even think about” (Advised, Younger)

“He provides intelligence on stuff I don’t know about. I don’t have the bandwidth. I pay as I expect them to know what they are doing.” (Advised, Older)

Advised participants are drawn towards taking regulated advice for the following reasons:

- Lack of knowledge
- Lack of confidence
- Level of assets too high to sort on one’s own (while smaller sums could be handled personally)
- Lack of time to sort a plan themselves
- Desire for an expert, specialist opinion
- Access to a broader product set than they could hope for alone
- Importance of decision – potentially life changing
- Protection, through the FCA’s regulation of the industry (including the monitoring of the service quality being provided by financial advisers)

Advised participants believe that they are unable to achieve their objectives by taking guidance or receiving information only. They feel poorly equipped to be able to proceed without using the services of an expert in the pensions or investment field who has a holistic view of their finances: without doing this they believe they would experience a high level of anxiety. The use of a financial adviser allows them to pass most of the responsibility of reviewing options and choosing the investments most likely to result in a positive outcome. They would ultimately take the decision on whether to proceed or not knowing that the adviser has made their recommendation using their knowledge of the market and expertise. This provides the peace of mind which they would otherwise lack.

"I didn't have time to study things in great detail. I didn't know what was best to do financially. He provided good advice in the past so there was a level of trust there and I felt safe with it." (Advised, Younger)

"Peace of mind knowing you're doing the right thing. It's reassurance that you're doing it right." (Advised, Younger)

6.2 Finding a financial adviser

After experiencing a prompt to invest, active participants turn to recommendations from trusted others to identify a financial adviser in the absence of any known 'go-to' source of information for finding a financial adviser (other than Google); a lack of high street or well-known national advice brands is felt to make access harder.

Reliance on recommendations

Recommendations from friends, family members or business associates are *by far* the most common route to a financial adviser. Recommendations reduce the perceived need for further research when they are given by trusted others or by 'someone like me' i.e. with similar circumstances or needs. In the absence of a high-street presence or well-known national brand, a very small number of participants found their adviser via an online search.

"He was a recommendation from a friend and I went to see him and he is quite easy going. He runs it from his own house. He has got a little office and we just went in there and just sort of sat down and he explained what he does and which ways we could go." (Advised, Older)

The source of recommendation is often a person who is perceived to be knowledgeable and/or experienced in their business or personal finances and whose investments have done well. Examples of trusted others include parents, bosses, family friends and business or social network associates. Professional referrals are seen most frequently via accountants especially amongst the self-employed and small business owners.

Advised participants are highly reliant on the quality of the recommendation as very little shopping around is undertaken. In our sample only a couple broadened their search and met or phoned more than one adviser. Those that did shop around used the internet and googled 'financial adviser' rather than using a centralised site.

"We were keen to go with them as we'd had a good recommendation." (Advised, Pre/At Retirement)

"Some of my friends have a lot of money so I thought I'd ask what they do with theirs. I took some advice from my friends. They are all happy with what he has done for them." (Advised, Younger)

Limited use of information sources about advisers

Active participants did not turn to independent, government or industry-sponsored information on how to choose a financial adviser. They have very low awareness of any kind of 'approved adviser database' and some berate the lack of a well-known, central, independent, 'go-to' site for finding a financial adviser – the equivalent to 'Check-a-Trade" for professional services. No-one in the sample used sources such as unbiased.co.uk or the FCA or MAS register of advisers. When prompted, most felt they would not know how to go about locating a list of advisers other than using a standard Google search. However only a minority have concerns about this as they believe that they can locate a sufficient range of adviser, often refining the search by the most convenient geographic location.

"I don't know if there is a blacklist of advisers. That'd be good to know ... It's not a very transparent industry." (Advised, Pre/At Retirement)

"I don't know where I would find an Independent Financial Adviser, I suppose you Google it and there must be some kind of body that oversees it that you could contact and say 'this is my situation'." (Guided, Older)

Recommendations appear highly influential and supersede any formal research that may take place. There is little validation in terms of checking qualifications or credentials. In fact, we saw very low levels of awareness of the types of credentials one might expect a financial adviser to have or where to search for this. Examples of useful reference points such as, Chartered or Certified status, complaints history, length of time advising or charging structure were never mentioned.

Advised participants are not confident in this area and have little knowledge of how to benchmark advisers. Overall, very few check or compare fees at this early research stage and knowledge levels about how advisers are remunerated are still relatively low despite the lapsed time since the start of RDR.

Only a small minority actively compares advisers before setting up an on-going relationship. In these cases, they tend to be more financially-engaged and confident individuals who feel they are able to make informed judgements about the adviser and their services. The driver behind the active comparison exercise is a perception that not all advisers are equally competent. There is a need for reassurance that the adviser chosen is 'on their wavelength' i.e. understands their mind-set and attitude to risk and will not make choices that they would consider too risky. This group is more likely to compare formal criteria, such as charging structures, although softer measures, such as degree of rapport, appear to be just as (and perhaps more) important when making a decision, even amongst this more experienced group.

"We met face-to-face with people and I met one that understood what I wanted and provided a high level personal service. We moved it all to him. I wanted online access to my portfolio so that I could see where we're at." (Advised, Older)

"I liked him. It's about eye contact and a sense of them – their value system. That they are honest. I read people – their body language, I can tell so much. Just how they behave." (Advised, Pre/At Retirement)

There is an assumption that, as the industry is regulated, someone else is doing the checks on their behalf and therefore the adviser can be trusted to provide a high quality service and any issues would be resolved. Whilst participants find it hard to spontaneously voice who takes responsibility if things go wrong, there is a strong assumption, when using financial advice services, that one is protected by a governmental/regulatory body.

Switching
There tend to be very low levels of shopping around for regulated advice and comparing costs once a relationship has been formed. This holds for both ongoing and ad hoc advice.

Indeed, advised participants demonstrated that shopping around is not typical behaviour and high levels of loyalty are evident. This is likely both an effect of inertia and a reflection of the very nature of the adviser / client relationship. Rapport and relationships build over time and 'lock in' the client to the adviser. There is little to no appetite for going through the time-consuming effort of getting to know another adviser – and for them to get to know the individual - again. This makes advised relationships very 'sticky'.

We encountered a small number of instances where advised participants expressed dissatisfaction with a previous adviser and moved to a new one. This dissatisfaction was primarily driven by poor investment performance. In these cases, participants cite that loyalty should not be taken for granted. One participant had felt the need to make a formal complaint about the performance of their adviser after feeling pushed in to making a decision too quickly and one had terminated a long-standing advice relationship due to the level of advice fees being quoted. On the whole, however, advised participants have highly embedded relationships with their financial advisers and switching activity is relatively unusual.

