NEXTWEALTH

Platform shakeout

It’s not your fault, but it is your problem

February 2025

Why platform decision-making has changed

Changing financial advice market

- Rise of three segments
- Consolidators and the role of PE

Regulatory disruption

- Need for consistency
- Data and MI for regulatory reporting
- Pace of change and the need for tech to adapt
- Rise of orphan clients

Tech innovation

- Tech has moved on since platforms emerged
- Significant and costly upgrades for regulatory compliance has impeded innovation

Platform strategy

Vertically integrated wealth manager	Model-b or platform software
Consolidators	Multi-platform and model-b
Planning-led	Multi-platform

Consolidation is having a measurable effect on the advice market.

- 10% fewer sole traders in 2023 than in 2022 and 8% fewer firms with 2-5 financial advisers.
- 58% of financial advisers in consolidators plan to launch a platform within the next three years, more than 2x average

Intend to launch a platform within the next 3 years

Conclusion – see page 22

Platforms that will thrive in future must:

- Regardless of the model, understand the business problem
- Data openness is critical to supporting financial advice firms of the future
- Service is critical
- Do what you do and do it well
- Memo of assets held elsewhere

Platform competition might come from left-field

Evidence of the shift in platform choice

- A shrinking proportion of financial advisers are using third party, fully outsourced platforms. In 2021, 56% were primarily using a fully outsourced platform with no branding, this fell to 47% in 2024.
- We think this change is mainly due to the changing shape of the advice market.
- Plans to launch a platform seem to frequently get kicked into the long grass. The proportion of firms that plan to launch a platform remains steady with a rise in firms considering launching a platform 'in the next three years.'
- Despite the rise in use of model-b and platform software models, we've not seen a negative impact on assets on third-party platforms. Assets continue to rise, up 6.4% in the six months to Q2 2024 in third party platforms. This could be a result of rising markets.

Introduction

“It’s not your fault but it is your problem.”

Most third-party platforms are doing most everything right. But because a few make life difficult for advice firms, this forces a decision. Rather than a decision among existing platform providers, the decision starts with considering the right model for the platform, and a growing number are planning to launch their own platform.

We have published a separate sponsored guide to advice firms on how to approach platform selection, called Platforms Unpacked, you can download a free copy here. Firms are increasingly starting by identifying platforms that work with their target operating model and then selecting the platform that best meets client needs.

Third-party platforms may be left out of a selection process, not because they’ve done anything wrong but because of failures of another provider.

This report can be used by platforms, tech companies and large financial advice firms to:

- Understand the drivers of change in the platform market to help understand the models that will thrive.
- Quantify the level of vertical integration in advice-firm consolidators to assess future risk or opportunity to platform operating models.
- Identify ways to respond to business threats through innovation and by focussing on what matters.
- Understand and compare the propositions of model-b providers.

What is a platform

Understanding adviser expectations of platforms is critical to understanding where they may go. So, let’s begin with a definition of platforms and their primary functions for financial advisers.

- Definition: Platforms are a collection of regulatory and tech services pulled together in a digital infrastructure that enable financial advisers to manage and administer client assets efficiently.
- Primary functions for financial advisers: Platforms facilitate adviser charging, offer access to tax wrappers and investment solutions and they help fulfil some of the adviser’s regulatory obligations. Platforms are increasingly expected to provide data integrations into client portals, back office systems and client report generators.

Methodology

- Online survey of 340 financial advice professionals, conducted between June and August 2024
- Data requests from ten white-label / model-b platform providers.
- Nineteen in-depth interviews with senior executives representing: four vertically-integrated financial advice firms; three consolidators; seven planning-led financial advice firms; three external compliance specialists, plus two independent industry consultants, conducted December 2024 and January 2025.

NextWealth View

Fully integrated bond to differentiate the proposition and retain assets.

- Third-party platform providers' best defence to retaining assets is a fully integrated onshore and offshore bond. Few platforms offer a fully integrated bond and it has become a compelling solution for clients concerned about CGT and IHT. A fully integrated bond offers a competitive differentiator and makes assets sticky as assets can only be transfers through an act of parliament. While platforms should prioritise development to meet client and adviser needs, there is a strong argument that a better bond meets that need while also making good business sense.

Transaction and valuation data must be made available.

- Third-party platforms that want to maintain a position on consolidators' preferred panel, need to provide transaction and valuation data to those firms in the format they demand. Large advice firms need the data to report to clients and shareholders. As these businesses professionalise and scale, platforms need to offer solutions to help them reduce cost, reduce risk and grow organically.

We applaud efforts to innovate but are sceptical about impact of some current initiatives.

- We remain sceptical about the future of innovative solutions in the market, including WealthLink (the SS&C + Intelliflo integration) and the Timeline platform with Seccl. Both are trying to solve an important problem, but we remain sceptical that either will make more than a small dent in the platform market.

Consolidators will launch model-b platforms for new assets.

- Consolidators are becoming and will continue to become more vertically integrated and many will pursue a model-b or platform software solution. This will be a threat to future growth of third-party platforms. Existing assets may stay where they are, but new money will go to in-house platforms.

Third-party platforms continue to innovate.

- Third-party platforms will continue to explore opportunities to offer white-label and model b solutions in an effort to retain larger advice firms.

Contents

1. Why is now different

Platform decision-making in advice firms has changed and this has knock on effects for platform providers and others on the supply chain. Incumbent platform providers can no longer put their heads in the sand. Things have changed. This section covers some of the key reasons we think now is different and that platform providers need to think carefully about their future relevance in the market. The following graphic summarises those changes.

Changing financial advice market

- Rise of three segments: vertically integration, consolidators and planning-led
- Consolidation and the role of PE

Regulatory disruption

- The need for consistency across the business
- Data and MI for regulatory reporting
- Pace of change and the need for tech to adapt
- Rise of orphan or offboarded clients

Tech innovation

- Tech has moved on significantly since platforms first emerged over 20 years ago
- Significant and costly upgrades have been required to keep up with modern tech and regulatory change

1.1. Changing financial advice market

1.1.1.Three main segments

The UK financial advice market is under-going a huge amount of change. NextWealth segments firms into three main groups:

Vertically integrated wealth manager

Consolidators

Planning-led

Platform strategy and decision-making differs among these.

