Draw your own conclusions

Flexible technology for more complex retirements
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Introduction

Alistair McQueen
(Head of Savings and Retirement Aviva)

Welcome to the revolution

It’s often said there is a Chinese curse that threatens, “May you live in interesting times.” Like it or not, we live in interesting times. Politics is in turmoil, the economy is fragile; technology is transforming; and society is shaking.

Closer to home, our industry is also living in interesting times. Over the past decade we have lived through a quiet revolution in our land of savings and retirement. The state pension has been rewritten; automatic enrolment has introduced 10 million people to saving; and the pension freedoms have turned retirement planning on its head.

But note. Our quiet revolution is far from over. The demographic pressures facing the UK have not gone away: our ageing society continues to present our public finances with massive challenges; and we’re about to experience a decade like we have never seen before, or may ever see again. The baby boomers are retiring. Over nine million will reach retirement in the coming ten years. This is an unprecedented high, with no suggestion of it (ever) being repeated. Hold on for the ride!

Looking specifically at the pension freedoms, they are a little over 1,500 days young. The dust has yet to settle on their full impact, but four things have become clear.

First, they are hugely popular. More than one million people have taken advantage of the freedoms since they were introduced in 2015, with nearly eight million flexible withdrawals taking place.

Second, there has been “no dash for cash”. It was suggested that some may wish to spend their pension freedoms on a new Lamborghini. It is true that more than £30bn of taxable income has been withdrawn since 2015, but this big figure must be seen in the even bigger context of the more than £5,000bn total that sits in private pensions. The average amount withdrawn per individual in Q3 2019 was £7,250. Few Lamborghinis have been sold.

Third, there has been no “death of the annuity”. It’s true that the balance of retirement planning has shifted from annuities to drawdown, but the annuity remains a core part of retirement planning for millions of people. In our “interesting times,” many are willing to pay a premium for certainty.

And fourth, the pension freedoms are set to stay. Despite several commentators initially voicing concern, the pension freedom genie is out the bottle. It is very difficult for any politician to say, “I do not think my constituents should be trusted with their own money.” And the freedoms are raising billions of pounds of extra revenue for the Treasury at a time when every penny counts. A tax-raising policy that is popular with voters is like gold dust. To walk away, “would be a very brave decision, Minister.”

This new report from Aviva aims to provide some views on how we can rise to these times of unprecedented change. We table our own thoughts, and have challenged these with the input of the brilliant lang cat consultancy. (Thanks guys.) But most importantly, we have listened to you – the advice community. You are on the front line. When you speak, it is our responsibility to listen and to respond.

In 10 years’ time our industry will have navigated a decade of which we will have never seen before. We will be rightly judged. Together, we must be judged to have won.

Thanks for taking the time to read our report – we hope you find it of value.

2 https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/totalwealthwealthingreatbritain
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Executive Summary

Pensions freedoms has meant a seismic shift in attitudes to income in retirement, with annuity sales declining, defined benefit schemes becoming rarer and rarer and as a result the emphatic rise of drawdown.

Compared with America and Australia, the UK DC market is still quite immature, with product, technology and investment solutions at quite an embryonic stage. This poses us as a provider and manufacturer, and you, the adviser community, several important questions.

Can technology help us? The most important thing we’ve found is that the relationship between a client and their adviser is at the heart of everything. Technology can help of course; it can make your message easier to convey, it can act as a backdrop to a meaningful conversation, it can save you administration time so more energy can be put into the client interactions. Most importantly, we saw that the review process was the part where technology was moving the needle most - the more we can streamline this process, the better.

Investment philosophy is a minefield of ideas, and a battlefield of providers pushing their ideas forward, which reflects a market getting to grips with its own ideas. We’ve found that the solutions range from relatively simple ideas like income funds, multi-asset pots and holding cash for a year or two of income at a time, to bucketing, tolerance-based rebalancing and cashflow modelling.

All the solutions we see tell us that there’s a need for growth in drawdown, as much as there is a need to mitigate sequencing risk, along with ensuring that when the client needs change, you’ve got a provider who can change with them.

Payments to a client, while least interesting to organise and discuss are likely to be, to your client, the most important part of the whole drawdown experience. We’ve looked at getting payments out quickly and on demand, making sure there’s enough flexibility to choose when a client gets their monthly income and that they receive the right amount, on time.