"If I didn't like him, I'd go elsewhere. If I didn't like what he gave me, I'd have gone to another adviser and gone down a different path. There is loyalty but not stupid loyalty." (Advised, Older)

"It gave me a healthy dose of being careful with advisers. I don't mind paying for advice as long as it's good. I'm definitely more cynical now. I would probably like confirmation … but I'm also wary that they might just tell you what you want to hear." (Guided, Older)

Issues in finding a financial adviser
Few *advised* participants acknowledged any difficulties in finding regulated advice. There was little evidence that this group had had any difficulty accessing regulated advice. However, it should be noted that in many cases advice relationships were long-standing and therefore recall of any possible issues there may have been at outset may be low. In cases where advice relationships were more recent participants had been able to contact recommended financial advisers and access their services without difficulty. There were no cases of being refused regulated advice due to wealth level.

There is an expectation that if recommendations were not available it would be easy to identify financial advice firms via a Google search although several would not want to wholly rely on this due to a reluctance to trust an unknown and 'untested' adviser combined with an awareness that they are not able to assess the individual's professional expertise. As mentioned earlier, active participants are not clear on what criteria they should be assessing firms on. Those who took regulated advice and used Google searches found that they came across several advisers offering services and this led them to believe that there is no shortage of candidates. A small minority raised the potential issue of banks withdrawing branches from the high street and / or from offering financial advice, thus reducing access via this channel.

Case study:
Advised younger investor

Example of the influence of recommendation when choosing an adviser

Samantha

Profile

Samantha is 37, financially confident, works as a PA. Enjoys finance and investments, researching extensively. Currently holding a diverse product offering across bonds, shares, gold, personal pensions and workplace pension. Used a financial adviser on the basis of a recommendation from a friend having received help from family but realising that it only extended so far.

Customer journey: New investment in to Stocks and Shares ISAs and a fund portfolio

- Catalyst came in the form of an inheritance, which led her to take one-off regulated advice.
- Samantha originally did extensive research on the internet to look for the best products to invest the inheritance in. She looked at a number of adviser/advice firm websites but found the terminology and products too difficult to comprehend without support.
- She undertook a limited amount of online research to compare FAs before settling on a financial adviser recommended by a friend.
- She had very positive perceptions of the financial adviser, leading to significant trust in their competence and professionalism. Also had a very favourable reaction to the possibility of yearly reviews.
- Adviser offered to come to her home but she felt that she wanted to get a better feel of the professionalism at the office.
- Channel used: face-to-face.

Drivers/barriers to using regulated advice:

Drivers: expertise in product specifics, advisers have the ability to explain and clarify decisions. A sense of trust from reassurance that the adviser is looking after investments with a safe pair of hands. Hassle-free service with a simpler-than-expected process

Barriers: no significant barriers

Outcome

Very satisfied with the outcome and service from adviser. Would consider moving to ongoing regulated financial advice in the future.

6.3 Interactions with advisers

Face-to-face interactions are important to participants when receiving regulated advice. Where the sum involved is considered significant (generally from £20,000 upwards) and the products complex, active participants often require the reassurance of face-to-face contact, particularly when the adviser relationship is still new.

Face-to-face interaction is highly appealing and popular in an environment where knowledge levels are often low and trust and rapport needs to be established. The vast majority of advised participants typically met their financial advisers in their offices face-to-face. This is where participants felt that reassurance is offered, trust established and personalised relationships built. Following this, further contacts were made via other channels, including telephone, email and Skype.

Participants reported no issues with the channels currently being used. Personal interaction (especially via face-to-face meetings and phone calls) is highly valued in an area seen as complex and risky where mistakes must not be made. In a few cases, telephone was used as the primary channel but this tended to be where there had been contact previously and an element of trust already existed.

There was no spontaneous mention of automated online advice being used (most have never heard of this) and most regulated advice users with longstanding adviser relationships questioned the degree of personalisation that this could deliver, compared to their current arrangement. There was some mention of workplace 'advice' (in the form of generic information rather than personalised recommendations) where individuals had received guidance on pensions and/or investments. Both channels are explored in more detail in Chapter 8.

"I'd have preferred the initial one to be one-to-one. You need to see. It was a big amount for me. Maybe phone calls or Skype going forward." (Advised, Older)

"I'd prefer to see someone face-to-face. I need to build a relationship with somebody before I divulge information. I want to see the whites of their eyes I have a good gut feel for people I can trust." (Guided, Older)

"It could be on Skype, I mean sometimes it is email but personally I prefer face-to-face. That's just for me. Because to me talking face-to-face, you can physically see them. For example, he could be talking to me and if I have a blank look he could think 'you don't know what I meant there', whereas if you are doing it on the phone, it's not like that. Perhaps Skype you can get away with it. Personally, I feel more comfortable with it." (Advised, Older)

6.4 Other guidance and information sources used

Advised participants rely heavily on their advisers. Once they have effected a transaction, they tend to spend little time monitoring the financial markets or their products, leaving this in the hands of their advisers.

When using a financial adviser, any additional usage of information sources and research is limited (in particular, for the money that is being looked after by a financial adviser). There is high reliance on the adviser to do a good job. The minority of participants who are more engaged and confident will do their own research and go to the adviser to provide more 'expert' regulated advice or simply for 'rubber stamping' the decision. Many, however, leave the ongoing work of monitoring the markets, the products, the performance and the suitability of the product to the adviser and do not complement the financial adviser's work with their own research.

"I trust him so I don't feel the need. Sometimes I ask my work colleague to check it. I don't Google what I could learn elsewhere." (Advised, Younger)

"I did a bit of research on the internet … the big boys that give me a picture of what I want to do. Then you see the costs involved. You see who is doing what and the returns. After that, I go deeper into it and look at specific ones to see what I like. I'm getting an idea of what the return is and what I need to invest and the big players. Once I've collated that, I can go to my adviser. It's like going to the doctors with an idea of what is wrong. It comes across that you are knowledgeable. If you have an idea of what is wrong with your car, then you won't get ripped off." (Advised, Older)

6.5 Overall experience and match with expectations

Overall, participants who received regulated advice are satisfied with their experience.

Most advised participants had a very positive experience and expectations were met. They were generally impressed with the financial adviser, who was often described as being thorough and/or professional, understanding of their needs well, able to provide a personalised service, suitable products, specialist regulated advice, necessary documentation and, importantly, as someone who was willing to spend time supporting the participant.

Where advised participants have very little to no prior financial experience, the adviser is seen to fulfil a valuable role in providing reassurance and boosting confidence that financial goals will be met. Many benefits of having received regulated advice were given, as described earlier. The positive investment returns being achieved in recent years no doubt contribute to the positive perceptions held of advised relationships. However, advised participants appear to take these returns for granted, as they are rarely explicitly mentioned.

The only area with mixed experience is in the recollection of adviser charging where a number were unable to recall whether they had paid a fee or what that fee was. Assumptions are still being made about how the adviser is remunerated with a lack of clarity around whether this is from the provider or the individual. When prompted, a few felt naïve for not asking or following this up. Others felt clearer from the information provided about the costs involved and, without exception, the general view was that they were happy to pay these costs. A minority still believe that financial advisers are commission-driven and this can lead to a degree scepticism about the independence of their advice. However, this is not enough for them to withdraw from the relationship and the cost of regulated advice has not been a deterrent.