Table 1: Financial advice firm segments and platform decision-making

	Vertically integrated wealth manager
DESCRIPTION	Restricted advice model with majority of assets on owned platform. Firm earns revenue from advice and product.
EXAMPLE FIRMS	SJP, Openwork, Quilter, True Potential
PLATFORM STRATEGY	Model-b or platform software model that is fully integrated into system of record and system of engagement.
DRIVERS OF DECISION MAKING	• Reduce risk • Cut cost • Support in-house product set
PLATFORM REQUIREMENTS	Full integration into system of record and system of engagement
ADVISER VIEW	*"Put yourself in the stead of the buyer and look at it from their end of the telescope. What can you do to make your business more attractive and to take out points of friction?"* – Industry consultant

	Advice firm consolidator
DESCRIPTION	Mainly PE-backed. Multi-platform strategy. Many will pursue adviser-as-platform model, particularly for clients with simpler needs. Need for consistent data from platform partners. Ambition to support intergenerational wealth. Need for integration into other tools and reporting engines for client reporting and reporting to PE owners. Most on a journey to integration. Operating models are defined but are still being executed. Most offer (or soon will offer) their own investment solution.
EXAMPLE FIRMS	Progeny, Fairstone, Titan, Ascot Lloyd, Evelyn
PLATFORM STRATEGY	Multi-platform strategy, including model-b offering.
DRIVERS OF DECISION MAKING	• Organic growth • Cut cost • Retain advisers and clients through integration (change management) • Professionalise the business • Support for low-value client segment
PLATFORM REQUIREMENTS	Data openness – transaction and valuation data fed to back office system for business and client reporting Reduced price in recognition of scale
ADVISER VIEW	*"You can only take advisers through so much change when you acquire their business. We let them keep the platforms they're used to."* – CTO large PE backed consolidator *"Once you get to that scale, where running your own platform works, why would you be paying some margin away? Why wouldn't you actually just build the whole thing yourself"* – Industry consultant *"If you do have vertically integrated services that capture more EBITDA, then actually what it's going to do is likely increase the valuation multiple on your firm."* – Financial planning firm, 50+ employees *"If they're vertically integrated and they're already operating as a discretionary manager, they will be, by definition, a MIFIDPRU firm, which means that they're already subject to having higher capital adequacy, and they've also got to do this ICARA process, which is to assess the risks and decide whether you're going to hold additional capital."* – Compliance specialist

NB –Because the current state of play is far too messy and operationally expensive, consolidators will become more vertically integrated. Titan Wealth is an example of a firm that we would categorise as an advice firm consolidator but is already migrating to the vertically integrated wealth manager category.

	Planning led
DESCRIPTION	Holistic financial planning Planning-led, typically outsource to a DFM, concerned with efficiency, reducing risk, focus on planning as core function. Multi-platform strategy.
EXAMPLE FIRMS	Paradigm Norton, Mazars, Equilibrium, Laithe
PLATFORM STRATEGY	Multi-platform strategy with 2-3 preferred platform partners
DRIVERS OF DECISION MAKING	• Price • Functionality (tax wrappers, pension drawdown) • Service • Technical support
PLATFORM REQUIREMENTS	Client experience Competitive price
ADVISER VIEW	*"A white label platform, to me, is fraught with difficulty, especially when it's not what you're doing for a core proposition. It's more about the financial planning and the investment management. That's what we feel is our unique service proposition. So if we're then trying to offer or pass off the platform and the way that works, as our own, that's not something that's unique to us. It never would be, because anybody could go out there and create what we might create as a platform, and it's probably going to be worse than you could get somewhere else with someone who specialises in it. So it's a very difficult thing to make a difference in, I think, the platform."* -Financial planning firm, 25+ employees

1.1.2. Consolidation is leading to the rise of big firms, decline of small practices.

NextWealth's Consolidators and Aggregators report, published every March, quantifies the number of deals in the advice market and chronicles the journey of integration. The volume of deals peaked in Q4 2024. While deal volumes peaked, consolidators remain active.

These transactions are having a noticeable effect on the shape of the UK advice market. According to NextWealth analysis of FCA data:

- The number of smaller firms fell more quickly than larger firms. There were 10% fewer sole traders in 2023 than in 2022 and 8% fewer firms with 2-5 advisers.
- Firms with 1-5 advisers made up 89% of all directly authorised firms from 2017 to 2021. That fell to 88% in 2022 and fell again to 87% in 2023. The decline isn't enormous but is nonetheless evident. The industry is consolidating to fewer large firms.

This trend is important to the investment platform market as large financial advice firms approach platform decision-making differently. They also need different services and support from platforms – and as we'll explore in this report it is not really about the ability to earn a few basis points.

Table 2: Number of firms offering advice on retail investments

	2023	2022	2021	2020	2019
1 adviser	2,132	2,381	2,423	2,429	2,448
2-5 advisers	1,931	2,093	2,116	2,152	2,207
6-50 advisers	543	537	532	508	536
Over 50 advisers	48	51	47	48	45

Source: NextWealth analysis of FCA RMAR data

1.2. Regulation – need for consistency, reporting

Regulation is the most significant force for change in wealth management. It is therefore no surprise that it is a key factor influencing platform choice.

Data for regulatory filling impacting platform choice

Data requirements for advice firms are changing – in part for reporting to the regulator. In our 2024 Financial Advice Busines Benchmarks study, the biggest impact of Consumer Duty has been on data collection in firms. 67% of financial advice professionals said Consumer Duty has meant their firm has had to improve the quality and quantity of data held on clients.

This has a knock-on effect on platform choice and due diligence. One firm told us that the due diligence question set has changed given the requirement for data for regulatory reporting.

"The questions that we ask have definitely changed. So we ask lots about APIs and connectivity and data availability."

- Financial planning firm, 25+ employees

Need for consistency under fair value is impacting platform choice

Many financial advisers interpret fair value under Consumer Duty as requiring consistency for clients with broadly similar profiles (risk profile, objectives, etc). The need to evidence the reason for any inconsistency has led most firms to seek consistency. One of our interviewees said his firm would struggle to justify having two clients with similar profiles on different platforms with different pricing.

"We struggle with the idea of two clients who have broadly similar funds under management and broadly similar risk profiles and objectives, arriving at the end of their journey having suffered two different price points. One being on one platform, another being on another. As a firm now we have to operate through the lens of Consumer Duty and fair value. And I find it difficult to understand how you can do that using multiple platforms."