Flexibility is going to be very important in the future. The speed of change and the innovation in the market is going to accelerate and evolve for some time, and the needs of your clients are also almost undoubtedly going to change and develop over their lifetime. We know it’s vital that as a product provider and manufacturer we are not just a one trick pony but agnostic to your approach and able to bend and flex with the pressure of change. We’re integrating more, developing more and innovating more to make sure we’re proofed against the future and you’re fully equipped to meet it.
Hello there. It’s the lang cat here. We’re a platforms, pension and investment consultancy. You might know us from our own publications, so it’s fun to be squatting on someone else’s for a change.

When a company asks us to do a bit of research and then surface it in public, we have a couple of ground rules for saying yes. First it has to be on a subject that’s relevant and interesting to us. That’s an easy one to tick off here. Retirement income is going to dominate the financial services sector for the foreseeable future whether we like it or not.

Second, it has to be an independently produced piece of analysis, free from bias and based on the facts we see before us. We can tick that one off here too. Our involvement begins and ends with our research. We call on our collective insight and expertise and report back on what we think that research is telling us. There’s no comment from us on the relative merits of the Aviva Platform which was not in scope. We leave that to Aviva, as is absolutely right.

We held 18 in depth interviews with advice firms throughout the UK. We didn’t work with a set script, preferring to let the conversation flow in the direction it needed to. But we did ensure that we touched on the following subjects:

• Whether firms had a centralised retirement proposition and how things differed from the pre-retirement stage when it came to both investment approach and process.

• What firms were looking for from their technology suite generally to enable their retirement propositions for their clients and from platforms in particular.

• What firms would change about their technology suite if they had a magic wand to make their lives easier.

We go into these exercises with an open mind but hoping (PLEASE) that some interesting, dominant themes make themselves known to us. In this case our pleadings were answered as five key points came up time and time again:

• Meeting individual client needs is the most important aspect of all.

• A variety of investment philosophies are being used for this.

• Clients value getting their own money back again in a timely and reliable way.

• Advisers are running many different software components. This isn’t easy.

• Technology should be flexible, because everyone is different.

Now, we can Segway seamlessly into the main body of the paper…
How can technology let me get on with financial planning?

Our sector has transformed in the period since the pension freedoms took effect and it continues to evolve. Nowhere is this truer than in the financial planning profession, where advisers have taken on the challenge of managing client needs that in many cases are much more varied and complex than they used to be.

Other factors come into play too, from the demise of defined benefit (DB) pensions to longevity projections suggesting that by 2066, one in four of the UK population will be aged 65 or over, and five million 85 or over (up from 1.6m in 2016)3.

The shape of retirement is changing accordingly, with working lives extended, people staying active into their 70s and 80s and pension pots accessed to support increased flexibility. We’ve seen a change in demographics on the Aviva Platform. At the end of 2019 we currently have c50,000 customers in drawdown on the platform with the average age of a pension customer on our platform now standing at 56.

Effective financial planning is central to achieving a balance between short-term needs and longer-term sustainability, whilst also ensuring funds can be passed onto younger generations. For financial planners, this means much of the focus is on managing income in retirement through drawdown. For platform providers, it means enabling them to do that.

The adviser research we commissioned underlined the extent to which technology can share the burden and allow advisers to concentrate on the work of client financial planning. From attitude to risk (ATR) tools and risk analytics to cashflow and retirement income modelling, the advisers we spoke to gave valuable insights into how technology supports each phase of managing retirement income for clients. The research suggests that adviser firms are adopting various approaches to managing their retirement clients, in several cases the firm is undertaking an ongoing review of how best to do this. That said, certain themes ran through the different responses.

“Most advisers take the view that each client should be handled on a case-by-case basis rather than being tied to a specific retirement proposition. Many also talked about maintaining a consistency between accumulation and decumulation phases, as opposed to changing investment approach at retirement.

Both themes point to the much greater fluidity of retirement experiences and an increasingly phased approach to winding down the working life."

3 https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglongerhowourpopulationischangingandwhymatters/2018-08-13
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The transition from full-time work into retirement is an ever-changing aspect of at-retirement financial planning, reflecting greater longevity, healthier lifestyles and increasing flexible working opportunities. Add that to the pension freedoms, and it’s clear clients and advisers have a lot more to think about when approaching retirement.