"We paid a flat fee. £500 initially. We pay each time we see him." (Advised, Pre/At Retirement)

"My only concern is that they are probably recommending products they are being paid to recommend. I am a bit cynical." (Advised, Older)

The experience of receiving regulated advice enabled advised participants to move forward with their decision-making and this in itself was seen as a benefit in a sector that many advised participants find complex. Many felt they would have remained out of the market in the absence of regulated advice as they lacked the confidence to make a decision.

7 The Guided Consumer Journey

This chapter describes the customer journey for those making decisions without regulated advice and includes the experiences of those using guidance services. It also draws on the perceptions of those who are inactive in the market but whose circumstances mean they might have a need for regulated advice or guidance. Note that some guided participants may have taken regulated advice in the past but subsequently opted out of advice.

7.1 Drivers towards guided decision making

Guided participants who opted against taking regulated advice felt they could gather enough information from a variety of sources to take their own decisions. Whilst many are not entirely confident about their decision-making capabilities in this domain, they rarely feel disadvantaged or regretful about choosing this route. Some may consider regulated advice for higher value transactions in the future.

Guided participants have not taken regulated advice for several different reasons, covering both positive and negative drivers to the guided route.

Positive drivers towards guided transactions:

- Relatively low levels of money being invested / saved into a pension (by far the most common reason)
- Need was simple enough to work out the solution themselves
- Confidence in their own ability to self-direct the process and decision – the desire to be in control is strong
- Having the time to do this themselves (retirees, part-time workers)

Negative drivers – a push away from regulated advice:

- Unwillingness to pay fees (when the decision can be made without incurring any cost) and fees sometimes perceived as being too high in relation to the level of assets involved
- Fear / mistrust of advisers and of bias in their recommendations
- Poor past experiences e.g. on poorly performing investments
- Unwillingness to share personal financial information (advice process too invasive)
- Lack of awareness of an advisory service (younger participants)

Personality traits also seem to influence decisions and lead participants to act without advice. Some of the highly confident types in the research who liked being in control appeared to be over-confident in their abilities and were more likely to make impulsive decisions, short-cutting the journey in order to make a decision quickly.

Cynicism towards financial advisers remains a barrier, with concerns of product or provider bias and poor outcomes or returns evident. This was particularly strong in the interviews with inactive participants, many of whom held firmly entrenched negative views about the financial advice industry. In fact, several of the above drivers were raised as barriers to financial advice in the inactive sample. In particular, the perceived cost of advice, in proportion to the amount available to invest or drawdown, and mistrust of advisers, stopped participants from considering regulated advice further.

"If you bring someone in, they're still going to be steering you to a certain advantage. I feel as though I have enough common sense to make these decisions on my own and I discuss it with my wife." (Guided, Pre/At Retirement)

"I'm a bit cautious because I have known people personally who have been stung by advice. You work all your life for your money. You don't want to chuck it away." (Guided, Older)

"I saw an adviser in the past and wasn't confident in them because there was a lack of trust. Placing all your savings in their hands, they must be benefitting in some way" (Inactive Pension Decumulator)

"I'd like formal advice but fees seem unjustifiable particularly when I cannot afford to even start a pension" (Inactive Pension Accumulator)

It is worth noting that any participant analysis of the pros or cons of taking regulated advice is largely based on intuition and existing perceptions rather than researched, hard facts. For example, where fees were mentioned as a barrier to continuing with advice, this was mostly in generalised terms, with only a very small number able to quote actual estimates for advice services that were unpalatable.

7.2 Access to, and future role of, regulated advice for guided participants

Access to advice, should the need arise, is commonly perceived to be achievable. Most guided participants do not rule out the possibility of taking advice in future – though some need clearer information about where this is available and remain to be convinced of the benefits. Inactive participants are less likely to seek advice in the future.

Most guided participants believe that should they require regulated advice in the future, they would be able to find and access this, either through a recommendation or through an online search.

Attitudes towards the possibility of using regulated advice in the future are highly influenced by the value of the investment, with the likelihood of seeking advice increasing as the amount being invested increases. Active participants cited the need for regulated advice being triggered from around £20,000 (this went up to £50,000 for wealthier individuals.) Complexity of need also impacts behaviour, and should circumstances become more complex in the future (e.g. a need to consolidate multiple pension pots), active participants felt they would consider taking regulated advice providing costs were not prohibitive.

"It depends if you have to pay for that advice … not on £20K. Maybe on £100K. I don't think it's worth paying an adviser for £20K. I can do that myself." (Guided, Younger)

A few of the younger guided participants had not considered seeking regulated advice, but felt, after discussion, that they should have considered it. However, they had no knowledge of, or access to, financial advisers. Put simply they didn't know where to start. They tended to be starting out on their investment or pension journey and had no reference points to follow. This perspective was also seen in the younger and typically lower wealth inactive participants, who had very little knowledge about financial advisers or how to find them.

"Time as I always have other things to do and ignorance of what to do in finding an IFA and also what they could offer"
(Inactive pension accumulator)

"Not that many people know about these services unless your family does it. The perception must be that they have quite a lot of money to have an adviser. Not enough info available, where would you look for it, how could you trust these? Unless you get a personal recommendation from someone it's hard to decide from online."
(Inactive Investor)

Following the research interview a small number of guided participants regretted not taking advice (notably, one case of a pension drawdown consumer taking 100% of his sizeable pension pot out as a lump sum on a guided basis – see case study below).

"I just saw an opportunity and took it …I was a bit too hasty… and I didn't have to do it"
(Guided, Pre/At Retirement)

However, most were comfortable with taking guidance, using information-only services and doing sufficient research themselves to be able to make a decision.

We did not encounter any guided participants who had actively sought regulated advice but had been unable to find it or who had been turned away by a financial adviser.

Amongst inactive participants, even where interest in investing or saving within a pension was shown, most felt they would be likely to do this on a self-directed basis, rather than seek regulated advice. The exception was seen in savers who felt if they came in to a large sum of money, that *may* trigger a need for advice and also amongst potential pension accumulators, some of whom felt they may turn to advice when approaching retirement. The negative perceptions around advisers, the perceived cost of advice, the fit with their wealth level, plus the sense of confidence amongst some older and wealthier savers and pension decumulators, were factors felt unlikely to change anytime soon. A few inactive participants admitted that the additional effort of finding an adviser, in the absence of a recommendation, may also act as an additional deterrent to taking action, given many suffer from inertia already.

"I don't trust them enough to act in my best interests"
(Inactive Investor)

"I want to make my own decisions and a family member had a bad experience and lost a lot of money so I don't trust advisers"
(Inactive Investor)

Case study: Guided pension decumulator

Example of withdrawing a lump sum from a pension to reinvest

Harry

Profile

Harry is 60 and semi-retired, now working as a mentor in preference to taking full retirement. He has a partner and a stepson, who is an accountant and an influential source of financial guidance. Harry wishes to see his money grow but doesn't have huge confidence in his company pension given its previous performance. He has seen his stepson's investments grow well via an online investment service and feels reasonably confident he can do the same. He doesn't have a lot of faith in IFAs and has not used them in recent years.