– Vertically integrated financial planning firm

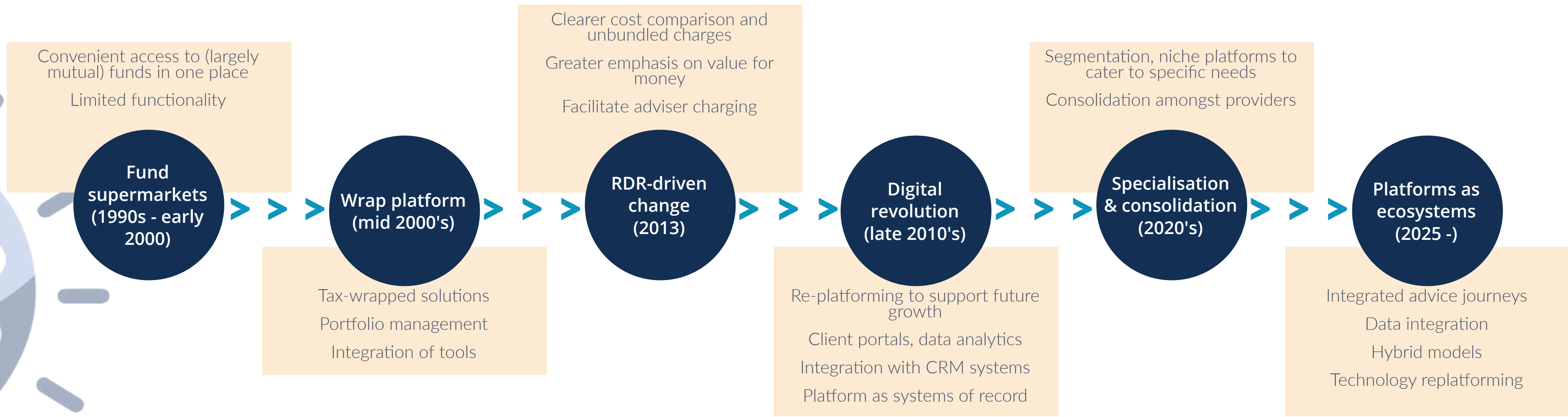
While this isn't a reason to become a platform operator, it is a reason to review the current approach and to shrink the number of platforms used.

1.3. Tech has moved on

Since AJ Bell and Transact came to market in 1995 and 1999 respectively, technology has advanced significantly. Apple launched the iPod in 2001, followed by its successor, the iPhone in 2007, revolutionising digital and mobile experiences. Bitcoin was first mined in 2009 and ChatGPT came to market in 2022, marking a breakthrough in AI-driven interactions.

The tech landscape has shifted significantly since platforms emerged, re-setting client and adviser expectations. This tech evolution has forced platform providers to continually invest in their technology, modernise their data infrastructure and in some cases, undergo full-scale re-platforming to remain competitive.

The following graphic summarises some of the enormous shifts that have required platforms to implement costly changes and system upgrades.



Replatforming, an important step in scaling and modernising, has caused massive headaches for financial advisers and can force advisers to think twice about a platform choice.

> *"With most of our clients being on [platform] when they were taken over, we were fairly uncomfortable with what was happening. We didn't want them to change their platform and bring in FNZ, which, given what's happened with that platform we're a bit concerned about where that might end up. We did look at [Model-b provider] and we looked at a few other options as well. But as we are quite heavy users of onshore and offshore bonds, it means those assets are stuck."*
>
> - Financial planning firm, 25+ employees

2. The spectrum of platform models available in the market today

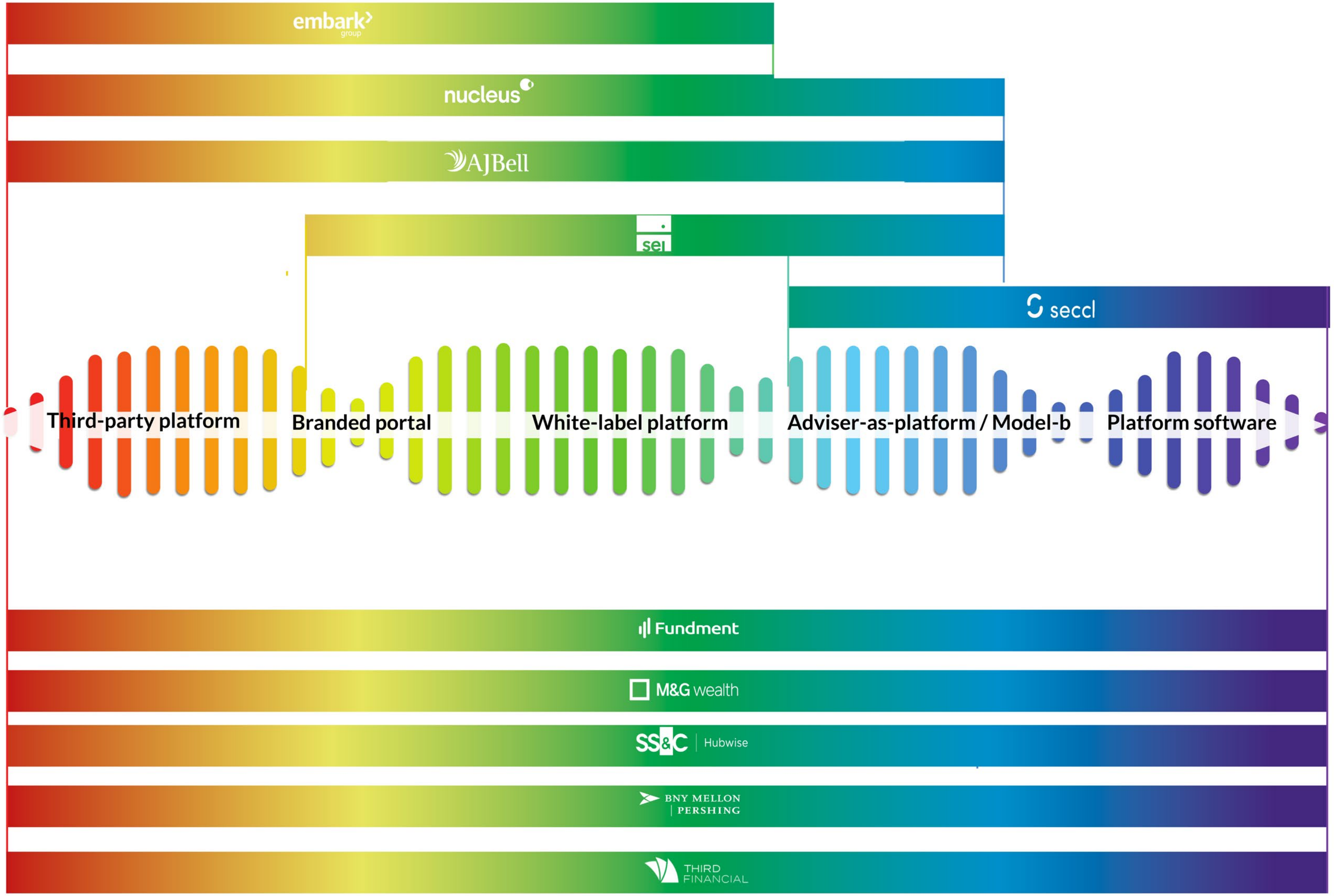
Table 2: Number of firms offering advice on retail investments