With all this complexity being driven in externally, an adviser might want to look at what is available to create some flexibility.

The tables opposite show the greater capacity for precision in income, due to the lifting of restrictions in taking 75% of taxable income from each crystallisation. This means that whether you are choosing single or phased, we’re flexible enough to do either and you can switch from single at the click of a button.

The reporting functionality uses transactional data to give a true representation of clients’ portfolio performances and allows the adviser to add their own commentary throughout the report. They can explain decisions or highlight key points. Clients can also get a full investment breakdown which is independent of the investment strategies chosen by their adviser.

Ongoing management is straightforward and paper free, allowing advisers to react to changing client demands. You’d be mad not to want all this!

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**How the Aviva Platform can help with this**

**Single drawdown**
- Regular taxable income
- Tax-free cash lump sum

**Phased drawdown**
- Regular income as a mix of tax-free cash and taxable income
- Tax-free cash lump sum
- Ability to optimise clients’ tax bands/allowances through tailoring
- Protecting PCLS growth by minimising crystallisations
- Providing a set level of taxable income each month
By far the most consistent theme that ran through each and every one of our interviews was the passion that came across when interviewees talked about their clients - specifically the responsibility and duty of care they felt towards making their clients’ financial goals a reality.

From a technology perspective, aside from tools, widgets, gubbins, gizmos or however long you want to stretch the metaphor, the chief thing firms told us they needed from their technology partners was support to execute the client’s financial plan - paying income to the client when it’s needed, doing so in a tax efficient manner and then reporting on it.

In fact, conversations focused longer on things like phased drawdown, multiple crystallisations, reporting duties, client review packs and other things relating to the financial plan than they did on the investment side of things.

It made clear how important the client review process is for firms and for most we spoke to it is an in depth process. A carefully navigated combination of reassurance, planning and reporting with cashflow modelling typically bringing things to life from the client’s perspective.

Many advisers are of the same generation as clients nearing, at or in retirement. The average age of customers on a platform is around 55 to 57, with 62 the average age at crystallisation. Unless there are robust succession plans in place, firms risk being unable to guarantee continuity of advice for clients who live into their 80s and 90s.
The post-freedoms shift from annuities to drawdown brought with it a new source of debate and a need to understand the nuances of investing in retirement. At its most basic, the task for the industry was to find effective ways of blending short-term income solutions with long-term sustainability. Investment propositions for clients in retirement are built around several different mechanisms, with the focus not so much on underlying investments as the strategies and processes in place.

All are potentially valid, and many will aim to overcome specific challenges that exist in decumulation investing, such as sequence risk or pound-cost ravaging. Essentially, they are all saying the same thing – if I am periodically taking money from your pension, how long can this go on for and how much damage am I doing for the future?

Some approaches are underpinned by safe withdrawal rate theory (i.e. the level of income that is considered safe to take from the portfolio) and maximising income through long-term equity exposure.

Similarly, ‘bucketing’ or multi-pot strategies are prominent, where capital is allocated into different pots designed to meet short, medium and long-term needs, with asset mixes appropriate to the individual client’s risk profile.

The research also highlighted that many firms use a high degree of cash management in order to preserve shorter term income needs, in many cases setting aside anything from 12 to 36 months of income needs as a cash investment. Our platform data backs this up, highlighting that the value of the average cash holding in pre-retirement is 6.4% but jumps in post-retirement to 11.2%.

Exactly which approach is most suitable will depend on a range of considerations, from firm processes and client circumstances (and attitude) to platform and back-office providers. Client relationships may also play a bigger part than prior to retirement. Client needs evolve in later life and potentially become more complex - not least in the context of intergenerational planning - and there can be an increased emotional reliance on the adviser’s ability to chart a safe course through retirement.

All the advisers we interviewed alluded to at least some of these issues. As firms guide clients through retirement, some are tweaking their approaches and reviewing their decumulation philosophies. In many cases the investment proposition remains largely unchanged from the accumulation phase, but the processes around it are different.

Multi-pot strategies are commonplace, albeit with variations and different structures, with the composition of each pot depending on the individual client.

Not all have centralised investment/retirement propositions in place. In these cases, each client’s solution is tailored to their needs and advisers have a degree of discretion in choosing from the tools, platforms and investment solutions they have access to, within a structured process.

