

The Post-RDR IFA Market Is Going To Look Considerably Different



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The post-RDR IFA market is going to look considerably different. Will there be many of today's IFAs here to witness the change?

Transitions taking place amongst small and medium-sized IFA firms, as a result of measures demanded by the FSA's Retail Distribution Review (RDR), are now well underway. But feedback from Reed [Insurance jobs](#) clients in this sector indicates that a sizeable number will simply close up shop when implementation becomes mandatory in 2012. Some industry experts have gone on record as saying that as many as 30% of IFAs will cease trading, selling their client banks on to IFAs of a similar size, or to the major players.

Finding fresh blood: a growing challenge

The implications for those firms that remain in the market are clear. Many fear that it will become harder to find people who want to provide independent financial advice, as firms get squeezed out of the market.

Changes to reward and remuneration structures mean that, while commission elements may be largely eliminated and basic salaries driven upward, earning potential will be reduced overall.

Sales-focused advisers with a hunger to maximise their earnings may leave the profession altogether for less heavily regulated sectors, while graduates might be attracted by the glitz of volume recruitment campaigns already being waged by blue chip names on the high street.

There is one glimmer of hope – because of the introduction of basic salaries, talented people currently working in the bancassurance market may be keener to explore opportunities with IFAs.

Until now, making the switch from a tied role (especially one with a recognisable brand name) was widely regarded, by even the most adventurous types as a massive gamble. Now that the self-employed factor will no longer be a barrier, fee-earners who see little to choose from amongst high street banks may be open to IFAs who can differentiate themselves in a positive light. Promoting a working environment with greater autonomy and a less restrictive structure might play well with those who enjoy financial services sales but want to break free of the corporate culture.

With the major banks set to hire in volume, as customers feel ready to plan for their financial futures with more optimism, few have settled on firm structures for basic remuneration; most are keeping an eye on each other's bonus schemes, as well as attraction and retention tools such as cars, laptops and even dedicated administrative back-up. This creates further uncertainty for IFAs, anxious not to be left behind but with fewer resources to compete if the stakes get ramped up.

Compliance? Not so high on the agenda

IFAs have identified both red-tape and PR implications from the tightening regulatory framework and greater scrutiny of financial services firms by government and media. This is likely to create greater requirements for compliance staff.

However, many businesses – particularly smaller IFAs – are loathe to invest in resources that don't add immediate value to the bottom line. The recession saw many IFAs run support functions down to the bone, preferring to do without, say, an extra paraplanner in the face of depleted resources, if money was available to spend on hiring a fee-generator. Looking ahead, though, more forward-thinking IFA firms may have to bite the bullet and equip themselves better with compliance support, in order to avoid falling foul (at financial and reputational expense) of the regulators. It's too early to say how this will impact salaries, although increasing numbers of IFAs are now

seeing the advantage of joining networks, where they can enjoy pooled compliance and administrative resources as and when they require.

The future for the small a and medium IFA sector remains unsure. Certainly there are those who are confident of sweeping up in the wake of RDR-prompted exits from the market. But for many firms, it's still a case of watching and waiting

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