Platform model	Description	Examples of firms offering this option
Third-party platform	Fully outsourced model where the platform holds all permissions and fulfils all roles. The end-client signs a contract with the platform provider.	abrdn wrap, Aegon, Fidelity, Quilter, Transact, AJ Bell Investcentre
Branded portal	Branded client portal alongside fully outsourced third-party platform. For example, Aviva offers some firms the ability to include their branding within the MyAviva app and 7IM offer a branded version of the 7Imagine app.	7IM, Aviva, AJ Bell, Fundment, P1
White-label platform	The advice firm earns a fee for services provided as part of the platform, such as first-line service. The investment proposition is fully embedded and there are usually deep integrations to back-office systems and bespoke reports.	Nucleus, Embark, SS&C Hubwise
Adviser-as-platform / Model-b	The advice firm typically establishes a separate legal entity to operate the platform. This entity has safeguarding and arranging permissions and first-line service responsibility. The tech and custody provider has client money responsibility and typically provides the tax wrappers. All regulatory or legislative changes are signed off by the tech/ custody provider. The platform cannot be customised, but data feeds and integrations can.	AJ Bell Custody Solutions, Platform One, Seccl, SS&C Hubwise, Third Financial,
Platform software	The advice firm sits within a fully vertically integrated wealth management business. They are the custodian and the nominee, provide the SIPP, and are the ISA manager. They hold full permissions. They take the platform tech as a software solution.	FNZ, Pershing, SEI, SS&C Hubwise Implementations: True Potential, St. James's Place, Schroders Personal Wealth

NextWealth defines the platform models available to financial advisers on a spectrum, as defined on table 2. Large vertically integrated advice firms tend toward the 'Platform Software' end of the spectrum, while most small to medium sized advice firms opt for third-party platforms and possibly a branded portal.

Figure 2 illustrates the spectrum of adviser platforms with examples of providers that offer the various models. Most providers span more than one model. Third-party platforms will continue to evolve their offerings to compete more with the white-label platform providers. Some, like Nucleus, Embark and AJ Bell already have solutions for firms looking to offer a platform.

Figure 2: Examples of where platform providers sit on the spectrum of adviser platforms



3. Adoption of each model

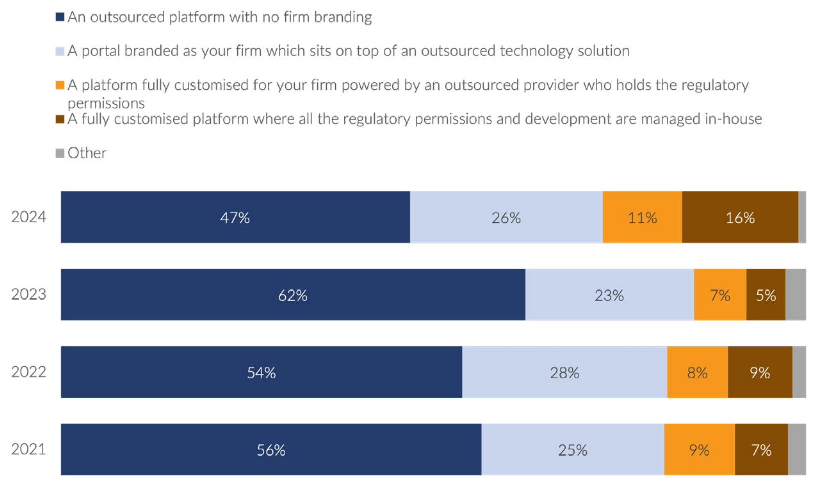
3.1. Adoption of platform models today

Over the last four years, the number of financial advisers who are primarily placing client assets on traditional third-party platforms, with none of their own branding, has declined.

The chart below shows a trend of a falling proportion of advisers using outsourced platforms.

- In 2021, 56% of advisers said they were primarily using an outsourced platform with no firm branding, this has fallen to 47% in 2024.
- Use of a branded portal has remained steady at about one quarter of financial advisers.
- The growth has been toward fully customised platforms.
- The consolidation of smaller advice firms, who are more likely to adopt fully outsourced platforms, has helped fuel this trend. FCA data show there was a 10% fall in the number of single adviser firms between 2023-2022, and a 2% drop from 2022-2021.

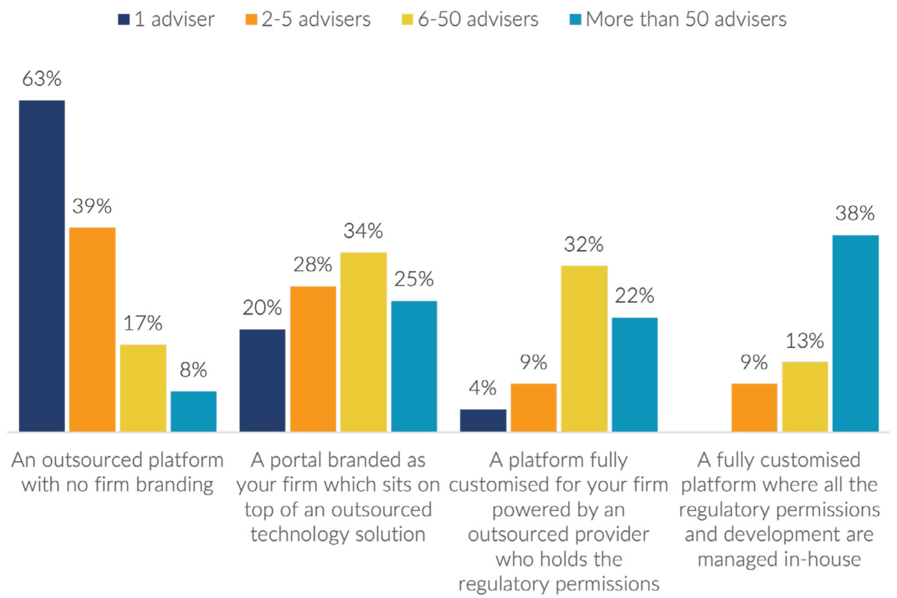
Figure 3: Fewer advisers are using third-party platforms with no branding



Q: Which of the following statements best describe the primary platform solution which you currently use?

Financial advice firms with between 6 and 50 advisers are more likely to have adopted platform models with a degree of customisation, although without taking on the regulatory responsibilities themselves (see figure 4).

Figure 4: Mid- and larger-sized firms are most likely to use a customised platform