“Aiding and abetting an investment philosophy through platforms”

For many clients at retirement, the demand is around assessing how much tax-free cash they can safely/appropriately take. We’re also seeing an increasing demand for people wanting to use some of their pot to buy some guaranteed income.”

“Broadly speaking, we follow a bucketing strategy for most clients, with two to three years’ worth of cash to cover short term needs managed off to the side (due to lack of available platform cash accounts with decent interest rates). But the specifics for each client always depend on their own individual circumstances.”
We understand that there are many different strategies adviser firms are using in order to manage their clients’ financial goals. We're not saying any one solution is better than any other, and will rely entirely on your relationship with your clients. Instead, our role is to try to provide the best technology, solution and service possible.

From a pure investment perspective, this means having a wide range of investment choice, including the ability to hold multiple models (either discretionary or advisory), exchange traded instruments and cash all within the same portfolio and in any combination. We didn’t offer this solution before, but we now have 16% of our clients in drawdown utilising the technology.

So if you’re looking to facilitate a number of different goals for a client and include different investments in each, you can do it all on the Aviva Platform.

If you’re keen to keep your clients within a certain risk band, you’ll have considered rebalancing. We have a full suite of rebalance tools, from bulk to automated frequency, to tolerance-based (the ability to set a percentage threshold by which the platform will automatically bring an asset allocation back in line).

We also offer the ability to rebalance when money moves on or off the platform, i.e. managing your client’s attitude to risk by selling their overweight assets to pay for income, or buying underweight assets first with a regular payment.

All of this functionality is online, removing any need for paper-based instructions in ongoing servicing of investment strategies.

In the example below, your fictional client has a pension pot from his “Money Tree Pension,” which we have divided into three separate pots. Pot A is used solely to create income through sales of assets, which is then paid into the Cash pot. This pot always has enough in it to provide your client with his income and also cover the charges on the other two pots. Pot B is the money-making pot and used for growth only, allowing you to protect your client from any sequencing risk or short-term volatility.

**Example of “Money Tree Pension” in drawdown:**

<table>
<thead>
<tr>
<th>Pot A</th>
<th>Pot B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generate income</td>
<td>Keep for growth</td>
</tr>
<tr>
<td>Pay charges</td>
<td>Take income</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The range of different perspectives we came across on appropriate retirement income strategies reflects a market still getting to grips with the issue. Nearly five years after the freedoms took effect, we see feisty debates playing out privately and in public as to how best to manage risk in retirement and the extent to which investment approaches should differ when clients reach this stage.

It will be some time before the dust truly settles, if ever. A market downturn (that none of us either want or can predict) might provide new insights, but only when advisers have managed a volume of clients through the retirement lifecycle.

In the post RDR world it’s become accepted wisdom that model portfolios or risk aligned multi-asset funds are the best way of ensuring suitability and consistent investment outcomes. It’s a view based on modern portfolio theory and the assumption of low correlation between the main asset classes. It’s a flawed one, in our opinion, especially when we get past the accumulation stage and things like income, withdrawal and longevity come into play.

In particular, the traditional approach doesn’t address longevity risk. When the client needs money that’s been built up but doesn’t know how long it needs to last, an approach that doesn’t consider cashflows and unknown time horizons is sub optimal.

This is why so much more of the burden falls to advisers and planners in the retirement phase. They’re at the coal face, looking clients in the eye, tasked with devising strategies that account for the different short and long term needs that clients have at this stage of life. It isn’t easy and they have our respect.

Our research surfaced some tension around the practicality for advisers and planners of running the three pot approach and strategies for mitigating things like sequence risk. And this is one example of where technology could more effectively support them in meeting the needs of clients in retirement.

Aiding and abetting an investment philosophy through platforms

**Drawing our conclusions**

**The lang cat view**
Payments on the right day

Platform technology enables a vast range of impressive capabilities these days. But clients don’t generally care about the bells and whistles - they will often want to know that the basics will be done properly.

For all the complexity that can sometimes characterise drawdown management, what’s most important for many clients is the ability to get their money out, when and how they want it.

The most recent retirement data stats from the Financial Conduct Authority show that four in ten drawdown customers took more than 8% of the fund value a year, with nearly three quarters taking more than 4% each year.

