

THE CONNECTED PARAPLANNER

Paraplanner Survey Report | September 2023

Scottish Widows Platform

THE CONNECTED PARAPLANNER



Welcome to the Scottish Widows Paraplanner Survey, a temperature check on the health of the paraplanning profession and an insight into the increasingly crucial role that paraplanners play within the advice value chain.

Our survey of over 400 paraplanners reveals how they feel about: their role; their relationships with advisers; their use of technology; the challenges and opportunities within the industry; and their aspirations for the future state of paraplanning.

Indeed, it is those technology aspirations – and the strength of their adviser relationships – that inspires our title, *'The Connected Paraplanner'*. Paraplanners are reporting that many back-office systems remain unintegrated with calculations still carried out off platform, which carries a risk of data errors from the re-keying of information. It is clear they want to sit at the heart of a more seamless, integrated adviser back office. One where connectivity brings disparate solutions together into an end-to-end system that can power both full and hybrid advice journeys.

In the last decade, paraplanning has moved from being an administrative black box to the academic face and technical engine of financial advice. It is now rightfully viewed as a distinct profession rather than a stepping-stone to becoming a financial adviser. The role is only slightly tilted towards women – who make up 55% of our survey respondents, with an average age of 41.

Demand for financial advice is growing and technology, including artificial intelligence, offers huge promise in closing the advice gap. Our results on AI are particularly interesting: it is seen as both an opportunity and a threat – a reflection perhaps of the fact that we are still at an early stage of development, with dedicated AI financial planning tools still to be developed.

At Scottish Widows, we are listening carefully to the aspirations of paraplanners as we build out our platform development roadmap. We are putting the principles of seamless integration and connectivity at the heart of our platform innovation plans as we look to deliver on our ambition of being the easiest adviser platform provider with which to do business. ■

Ranila Ravi-Burslem
Intermediary Distribution Director, Scottish Widows



It is clear (paraplanners) want to sit at the heart of a more seamless, integrated adviser back office.

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THE PROFESSIONAL PARAPLANNER

- Paraplanners are increasingly looking to progress within their own, distinct profession.
- Paraplanners are well recognised within the industry, albeit not yet fully appreciated by clients.
- More work needs to be done to define and standardise the paraplanning role.

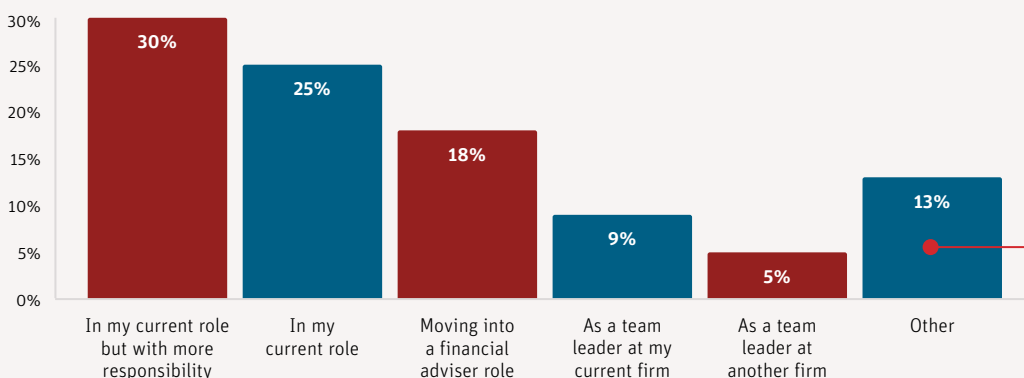
Paraplanners are cementing their position as a key value driver within advice firms

There has never been a better time to be a paraplanner. The role has continued to evolve, steadily consolidating its position at the heart of the advice value chain. And, contrary to the traditional notion that a paraplanning position was merely a step towards an advisory role, paraplanners are increasingly finding career development, recognition and reward within their own profession.

Only 18% of paraplanners see themselves moving into a financial adviser role in the next five years, with an overwhelming 69% progressing either within their current role or taking on a team leader position.

This departure from what was once seen as a career path for paraplanners is supported by strong levels of recognition from those within the industry. A 70% majority of paraplanners say they believe that their contribution is seen as 'essential' by the advisers they work with and only 14% said it was

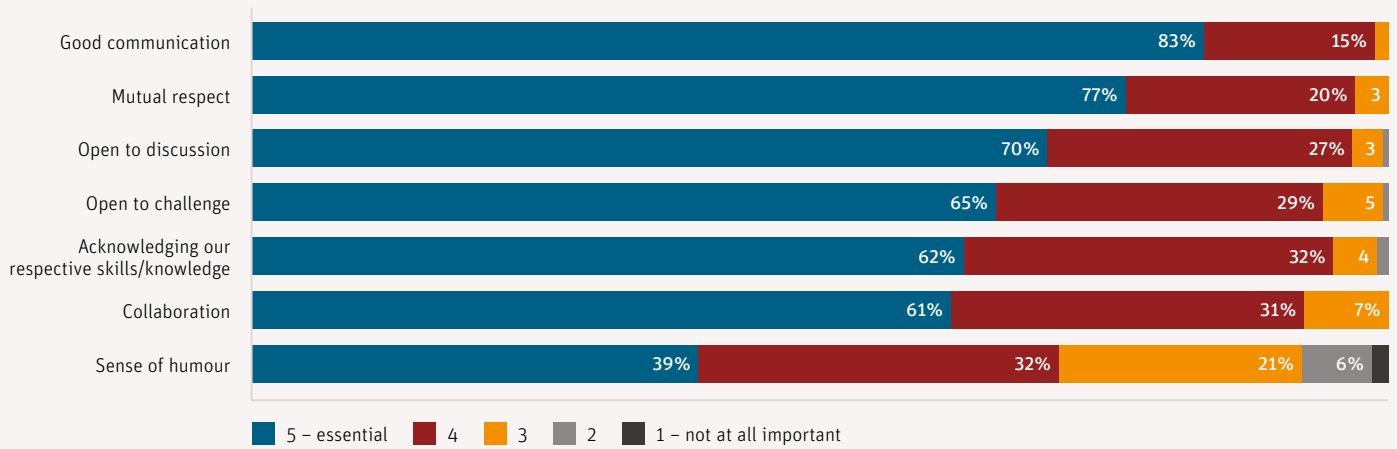
WHERE DO YOU SEE YOURSELF IN FIVE YEARS' TIME?