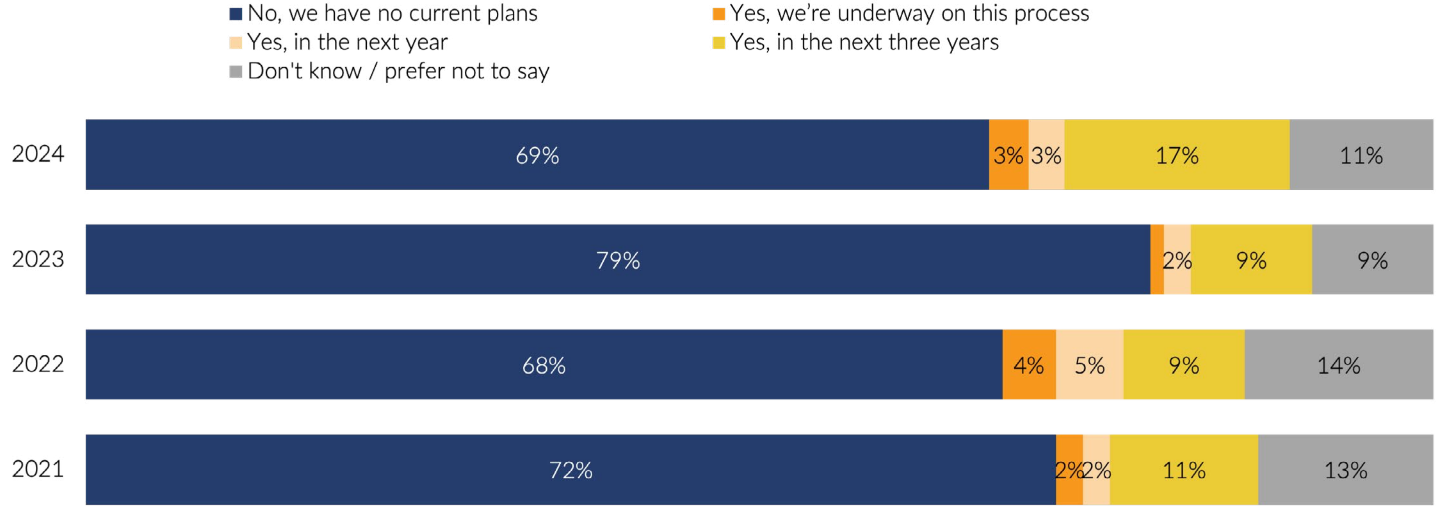
Q: Which of the following statements best describe the primary platform solution which you currently use?

3.2. Future plans to launch a platform

Among financial advisers that work in a firm that does not offer a fully customised platform 69% have no plans to launch a platform. The numbers have shifted year to year, we show the comparison over four years. The change that is worth highlighting is the rise in advisers that say their firm intends to launch a platform in the next three years.

- The share that say they are looking to launch a platform within the next year has risen from 3% to 6% this year. The share has shifted slightly every year but remains small.
- The proportion that work in firms that intend to launch a platform in the next three years has nearly doubled from 9% to 17%.

Figure 5: Intent to launch a customised platform among financial advisers that work in firms that don't yet have one, excluding 'don't know'/ 'prefer not to say'



Q: You indicated that your platform is not fully customised, do you anticipate moving to a fully customised platform in the future? N=156

3.3. Platform model segmented by advice firm type: consolidators and planning led

One of the key drivers of the change in choice of platform among financial advisers is the underlying business model of the adviser. We explored this earlier in section 1. The data support the view that the platform strategy for these firms is vastly different.

The following are the advice firms segments and the current platform strategy for each.

Vertically integrated wealth manager
Fully customised platform typically operated using a model-b solution or platform software.

Consolidators
Multi-platform strategy, including model-b offering

Planning-led
Multi-platform strategy with 2-3 preferred platform partners

We applied our segmentation model to our survey results to see if they would confirm our suggested platform model for each segment.

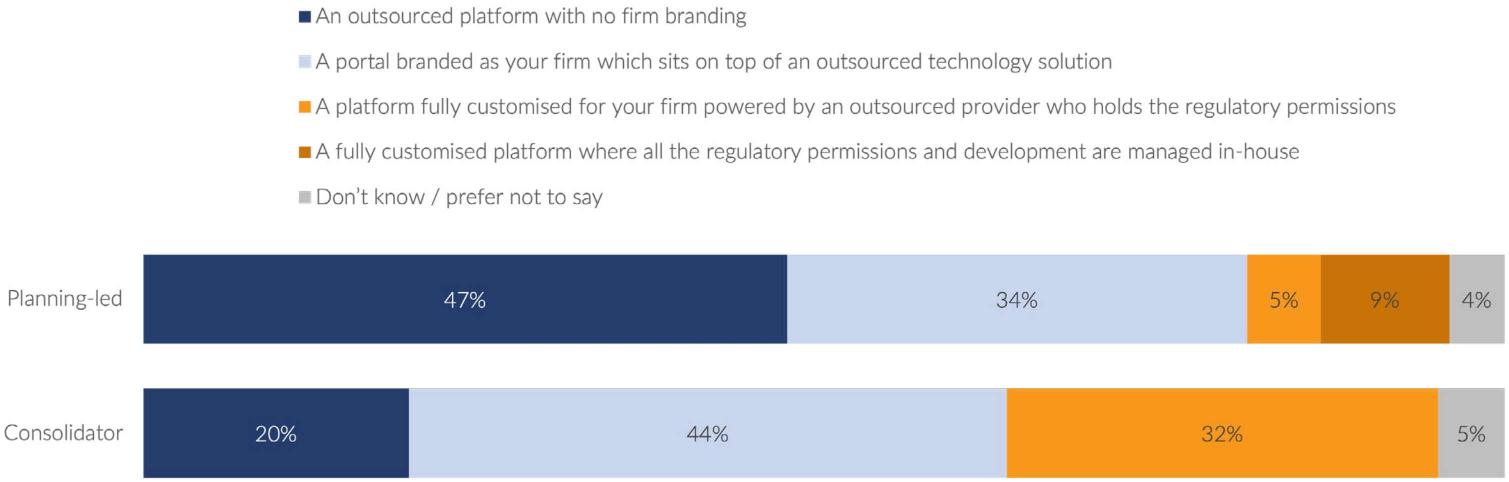
We segmented results for the consolidators and planning-led firms; vertically integrated firms have a fully customised platform. The following are the characteristics we used from our survey data to identify planning-led firms and consolidators.

- Planning-led firms call their client-facing staff financial planners and are not growing through acquisition.
- Consolidators are firms growing through acquisition, excluding responses from appointed reps and restricted advisers.

The data reveal a stark contrast and reveal that consolidators are already becoming vertically integrated.

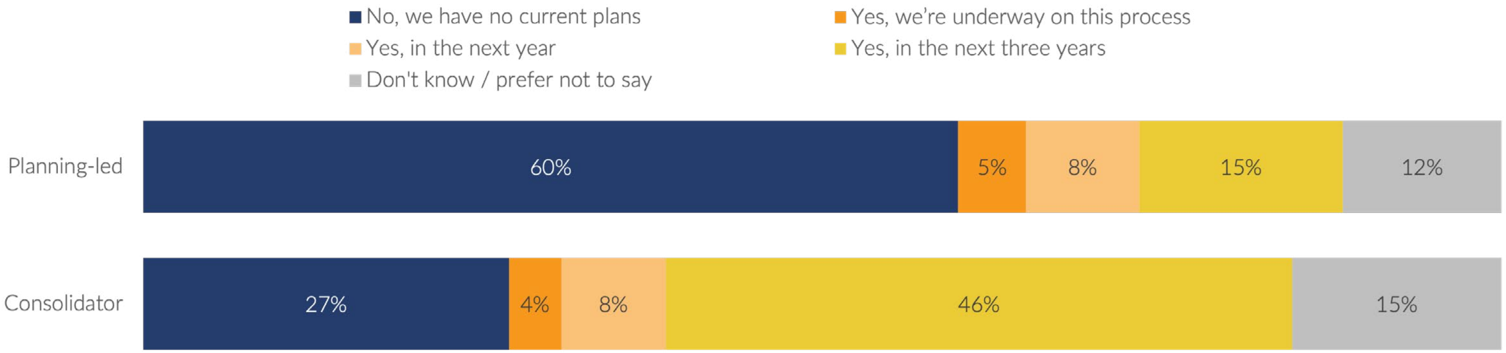
- Planning-led firms are more likely to use a fully outsourced platform. 14% of planning-led firms have a customised platform; compared to 32% among consolidators.
- 60% of planning-led firms that don't have a customised platform have no plans to launch one. This compares to 27% of advisers in consolidator firms.