Platforms are responsible for a number of those income payments and it’s an increasingly vital part of the service that platforms and advisers provide for clients, between January and August 2019 Aviva has paid out over £325m in PCLS and drawdown payments. It’s not just about the regular payments, however. For some people it will matter that they can select certain dates on which their income can be paid. For others it might be flexibility of income payments that’s most important, or perhaps being able to receive consolidated income payments from their different tax wrappers.

In some cases they will be surprised (and no doubt disappointed) to learn that their platform doesn’t necessarily have the ability to carry out these functions.

“What matters most is that each platform is completely clear upfront on its processes and timings for things. So for example, you give us your instruction on day X, we sell your investments on day X and you get your income on day Y.”

“The most important thing is that the platform is going to do what it says - getting income out on time and client service levels.”

The research conducted with advisers provided further confirmation that what clients will often value more than anything else is being paid their income when they expect or need it. Income functionality was a recurring theme. Interestingly, several emphasised the transparency of income payment processes as much as the ability - knowing when income will be paid and being able to rely on that is paramount.

4 https://www.fca.org.uk/data/retirement-income-market-data
You've made it clear that income functionality and transparency of income payments is a priority, and the Aviva Platform reflects our understanding of its importance.

Drawdown functionality has been a big focus of recent developments, with the result that income is now almost completely flexible – there are more payment dates and you can choose the best date for clients to get their income.

The wider range of payment dates also allows for one-off payments to be made from any taxable source on any given day by BACS. The platform can pay all non-taxable one-off payments - including pension commencement lump sums (i.e. tax-free cash) - by CHAPS, so that clients get their money quicker, and same day payments can be made when requested before 1pm.

This means that, as an adviser, you’ll be able to tell your clients when their money will be in their account and where it will be coming from.

As you can see, Aviva has defined approaches to regular payment, where we schedule the payment and sell down in advance to ensure the client has their money on the right day. For ad hoc payments, we pay the money the same day we receive it from the fund manager.

We use BACS for regular payments to ensure they arrive on time and CHAPS for ad hoc payments so they arrive as quickly as possible.

BACS is an organisation that takes three to five working days to make payments.

CHAPS is the clearing house automated system and payments that reach them by 1pm are paid the same day.

Disinvestment can be flexible and targeted, allowing you to choose from a range of solutions:

- **Pro Rata** – sell across all the available assets and maintain current allocation
- **Use Cash** – take income and charges from the cash account
- **Specific Model/Asset** – take income from an asset of your choice
- **Tolerance Based** – bring your client back into asset tolerance disinvestment.
You only need to look at the volume of withdrawals from pensions since the freedoms took effect to know that for many investors, being able to take their money from their pension as they would from a bank account is a big factor.

Some platforms have seemed slow to appreciate this point. Which is unfortunate, given that in the advised market the payment of income will for many clients be the only real point at which they have engagement with the actual platform. One delayed payment will be all it takes to undermine their perception of our collective profession.

The picture is certainly improving, with flexibility of payments and treatment of cash accounts the focus of a lot of recent developments. We expect new and improved functionality to continue to be at the forefront of the development agenda of many platforms into 2020 and beyond.

All of this reflects the extent to which platforms were designed largely for accumulation. Getting money onto platforms and providing all the bells and whistles an adviser could need when investing for growth isn’t typically a problem. Getting money back out the other end is too often a different matter altogether.

As more advisers guide clients from accumulation into retirement, this will be an increasingly big differentiator in those selection and due diligence exercises. For example, if you run a strategy that is dependent in any way on holding platform cash, then understanding the various nuances from platform to platform is of paramount importance to help you run client income as efficiently as possible.

Platforms unable to give advisers and clients what they want, and they often don’t ask for much, risk being left behind.
The pace of technological advance over the past decade has driven vast improvements in the ability of providers, platforms and advisers to keep up with and meet changing client needs. Advisers are in some ways spoilt for choice when it comes to back- and front-office systems and the range of tools available both on- and off-platform. But this can cause problems in itself – the average firm uses five different standalone systems, rekeying the same data approximately three times, and 85% agree or strongly agree that this lack of integration has a major impact on their efficiency. However, if employed effectively, digital processes can allow advisers to spend more quality time on the job of financial planning, with the by-product of greater profitability.