Male paraplanners are notably more likely than their female counterparts to see themselves moving into a financial adviser role (24% to 13%).

4% of paraplanners see themselves retiring in the next 5 years.

HOW IMPORTANT ARE THE FOLLOWING IN YOUR WORKING RELATIONSHIP WITH YOUR ADVISER?



seen as an ‘administrative’ role. In a similar vein, 81% of paraplanners believe that their firms value paraplanning more highly now than in the past.

Adviser relationships are stronger than ever. Nearly nine in ten (89%) agree their working relationship with advisers is positive, a slight uptick from last year’s 85% result. And over half of paraplanners report that their relationship with advisers is excellent. Paraplanners in smaller firms (<£100m in AUM) are most likely to describe their adviser relationships as excellent.

Digging down a little further, we can see what paraplanners believe constitutes a good adviser relationship. Good communication (83%) comes out on top followed by mutual respect (77%), being open to discussion (70%), and being open to challenge (65%).

This result suggests paraplanners most value the opportunity for their professional opinions to be heard. Reassuringly, our survey finds this is the case, since 91% of paraplanners feel they can challenge their advisers’ recommendations (rising to 94% for the most experienced paraplanners).

There is still some progress to be made. While paraplanners are well regarded within their own firms, 40% report that their work is not always appreciated by clients (versus 39% last year). This might be a reflection of the often more behind-the-scenes nature of paraplanning, with client contact typically via video conferencing, phone and email but, equally, there seems to be scope for advisers to clarify the value their paraplanners add.

Paraplanning beyond the advice office

Lack of public understanding about the role is frequently cited as an annoyance by paraplanners. A key step in building recognition with clients and people outside the advice industry may be a clearer definition of what a paraplanner really is. A 71% majority of those surveyed say they want an industry-approved definition of their role, to enhance legitimacy in the eyes of clients and advisers. Meanwhile, 62% agree that an industry-approved qualification would help improve standards across the profession.

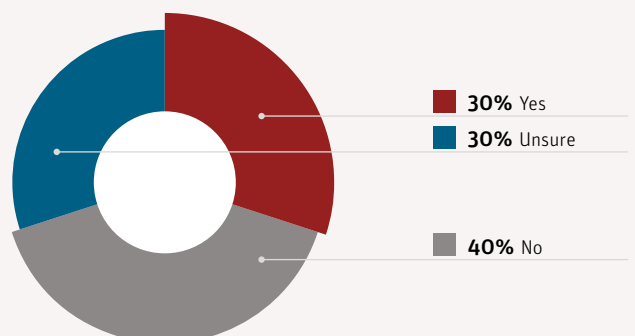
89%

HAVE A POSITIVE WORKING RELATIONSHIP WITH ADVISERS

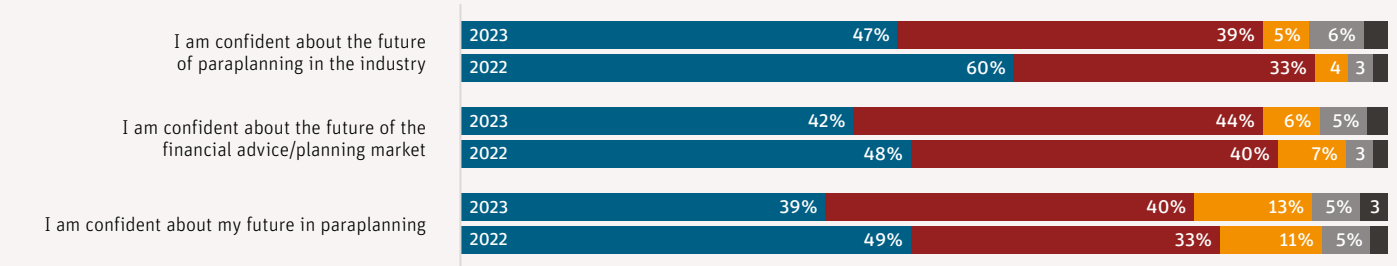
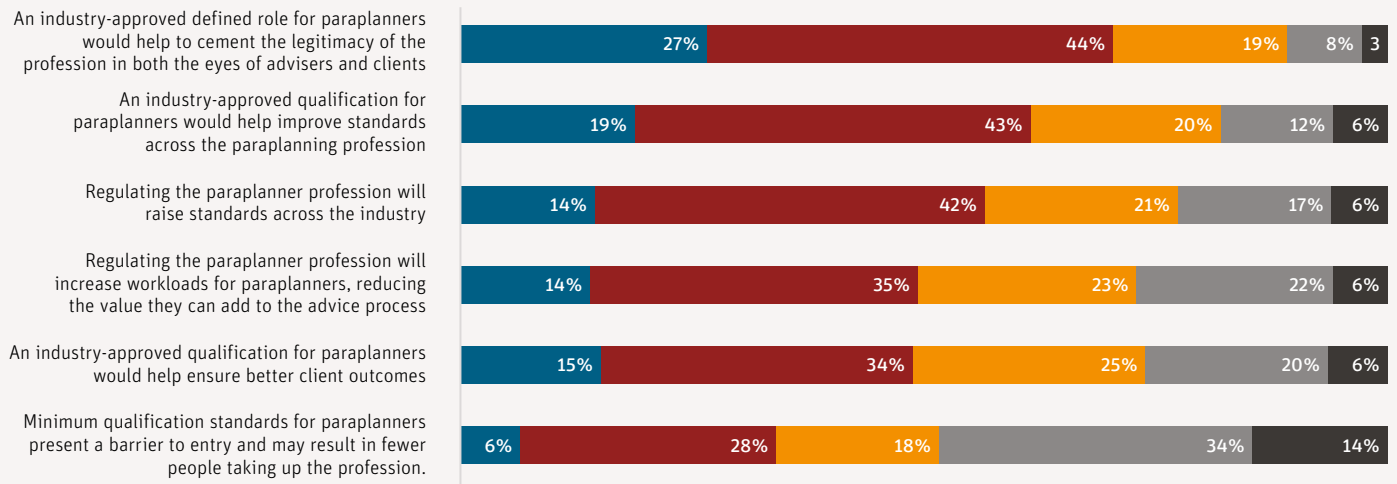
91%