Figure 6: Platform approach segmented by advisers in planning-led and consolidator firms.



Q: Which of the following statements best describe the primary platform solution which you currently use?

Figure 7: Intent to launch a customised platform segmented by advisers in planning-led and consolidator firms



Q: You indicated that your platform is not fully customised, do you anticipate moving to a fully customised platform in the future?

The two quotes to the right reflect the perspectives of two large financial advice firms—one that has strategically chosen to use third-party platforms to align with its business objectives, and another that has determined platform ownership best supports its goals.

"Let's be intentional about what we do and who we are, and let's be intentional about what we don't do and what we're not. We're here to service our clients, drive good client outcomes, and we're not here to become a substitute CRM system, platform or anything else. That view definitely hasn't changed."

-Financial planning firm, 100+ employees

"Control was the main driver for us launching our own platform and client experience. Although we use a lot of well-respected names in the industry, and they do a very good job, ultimately, we're putting their name in our advice reports, and if they mess up an onboarding for example, ultimately that reflects poorly on us, because we're making that recommendation. We still use and we still onboard clients to other platforms where it's in their best interest, but where possible, we do use our platform because it's more competitively priced, and we feel it's a better customer experience."

- Financial planning firm, 50+ employees

3.4. No visible asset shift, yet

Despite a rise in use of model b and platform software models for fully customised platforms, we haven't seen a negative impact on assets for third-party platforms. Figure 8 shows assets every six months in third-party platforms over two years and Figure 9 shows growth rates every six months. Assets continue to grow on third-party platforms. Some might suggest that the asset shift is masked by market growth. In the six months to Q2 2024, a 60/40 portfolio grew 8.5% compared to platform asset growth of 6.4%. (Our 60/40 portfolio is made-up of the MSCI world and FTSE World government bond indices). While the index grew more rapidly, the delta isn't enormous

The worrying trend for third-party platforms is the ambition and clear evidence of vertical integration among consolidators. If these firms manage to retain and recruit advisers, they stand to influence a larger share of assets, making life hard for third-party platforms looking to work with firms with a multi-platform strategy.

Figure 8: Third-party platform AUM quarter by quarter

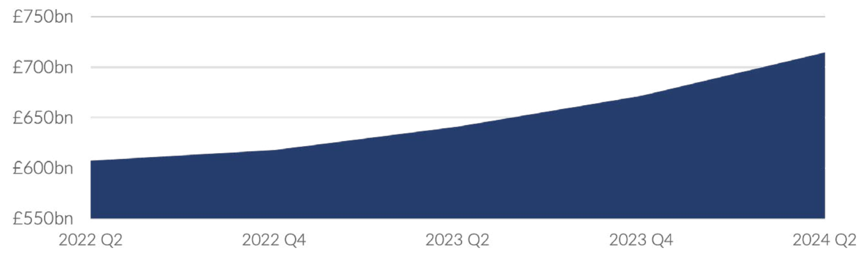
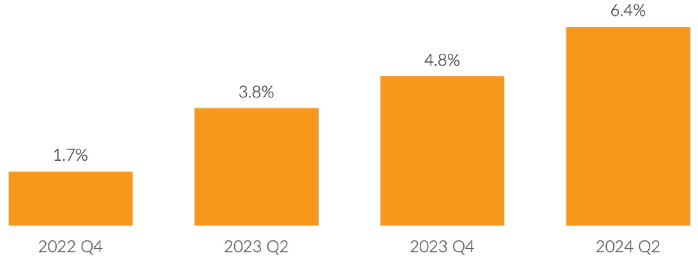


Figure 9 : Percentage growth in AUM every 6 months for third-party platforms



4. Considerations

4.1. Considerations for financial advice firms looking to launch a platform

From our interviews with financial advice professionals, there were four main considerations for firms looking to launch a platform. These are summarised in the following graphic. A more detailed exploration of considerations is included in our free guide for financial advice professionals, Platforms Unpacked.

The biggest challenge that advice firms operating a platform face is encouraging advisers and paraplanners to use it. Independent financial advisers and paraplanners will recommend the best platform for the individual client. They also want to recommend a platform that won't cause any problems down the line for the client or adviser. A new platform may seem like a risky choice. Platform service is incredibly important to advisers as they face off to the client. As one adviser put it in our interviews:

> *"It's your biggest supplier, and you're their salesperson."*
>
> -Financial planning firm 10+ employees

Adviser-as-Platform

Regulatory

- Co-manufacturing rules: If an advice firm plays a role in designing or influencing the platform service, co-manufacturing rules may apply
- Lack of clarity on permissions needed
- Due diligence of all parties involved, including custodian

Operational

- Set-up and maintenance
- Additional expertise required/ non-core compentencies
- Workarounds to address data accessibility (e.g. building a data warehouse to compile client data from multiple sources)

Client

- Justification for switching, especially from preferential deals elsewhere
- Product availability
- Functionality to support e.g. self-servicing, family-linking

Vision

- Distraction from core focus?
- Ability to pursue long term tech vision
- Growth ambitions, exit strategy and valuations, attractiveness to potential buyers
- Potential sources of fintech innovation
- Impact of consolidation

4.2. Taking staff on the journey

The challenge can be that what makes sense on paper does not always work in practice. Taking people on the journey is often the most difficult part of change management and is far too often underestimated. Financial advisers who were used to running their own business and now find themselves in a larger corporate, may balk at being told to use an in-house platform.

As a senior executive at a global data management and CRM provider remarked at a recent NextWealth AI Lab event:

> *"Technology is an enabler. For every dollar spent on the solution, you'll spend an estimated five dollars on change management. Think about how much change management can I really drive?"*
>
> -Senior executive, global data management and CRM provider

4.3. A single platform may solve most of the problems

Sometimes partnering with a single platform – whether model-b or a fully outsourced third-party platform - can solve many of the challenges advice firms face with platforms.

> *"We have 96% of our assets on [platform provider]. We don't have the problems everyone talks about. It's not perfect, but it works. And we don't even need to build our own portal. We can use [platform provider]'s."*
>
> -COO, advice firm with 20+ employees

5. Conclusion: What next for platforms?

The adviser platform market is certain to continue to undergo further disruptive change as regulation and tax codes continue to change, technological advances change the way we work and live and the financial advice market continues to evolve.