As we all know, greater choice can bring its own problems. For advisers, this can manifest itself in the challenge of understanding what to use, when to use it, how to use it and what to use it with. The integration point is especially significant. Different tools and components have their own benefits, but it will often be the way in which they are integrated that makes it all genuinely beneficial. While good integrations can make advice businesses more effective, the opposite will likely be true if there are poor integrations, leading to advisers duplicating data entry on different systems.

These days, a typical advice firm will use a chain of software in the advice process, from CRM and back-office systems to risk profiling, reporting and cashflow modelling tools. But there’s only so much they can do to join up those different systems. The issue is reduced where firms are using provider bundles, but these can raise understandable concerns about independence.

It was evident from the adviser research that firms are willing to experiment with a range of different tools and systems, particularly around sustainability, risk profiling and modelling. However, there was also a sense of how fragmented this continues to be, as firms try to work out how best to integrate different tools and what best suits their business model.

“Can more result in less – could extra tech help rationalise the rest?”

“There is far too much rekeying of information, both from an onboarding point of view and from a reporting and planning point of view.”

“We want to have the flexibility to be able to blend different solutions at different stages of the supply chain to come up with what’s best for the client.”
The research we commissioned with the lang cat gave us a stark reminder of some of the administrel challenges facing adviser firms throughout the UK. We think that adviser firms should be free to dedicate as much time as possible to what they do best, giving financial advice and executing financial plans on behalf of their clients.

From a third party technology perspective, we have many integrations (from bulk valuations to contract enquiry to transaction history feeds) set up with many of the major technology vendors in the UK. We understand it’s important for you to be as efficient as possible and we’re always looking for new ways to aid you in this.

Aviva is committed to improving the service experience of adviser firms and finding ways to work in the best and most efficient way we can with other financial services companies, to provide better outcomes for customers. That’s why we’ve decided to join the Origo Integration Hub. It will give Aviva cost-effective access to a sustainable, manageable means of integration, as well as extending our integration reach with our key technology partners.

Aviva Platform can also provide specific bits of technology designed to relieve some of the procedural pain for our partners.

As well as working with Origo we’re committed to the back-office market: we’ve got integration with all of our key providers across Bulk Downloads, Contract Enquiries, Transactions History, and Renumeration Feed. We’re also committed to our own technology developments such as simplifying the signature process (signature lite), developing off the shelf client reporting and providing adviser MI.

It’s our commitment to you that we will strive to work harder to find more ways to make your lives easier.

Can more result in less – could extra tech help rationalise the rest?

How the Aviva Platform can help with this
Our collective research highlights a very real challenge for providers here. For all the progress being made in certain processes and tools, advisers are being left to bind it all together.

Research we carried out for Origo in mid-2019 revealed that firms use an average of five systems in the process of giving advice, building portfolios and managing clients, not including platforms or general systems such as office software. It also found that it would take 18 - yes EIGHTEEN - point-to-point integrations to really change the life of a typical firm using one investment platform (rising to 23 where they use two).

There’s a reason we got to this point. Technology has been designed for a market where investors can be slotted into largely growth-focused portfolio solutions providing cost-effective and consistent outcomes (for both firms and clients).

It has a different role to play now though, especially in retirement. The tools advisers need are largely there, give or take, but unless systems are able to properly talk to each other we’ll soon hit a pretty solid wall preventing advisers from making further efficiency gains.

Changing this starts with two broad steps: advisers making it known to providers that they need to take a more integrative approach, and providers understanding that this is about making life easier for advisers. It’s not necessarily the work that will attract headlines or plaudits (well, it will from us. So that’s one in the win column), but it is the stuff of better advice firm experiences and client outcomes.

There’s no good alternative to getting this right.
Solutions that are flexible when you need them to be

So far we’ve looked at using technology to execute a financial plan, to adopt and enable a number of different investment and income philosophies, the understandable difficulties in stitching all that technology together and of course, of paramount importance – paying customer money back out again.

One thing that came across in the research for each of those sections is that rarely, much like most aspects of life, does a one-size-fits-all approach suffice. Advisers are asking for technology to do different things for different clients in different circumstances.

The lang cat research also highlights that no two adviser firms are the same. And that makes perfect sense to us when you think of all the variables that go towards defining what makes each firm different: the investment philosophy, insourcing versus outsourcing, reporting preferences, income strategies etc. The list goes on and on and the permutations soon become exponential.