BELIEVE THEY CAN CHALLENGE THEIR ADVISERS

DO YOU FEEL THE ROLE OF PARAPLANNER IS APPRECIATED BY CLIENTS? (EXCLUDING THOSE WHO DO NOT HAVE CONTACT WITH CLIENTS)



HOW STRONGLY DO YOU AGREE?



■ Strongly agree
 ■ Somewhat agree
 ■ Neither agree or disagree
 ■ Somewhat disagree
 ■ Strongly disagree

Limited understanding of the role from outside the industry requires a proactive approach. Yet, 71% of paraplanners said that none of the firms they have worked for were involved in promoting paraplanning as a career option for school leavers or graduates. This is despite the fact it can be an attractive career choice. 73% of paraplanners believe that it is a career that presents “greater flexibility to achieve a work-life balance, or meet caring responsibilities, compared to other professions.”

Paraplanners for their part remain very confident about the future of their industry. A striking 86% majority are confident both about the future of paraplanning and the financial advice market overall, while a 79% majority are confident about their own future within paraplanning. ■

ANALYSIS



...advice firms depend on and value their paraplanners more than ever...



Our survey reveals that advice firms depend on and value their paraplanners more than ever, as they increase their value add across the advice process. This is something that is readily borne out by our regular engagement with the paraplanners. There are still a few areas for improvement, both in the recognition paraplanners get from clients and in the wider understanding of the role outside the industry.

More can be done to promote the flexibility that the role offers, and the fact that some of the leading advice firms run academy and mentoring programmes. The career path of paraplanners is often dependent on where the firm, and paraplanner, decides they can add the most value. Greater clarity around the role and ‘gold standard’ qualifications would help to build its wider profile and secure a quality pipeline of new entrants.

Jamie Drewett
Head of Intermediary Sales

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THE TECHNOLOGY-ENABLED PARAPLANNER

- Paraplanners believe the tech they use can be improved via integrations, automations & tools.
- As principal users, paraplanners want more influence over technology decisions in their firms.
- AI is currently seen as a significant opportunity as well as a potential threat, but usage is low.

What do paraplanners want from their tech?

Paraplanning and technology go hand in hand; it's no coincidence that both have become ever more critical parts of the advice value chain as growth in one has reinforced growth in the other. Paraplanners are invariably the principal users of technology within advice firms, with the majority using two or three platforms regularly, as well as several systems or tools.

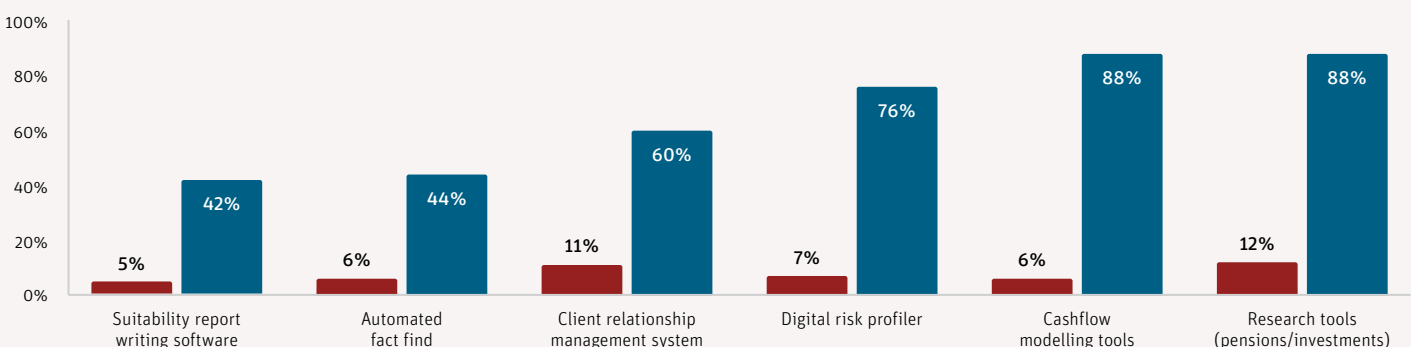
The most popular applications are cashflow modelling tools and research tools for pensions & investments, followed by

risk profilers, CRMs and automated fact finds. However, the more interesting finding is that much of this tool use still happens off-platform, where the manual rekeying of data can introduce the risk of errors. This suggests there is scope for firms to make greater use of platforms that offer integrated apps with data integrity assured by automated transfer.

