TRUSTED ADVISOR
THE FUTURE

A report on the future of UK trust and estate practice by the Society of Trust and Estate Practitioners

10 Key Predictions

1. The regulatory burden will increase
2. Negative impact on smaller firms
3. STEP members better placed than most
4. More complex families
5. Clients make more specific demands
6. Downward pressure on pricing
7. Clients more willing to switch advisors
8. ABSs will grow overall market
9. Polarisation between price and service
10. One trusted advisor model to grow

Percentage %
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Spence Johnson is a specialist provider of marketing intelligence supporting clients across the European investment business – in asset management, life & pensions and wealth management.

The Society of Trust and Estate Practitioners (STEP) is a unique professional body providing members with a local, national and international learning and business network focusing on the responsible stewardship of assets today and across generations.
Introduction

The landscape for STEP members in the United Kingdom is changing fast. New regulations, new competition, new business practices are all combining to offer up new challenges. As one STEP member put it to us: ‘We’re going to be taken in to a completely different sphere of how we do our work’.

In a seminar held in London in January 2010 we invited 36 STEP members from across the country to share their views on what the future held for their businesses.

Several themes emerged from this seminar, designed and moderated by Magnus Spence of Spence Johnson. However, it was quite possible, as some members at the seminar pointed out, that the predictions discussed in this session were not representative of the views of the wider STEP membership in the UK. As a result, in May 2010, STEP conducted quantitative research using the summary of the findings of the January seminar. 284 respondents from across the UK participated in this survey and were asked to express their degree of agreement with each prediction ranging from ‘strongly agree’ to ‘strongly disagree’.

This paper draws conclusions by bringing together qualitative opinions from the January seminar and the quantitative results of the May survey.

The results in this report are grouped into three specific areas of change:

- Regulation
- Clients’ needs
- Business models and strategy

What emerges most clearly across these predictions is that our members in the UK expect huge changes in coming years. The growing role of the internet, the tendency towards multi-disciplinary structures and the commoditisation of services are examples of this. And yet the mood in the room on the day of the seminar was not of anxiety but of anticipation. As one STEP member said: ‘I don’t regard change as threatening and don’t regard it as something that need be seen as a problem.’

One of our tasks at STEP is continually to listen to the views of our members. We hope that this document, the creation of which has certainly helped us in this objective, also helps you in casting light on how the future might impact your business. For STEP, these findings will help the Society develop the most effective support for members that it can to ensure that change means not threat, but opportunity.
Conclusions

10 key predictions: agreed by over 50% of respondents

**Regulation**

Regulation will increase across the board. Although, on a positive note, STEP members consider themselves to be better placed than non-members to deal with increased regulation. A majority of respondents thought that the prospective regulation of non-lawyer will writers would be advantageous to their firm, but that the impact of increased regulation on costs will make it disproportionately harder for small firms to compete financially. Regulation is not predicted by our members to extend to pricing methods used in a variety of estate-planning services.

**Clients’ needs**

Members are reporting a rise in people requiring specialist advice due to increasingly complex family relationships including a rise in the number of cross-border estates. The ever-expanding availability of information through the internet is also having an impact on clients’ needs in the trust and estates market. This information is leading to clients making more specific demands of practitioners and demanding higher value-added services. The increasing availability of information through the internet will also result in downward pressure on pricing.
Business models and strategy

In England and Wales the legislative framework enabling alternative business structures (ABSs) came into being with the passing of the Legal Services Act 2007. Although, it is rumoured that Jonathan Djanogly, the new man at the Ministry of Justice with responsibility for implementing the Legal Services Act 2007, is not enthusiastic about the philosophy behind ABSs and external investment. In Scotland, the Legal Services (Scotland) Bill is likely to have passed and introduced ABSs by the end of 2010.

STEP members’ attitudes to alternative business structures (ABSs) are determined by whether they see them as a threat or an opportunity. As a result the survey questions around ABSs resulted in less clear predictions. There was a slim majority for those who thought ABSs will create more awareness and hence more custom for private client practitioners across the price spectrum. However, it was strongly felt that ABSs will revolutionise the way services are delivered and that a collision of differing cultures and regulatory regimes will provide challenges.