Customer journey:

- Harry has been proactive in seeking guidance previously, from the Money Advice Service website and by signing up to an online finance course. Despite this he still relies heavily on his stepson for support, and feels that you only really learn by 'getting stuck in' and trying things out.
- He was keen to maximise his pension income and having seen his stepson do well with an online investment service, on the 'advice' of his stepson decided to withdraw a lump sum from his company pension (25% tax free) and reinvest it online using the same provider as his stepson.
- His aim is to generate growth and the potential for further long term income.
- He looked carefully at the information provided on the provider's website and felt comfortable with it.
- His trust in his sources of guidance is high, such that he felt he did not need to shop around or reach out to an adviser as his current objectives were being met.

Drivers/barriers to using advice:

Drivers: Unlikely to use an adviser in the future

Barriers: Distrust in advice following a poor experience with a workplace adviser and his company pension. Believes that advisers tell you what you want to hear and are an added, unnecessary expense. Performance in his non-advised investment seems to be doing well; this plus strong support via his stepson appears to negate his need for advice

Outcome

He is satisfied with his decision for the time being since the performance is solid and charges seem reasonable but he would consider trading alone in the future once his confidence and experience has grown.

7.3 The role of guidance – usefulness and benefits

Where guided participants are aware of and can readily access a trusted source of guidance (often a product provider) they may turn to them for support to meet their needs rather than take regulated advice. The possible benefits of advice - protection, personalisation and broader selection of products - are outweighed by convenience, trust and lack of charges.

The choice of guidance service used to support guided transactions is driven by awareness of, convenience and trust in that source. Trust is generally linked to the brand; for example familiarity with a well known high street bank, building society or an insurance provider where there is an existing relationship. Trust is also sought in the person giving guidance such as an accountant, knowledgeable friend or workplace adviser. The presence of trust goes a long way in reassuring participants and removes the need for regulated advice for many. It limits the extent of research being undertaken, with participants usually drawing on a maximum of two or three sources of guidance and information in order to make their decision.

Active participants believe that guidance is much easier to source than regulated advice given the wide range of options available. Product providers (banks and insurance companies - often where there is a pre-existing relationship) were the most common source of guidance used, particularly for those wanting support when taking at-retirement decisions.

"The bank has quite a big customer services department. You can always ring up and say 'Look I've been looking into this and can somebody give me advice from the bank into what is available?' Then they either refer to their website where they've got various bits and pieces or you can have a chat online with them." (Guided, Older)

Where government websites had been accessed (including TPAS, MAS, PensionWise), they tend to be praised for the amount of information contained and guidance given. The small number of active participants that had used these sites found them very useful as sources of information to arm themselves with some of the facts before proceeding further along their journey where they then typically contacted product providers or, in the case of advised participants, financial advisers.

"The Pensions Advisory Service, I've been online and looked at their site. I was looking at drawdown, you know being over 55 you can draw some money down. Which I did do recently. It's a government site isn't it? The government website is pretty good because it shows you a number of different directions and that was one of the ones that I did look at. I'm sure it was the Pensions Advisory Service that gives you information on what you can do, how you can do it and what the amount is." (Advised, Older)

"Money Advice Service. It was quite straightforward and intuitive. The links to other sites – it was quite good." (Guided, Younger)

Some guided participants spoke to financial advisers for 'free advice' without taking the process to the end point of a transaction. This may be where long-standing friendships exist or where participants stopped the advice process after the first meeting. Financial advisers are seen to serve a valuable and useful role in the provision of guidance for participants who do not want to pay for regulated advice. Accountants are also commonly used for this, particularly amongst the self-employed. The availability of guidance alongside the core accountancy service is seen as a valuable addition to the service itself.

7.4 Reasons and barriers for not using government-backed guidance services

The main barrier to getting guidance from government-backed sources is a lack of awareness of both them and their offerings. Participants don't know enough about them.

There is low awareness of government-backed guidance services such as TPAS, PensionWise, CAB and MAS across all segments interviewed, with only a small number of participants familiar with their offerings. Participants were surprised that the CAB offers financial guidance beyond issues surrounding debt and financial crisis. The only usage of guidance services like this appears to be at retirement (the TPAS website was cited a few times for those seeking information about their retirement options and a couple of inactive pension decumulators recalled leaflets from providers regarding PensionWise). Those who have used TPAS tend to be more confident and knowledgeable about personal finance.

"I would never think of going to the CAB. I guess from a financial point of view CAB would be more of 'I'm in financial trouble, can you help me', I don't know whether it's a stereotype or not. The Money Advice Service maybe does the same sort of thing. It seems like they would ask more questions rather than if you are in trouble. But then again I could be completely wrong." (Guided, Older)

There does not appear to be a strong connection between the consumer need (e.g. for retirement guidance) and the perceived services that these sites offer and this limits the extent to which these guidance sources are considered. This may be due to a lack of mass advertising or signposting towards these services and the benefits they can offer. Participants are far more likely to think of Martin Lewis and the MoneySavingExpert website for help and guidance around savings and pensions than any of the Government-backed guidance sources.

"When you do a comparison of the best return, a Stocks & Shares ISA comes up every time. I used Moneysavingexpert. They did this comparison (…) It's a good way to think about it. I didn't understand platform fees, Capital Gains Tax etc. It was really useful and they put in some best buys which I trusted because Martin Lewis has this whole reputation." (Guided, Younger)

When prompted, participants were open to using guidance services but had some reservations about the extent of their usefulness given their perceived generic nature and lack of personalised advice. For the inactive pension decumulators, size of pot was also a deterrent to usage. Drawdown decisions were considered simple given the relatively small amounts involved.

7.5 Guided decision making – key touchpoints, influences and impact on decisions

Guided participants use a multitude of channels. Human interaction is perceived to be very important for guidance to be of value. Shortcuts are taken in decision making and reliance on trusted brands and trusted other is high when making a decision.

Channels and sources of information
When selecting a channel to use for guidance and information provision, this choice is often a reflection of the channels participants are most comfortable using overall when dealing with financial matters. However, in cases where they are particularly lacking in confidence, or where the sum involved is significant, they often require the reassurance of face-to-face contact for the first stages of the investment or pension process. This is evident in the number of guided participants in the sample who spoke to an accountant or financial adviser, saw a bank or building society representative or attended a guidance seminar in the workplace.

During the journey a variety of channels are used. Guidance involving human interaction is used more than online formats, and this may be via telephone (e.g. calling TPAS or a product provider) or face-to-face as described above. Guidance is usually supplemented with online research, for example, looking at sites such as MoneySavingExpert or product provider websites and occasionally product reviews or articles in other media including the national press and specialist money magazines.

For those relying on guidance, where there is no pre-existing relationship, it can be difficult to identify trustworthy sources from the huge amount of information available online and elsewhere. This is often the situation for younger guided participants with little financial experience. In these cases, they tended to rely upon brand name, recommendations and reviews.