In fact, it turns out that "better integration" is exactly what paraplanners want, these words coming out as the most popular free-text terms when we asked paraplanners exactly how the tech they use could be improved. And, given their

PARAPLANNERS USE A RANGE OF APPS BUT MOSTLY OFF-PLATFORM

■ Use on platform ■ Use off platform



HOW COULD TECH BE IMPROVED?



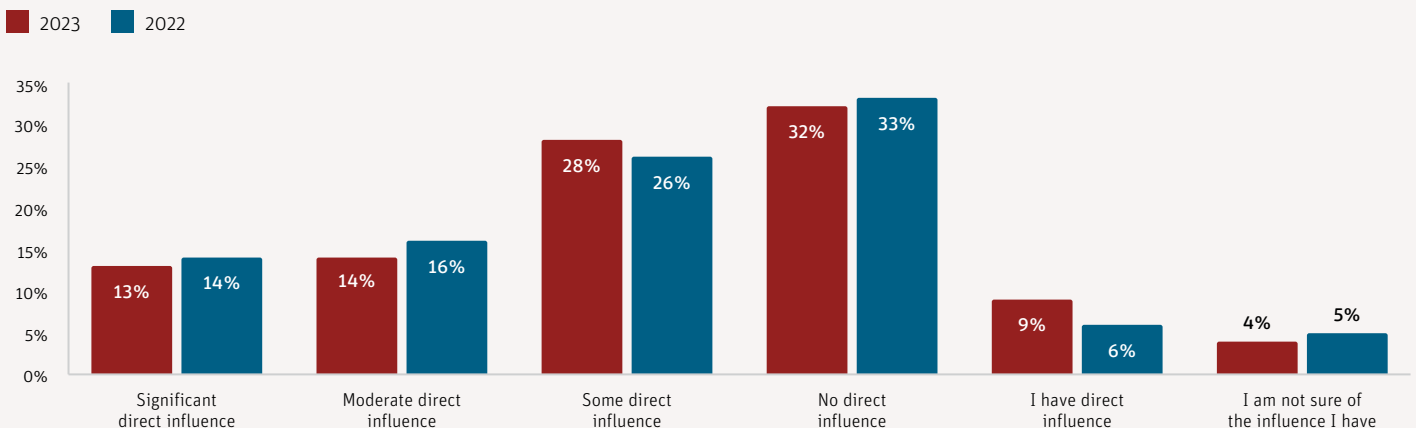
use of a range of often unconnected systems, it is not surprising that the majority of paraplanners (64% agree, 25% neutral) believe the technology they currently use could be better. Interestingly, the proportion is higher for larger firms (71%) suggesting their tech may be in greater need of updating.

However, the decision on whether to bring in new technology is one area where paraplanners feel they are being short changed. While 91% of paraplanners would like a say on tech decisions, only 9% have direct influence while a further 55% feel they have some measure of direct influence. This is a material mismatch given paraplanners are not only the main users of technology, but also, invariably, the technical experts on the calculations and outcomes that tools are trying to achieve. Paraplanners report that cost continues to be the top barrier to investing in new tech (68%), but in large firms this is also felt to be complicated by resistance to change and the fact that decisions are often taken on a group basis by one individual.

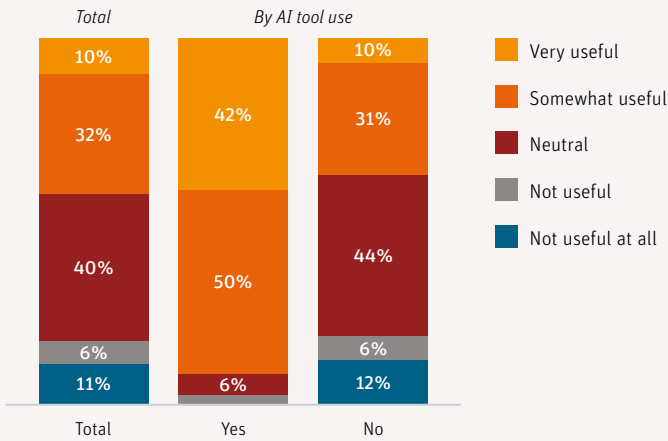
91%

THINK PARAPLANNERS **SHOULD** HAVE INFLUENCE OVER THE CHOICE OF TECHNOLOGY, COMPARED TO **89%** IN 2022, BUT ONLY **9%** FEEL THEY HAVE DIRECT INFLUENCE, WITH A FURTHER **55%** EXERTING SOME FORM OF INFLUENCE.

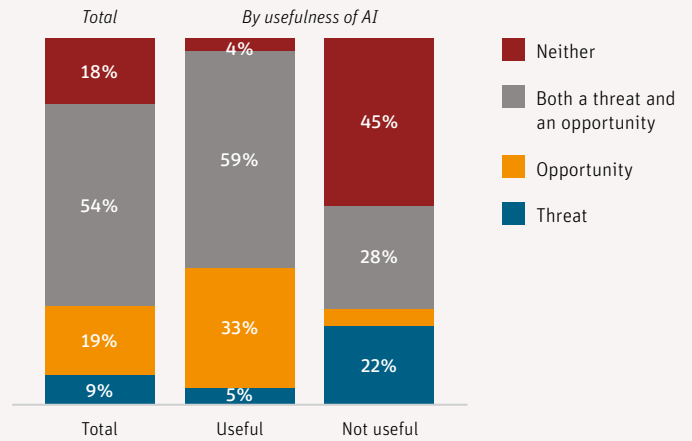
INFLUENCE OVER TECHNOLOGY BEING USED



USEFULNESS OF AI IN THE PARAPLANNER ROLE



PERCEPTION OF AI'S IMPACT ON PARAPLANNING



Artificial Intelligence: An opportunity... and a threat?

