



IFW overarching comments on Adviser Competencies Research Report from Manchester Metropolitan University

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Overview

This report looks at what clients feel to be the most important competencies of financial advisers.

These contrast significantly with not only how many financial advisers actually deliver financial advice, but also how financial advisers are trained.

The conclusions to be drawn from this research include:

- The vast majority of financial advisers receive no training in the competencies that clients say are the most important to them i.e. communication and listening

The IFW would support a review by the FCA into what training is required to become an authorised financial adviser, in order to recognise the important role skills such as effective communication play in delivering better client outcomes.

- The IFW has made available, and is developing further, training courses for advisers to develop the knowledge and skills that clients seek

Summary

The paper looks at the competencies of financial planners that are ‘most sought’ by their clients, this is directly taken from the report. The main four areas of competencies are:

- Trust
- Communication skills
- Behavioural coaching
- Technical knowledge

Included in behavioural coaching are listening skills and emotional intelligence but also ‘incorporates internal financial aspects such as feelings, opinions and beliefs about money’.

The key points to note are:

- The most sought-after competency of an adviser is Trust. Trust is correlated to effective communication skills
- Clients want to be questioned about their dreams and, to be heard
- Clients choose advisers 'based on their ability to identify and meet the clients' goals and dreams'.

Main 'Takeaways'

The central output from this report is to identify how financial planners can improve their competencies in order to enhance the financial wellbeing of their clients.

Trust

Financial advisers should be willing to disclose, explain and share information in order to foster a trusting environment BUT must not make the decision-making process more complex as this will lead to inaction.

Integrity

Integrity is another word used alongside trust, the report shows that emotional and behavioural competencies of advisers have a significant impact on integrity. Currently, there is no requirement for training in these areas for advisers. The IFW is currently developing more training in these areas in order to meet this need and a growing demand from advisers who recognise the importance of these skills.

Communication skills

Strong communication skills are considered to be a strong predictor of trust. This includes listening, speaking simply and storytelling.

There is a vast difference between financial advisers' competency in listening skills to how important this is seen by clients, many of whom responded to a question about what they are looking for from a financial adviser with 'simply to be heard'.

The rule of thumb should be the clients talk 80% of the time and advisers 20%. This does not reflect current practice.

Behavioural coaching

In the context of this report, behavioural coaching refers to 'an adviser's ability to identify and meet the clients' goals and dreams'. The ability to understand short and long-term goals are the second and third most important capabilities of financial advisers.

There is no requirement for any form of training for financial advisers in this area. Indeed, given that coaching training courses have been around for a decade or more, it would seem that most advisers still do not realise the importance of training in this area, both in terms of their deficiencies, and in terms of client priorities.

Technical knowledge

There is some evidence that some financial advisers engage their clients in risky investments in order to generate fee income. However, this practice can generate higher expected outcomes and participation of clients who might not have invested otherwise because of their aversion to risk.

A side observation from the report is that clients very much prefer a fixed fee amount, rather than percentage commissions.

Conclusion

The standard view of the financial planning role is usually associated with performing financial projections or selling financial products. However, this view ignores the central and most valuable role of financial planning, which is helping clients identify long-term objectives and counselling them in financial and sometimes non-financial issues.

This confirms the IFW's view that advisers should stop talking to their clients about only investments and money. This research supports our view that adviser should talk to clients about their financial wellbeing, namely the relationship between their money and their happiness.

Finally, given these findings, we strongly recommend ALL advisers should seek training in effective communication skills as a minimum, something we would like to see as a compulsory part of becoming authorised by the FCA to give financial advice.