"There are lots of things I don't trust on websites. I'd rather speak to someone, even with a holiday. Reviews are important – making sure the company has high standards … I'd look at the pensions company website – but I don't really know where to look. There probably are sites like TripAdvisor but I don't know where they are." (Guided, Younger)

Influences on decisions
This research validates the role that behavioural biases play in the complex, and often unfamiliar, environment of non advised decision making, explored in detail in NMG's 2014 study on non advised investors[13]. Rules of thumb are used to assist with complex decisions. This means that less experienced guided participants tend to be less thorough in terms of gathering information and evaluating options and key stages such as shopping around and validation are often bypassed.

Trust plays a significant role in decision-making, especially amongst less experienced guided participants. It is used to simplify decision-making and reduces the amount of research undertaken. For those less experienced, trust in the brand means choices are limited to products from providers they know and often only from those with whom a relationship already exists. In the absence of regulated advice, the provider brand provides much needed reassurance that the decision being made is a safe one. The safety net provided by the FSCS appears to provide guided participants with further reassurance.

"It's [a high street] Bank. They are safe, it's been invested in bonds and the stock market. They are not going to go bust, and we haven't had any disputes. I mean if it does go bust we will get the money anyway." (Guided, Pre/At Retirement)

[13] The motivations, needs and drivers of non advised investors, NMG Consulting for the FCA, June 2014

Guided participants often seek the views of trusted others for reassurance that they have made the right decision. This person could be an accountant, boss or financial adviser (when used simply for a sense check rather than full financial advice – usually when they are a friend or there is a pre-existing arrangement). In these cases, there is not always an in-depth appreciation of their circumstances or objectives. In some cases, particularly seen in those less experienced, it is likely that they are placing too much trust in this person's opinion given their limited understanding of the circumstances.

"I ran it past my accountant. My accountant said it was a fine idea. A two-line email to the accountant and I got two lines back. If he'd said it was crazy I'd have looked at something else. He thought it was sensible so I went ahead." (Guided, Older)

"I thought it was time to do something else. I have a friend who is an adviser and he tips me the wink if there is anything of interest. We've been friends for 30 years. He gives me tips. I'm not a big investor in the markets. He'll say 'have a look at this'." (Guided, Pre/At Retirement)

"I went for [chosen provider] as my boss had had a good experience." (Guided, Younger)

Convenience – both ease of access and ease of transacting – is also important to participants and can influence decision-making, along with speed of access to money (particularly the case with pension decumulation decisions).

Product factors occasionally examined included charges, risk level, fund options, growth potential and income potential (for pension decumulation participants). It is the most experienced and confident guided participants that spend time investigating these more rational factors to help with decision-making. These participants tended to have a better knowledge base and be more interested and well-read around pensions and investments. They are more likely to use more sources and undertake more thorough research than less experienced participants.

In summary, most are making decisions by choosing a convenient or trusted brand, relying on the guidance of a trusted other and being influenced by a limited number of information sources and product factors.

7.6 Overall experience and usefulness of guidance and information services

Guided participants are positive overall about their transactions, with a small minority discontented about the quality of their guidance and lack of proactive follow-up, and a small number wishing they had taken financial advice.

Most of those receiving guidance were positive about it – particularly when received from a product provider. Providers were found to be professional, efficient and informative when providing guidance. The lack of advice charge[14] is a tangible benefit for some.

"I felt that all the 'advice' and all the questions that I had were answered very fairly. I didn't have to fill out anything immediately, there was no pressure to do anything. The forms came about a week after I'd had the meeting with all the information I needed. The experience worked very well for me. It was simple and straightforward. I got all the

[14] The charge for advice services paid for by the client.

information I felt I needed, very clear, what I needed to do … I didn't have any outstanding questions either. The process exceeded my expectations because it's been a great success financially." (Guided, Older)

"The bank is very good. I've always gone with them. They can't give advice but they are there to speak to and suggest and explain things. If you go to the bank you don't have to pay which is very good. I'm quite loyal to them and they know me." (Guided, Older)

For some, the transaction process took a long time with several stages needed to complete applications or give instructions: this is particularly the case with pension transactions.

Examples where guidance was not helpful included workplace guidance and guidance at a building society branch, both of which were too general and not personalised enough to the individual. Neither case was proactively followed up with a solution. It therefore appears that it is the generic nature of guidance that can disappoint those who would prefer to receive a more personalised recommendation.

A small number of those who adopted a guided journey had some regrets about not taking regulated advice. In these cases, they admitted to not having fully thought through, or understood, the implications of their decisions and it not leading to the financial outcome they had envisaged. Based on the nature of a research interview (i.e. it is not possible to uncover the full circumstances of an individual in relation to the suitability of their decision and the moderators are not qualified financial advisers) it is difficult to know whether regulated advice or more structured guidance (such as, a telephone conversation with a government-backed guidance provider) would have led these participants to make better decisions. However, one suspects that, in at least a few cases, improvements could be achieved.

7.7 Understanding of scope of service and responsibilities

Confusion exists around the different services available and of the role of FOS[15] in providing consumer protection is not well understood.

Participants sometimes confused guidance with regulated advice. 'Advice' is used variously by participants to cover both regulated and generic advice, and guidance. This confusion is exacerbated where face-to-face interaction is involved. This was seen in a few cases where active participants were unclear whether they had received regulated advice but, when probed, confirmed that they had not paid a fee or received a personal recommendation. Examples of this occurring include a meeting with a mortgage adviser to receive investment advice (given for free and without a full factfind or review), a meeting with a financial adviser on the golf course where guidance around a pension drawdown was very loosely given and construed as regulated advice by the consumer and 'advice' given by an accountant who was highly unlikely to have been a regulated financial adviser and did not appear to charge for his advice. Several others refer to 'advice' from friends that work in financial services as regulated advice, despite no charge being made or the individual concerned holding the required qualifications.

[15] The Financial Ombudsman was given statutory powers in 2001 by the Financial Services and Markets Act 2000, to help settle disputes between consumers and UK-based businesses providing financial services, such as banks, building societies, insurance companies, investment firms, financial advisers and finance companies.

Guided participants using online guidance services and information-only websites are clearer on the scope of service and several were able to recall disclaimers around the fact that regulated advice is not being given.

Those with the lowest understanding of the differences between regulated advice and guidance are in the inactive segment. Unprompted, several were unable to give accurate definitions of financial advice and guidance, highlighting their lack of knowledge from not engaging with the market. Despite then being read definitions of the two services, some inactive participants struggled to see the distinctions, for example between guidance and financial advice that may be offered in the workplace and invariably used the term 'advice' when they meant guidance.