Artificial intelligence has been a big talking point since the release of generative AI tools like ChatGPT. Despite some concerns over job security, AI has mostly been talked up for its promise of making advice firms more efficient. But what do Paraplanners think? The short answer is: the jury's out.

While awareness is high - 89% of paraplanners have heard of AI tools – usage is low with only 1 in 10 reporting they have used AI tools in their roles. Although, for younger paraplanners under 30, that proportion doubles to 2 in 10.

Our survey reveals that 42% of paraplanners believe AI will be useful in their role, while 40% are neutral. Similarly, most paraplanners (54%) feel AI is both an opportunity and a threat. These results are most likely a reflection of both the current lack of direct exposure to AI and its early stage of development. Use cases and dedicated AI tools have yet to be developed for the financial industry.

Encouragingly, when paraplanners get their hands on AI tools they become significantly more positive on their value. An overwhelming 92% of paraplanners who have used AI tools believe they will be useful in the paraplanner role.

The development of industry-specific AI-use cases and tools will take time. In the meantime, paraplanners are firmly on the fence. 71% of paraplanners believe AI needs to undergo further development and testing, while 54% believe that AI may need regulation, before it allows them to add value. This scepticism is consistent with the fact that while AI tools offer great promise, they are not infallible; they produce credible answers based on patterns learned from large language models. As such, they can be prone to errors and limits in their application to individual cases. This also helps to explain why AI is unlikely to replace paraplanners anytime soon. ■

ANALYSIS



I think AI will ultimately allow paraplanners to fast-track lower-value aspects of their role.



Paraplanners are telling the industry they want the technologies they use to be better integrated. Fortunately, improved integration and connectivity have been key priorities within our platform development roadmap. We recently added a range of data integrations with CRM systems for bulk valuations, for example, and we are building out our App store with market-leading tools like EVPro and Voyant.

I think AI will ultimately allow paraplanners to fast-track lower-value aspects of their role. By adding their deep understanding of client needs and objectives, alongside their product and technical knowledge, paraplanners will be freed up to re-focus on higher value activities, cementing their position as the vital human link between technology and clients.

Jonathan Sandell
Group Head of Propositions

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CHALLENGES AND OPPORTUNITIES

- Paraplanners cite the administrative burden of regulation as the top industry challenge.
- Paraplanners see the next generation of clients as the biggest opportunity for the industry and technology is key in securing them.
- Heavy workloads are a key barrier to paraplanners adding more value for their firms.

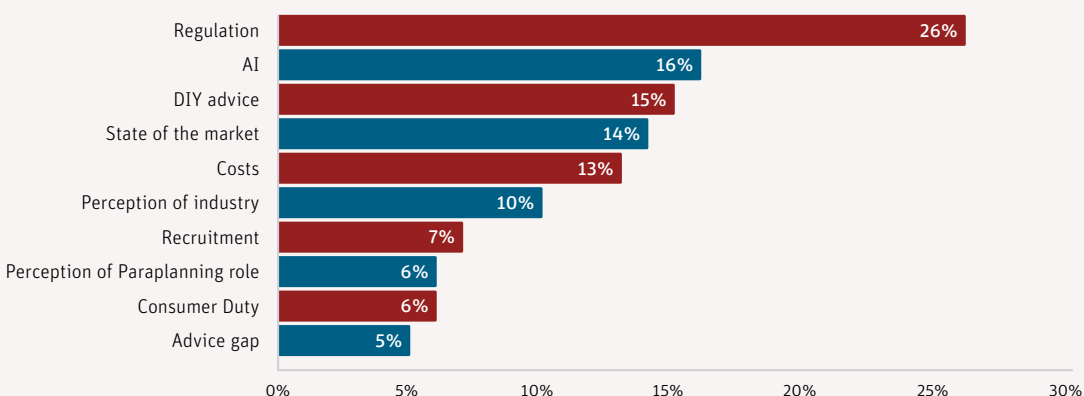
Challenges: Paraplanners see regulation as the biggest headwind

Paraplanners tend to have frequent touch points across all aspects of the advice process and from top to bottom of any given firm, given their wide range of responsibilities. While a paraplanner's primary function might vary considerably from firm to firm, the profession certainly offers a truly unique vantage point across the industry as a whole.

When asked about the biggest industry challenges, regulation emerged as the clear number one concern. Over a quarter (26%) of those surveyed specifically referenced regulation as the biggest challenge facing the sector, with Consumer Duty ranking ninth place in its own right.

The phrases 'constantly changing' and 'overregulated' were heavily used, with 'uncertainty' in regard to regulation also being a common theme.

WHAT DO YOU THINK ARE THE BIGGEST CHALLENGES FACING OUR INDUSTRY?



Note: responses were collected in open text and sorted into categories.

the role of paraplanners or augmenting their productivity by ultimately adding to their arsenal of tools, the effect that AI could have directly on the end user in providing advice is a challenge of its own.

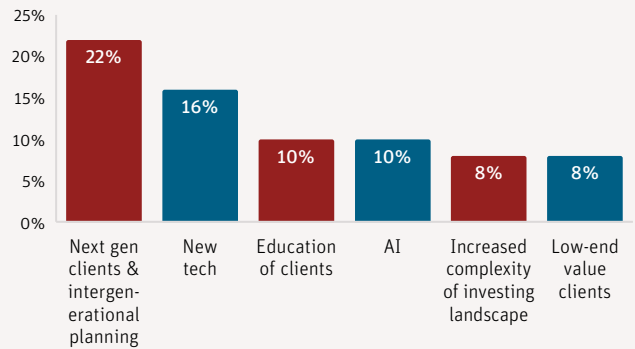
Opportunities: Intergenerational planning and new technologies

When we turn to opportunities, AI also makes an appearance – ranking fourth – suggesting that opinions are still mixed and undecided at this early stage of development. At present, everything points to a vital human interpretation being required for the effective use of AI in most industry settings. However, if AI tools were to develop to the point where they could offer an alternative to the advice industry as whole, this would swing the pendulum from opportunity to threat.