Platforms that will thrive in future must:

Regardless of the model – understand the business problem

As firms become larger, their needs change. They may want to take on some of the front-line servicing. Requirements for data for internal MI and regulatory reporting will increase. The need for consistency across multiple geographic locations will grow. We think AJ Bell has a compelling solution with their Custody Solutions offering. Nucleus and M&G have similar offerings. These firm can support advice firms at different stages with a fully outsourced investment platforms or a model-b offering. The advice firm does not need to manage the messy transfers process, beyond a new client agreement. Transfer of custody can be changed by the platform provider on the back end.

Data openness is critical to supporting financial advice firms of the future.

This isn't just about supporting large firms, it's also critical for supporting growth firms. Firms need valuation and transaction level data. They need this in their client portals and in their back-office systems. The CTO of a large consolidator we interviewed was chuffed to have reached 85% coverage for valuation and transaction level data for clients. While a fantastic achievement, it is an embarrassment to our sector that this is a point of pride. We heard anecdotes about individual platforms that provided good data and we plan to quantify this later in the year.

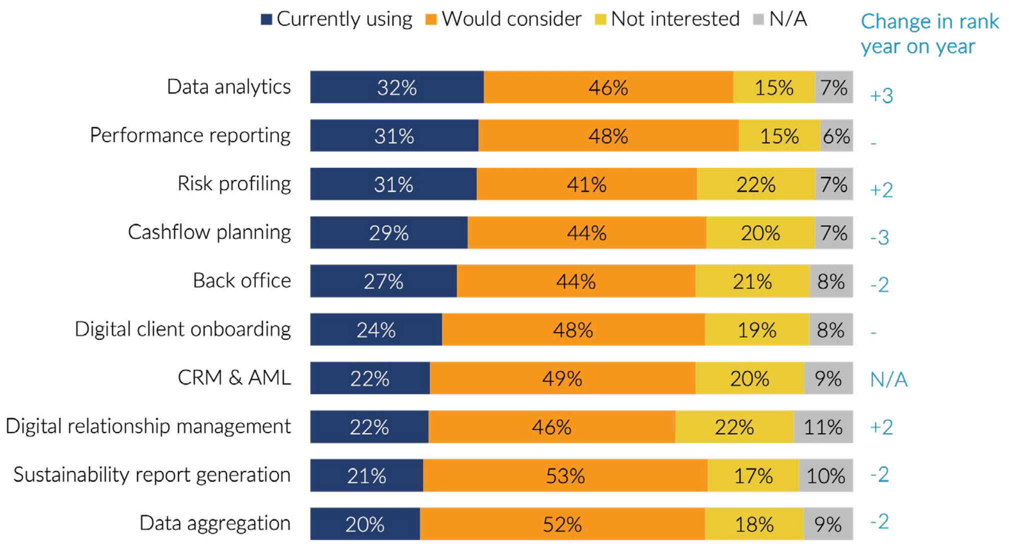
In our adviser survey for this report, we asked what additional services financial advisers would use from platform providers. Data analytics came out first with 32% saying they already use platforms for this and 46% saying they would consider using this. Data analytics jumped from a ranking of 4th last year to 1st based on the combination of 'currently using' and 'would consider'. Data aggregation was least used but among the features adviser are most likely to consider using.

Service is critical

Good service is essential. As quoted earlier, one of our interviewees quipped: "It's your biggest supplier, and you're their salesperson." Financial advisers face off to customers when things go wrong. If a platform misses an income payment, the adviser is the one the client calls and complains to. If a platform sends duplicates of transaction notifications, the adviser takes the blame. If a platform sends a pile of paper with disclosures in fine print once a year, the adviser is the one who is told.

The challenge for platforms is to offer a service that feels like it is 'white glove' but is in actual fact quite commoditised. This requires clever use of tech and highly skilled people.

Figure 9: Platform services that financial advisers use or would use



Q: Would you use any of the following services from a platform technology provider?

Do what you do and do it well

Several interviewees emphasised that platforms should focus on doing what they do and do it well. Safe custody of assets and access to tax wrappers are paramount. Quick turnaround times, good reporting and access to a person when things go wrong are equally important.

"This goes back to the early days of platforms. When platforms first came out, they were viewed as this thing that was going to change the world. And platforms would just add new technology, new reports, new third-party systems, new products, all these things were coming on, loads of which were completely irrelevant to us. So they were doing loads of work to bring all these new products on when, quite frankly, all we wanted was a platform that was really robust, that was really swift in what it did, good reporting, good transactional operations, all these other bells and whistles, all these reports, things like a really sexy front end, is irrelevant to us, because we're using our own portal."

- Financial planning firm, 100+ employees

Importantly platforms offer access to tax wrappers. Too few platforms have a fully integrated onshore and offshore bond. We hear that Quilter's proposition is among the best in the market. Platforms that want to be fit for purpose for the future need to offer access to fully integrated tax wrappers, including onshore and offshore bonds. Assets in a bond are also incredibly sticky, enhancing the business case for platforms.

"If you're going to be doing quite a narrow proposition where you're only really looking at GIAs, ISAs and pensions, then you've probably got a lot more choice than if you're doing the full suite of products. If you're looking at the full suite, and there's probably only a couple out there that can do it, it severely limits what you can then offer."

- - Financial planning firm, 25+ employees

"We looked at a few platform tech options. But we felt, at the time that the scale of moving or replatforming so much business is really difficult, especially as we are quite heavy users of onshore and offshore bonds, which means they're stuck. No matter what we want, they will would remain with [platform provider]. You can't move one of those type of products. So it would be GIA, ISA and pension clients that we would be looking to move. And to be honest, if you look into the pension offering of most of those firms, it's not great. [Platform provider] is by far the best offering we found for pension and drawdown, and that's absolutely key."

- Financial planning firm, 25+ employees

Memo of assets held elsewhere

Platforms were built for daily dealing of assets. While new wrappers (such as the LTAF) are potentially attractive, the consensus view from our interviews is that platforms should stick to what they do well (daily dealing) and offer the opportunity for a memo of assets held elsewhere. The platform doesn't need to be the repository of the assets but could be the repository for reporting of assets. Large firms will do their own reporting, small and mid-size firms could benefit from memo functionality.

Platform competition might come from left field

Finally, looking ahead, competition may come from 'left field'. Rather than looking at what competitors are doing, platforms should look to learn from other industries and other regions. FinTech players may be tomorrow's competition. Ideas for innovation might come from outside of the retail wealth management bubble.

"With the advances in FinTech, I think that's where it'll be interesting to see what that potentially brings, and whether there's an alternative to the platform world. You know, when we went from the traditional product providers to platforms that was transformational to the industry, wasn't it? What's that going to look like next? That's got to be driven by technology."