"When my workplace was introducing a pension I was given advice but because I didn't want to give my money to anyone else I opted out."
(Inactive pensions accumulator)

There is a low level of understanding of the protection offered by FOS. When the level of FOS protection in relation to non-advised sales was explained to guided participants, very few were aware of this, or had even given it any thought when making their transaction. Although this is of some concern to a small number of participants, most feel sanguine about it and comfort themselves with the belief that the companies they invest in are secure. The guarantee given by the FSCS (which is well known) goes a long way in providing appropriate reassurance (although the details of how it applies in the investment space may not be well understood).

"I hadn't thought about it. I heard all the adverts about the safety net. That's why I went with a reputable company. It just hadn't crossed my mind." (Guided, Younger)

"If there was a dispute, we have no standing. So if we were annoyed with our risk level, we'd have to take it ourselves. If we went through an adviser we'd be covered. I didn't know that. I will ask my husband if he's aware. I won't move anything but it will stay in my mind." (Guided, Younger)

"I'm not worried about that. I'm prepared to take responsibility for my own actions. There are always people ready to rip people off. The sort of investments I'll do now are fairly limited and I'm prepared to stand up and be prepared to be responsible for my actions."
(Guided, Older)

7.8 Non-transactors and reasons for lack of transaction

Some non-transactors remain in limbo regarding their investments/pensions and some may benefit from financial advice. However some non-transactions may be the result of good quality guidance.

NMG interviewed five non-transactors (had received guidance but not continued to a transaction). This is clearly too small a sample to draw any significant conclusions, however there were three reasons given for not continuing:

1. **Lack of certainty about decision**: based on not having sufficiently clear information, not trusting product provider staff sufficiently or not having the time to research other options. Both respondents in this position felt they needed financial advice to move

forward but were unsure where to go for this (having never used advice services before). There was some sense of these participants being overwhelmed by the extent of available information and being unable to filter through to the key points required to make a decision.

"I'm still very new to it. I'd turn to the internet initially to get that idea and understanding. I'm lucky that I can talk to someone in my family – my dad and having an adviser next door is handy. I'd take those steps and see what his recommendations are."
(Guided, Younger)

"It was two hours out of my life for what I can do myself so I independently looked at things. I wanted him to look at everything – mortgage rates, lump sums etc. I didn't like the bloke and he didn't bother to get back to me. It was his loss." (Guided, Younger)

2. **Other demands for money**: one participant needed a new car, one decided to extend his home.

"I wanted to talk to my wife. I just wanted to make sure that there was no big expenditure coming up. I needed to get home too. To set it up there and then would have taken up too much time. I wanted to go and think about it. If they [bank representative] say that that's no problem, then that reassures me that they have confidence in it. I had some paperwork and I'd made a few notes. It was on the website and I wanted to make sure I had all the angles covered." (Guided, Younger)

3. **Guidance shed new light on situation**: a phone call to his pension provider revealed additional life insurance attached to the pension and he decided therefore not to cash it in. In this instance guidance helped stop what might have been a poor decision.

Case study: Older guided, non transacting investor

Simon

Example of lack of advice resulting in inactivity

Profile

Simon is 59, married with one of two children still living at home. Recently retired from City Council after working there for 42 years. Reasonably confident with investments. Never used advisers for investments but has used a mortgage broker and moneysupermarket.com for guidance and information on savings and investments

Customer journey: Took lump sum at retirement and used guidance arranged by his employer but has not yet made decisions about how to invest this:

- Catalyst was retirement and needing to make decisions on his pension.
- At retirement attended meetings (group and individual) offered by employer at no charge.
- Aware that return on savings is poor and would like to invest it but doesn't have confidence in financial advisers to take the plunge.
- Has not made any decisions about how to invest the lump sum so this is currently held in a savings account.
- Channel used: Face-to-face guidance at workplace. Has a mild preference for face-to-face meetings with advisers though willing to consider teleconferencing or Skype meeting.

Drivers/barriers to using advice:

Drivers: Although Simon remains to be convinced he acknowledges the potential to achieve attractive returns on investments

Barriers: Hearsay of poor advice resulting in losses and a lack of trust in adviser competence. Has not identified a financial adviser he trusts and is reluctant to rely on an online search to identify candidates

Outcome

Simon feels that he needs to take regulated advice to invest his lump sum but he is uncertain how to identify an adviser. Meanwhile his pension lump sum stays in cash.

8 Alternative Advice Channels

This chapter explores perceptions around alternative channels and models for advice and guidance including workplace, online and streamlined advice. Please note these discussions were only held amongst active participants during the face-to-face discussions.

8.1 Workplace

Active participants had mixed experience of guidance in the workplace. Some value it in the absence of other sources of support, others perceive it to be too generic and lacking personalisation. There is muted interest in the concept of regulated advice at work largely due to concerns around cost and confidentiality. The need appears to centre around education and guidance at work, rather than regulated advice.

Current usage of guidance services

Participants' experience of workplace guidance tends to be linked to four main areas:

1. Briefings on pension schemes – offered to new joiners
2. Pre-retirement guidance – offered to employees approaching retirement age
3. Redundancy-related one-to-one sessions
4. Generic pensions and financial information offered via intranet, online sites and printed booklets

"They mentioned AVCs, investments in stocks and shares ISAs, I think what they said was there were three lines of investment, property, stocks and shares and basic savings accounts. Obviously, he was trying to sell his products. But those products you can get from any other provider. He gave us an understanding on what we can take pension-wise, but that's when we realised that we could take different lump sums, more than what we could ever imagine. We are all, obviously, employees there, I didn't know we could do that, people don't know that because it's not publicised. It's such a vast subject, it's literally impossible to put it all down." (Advised, Older)

Amongst those who have experienced workplace guidance (largely in the form of group sessions or one-to-one sessions where redundancy advice is given) reactions are somewhat positive. The information given during the group sessions is usually found to be helpful and often timely (with the exception of some pre-retirement employees who felt that they could have made better use of the information given if it had been made available a few years earlier).

Any issues centre on the inability for 1-2-1 discussion or proactive follow-up by the guidance provider. Information tends to be too generic for some.

Workplace guidance appears to be most useful as initial prompts to consider future planning where participants would have considered taking the guidance further by seeking more help online, via a trusted provider (e.g. high street bank) or a qualified financial adviser for personalised recommendations.

Benefits of workplace guidance

- Good fit for pensions advice – especially for those approaching retirement age who need to think about retirement options.
- Good for (younger), less experienced investors who can't access financial advice or guidance any other way.
- Where the employer is respected by staff, a financial adviser brought in to the organisation can have a 'seal of approval' and be regarded as having been vetted by the employer. In this way, the financial adviser acquires an element of trust – akin to being recommended by a respected friend.

Barriers to workplace financial guidance

The main barriers to using workplace guidance (whether this be from an incumbent pension provider or a financial adviser brought in for this purpose by the employer) focus on misgivings around how independent and confidential the service is likely to be.

Barriers to workplace guidance

- Confidentiality – important to keep work and personal finances separate.
- What's in it for the employer (back-handers, motivations).
- Culture of the employer – unlikely to be sufficiently concerned with welfare of employees.
- Whether financial adviser may be influenced by employer interests – especially if being paid by same.
- May be inconvenient to allocate time for this during a busy working day.