Paraplanners believe the next generation of clients and intergenerational planning is firmly at the top of the list of opportunities for the industry. This is a really important area to consider as many advisers do not have succession planning in place, meaning that their clients’ dependants often seek new advisers, rather than sticking with the firm that has been managing their inherited wealth.

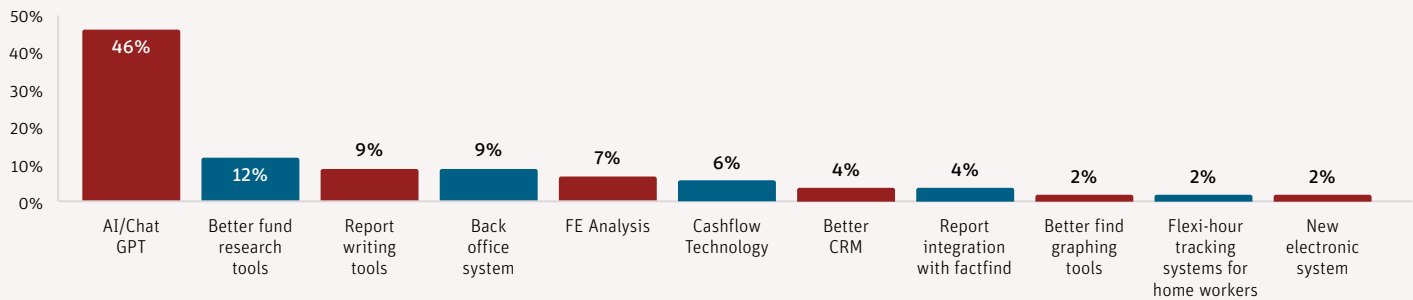
Many respondents paired servicing the next generation of clients with the use of technology, stating that there is an opportunity to onboard a new generation of young investors centred on a more technology-driven, lower-cost advice service. This makes perfect sense when you consider robo-advice as a key competitor.

WHAT DO YOU THINK ARE THE BIGGEST OPPORTUNITIES FOR FINANCIAL PLANNING FIRMS?



When asked if there are any specific technologies that would benefit them or their firm right now, of those paraplanners who could think of a specific technology, 46% named AI/ChatGPT. So while the longer-term impact of AI is yet to be determined, it does seem likely that, in the near future, a good number of paraplanners will be using AI and ChatGPT-like tools to do much of the heavy-lifting work associated with compiling a suitability report for example. These pioneering paraplanners could establish a new way of working as early adopters and light the way for others in the industry to follow. ■

SPECIFIC TECHNOLOGY THAT WOULD BE BENEFICIAL (THOSE THAT COULD THINK OF A SPECIFIC TECHNOLOGY)



ANALYSIS



Intergenerational planning has never been more important...



Wealth tends to pass down only on death, which is still something of a taboo even in financial planning, so there is considerable scope for advisers and paraplanners to promote a more proactive approach that maximises tax and trust planning efficiencies.

Given the greater impact of the cost of living on younger generations and the incidence of longer lifespans, it could be useful, for example, to consider the ways in which some wealthier clients could pass on excess retirement income to dependants now. Intergenerational planning has never been more important and there is lots of support that advisers can access from platform providers, including Scottish Widows, in the form of platform tools and technical expertise.

