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The way I see it: A different guise for IFAs

By [Chris Pitt](#) | 00:01:00 | 02 June 2009

Chris Pitt of Focus Solutions considers the post-RDR landscape for IFAs.

There have been many predictions that the retail distribution review (RDR) will cause IFA numbers to fall dramatically, potentially by half. The reasons for this anticipated decline have been widely discussed and include a lack of interest in acquiring professional qualifications, increased capital adequacy requirements and a potential drop in demand caused by a move to fee-based charging.

However, when predicting the size and shape of the post-RDR adviser landscape it is important to appreciate the difference between the number of IFA firms and the number of registered individuals (RIs).

Consolidation trend

In my view we will see a sharp fall in the number of IFA firms – not only for the reasons discussed but also because the current trend towards consolidation will continue and accelerate. However, the number of RIs will fall less sharply, say between 15% and 25%. Some will retire and some will change to become mortgage advisers when the market picks up.

But many will decide to relinquish their independent status in favour of the security and support that the in-house sales forces, like those that Aviva intends to grow, can offer.

So, while I can rationalise Aviva's recent prediction that there will be a '50% drop in the number of IFAs by 2013', I assume that they are referring to firms rather than RIs. In this context, I don't believe this is necessarily a bad thing as it will help to create national advice brands around which the industry can develop a position of greater trust with the community.

Positive aspects

Perhaps we should also recognise the more positive aspects of the Aviva announcement. Since the demise of industrial branch business the industry has struggled to engage directly with the consumer which, in turn, has led to significant gaps in provision and stunted the growth of the market. If this news from Aviva is an attempt to reverse that position then perhaps we should welcome it.

Overall, I believe that the post-RDR landscape will see some short to medium-term decline in RI numbers but, over the longer term there will surely be demand for more advisers. It's just that we will see them operating across a wider spread of advice delivery channels.