"I wouldn't like that as I'd think they [employer] were getting a cut. I'd be paying on top and they'd make money on that. It'd be an advantage to them that I wouldn't like." (Advised, Pre/At Retirement)

"Are they getting a big kickback commission-wise. If I worked for the NHS, they are paying for this. They will get best value so maybe… But not for a private company. What's in it for them?" (Advised, Older)

"I've worked for the government for a while and I don't think I can trust them as far as I can throw them. I don't think there is any loyalty towards employees anymore." (Advised, Younger)

Drivers and target user

The group likely to be most receptive to using this channel are younger active participants who would generally appreciate early pointers on how to plan for the future/retirement. The educational nature of any workplace initiative is particularly helpful at this younger age.

"I think if they are offering, it is good. Employees need to know, especially young ones. They don't think about it when they are young." (Advised, Older)

Overall, there is muted interest in the concept of paid-for workplace financial advice and the option elicits a low level of interest amongst the majority of active participants. Many would take the service if offered for free but in addition to concerns around cost, there are also substantial concerns about whether the adviser would have the employer's interests at heart rather than their own.

8.2 Streamlined advice

Active participants have positive reactions to the concept of streamlined advice. There tends to be slightly different reactions amongst those who have previously opted for advised vs guided routes.

Guided participants are generally more positive about the option than advised. Amongst this category the concept is appealing because they:

- Assume that it would be cheaper than a holistic approach – this is a key driver
- Can bring a fresh, more expert perspective to their current thinking
- Can be 'focused' on a very specialist area e.g. pensions
- Is less time-consuming than going through a full financial planning service
- Requires limited disclosure of personal details to the financial adviser

In addition, there is a sense that it could represent a route to exploring a more comprehensive advised service further down the line, if required.

Amongst advised participants, there is a perceived need for advice to be based on a full understanding of a person's circumstances and needs (such as debt and health situation). There can be a mistrust of advice based on only a partial understanding of individual finances and there is a willingness to pay for the benefit of having recommendations based on a holistic view of their personal situation.

A small minority of advised participants, however, would be interested in streamlined advice as a way to introduce some new ideas into their current portfolio. They see this as taking the form of a face-to-face meeting to discuss a specific issue with the possibility of follow-up calls or emails to finalise details. There is a sense that it would be used to a) 'experiment' with smaller investments and/or b) seek a 'second opinion' while still keeping their on-going advised relationship in place.

Likely target user

Overall, streamlined advice is more appealing to those who are currently guided as those who hold on-going advised relationships are more likely to default to their existing financial adviser. As such, it could open the regulated advice market to those that currently haven't accessed advice or have rejected it due to cost and time considerations.

"That'd be more interesting than the holistic approach. Time, for me, time is something I don't have. I want to spend my free time with my family. Very few people get excited by financial planning. So if there was a service that could tell me the best thing to do with £x amount, within 1, 3, 4, 10 and 15 years, that'd be great. I know my mortgage is OK. I know my other bits and pieces are in a good state. But £10K – where do I put it? That'd be useful." (Guided, Younger)

"It's just about a specific thing, yeah it sounds good because it's going to be with regards to that product" (Advised, Younger)

"If it's all that I'm looking for that's all I'm interested in, then I'm happy to hear about it" (Advised, Younger)

8.3 Automated online advice

Testing of automated online advice services was carried out using stimulus materials agreed with the FCA, plus screen grabs from two online advice websites.

Awareness and expectations
There was almost no awareness of automated online advice services and, only when prompted, did active participants stop to consider this as a possible alternative channel. There is also very low awareness of the brands shown with only one being recognised by a few.

However, once the concept is introduced there are three strong spontaneous reactions:
1. A general sense that "this is the direction of travel", with comparisons being made to online banking formats
2. A generally cautious enquiring stance, with a view to learning more about the service – more prevalent among those who are comfortable with online channels generally
3. Concerns around data security and confidentiality are very front-of-mind with this concept as participants are aware that they would be revealing sensitive financial information

"Everything else is going that way. I have apps for my banking on my phone. It happens for everything else so I wouldn't be against it." (Advised, Younger)

The great majority assume that this will be an automated service, and this is met with some resistance initially – mainly due to the perceived 'distance' from the traditional face-to-face or telephone contact with a financial adviser. However, amongst a proportion, an automated, and therefore unbiased and independent system, is appealing.

Reactions to proposition and propensity to use
Once the service is brought to life using stimulus, many warmed to the idea. Except for complex products/needs (such as consolidating pensions) or large sums, where more traditional channels would be preferred, several are drawn in by two major benefits:
- What they perceive to be an easy-to-use, convenient and intuitive process.
- The possibility of getting access to regulated advice without having to divulge personal financial information to a financial adviser. There was a sense that submitting the information to a 'faceless' online portal was less invasive.

"If you're restricted on time, it's easier to do it on the go. It could work." (Advised -Younger)

Interestingly, many spontaneously position the service as:
- A possible 'precursor' to approaching a financial adviser – to explore options.
- Suitable for smaller investments that financial advisers may not be interested in handling.

Most active participants who believe they would use it would try it out initially with minor investments, moving onto larger sums if they had a positive experience.

There are strong expectations that the service would:

- Cost less than conventional advice channels – generally between £50 and £250 for investments and up to £500 for setting up a pension.
- Allow them to access guidance, without transacting.

"I'd have to do research on the company. If they've got good reviews and everything was there, then I suppose I would. I'd look at it as an option. Not rule it out. It might be OK for quick advice rather than a full financial review." (Advised, Younger)

"I would have to try and see how it works. I'd certainly try with a smaller amount maybe. I'd be a bit cautious about doing a large amount. It might well work. I'm not saying I wouldn't." (Advised, Older)

The main concerns focus on:

- Whether personal data submitted will be secure (particularly amongst the less internet-savvy).
- Relatively unknown brands; participants are unsure of the longevity of the service. Having a high-street bank or other well-known brand front the service would go a long way towards providing reassurance. An alternative approach would be to check consumer reviews on the provider.
- Insufficient support (or "handholding"). This is due to a perceived lack of human interaction or telephone support which is especially important to those less experienced and confident using online services (a key barrier).
- May be time consuming. There is an expectation that all the personal data needed may take a long time to key in.

"It seems like this service is for intelligent people or professionals or bankers; not really for your everyday person." (Advised, Younger)

"I am a bit sceptical about that really. If it just pops up and says, 'services online to talk to you' I think, not a chance. I prefer speaking to somebody" (Advised, Older)

"I think I will be a little bit hesitant because when you type in your personal information there is always that worry that somebody out there is going to steal it." (Advised, Older)

"I can put some info in which will take a long time anyway. It's going to ask for detailed information. That can be done quickly on the phone with an adviser … You don't know who they are, commission: is it independent? It's not something I'd be interested in. Is it just pulling out an algorithm on the trends or going deeper than that?" (Advised, Older)

The key barriers perceived by those who remain resistant to the idea are:

- A mistrust of the quality of advice; i.e. whether it would be as good as that from an experienced financial adviser.
- Lack of clarity around the independence of the service.
- Fears that their data will not be held securely online.