Ranila Ravi-Burslem
Intermediary Distribution Director

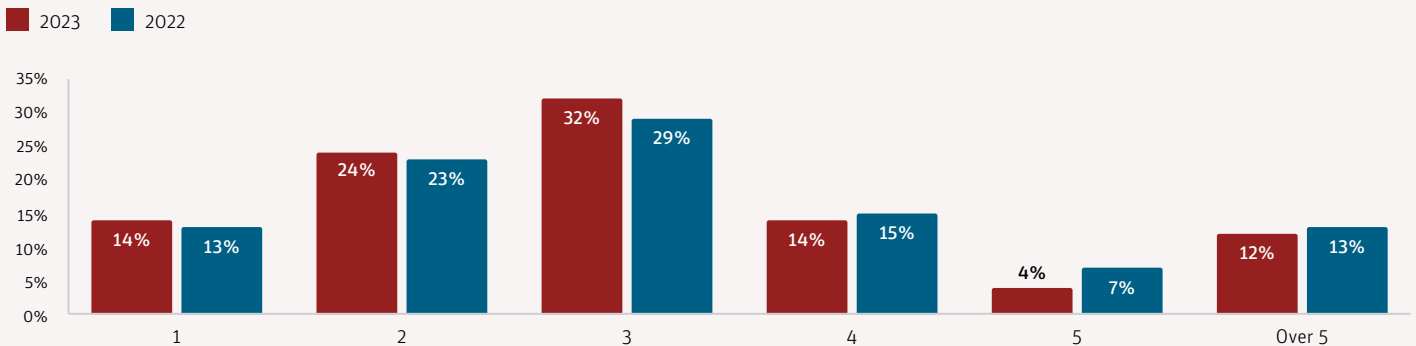


RESEARCH ROUND-UP

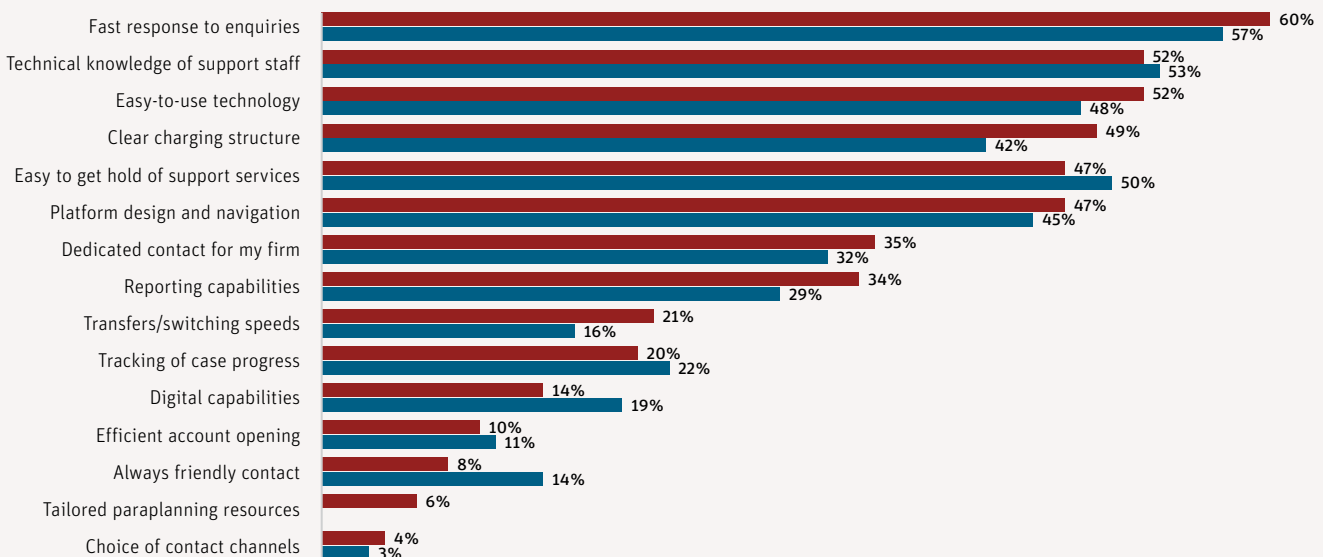
How do paraplanners feel about platform engagement?

Paraplanners mostly use two or three platforms with only 30% of those surveyed using four or greater. A 70% majority of paraplanners are happy with the way in which platforms engage with them, with this proportion increasing to 74% for those who use three or fewer platforms. And, when it comes to the areas where platform engagement matters most, paraplanners told us their priorities: fast response to enquiries, technical knowledge of support staff, easy-to-use technology and a clear charging structure.

NUMBER OF PLATFORMS USED REGULARLY



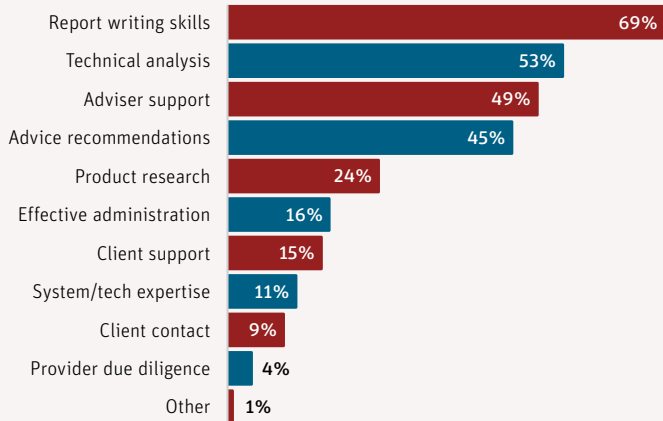
AREAS WHERE PLATFORM ENGAGEMENT MATTERS MOST



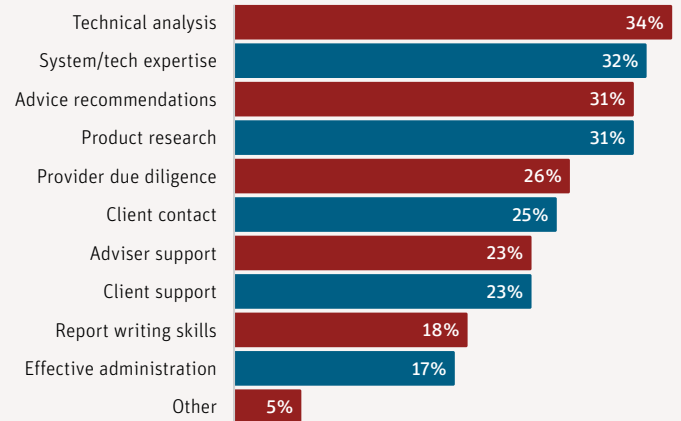
Where can paraplanners add more value?

You would expect to see some overlap between the areas in which paraplanners feel they are already adding value and where they feel they could contribute more. But the devil is in the detail and this result highlights the variation in paraplanner responsibilities among firms and the steady transition that we are still seeing as paraplanners move up the value chain. We can see, for example, 45% believe they already add value to advice recommendations yet, at the same time, 31% believe they could add more in this area.

IN WHICH OF THESE AREAS DO YOU FEEL YOU MOST ADD VALUE TO THE ADVICE PROCESS?



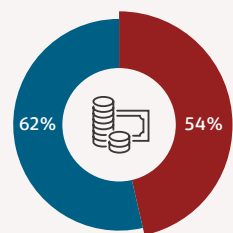
AND WHERE DO YOU THINK YOU COULD ADD MORE VALUE TO THE ADVICE PROCESS?



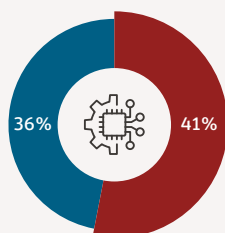
How can firms be more supportive of paraplanners?