Members did think that the market will polarise between those competing on price and those offering bespoke services and that clients will be more ready than they have been historically to move from one service provider to another. They also thought that fewer TEPs would offer will drafting services as a loss-leader. There was less certainty as to where the growth in the market would come from, with almost equal numbers agreeing and disagreeing with the proposition that the biggest growth in the market will occur in the areas in which practitioners compete on price.

Members thought the demand for the multi-disciplinary approach will result in the increased use of outsourcing by firms and that those adopting the multi-disciplinary approach will see increases in efficiency as a result.

It was agreed that services in the middle end of the market will be dominated by a commoditised approach, but members were unsure as to whether increasing commoditisation would lead to growth in the private client market as a whole.

Finally, members agreed that the industry was moving towards the ‘One Trusted Advisor’ model where the advisor knows their client, and knows a network of specialists that they can manage to handle all areas of estate administration.
There will be more regulation of all aspects of trust and estate practice. This will include professional discipline, which is really a constant. It will include consumer protection, such as protection against fraud and inadequate professional services. And it will include the expansion of professional discipline to the will writers and the peripheral providers.

There is a possibility of there being a more rigid and legal regulatory structure for trusts and estates transactions themselves – more formalities, more requirement to deposit in a central registry and things like that.
PREDICTION: The impact of increased regulation on costs will make it disproportionately harder for small firms to compete financially.

‘There is likely to be greater regulation of firms, rather than necessarily products or services. Specifically those of us who are in the legal profession are concerned that greater regulation would make it very difficult for us to compete. I think we’re seeing that the increasing number of solicitors who are offering ‘non-reserved’ work, are in fact ceasing to be solicitors.’

‘There’s a degree of conflict between greater regulation, potential growth, changes to the law and greater competition, because regulation and legal changes cost a lot of money and – I’m sorry if this sounds too familiar to some people – but the rise in negligence issues makes people look at whether or not greater competition is possible. Some people already point to the fact that a lot of small legal firms are pulling out of will preparation.’
PREDICTION: STEP members are better placed than non-members to deal with increased regulation.

‘There will be greater regulation undermining professional status. There is a clear belief that regulation will be more and not less, and in time that this will continue to erode the significance of individuals within the profession, but we think that STEP will no doubt reverse this trend with their marketing skills.’

‘STEP is the only organisation that has a set of targeted exams precisely in the area that many of us are concerned about, so I don’t see this as a big problem. As STEP members we should cautiously welcome greater regulation, because I think we’re going to be on the right side of it.’
PREDICTION: The prospective regulation of non-lawyer will writers will be advantageous to STEP members.

‘There will be more regulation of all aspects. This will include professional discipline, which is really a constant. It will include consumer protection such as protection against fraud and inadequate professional services. And it will include the expansion of professional discipline to the will writers and the peripheral providers.’
PREDICTION: Regulation may not extend to pricing methods.

‘There is an increasing resistance from clients to pay for services on a time-based system, and there is a perception from them that they want a fixed price for a fixed service and that’s something that we will need to get our heads around in the future.’
PREDICTION: Complexity in the client base will increase.

- Increasingly complicated family relationships will drive this, but it also arises with complicated overseas assets.
- Complex family relationships are leading to more business for STEP members.

‘There is a growing complexity of family relationships – what the French called famille recompose involving numerous partners and children. There will also be greater complexity in a range of assets.’
PREDICTION: The proportion of cross-border estates is on the rise.

'We predict an increase in complexity of the affairs of clients. I see this as something that will be significant going forward. An increase in complication will come about from increasingly complicated family relationships. But it also arises with complicated overseas assets. All these sorts of things are a common chord, which will require specialist advice to be given to them.'
PREDICTION: Clients will be increasingly able to access legal knowledge through the internet.

- Clients will increasingly own access to legal knowledge through the internet. Online information, or accessed services online, will transform legal practices.
- Online information is leading to demands for higher value-added service.

‘We didn’t actually use the phrase “Facebook Law”, but that may be part and parcel of expanding to a younger, more internet-aware generation.’

‘There is a link between how demanding clients are and the amount of information now available online. They come in to your office having done all their work already online, so your knowledge is a given to them. So now they are demanding other things.’
PREDICTION: Online information will result in clients making more specific demands.

‘Younger clients will increasingly be accessing services through the internet. We are not forgetting that there are older clients or those with different needs and that there is a diversity of needs. But we are very aware that online information, or accessed services online, will transform our practices.’

