The-Pensions-Net-Work

“Life companies, platforms, mutual funds and financial advisers - alive or dead?”

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Agenda

- Brexit and the political environment
The regulatory agenda
Social change and attitudes to saving

- The market context

- Life companies?
- Platforms?
- Mutual Funds?
- Financial advisers?

- Summary and discussion

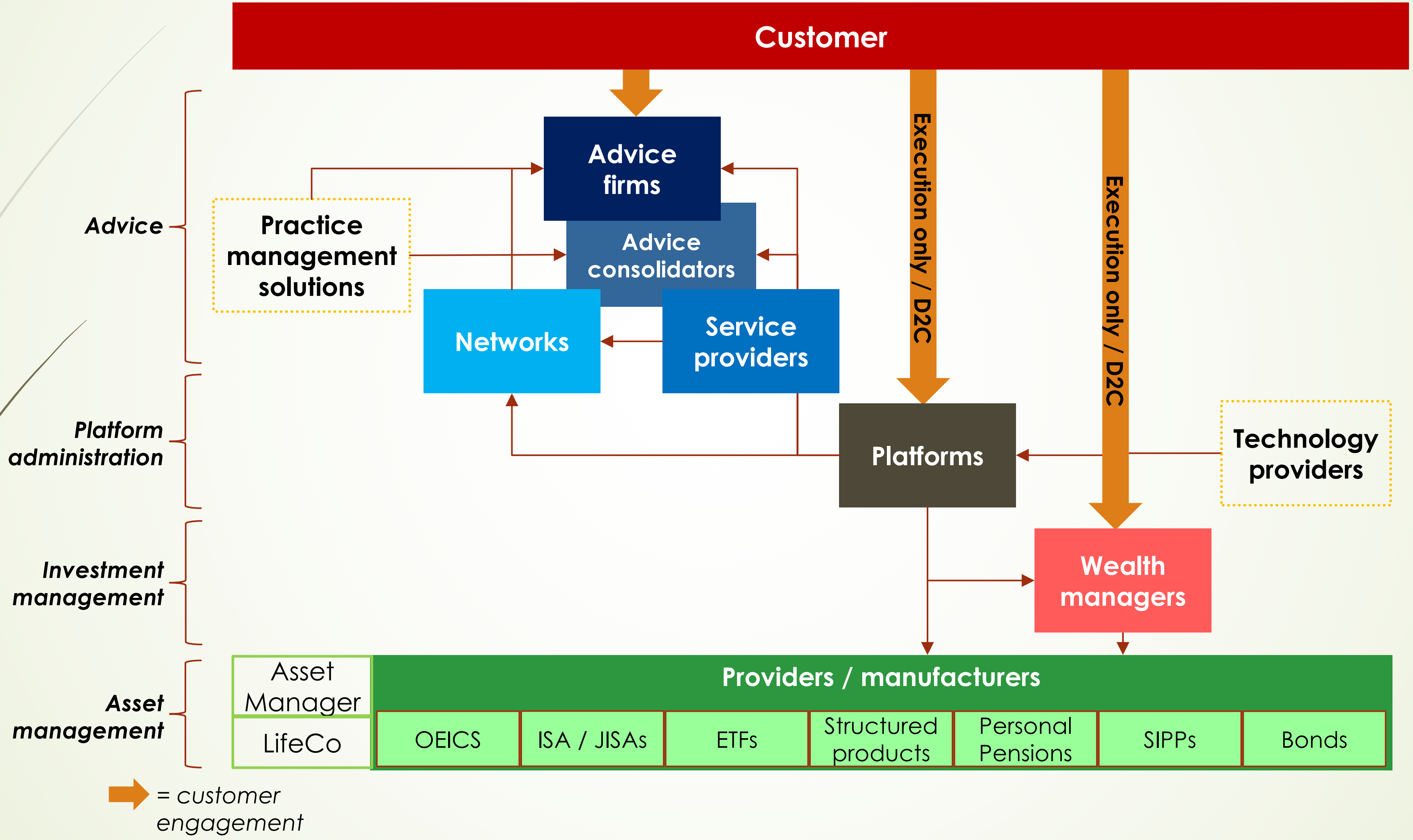
A few caveats…

- My personal views.
  - Not EY! Not Fairstone
- Chatham House Rules
- Forgive the generalisations
- Time for questions afterwards but feel free to interrupt!

This document is incomplete without accompanying presentation

Context

Insurers, platforms, asset managers and financial advisers are seeking more of the value chain



Life companies?

- Over 60 have closed to new business over the past thirty years
- About 20 are left. But:
  - Aberdeen Standard?
  - Old Mutual?
  - Sanlam?
  - Aegon?
  - MetLife?
  - ZFS?
  - SJP?
  - Phoenix?
  - Scottish Friendly?

Life companies…

Actually we are probably left with:

- Prudential,
- Aviva,
- L&G,
- Royal London,
- Scottish Widows,
- Canada Life,
- Unum,
- Just,
- LV=
- Wesleyan

Where did it go wrong? Blame it on Roy Kirkdorffer!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Platforms. *"A way of making a small amount of money slowly."* Ian Taylor, CEO Transact

- About £1bn for re-platforming by institutions
- Not one life company business plan achieved
- Margins pitiful, strategies unclear
  - Utility?
  - Distribution?
  - Client value?
- Issues around concentration of technology supply
- FCA review reporting soon
- Added value for client could become essential

Asset Managers

"Won't you tell me, where have all the good times gone?"

(Ray Davies 1965)

- The model T Ford was in production in 1927. M&G launched the first unit trust in 1932. Cars seem to have evolved a little more rapidly
- Time for a new approach?
  - Outcome focused
  - Lower cost and shared risk
  - Direct securities inside deculmination SIPPs
  - "Value for money"
- Index funds need more useful indexes than market capital

Financial Advisers

- £1,000,000,000 investible assets in the hands of the age 55 to 75 segment – growing all the time. Plus another £1trn in home equity!
- What could possibly go wrong?
  - Contingent fee model
  - Vertically integrated firms
  - Severe brand damage
  - Drawdown
- But the demand for professional advice will continue exceed supply

Summary

- Insurance companies will develop drawdown propositions with risk mitigation to re-invent themselves
- Platforms that just do plumbing will be in a tough space
- Asset management consolidation will accelerate
- Financial advisers will combine personal with digital
- Digital platforms will combine digital with personal and struggle for profitability
- The regulatory pressure around "value" will continue

What do you need to succeed?

- Capital
- Customer obsession
- Innovation
- Agility
- Team work. Disagree and commit
- Best execution – people, process and technology
- Leadership