

Wrap – a journey not a destination

Macquarie Planner Services
Smart solutions made simple



Macquarie's Head of Distribution, John Porteous, comments on the importance of long term partnerships and what this means when selecting a platform provider



As the financial services community travels toward the implementation of RDR, there are a number of powerful arguments supporting the role that platforms (and in particular, wraps) will play in delivering greater efficiency for advisers and an improved service for their clients. While the platform industry is becoming highly competitive with new entrants challenging existing players with fresh and innovative propositions, so advisers have started to realise that wraps are fundamentally different to other products and cannot always be analysed at face value. While many financial products and services are judged on features, benefits and price, platforms also require a high degree of qualitative assessment in the context of the business model adopted by the adviser.

This is because all parts of the value chain are rapidly evolving. Firms are starting to build more robust strategies around their client proposition and need to reflect on how best to deliver this to market. Underpinning this are the rapid advances being made in technology – with the promise of more to come – and the greater focus across the profession on practice management. Clearly, these points raise the prospect that any quantitative screening (or gap analysis) will need to be re-assessed in the future as the market innovates further (especially in light of greater visibility in relation to successful RDR practice models).

This poses a dilemma for the adviser. In selecting a platform partner they are effectively making a decision today that will ultimately be judged at a future point in time. Each platform (wrap and/or supermarket) is essentially a constant work in progress. To offer a sustainable offering to the market, a successful provider must be prepared to commit ongoing resources towards innovation, development and enhancement. Given the likelihood of further changes in the tax landscape coupled with a broader investment universe desired by advisers, platforms need to remain relevant to the underlying financial planning strategies being adopted and evolved by advisers.

Inevitably there is a fundamental challenge for advisers in committing to a long term relationship with any given platform provider. To illustrate this point, consider the following four questions:

- 1 Do I understand and agree with the vision and long term development goals of the platform?
- 2 How is my own business and client proposition likely to change over the next 18-36 months?
- 3 Am I looking for a solution to investment execution or do I need a wider solution that offers greater support to my business strategy?
- 4 How might my preferred wrap provider help or hinder me in realising the full value for my business, or limit my own business acquisition ambitions?

An alignment of philosophy between adviser and platform is a crucial part of the decision making (and ongoing review) process. Indeed, this is likely to become a higher profile issue as advisers start to transform their use of platforms from basic trading, custody and aggregation towards a more integrated planning solution.

While platforms are nothing new to the UK financial services market, in many instances, their use remains quite embryonic amongst advisers and foreign to many prospective clients. If platforms really are the solution that the industry believes them to be, their use will become more of a matter of course rather than a point of differentiation. Advisers will then need to distinguish themselves from their competitors by how they use and harness these solutions rather than merely the fact that they have “adopted” them. Against this backdrop, the assessment of what a successful partnership looks like will be very important indeed.

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