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## Advisers turn to financial planning to survive downturn

- 6 in 10 advisers report an increase in the time spent talking with clients
- 6 in 10 advisers now spend more of their efforts on financial planning than on investment selection
- Half of advisers say that clients now trust them more

LONDON, May 17 2010 - The economic downturn has led advisers to recognize that they need to challenge the traditional IFA business model and focus more on financial planning, according to a new report out today from Russell Investments and the Institute of Financial Planning. The report 'Examining Today's Financial Advisory Business: Investment Approaches and Current Practice' surveyed the investment approaches of financial advisers in the UK and the changes they have experienced as a result of the global financial crisis.

Six in ten advisers say more of their efforts are on financial planning than on investment selection, with 30% of advisers focusing their model almost entirely on it. This is a 9% shift towards financial planning since the initial study undertaken in 2008, when only 21% of advisers said they concentrated almost exclusively on financial planning. Today's report shows that about a quarter of advisers now claim a balanced focus on both, and only 13% focus more on investment selection.

Larger firms have most noticeably embraced a planning approach, with advisers from firms with at least five advisers more likely than those in solo practices to report a nearly complete focus on it (40% vs. 19%). It may be that the move towards RDR has encouraged IFAs to shift their businesses away from commission based models, as those advisers focused on financial planning indicate that an average of 57% of their revenue is from fees, compared to 47% for those with a balanced focus and 45% for those whose focus is on investment selection. The remainder of their revenue is fairly equally divided between initial commissions and trail commissions.

Business models have also had to adapt to changes in client attitude and behaviour since the market downturn, according to the survey. 61% of advisers have noted an increase in the time clients are prepared to spend talking with an adviser about their investment strategy. Perhaps unsurprisingly given recent market volatility, 40% of advisers say they have noticed an increase in clients' conservatism, and more than one-third highlight greater asset diversification.

Despite the financial downturn, just over half of advisers say that client trust in them has increased and 15% say that it has increased a great deal. This is perhaps a result of advisers investing time in communicating with their clients, with 53% keeping in regular contact, and 19% actually increasing contact. Some took the opportunity in regular reviews to help maintain client trust (14%). A larger

share of these planning-oriented advisers than investment selection-oriented advisers also observed an increase in clients' trust in them (62% vs. 45%).

Peter Hugh-Smith, Managing Director of UK Private Client Services, Russell Investments, commented on the research: "This report highlights the need for advisers to regularly review their business model. As we come out of recession and face the challenges of RDR, IFAs are having to adapt their businesses to this 'brave new world', and Russell has developed a practice management programme to help advisers overcome the issues they are facing. Our suite of tools and concepts is designed to help advisors improve focus, enhance profitability and tangibly demonstrate their added value to their clients. "

Nick Cann, Chief Executive of the Institute of Financial Planning added:

"For the second consecutive time, IFP is pleased to work with Russell Investments on this valuable research project. That up to half of advisers have been able to increase client trust is a testament to their training and professionalism, and the increase in the number of advisers turning their models to financial planning indicates a positive future for the profession."

Advisors who would like a copy of the report should visit [www.helpingadvisers.co.uk](http://www.helpingadvisers.co.uk)

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## NOTES TO EDITORS

### **About the Financial Adviser Survey**

This report presents the results of a survey designed to explore the investment approaches of financial advisers in the UK as well as changes they have experienced as a result of the global financial crisis in September 2008. The study is part of an ongoing initiative between Russell Investments and the Institute of Financial Planning to understand the trends, challenges, and opportunities facing the financial advisory market. As part of that initiative, a similar study was conducted in autumn 2008, it provides a baseline from which we can also assess how adviser practices have changed, if at all, more than a year after the global economic downturn.

This survey was conducted online with 161 members of the Institute of Financial Planning in December 2009 and January 2010. Their participation in the survey is greatly appreciated. This report presents the overall results of each question in a graphic, and then explores how various adviser subgroups differ from one another. Nearly all questions were asked of all respondents, but when this is not the case, the base of respondents is described. Please note that some figures may not add up to 100% because of rounding, or because survey participants were free to choose more than one answer.

### **About Russell Investments**

Founded in 1936, Russell Investments is a global financial services firm that serves institutional investors, financial advisers and individuals in more than 40 countries. Over the course of its history, Russell's innovations have come to define many of the practices that are standard in the investment world today, and have earned the company a reputation for excellence and leadership.

Through a unique combination of wide-ranging and interlinked businesses, Russell delivers financial products, services and advice. A pioneer, Russell began its strategic pension fund consulting business in 1969 and today is trusted by many well-known worldwide institutions for investment advice. The firm has \$179 billion in assets under management (as of 31 March 2010) in its mutual funds, retirement products, and institutional funds, and is well recognized for its depth of research and quality of manager selection. Russell offers a comprehensive range of implementation services that helps institutional clients maximise their assets. The Russell Indexes calculate over 50,000 benchmarks daily covering 65 countries and more than 10,000 securities.

Russell is headquartered in Tacoma, Washington, USA with offices in Amsterdam, Auckland, Chicago, Johannesburg, London, Melbourne, New York, Paris, San Francisco, Seoul, Singapore, Sydney, Tokyo and Toronto. For more information about how Russell helps to improve financial security for people, visit us at [www.russell.com](http://www.russell.com)

## About the Institute of Financial Planning (IFP)

Comprehensive Financial Planning requires more than good financial products or impressive looking reports. It requires the input of a professional who has mastered the principles of the 4 Es – Education, Examination, Experience and Ethics – cornerstones forming the mandatory requirements of the CERTIFIED FINANCIAL PLANNER<sup>CM</sup> certification process.

Qualified Financial Planners carry the internationally recognised CERTIFIED FINANCIAL PLANNER<sup>CM</sup> or CFP<sup>CM</sup> certification mark. These marks are owned outside the U.S. by Financial Planning Standards Board Ltd (FPSB). The IFP is the marks licensing authority for the CFP marks in the United Kingdom, through agreement with FPSB.

The IFP is the UK professional body of those committed to the development of the multi-disciplinary profession of Financial Planning. The Institute was formed in 1986 to:

- promote the profession and practice of Financial Planning
- increase public awareness of the need for Financial Planning
- raise standards in the quality of advice being provided to the consumer
- create a recognised professional qualification for its members
- ensure ethical standards through its Code of Ethics and Practice Standards
- encourage education in the theory and practice of Financial Planning
- share members' knowledge and skills with other professionals for the benefit of their clients
- establish a Registry of CERTIFIED FINANCIAL PLANNER professionals

In the UK, the IFP is the exclusive licensee of the CFP certification mark. It certifies, upholds and monitors the professional standards of Financial Planning practitioners to protect the interests of members of the public, thus ensuring that they receive proper financial advice at all times. The CFP mark represents Financial Planning's highest professional standard and is the global symbol representing excellence in Financial Planning.

The IFP serves a membership of over 2000 members and 900 CFP professionals through a programme of national events and training courses, and a regional 'Branch Network' centred around 20 areas. Membership is drawn from across the financial services community.

[www.financialplanning.org.uk](http://www.financialplanning.org.uk)

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