Let’s look at one simple example; investment methodology. Research that the lang cat shared with us from its annual State of the Adviser Nation census shows that 95% of firms surveyed use more than one main investment approach (running models, outsourcing to a DFM, using multi-asset funds or using a packaged CIP) across their range of clients. That means they’re going to need fundamentally different things from their technology across each discipline.

It’s natural then that flexibility means different things to different firms and perhaps even (with our PROD hats on) different things to different client segments. Flexibility to an adviser reading this right now might mean the ability to react in an agile manner to changing client circumstances. Or it could mean having a platform with a wide range of assets to allow for different client characteristics and risk profiles. It’s going to vary from firm to firm.

In the context of retirement income strategies, one big consistent theme across the interviews was that many adviser firms are actively reviewing their current thinking around how best to implement income strategies for their clients. This means that as their beliefs are solidified and processes evolve, they’ll need their technology partners to evolve with them.

“Most of my clients have relatively straightforward needs, but for those that are slightly different, I often find I spend a disproportionate amount of time trying to make it all work.”

“I use a DFM for some clients but for others I use a range of multi-asset funds. For various reasons we use more than one platform but that in itself creates inefficiencies. I’d like the whole process to be easier.”

“Most of my clients have relatively straightforward needs, but for those that are slightly different, I often find I spend a disproportionate amount of time trying to make it all work.”
Changing or switching platforms is a time consuming process, which is why it’s so important to work with a provider who can be flexible enough to meet your requirements and the needs of your clients.

We’ve worked to make it easy to change investment approach for a single client or a complete segment; and where changes to the client’s plan are required, we’ve simplified admin processes.

We’ve set ourselves up to be as flexible as possible so that when your clients demand change we can accommodate them. Today they might want nothing more than the benefits of single drawdown, but tomorrow they might want to phase their income, take more risk, invest in ETFs or draw it all out and buy a Lamborghini. We can do all that.

We see the Aviva Platform’s role as agnostic towards your investment and retirement philosophies, acting as a robust piece of technology, and executing your clients’ financial plans.

From an investment perspective, that means having a wide range of assets to choose from:

- Thousands of funds on the platform
- A wide range of outsourced solutions through over 50 DFMs
- Adviser access to a range of insured funds
- Exchange traded assets, including all UK-listed equities, which can also be held within portfolios, including adviser-run models. Each trade within a model costs £5

Advisers are able to hold any combination of the above (and more) within one portfolio.

We are always working to make your proposition as flexible as possible, and responsive to your client needs. We have signature lite for quicker turnaround on your client requests, multi models so you can be flexible where you take your income and charges, and our bank verification process has been streamlined, to go with our paperless ad hoc income process.
Platforms at their core have a relatively simple purpose. Take money on. Invest it. Hold it. Report on it. Pay it back out. And do all of that within the correct regulatory framework.

Platforms by and large do much of this pain free. And in our time analysing the market, they have helped enable a systematic approach to investing based on modern portfolio theory; whether that’s through models, outsourcing to DFM or a suite of risk-rated multi-asset funds. Platforms have helped industrialise consistent outcomes in that sense.

But there’s much to be done to support advisers with atypical situations or special clients. (Notwithstanding the fact that your mum was right, we’re ALL special in our own way.) We still see too much failure demand when technology is stressed outside of the norm for which it was designed. A couple of examples:

What happens when a client has specific ethical investment needs and beliefs and you run a suite of model portfolios? Can you make an alteration for that one customer and avoid spiralling into an unfathomable vortex of administrative pain?

Or what if you run an investment proposition consisting only of open-ended funds but decide after an in-house review to start considering exchange traded assets for certain clients? Can your platform handle it?

Those are just two relatively simple examples from a myriad of potential situations. Flexibility clearly means different things to different firms. That came through loud and clear in our interviews for this project as it has in much of our previous work with adviser firms. And it’s not just about specifics either, it’s about the bigger picture too.

What happens when adviser firms grow, adapt and change their philosophies? This is particularly relevant in the context of centralised retirement propositions (CRPs). Most firms we spoke to are still reviewing and keeping an open mind as to what the future looks like for their ‘at retirement’ clients in the context of the technology they partner with.