‘It may be an opportunity – a client comes to you trying to sort their affairs out online and makes an absolute mess of it, you’re stepping in to sort it out. But equally, because they’ve actually become bar room lawyers, they’ve looked at the internet, seen how to do an enduring power of attorney, they think they know it, they’ve done bits and pieces themselves, and they’re halfway there.’
PREDICTION: Online information will result in downward pressure on pricing.

‘They will also use that information given by the web to force prices down, whether it’s a fixed fee or an hourly rate.’
PREDICTION: Prior loyalty tested as clients become more inclined to ‘shop around’.

‘Clients will generally be more inclined to move from one service provider to another to decide what suits them in particular. In the past people tended to have been fairly loyal and there’s a sense of inertia – they stay with their same solicitor and we think there may be less inclination to do that in the future, but reputation will still be extremely important going forward.’
PREDICTION: New competition will emerge.

- There will be new entrants into the marketplace due to the emergence of Alternative Business Structures (AKA ‘Tesco Law’). As mentioned earlier in the report, STEP members’ attitudes to alternative business structures (ABSs) and other developing market trends are determined by whether they see them as a threat or an opportunity. As a result the survey questions around business models and strategy resulted in less clear-cut predictions.

- Those who answered definitively thought that the emergence of Alternative Business Structures will revolutionise the delivery of services. Although many respondents were unsure.

![Survey Results Graph](graph.png)
'I think there’s likely to be more competition. There is much more advertising, much more “aggression” perhaps almost in the marketplace with people chasing clients for work.’

‘We have already started to change as a result of the growth of competition. We’re maybe not as far down the line as my colleagues at other firms, but I’m conscious that we’re in the middle of an awful lot of change so I wouldn’t underestimate it.’

‘I think we’re going to see change in the way that firms are structured, managed, financed. We will use technology in ways that we can’t possibly imagine now. This is not so far off – it will be within the next couple of years because of the new entrants in this market.’

‘I’m a barrister, and I think that if our counsel has voted to permit barristers to enter into alternative business structures, it will provide a change for the way that we work culturally and otherwise.’
PREDICTION: The impact of Alternative Business Structures on the size of the market is unclear.

‘This may be a rather obvious statement, but banks and supermarkets will grow their market share.’

‘I think it’ll be a hugely significant fact that there is an increase in the size of the market. The demographics very much suggest that we are going to see an increased market. However I’m not quite sure that’s really going to change the way that we operate.’

‘I think that the entry of Tesco Law will actually increase the average Joe Blogg’s awareness of the type of issues that they should be considering and that every single person should have a will, a lasting power of attorney, and writing death benefits in trust. That applies to everyone and I think that Tesco law will actually benefit the private client world as a whole, because most people will then become more and more aware of that and try and reverse the trend of 60% of people not making a will.’
PREDICTION: Professional cultures will collide.

“We foresee all sorts of challenges arising. There will be cultural differences when firms are assimilated under one management structure. And there will be differences when members of different professions are brought under one roof - bear in mind they also have different professional regulation regimes.’
PREDICTION: There is disagreement over how price competition will impact on growth of the market.

‘There will be an increase in competition. Tesco Law has the potential to expand the marketplace.’

‘There will be a lot more niches in the marketplace and the marketplace may also be bigger. So there may be more competition and more opportunities too. But there will be an awful lot more people there, a bigger cake if you like, and perhaps more people to cut the cake.’
PREDICTION: Fewer STEP members will offer will drafting services as a ‘loss leader’.

- In the past many practitioners have charged at below cost for will drafting services. Members predict this practice will cease.

‘Some people already point to the fact that a lot of small legal firms are pulling out of will preparation.’
PREDICTION: Services will become commoditised.

- As cost has to be driven out of the system, so some specific services may be offered on a standardised and no frills basis.
- The market will polarise between those competing on price and those offering a bespoke service.

‘You will increasingly market yourself either as offering Rolls Royce service, or actually competing very keenly on price. The market will drag branding in those two directions: that you will either be one or the other and it would be very difficult to stay in that middle ground.’
PREDICTION: Services at the middle end of the market will be dominated by a commoditised approach.

‘I think that what you’re seeing is that the people who can afford, as it were, a mini-family office will be getting that range of services from one trusted advisor. But the hoi polloi will be getting commoditised products. People in a rural area might be getting neither.’
PREDICTION: Practitioners not unified over impact of commoditisation on market size.