"I probably wouldn't use it. I wouldn't want to pay for it. It seems too out there. I can't see the person and deal with them directly. I wouldn't want to buy through a machine. It feels more out of control and depersonalised." (Advised, Pre/At Retirement)

Likely target user
Based on the feedback, these propositions appear more appropriate for guided consumers who are already comfortable carrying out financial transactions online (e.g. online banking and setting up products such as Stocks and Shares ISAs online). Propositions would need to be appropriately targeted to this type of consumer – there is some concern by active participants that the propositions tested are too simplified and positioned for novices.

Inexperienced investors are concerned about the lack of support and would prefer a human route to regulated advice wherever possible. Without this type of support, automated online advice may not be appropriate for their needs. They believe it is more likely to be used as an exploratory tool, and initially applied to smaller investments only.

9 Appendix A – Methodological Appendix

9.1 Sample source

Research participants for the main face-to-face study were recruited by Leftfield Recruitment. They were sourced on a free-find basis using a detailed recruitment screener to ensure they matched the profiles sought.

Respondents for the additional telephone depths were sourced from the FCA's Financial Lives Survey from respondents who had given re-contact permission and who matched the profiling criteria required.

9.2 Recruitment process

The team of recruiters for the free found approach worked under the supervision of Daniel Farrell of Leftfield. All members of the team have specific experience of financial services research and of recruitment on a free-find basis. Jane Craig of NMG Consulting conducted a detailed recruitment and recruitment began on 23rd November.

Recruitment was carried out using a structured recruitment screener. It included a full set of questions enquiring about the participant's investment/pension transactions in the last 12 months and a supplementary set of questions for those who had taken advice/guidance in the last 12 months but not completed the investment transaction (see Sample section below for a description of the participant profiles).

Where consumers were willing to take part in the research and fitted the required profiles described in the sample section below, an appointment for the interview was agreed. This was confirmed in writing (by email or post

In February 2017 NMG undertook the recruitment required for the telephone depths interviews using a sample of consumers who had participated in the FCA's Financial Lives Survey 2017 and agreed to participate in further research. A recruitment screening process confirmed their eligibility for the telephone depths and their segment allocation (see below).

9.3 Sample

The sample was made up of 60 participants; 40 active in the market and 20 inactive. The 40 included 35 consumers who had completed an investment or pension transaction after having received regulated advice or guidance. We also included five participants who had taken guidance but then not completed the decision – referred to as non-transactors.

The definitions used for the categories were as follows:

- ***Advised***: Paid for a personal recommendation through one of four advisory channels: financial advice firm (i.e. Independent); bank/building society; product provider; automated online.
- ***Guided***: Received guidance where some form of interaction took place, such as with Government backed guidance sources, with a product provider or financial professional, plus interactive tools online (16 participants). Also includes those who had carried out their own research which typically involved information provided on

websites or literature with no interaction taking place between the information provider and the participant (10 participants).

SEGMENT	AGE BAND	NO. OF DEPTHS	TRANSACTION TYPE	NO. OF DEPTHS
Advised	Younger (25 – 45)	5	Investments	8
	Older (46 – 60)	8	Pensions saving	4
	Pre / at retirement (61+)	1	Pensions drawdown	2
			TOTAL	**14**
Guided	Younger (25 – 45)	8	Investments*	11
	Older (46 – 60)	7	Pensions saving*	6
	Pre / at retirement (61+)	11	Pensions drawdown	9
			TOTAL	**26**
*Includes 5 non-transactors (i.e. took guidance but didn't proceed to a decision)			**GRAND TOTAL**	**40**

The following criteria were applied:

- Have bought a pension or investment product (or made a pensions decumulation decision) in the last 12 months via this channel (extended to 24 months for pensions decumulation decision)
- Mix of ages, with a broad spread across: Younger (30 – 45), Older (46 – 60) and Pre/at/in retirement investors (61+)
- No minimum level of investable assets (including pensions) but a maximum threshold of £250,000 was applied

The 20 telephone interviews met the required criteria of being inactive in the pensions or investments market and might have a need for regulated advice or guidance. None had ever received regulated advice or had used guidance in the last 12 months. A mix of those interested and not interested in investing / taking out a pension were included.
Three groups were targeted:

1. Pension accumulation: have not taken out a pension – self-employed, or employed but do not have any kind of workplace pension in place
2. Investment: have at least £10,000 in investable assets but have no investment products; savings products only used
3. Pension decumulation: have plans to drawdown from pension within the next two years but have not taken advice and have not yet taken any action

AGE BAND	PENSION SAVINGS	INVESTMENTS	PENSIONS DECUMULATION
<30	2	1	-
31- 45	3	3	-
46 – 60	1	3	1
61+	-	4	2
TOTAL	**6**	**11**	**3**

9.4 Fieldwork

All face-to-face interviews took place in December 2016. 40, one-hour depth interviews were conducted either in a viewing facility, hotel meeting rooms or recruiters' homes. All interviews were audio-recorded.

Participants were taken through a semi-structured discussion using an interview guide tailored to their segment and were shown research materials to stimulate the discussion and ensure full understanding of:

- The definitions of advice and guidance
- The service offered by the Financial Ombudsman
- Automated online advice brands and look-and-feel of sample websites.

All research was conducted by a small team of senior qualitative researchers familiar with the UK retail investment and pensions market and consumer behaviour.

A further 20 telephone interviews were undertaken in February 2017 to probe further in to reasons for inactivity and non-usage of financial advice and guidance in investments, pensions accumulation and pensions drawdown. These 20 minute discussions used a structured discussion guide focused on the reasons for inactivity, understanding of financial advice and guidance, access to and potential usage of financial advice and guidance and the impact financial advice and guidance may have on their engagement with the market in the future.

9.5 Analysis

The analysis combined several proven qualitative techniques to uncover key themes, including analysis based on the evidence of what people said together with an interpretation of the underlying meaning and context. It involved some 'counts' of the answers to specific questions, grounded theory analysis to develop hypotheses and compare findings from sub cells, together with observation and exploration of the language and stories used by the participants.

A brainstorming workshop was conducted by the NMG interviewer team in advance of the detailed analysis to identify key common themes and experiences. This provided a framework for a detailed thematic analysis using interview transcripts. During the analysis process, emerging cognitive and emotional factors were considered, along with the influence of behaviour biases and heuristics that influence consumer decision making.

Using subgroup analysis, NMG examined whether responses varied according to a number of different variables. Qualitative research allows comparison of responses not only according to pre-defined market or demographic variables but also according to factors which arise through the process of analysis itself. This facilitates analysis of factors such as gender, life stage and assets.

Specific differences between subgroups relating to any of these variables, where they arise, are discussed within the body of the report. If no specific references are made to differences between subgroups, no such differences are apparent.

SHAPE YOUR THINKING

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