



INVESTMENT QUORUM

UNIQUE, BOUTIQUE WEALTH MANAGEMENT

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FACTSHEET

Wealth Uplift

Calculating the value of financial advice

Quantifying the value of financial advice has always been a challenge because people who receive financial advice have different characteristics to those who do not.

But what if it was now possible to quantify the value of financial advice and isolate a pure 'advice effect'? This is exactly what the researchers at the International Longevity Centre – UK (ILC) have been able to calculate.

WHAT IT'S WORTH

The new research [1], 'What it's worth: Revisiting the value of financial advice' from the ILC suggests that, holding other factors constant, those who received advice around the turn of the century were on average over £47,000 better off a decade later than those who did not.

This result comes from detailed analysis of the Government's Wealth and Assets Survey, which has tracked the wealth of thousands of people over two yearly 'waves' since 2004 to 2006. The wealth uplift from advice comprises an extra £31,000 of pension wealth and over £16,000 extra in non-pension financial wealth.

IMPACT OF TAKING ADVICE

One of the key findings from the research is that the proportionate impact of taking advice is greater for those of more modest means. For the 'affluent' group identified in the research, the uplift from taking advice is an extra 24% in financial wealth compared with 35% for the non-affluent group. On pension wealth, the uplift is 11% for the affluent group compared with 24% for the non-affluent.

An important explanation for the improved outcomes for those who take advice is that they are more likely to invest in assets which offer greater returns (though with higher risk). Across the whole sample, the impact of taking advice is to add around eight percentage points to the probability of investing in equities.

LARGER PENSION POTS

The research also found that those who were still taking advice at the end of the period had pension pots on average 50% higher than those who had only taken advice at the beginning of the period. However, this result is not controlled for other differences in characteristics, so may at least in part reflect greater engagement by those who have larger pension pots.

International Longevity Centre Director, David Sinclair, commented: 'The simple fact is that those who take advice are likely to be richer in retirement. But it is still the case that far too many people who take out investments and pensions do not use financial advice. And only a minority of the population has seen a financial adviser.' ■

GETTING YOU CLOSER TO YOUR GOALS

Having a financial plan in action is one of the most important things you can do in life. It gives your finances direction and gets you closer to your goals. What is equally important is reviewing and revising your plan regularly. When it comes to managing your money, we can help you build wealth and secure your future and, above all else, draw up an effective plan for fulfilling your investment objectives. Please contact us for further information.

Source data:

[1] 'What it's worth: Revisiting the value of financial advice' will be published on 28 November 2019 at <http://www.ilcuk.org.uk> and <http://www.royallondon.com/policy-papers>.

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