Do you think increasing the commoditisation will result in growth to the private client market as a whole?

‘The pressure on price, and increased competition is going to lead to the need for services, as far as possible, to be delivered in a more commoditised fashion.’

‘There’s a theme here of cost needing to come out of the system, which will lead to perhaps more products being available, and that is possible in respect of specific items, granting powers of attorney or something like that. It’s a product you can have.’
PREDICTION: Multi-disciplinary approach will present challenges.

- Many challenges will arise when firms are assimilated under one management structure and when members of different professions are brought under one roof. Outsourcing of services will also drive a radical change in the make up of many firms.
- Demand for a multi-disciplinary approach will result in the increased use of outsourcing, although many practitioners remain unsure.

‘At present the trust and estates world is divided principally in to solicitors and accountants, although there are bankers and others as well. They’ve come from different backgrounds and they work differently and they approach the work differently, even though we’re all doing the same work. But I think it’s just going to be a culture shock having people of different approaches working together trying to achieve the same thing. I think it’s all very well outsourcing – if you’re a lawyer getting an accountant involved, or if you’re an accountant getting a lawyer involved.’

‘You will see a very radical change in the make up of a firm. They will change radically, from the top down. So with ownership changes, with non-lawyers owning firms, with outsourcing perhaps of secretarial and support services; with the type of people that law firms employ and the increased use of paralegals. And so on.’
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PREDICTION: The multi-disciplinary approach will result in increases in efficiency.

'I think it’s the outside pressures that will drive efficiency. I think everyone, myself included, thinks that we’re all trying to be more efficient. But in a sense it’s not the inward pressure that’s going to take it forward, it’s everything else that will make it happen.’

‘Services are much more cost sensitive than they were, and those who deliver them efficiently will succeed, and those who are less efficient are likely to find life pretty tough in a more competitive environment.’
PREDICTION: Many services, but ‘one trusted advisor’ will be key.

- Clients want to have one trusted advisor as their contact to deliver an increasingly wide range of products and services.
- The industry will move towards the ‘One Trusted Advisor’ model.

“We’re increasingly going to be in a kind of cross-border world soon because that’s the way that families are, and part of being in a multidisciplinary practice might well be having to cope with not just people in different cultures, in the sense of being an accountants and lawyers, but actually being different cultures – you might well need a Russian speaking member of staff to cope with that. Those who have traditionally been rather closeted firms may well have to open up their minds somewhat to bring people in from a whole range of different cultures to cope with the nature of the business that they’re transacting.”
'Something very barrister specific is that I don’t see my range of products and services changing in that I hope to continue to offer specialist legal advice and advocacy. That’s what I do. But something that we’ve talked about in Chambers that we see changing is the death of the long written opinion, revered counsel’s opinion that will sit in a file for 50 years. We concentrate much more on giving advice written in the more informal style by email, much more question and answer format. I know this goes for colleagues as well, we are taking time to talk face to face to clients, having a conversation with them about the problem, rather than writing about it in a very formal abstract.’

‘When you look at things like disputes and litigation funding, the needs of elderly clients and so on, you see a wide range of demands. Clients are being more demanding. But the need is not to focus on separate experts to advise them on each facet of their affairs.Clients are wanting to have one trusted advisor as their contact to deliver those products and services. That’s us.’
There were 28 participants who contributed at the seminar held in London in January 2010 and their energy and creativity is gratefully acknowledged.

Michael Dew
Susan Midha
Amanda Fisher
Imogen Brown
Duncan Bailey
Remi Aiyela
Barbara Rich
Ian Bond
Deborah Jude
Clare Colacicchi
Jonathan Cooke
Jennie Pratt
Martyn Frost
Owen Clutton
Keith Dudley
Will Michelmore
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Christopher McGill
Jocelyn Fox
Toby Harris
Alison Paul
Helen Clarke
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Cavendish Law
Chambers of Henry Harrod
Co-operative Trust Corporation
Dickinson Dees LLP
Hewitsons
Humphrey & Co
Kester Cunningham John
Lane-Smith & Shindler
Macfarlanes
Martineau
Michelmores
Russell Cooke LLP
Shepherd and Wedderburn LLP
Taylor Vintners
Toby Harris Tax Consultancy
Turcan Connell
Wills & Equity Committee
STEP Worldwide
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STEP would also like to acknowledge the 284 members from across the UK who participated in the subsequent survey.