

5 trends shaping the local advice scene

By [Tamryn Lamb](#)

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While we all knew that we were entering 2021 with the battle against Covid-19 far from over, there were likely a number of people (myself included) who woke up on 1 January, with a sense of hope that there were less bumpy times ahead.



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So, what does this mean for the advice industry? 2020 delivered an important reminder of the crucial role that a good, independent financial advisor plays. Advisors with good processes in place were able to seamlessly transition to a remote working environment and effectively communicate to their clients over a very tumultuous period.

For the year ahead, advisors – alongside other industry participants who work with clients to build long-term wealth – will need to continue to display resilience. Below are some of the trends that are shaping the South African landscape that advisors are grappling with to ensure their practices stay future fit.

1. Ongoing structural shift towards offshore investing

There has been a sustained increase in demand to invest offshore. While offshore investing should be encouraged to gain exposure to additional opportunities and to hedge against currency risk, advisers play an important role in ensuring that their clients gain access to the right opportunities and that they make these investment decisions within the context of their longer-term financial plans.

South Africans frequently race offshore at the wrong time and for the wrong reasons, panicking in response to negative local news flow and investing on the wrong side of a volatile currency. As an industry, our goal should be to continue to remove the cyclical nature in how clients invest offshore and view it as the important structural asset class that it is.

2. Technology as an enabler

Advisors are increasingly acknowledging the role technology plays in enabling the advice process. More and more advisors prefer to spend time on coaching and direct engagement with clients, letting technology drive the administrative and low value-adding tasks.

An increasing number of local providers are focusing on solving specific problems that exist in advice businesses by using

different technologies. This is a big departure from old, monolithic software providers that aimed to offer one-size-fits-all solutions. It feels easier today, than in previous years, for advisers to take a building-block approach, choosing the right service providers for the right problems.

3. Remaining abreast of regulatory developments

Over the past few years there have been a spate of regulatory changes, including the ongoing rollout of the Retail Distribution Review (RDR), a continued raising of the fit and proper requirements for advisers and, more recently, some related pieces of regulation on the harmonisation of the treatment and rules across retirement products.

The Financial Sector Conduct Authority continues to emphasise the valuable role that financial advisers play and has stated that the regulation that is being drafted is aimed at supporting advice and making sure it is available, sustainable, fair and properly priced. The devil will, of course, be in the detail of how it is implemented, and advisers should continue to remain abreast of these developments as they arise.

4. Changes in investment decision-making processes

Over the past few years, there has been an overall growth in the number of advisers who are outsourcing their investment decision-making to parties such as discretionary fund managers. This is an important decision to make and selecting the right partner to help deliver on your clients' financial goals is clearly crucial. However, despite the growth in advisers outsourcing these investment decisions, many continue to select their own funds.

5. Value proposition continually evolving, but certain challenges remain

The advice industry continues to evolve from being product led, towards making the client's life the centre of the conversation. Clients want to engage on money decisions like buying a house, having children, and legacy discussions: essentially, they are looking for life coaching.

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