– Financial planning firm, 100+ employees

Appendix: Model b providers – proposition comparison

In this section we compare the models on offer to advice firms considering launching their own platform. Some of the key considerations are the regulatory responsibilities and functionality on offer. We have included firms that are actively marketing their white-label platform solution.

	AJ Bell (AJ Bell Custody Solutions)	BNY Pershing	Embark Group	Fundment	M&G Wealth Platform	Nucleus Wrap	Seccl Technology	SEI	SS&C Hubwise	Third Financial
Adviser platform models offered										
Third party platform *Platform service provider holds all permissions and fulfils all roles*	YES	YES	YES	YES	YES	YES	NO	NO	YES	YES
Branded portal platform *Offers branding and customisation of some reports*	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Whitelabel platform *The advice firm earns a fee for services provided as part of the platform, such as first-line service.*	YES	YES	YES	YES	YES	YES	NO	YES	YES	YES
Adviser-as-platform / Model-B *The advice firm has safeguarding and arranging permissions and first-line service responsibility. All regulatory or legislative changes are signed off by the tech/ custody provider. The platform cannot be customised, but data feeds and integrations can.*	YES	YES	NO	YES	YES	YES	YES	YES	YES	YES
Platform software *The advice firm sits within a fully vertically integrated wealth management business. They are the custodian and the nominee, provide the SIPP, and are the ISA manager. They hold full permissions. They take the platform tech as a software solution.*	NO	YES	YES	YES	YES	NO	YES	YES	YES	YES

Appendix: Model b providers – proposition comparison cont.

	AJ Bell (AJ Bell Custody Solutions)	BNY Pershing	Embark Group	Fundment	M&G Wealth Platform	Nucleus Wrap	Seccl Technology	SEI	SS&C Hubwise	Third Financial
What is profile of your typical adviser firm client?										
Typical minimum AuA	£200m+	£500m+	£350mn	£100K	Minimum depends on configuration	Not disclosed	Typically, >£200m of assets under advice	£500m AUM	£800m	£1bn
Typical number of employees	10-20 employees	15+	Support a range offirms covering advised and direct-to-customer markets.	Varies	Varies	Not disclosed	Typically, firms with five or more advisers	N/A	30+	100
Typical underlying client profile	HNW individuals and family members who typically need discretionary management	HNW & UNHW, family offices	Varies	Retail client or corporate that is UK based	Varies	Varies	Range from mass, mass affluent and HNW, UK nationals and residents with UK taxable earnings, in need of pre-retirement asset accumulation, income generation or capital preservation over a medium to longer time horizon.	Typically mass affluent and HNW client profiles	Retail mass affluent	HNW, £250k+ client size, long-term investing
For your Adviser-as-platform / Model-b proposition do you have a contractual agreements with the following parties?										
End clients	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES
Adviser firms	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES

Appendix: Model b providers – proposition comparison cont.

	AJ Bell (AJ Bell Custody Solutions)	BNY Pershing	Embark Group	Fundment	M&G Wealth Platform	Nucleus Wrap	Seccl Technology	SEI	SS&C Hubwise	Third Financial
Which of the following permissions do (or can) you undertake when offering a platform										
Client money	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Custodian of client assets	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Platform service provider	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES
ISA manager	YES	YES	YES	YES	YES	YES	YES	NO	YES	YES
SIPP provider	YES	YES	YES	YES	YES	YES	YES	NO	YES	NO
Who holds "safeguarding and arranging permissions"?										
Financial advice firm	NO	NO	NO	YES	NO	YES	YES	YES	NO	YES
Tech provider	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Who holds "safeguarding and arranging permissions"?										
Financial advice firm	NO	NO	NO	YES	NO	NO	NO	YES	YES	NO
Tech provider	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES
Custody provider	NO	YES	NO	NO	NO	YES	NO	YES	YES	NO

Appendix: Model b providers – proposition comparison cont.

	AJ Bell (AJ Bell Custody Solutions)	BNY Pershing	Embark Group	Fundment	M&G Wealth Platform	Nucleus Wrap	Seccl Technology	SEI	SS&C Hubwise	Third Financial
Who holds responsibility for required compliance communication to the client?										
Financial advice firm	YES	YES	NO	YES	YES	YES	YES	YES	YES	YES
Provider	NO	NO	YES	YES	YES	YES	YES	YES	YES	YES
Who holds responsibility for distributing key information?										
Financial advice firm	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Provider	NO	NO	YES	YES	YES	YES	YES	YES	YES	NO
Who holds responsibility for fulfilling data controller's ICO & GDPR duties?										
Financial advice firm	YES	YES	NO	YES	YES	YES	YES	YES	NO	YES
Provider	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Who holds responsibility for audit and due diligence on platform operator's AML/KYC										
Financial advice firm	NO	YES	NO	YES	NO	YES	NO	YES	YES	NO
Provider	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES
Who holds responsibility for 'orphan' clients (those no longer linked to a financial adviser)										
Financial advice firm	YES	YES	NO	YES	NO	NO	YES	YES	YES	YES
Provider	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO
Who holds responsibility for FCA returns and reporting										
Financial advice firm	NO	NO	NO	YES	NO	YES	YES	YES	NO	NO
Provider	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES

	AJ Bell (AJ Bell Custody Solutions)	BNY Pershing	Embark Group	Fundment	M&G Wealth Platform	Nucleus Wrap	Seccl Technology	SEI	SS&C Hubwise	Third Financial
Charging (for adviser-as-platform / model-b)										
Who sets the platform price?	Adviser firm	Adviser firm	Adviser firm	Adviser firm	Adviser firm	Adviser firm	Adviser firm	Adviser firm	Adviser firm	Adviser firm
Which of the following charging structures are available?										
Basis point fees	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Tiered charging	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Flat fee	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES
Charge cap	YES	YES	YES	NO	YES	NO	YES	YES	YES	YES
What tax wrappers are supported?										
ISA	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
JISA	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
GIA	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Lifetime ISA	NO	NO	NO	NO	NO	NO	NO	NO	NO	YES
Onshore bond	NO	YES	NO	NO	YES	YES	NO	YES	YES	YES
Offshore bond	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
SIPP	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Provider's own SIPP solution offered	YES	YES	YES	YES	YES	YES	YES	NO	YES	YES
Who can accounts be created for?										
Individual investors	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Corporate investors	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Trust	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Charity	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Functionality										
Family linking	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Client login	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Mobile app for the client	YES	NO	NO	NO	NO	YES	NO	YES	YES	YES

NEXTWEALTH

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We offer research, consultancy, thought leadership content and we also host events.

Our interests include financial adviser business models, the changes in technology powering wealth management and the investment proposition and factors influencing investment choice among financial advice firms.

We track assets in discretionary MPS, adoption and functionality of wealth tech, approaches to retirement advice and approaches to sustainable investing.

At NextWealth, we are able to draw on insights from across the market to help our clients thrive amid disruption.

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