Given the economic environment we're currently experiencing, it might be surprising, at first glance, to see a material drop in the proportion of paraplanners looking for a review of their pay structure. However, there has been some indication that demand for experienced paraplanners outstripped supply, which may have moved the needle for some paraplanners on pay. This also helps to explain the greater willingness of paraplanners to stay in the role as a career, as discussed earlier.

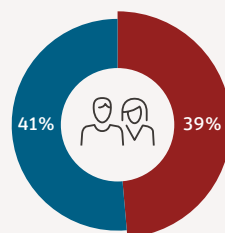
HOW COULD YOUR FIRM/THE FIRMS YOU WORK FOR BE MORE SUPPORTIVE OF YOUR ROLE?



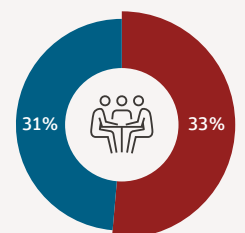
Review the pay structure for the paraplanner role



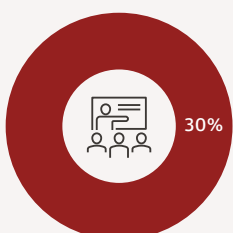
Invest in more/better technology



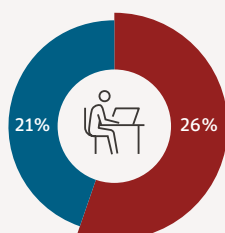
Employ more paraplanners



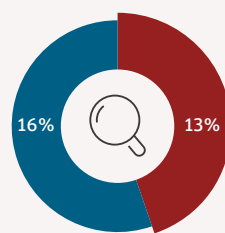
Engender a more collaborative culture



Provide more training



Provide a better working environment



Other

2023 2022

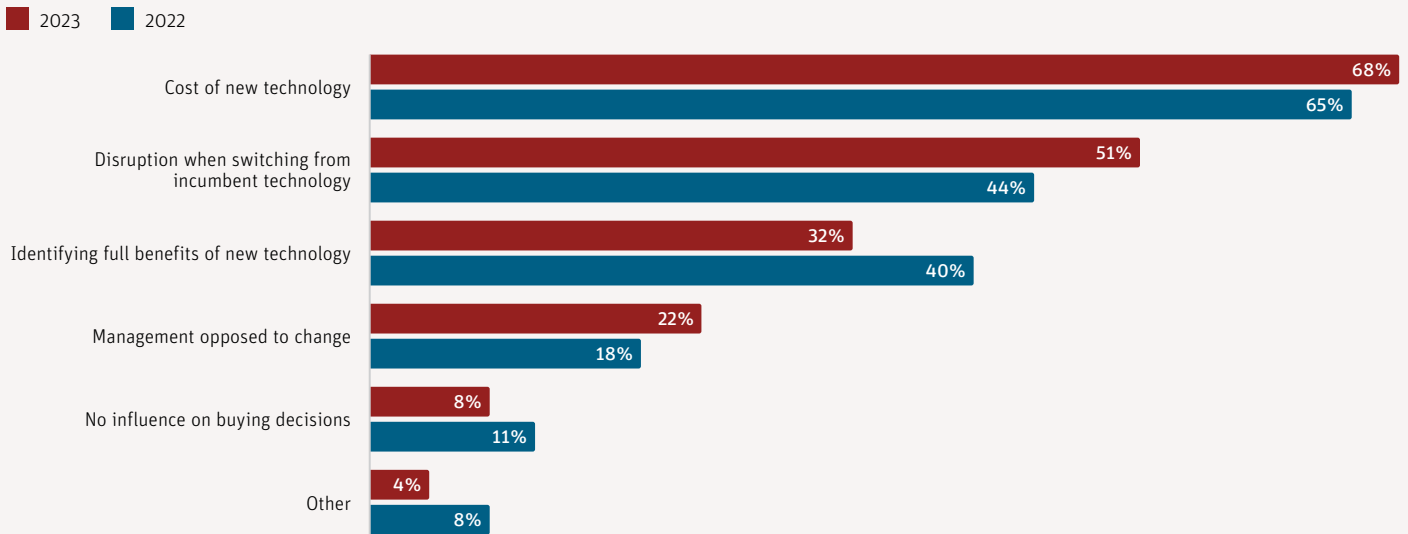
What's stopping firms from implementing new technology?

The cost of new technology and the disruption caused when switching from legacy systems are both key barriers to implementing new technologies. More surprisingly, over 1 in 10 paraplanners feel there is no barrier at all. When we also consider the material drop in 'identifying full benefits of new technology', we see paraplanners as largely supporters of new technology but, as discussed earlier, they are not always involved in technology decision-making. ■

11%

OF PARAPLANNERS FEEL THERE IS NOTHING STOPPING THEIR FIRMS FROM USING NEW TECHNOLOGIES

WHAT MAY BE STOPPING THE FIRM(S) YOU WORK FOR FROM USING NEW TECHNOLOGY?



MARKET LEADING TECHNOLOGY

The Scottish Widows Platform





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PARAPLANNER SURVEY DETAILS

The Scottish Widows Paraplanner Survey work was carried out by Research in Finance, a leading market research, consultancy & publishing business, which publishes Professional Paraplanner – a website dedicated to the Paraplanning community.

It is based on the responses of 422 paraplanners sourced from Research in Finance's proprietary panel and Professional Paraplanner subscribers, with the fieldwork conducted from the 14th to the 30th of June 2023. Participants who completed the survey were offered a £10 Amazon voucher or a donation to The Trussell Trust.

researchinfinance.co.uk | professionalparaplanner.co.uk