That’s not because they’re unsure what’s best for their clients. Quite the opposite. It’s that there’s a tangible sense of uncertainty across the piece as to how technology will develop in the at-retirement space. We found the sum total of zero firms who were absolutely satisfied with their kit as it stands.

We’re left wondering what the future holds for this part of the sector. The lazy answer is to conclude that AI, automation and all that abstract stuff will come along and make life easier for everyone. But it’s clearly not as simple as that. While there’s absolutely no doubt that we’ll see some clever things doing clever things cleverly, the need for high-quality, face to face advice underpinned by a solidly managed financial plan isn’t going to go away any time soon. Clients value it too much and the stakes are too high for it to be any different.

The real winners will be tech firms who rationalise their processes and make things as easy as possible for high-quality planning firms to execute these financial plans. That could mean a platform executing top-quality reporting standards that flow seamlessly from algorithmic-driven investment construction and rebalancing. Or it could mean cash management and income software that links to stochastic modelling, safe withdrawal rate theory and income sustainability monitoring. Or it could mean something else. Or a combination of everything.

Either way, it’s going to be interesting.

Mark Polson
The lang cat view
In a single moment Pensions Freedom shattered the received wisdom (wishful thinking?) that the robots would rule the advice world, by creating more demand for human advice than at any other time in living memory. The migration of assets to pensions and advised platforms that has followed has been of a speed and scale that would make David Attenborough misty-eyed. But let’s be honest, this has not been met with a great deal of innovation by platforms and product providers, leaving the regulator’s disappointment etched throughout their various Retirement Outcomes Review papers.

It comes as no surprise then that advisers are still wrestling with systems and processes that don’t quite fit this brave new world. In the immediate aftermath of Pensions Freedom all most platforms could do was implement the new flexibility within existing limits of systems designed to support accumulation. This meant staffing up in the operation to support existing manual drawdown processes. Any additional costs would be washed away in the rising tide of double-digit asset growth that helped even the least seaworthy platforms stay afloat.

Platforms can run, but they can’t hide. Sooner or later growth on that scale overloads any manual process and the machine needs to take over. If you want the rational explanation for platforms’ appetite for re-platforming punishment, this is it. The ‘straight through’ online drawdown processing that comes with new kit will be essential to serving a growing and ageing customer base with ever-increasing demand for access to their money. What’s more, newer technology is built with open data in mind, enabling the seamless integration of planning systems, platforms and back offices.

What does this mean for advisers? To date the differences between platform capabilities have been subtle, with the battleground focussed around wrapper flexibility and investment availability. As new capabilities emerge, this battlefield will increasingly extend to new areas.

**Helping advisers deliver a personal client service**

- Extensive client data available to third party planning tools and back office systems to support adviser reporting
- Highly personalised platform reporting - performance, income, sustainability
- Alerts, limits and automation to help advisers keep clients on track
- Automated rules to maximise client outcomes - automated rebalancing and disinvestment algorithms to manage sequencing risk

**Digitising drawdown service to advisers and clients**

- Online ‘straight through’ withdrawal process
- Fast payments
- Complete flexibility of withdrawal management
- Client access to information and self-service within limits to reduce day-to-day demand on advisers

**Execution**

- Full drawdown flexi-dripfeed/phased
- Support for multiple investment goals and solutions within a single wrapper – multiple models, models alongside funds and other assets
- Full range of investment choices – funds, models, ETIs, structured products, cash

**Focus shifting away from execution to service and value**
With PROD now a reality, platforms should be trying to help advisers create distinct propositions for different client needs. Advisers need to decide what those segments are, which ones will unite customers by more than their level of investable assets. Lifestage and goals are likely to be key factors that dictate product, investment and service needs. For example, clients living off their portfolios as their primary source of income will have distinct needs to clients living off other sources of income and investing purely for longer-term goals.

And there’s an interesting twist on its way from the regulator, in case advice firms think high demand will insulate them entirely from competition. From August next year, all customers going into drawdown without advice will be offered one of four low cost investment solutions based on their expected income needs. Certainly not a patch on advice, but at a total cost expected to be in the 50bps range (including platform), this simplistic form of guidance invites consumers to challenge advisers on the value they add. As the first wave of pension freedom assets finally subsides, now might be the perfect time to revisit, re-segment and redesign your proposition. Just make sure you demand more from platform providers and tech suppliers this time round.