



FINANCIAL SERVICES INDUSTRY GROUP

# UK WEALTH MANAGEMENT OUTLOOK 2024: CHECKING IN

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# INTRODUCTION

They say time flies when you're having fun, however as we pass the mid-year point in 2024 it's unlikely most wealth management leaders would describe the first half as "fun". The period has been one of continued cost pressure, regulatory change, and more recently, political and policy changes (with their associated implications), for U.K. wealth firms.

Now is as good a time as any to look back at our last wealth management [\*\*2024 outlook paper\*\*](#) and reflect on the four trends we suggested would most significantly influence the sector this year.

# 01 ~~CASH~~ CONSUMER IS KING



It's fair to say that the full impact of regulatory changes is yet to be felt, and market sentiment suggests there's more change in store for the rest of the year. As Consumer Duty continues to focus business leaders on fee transparency and ensuring clients are being treated fairly, the regulator's review of ongoing advice services is highlighting the need for a "clean up" of fee schedules and client servicing approach across the sector.

Revising fees is only one (elusive) piece in the puzzle, particularly for networks and consolidators which often manage hundreds of fee schedules. Detailed fee analysis, potential recalibration, and transparent communication with clients are critical to effectively demonstrate that they are being treated fairly.



## WHAT LEADERS ARE TALKING TO US ABOUT:

- **REGULATION "PIPELINE":** Understanding the impact the upcoming regulatory changes, including anti-greenwashing and governance of private markets, will have on their businesses' propositions.
- **CAPACITY:** Reviewing businesses' risk and compliance capabilities required to meet regulatory obligations while managing associated cost pressures.
- **DIGITAL STRATEGY:** Finding new ways to serve clients cost effectively – especially the next generation of wealth holders – as they continue to demand digital experiences that work seamlessly to deliver on their objectives.



## 02 VALUE WILL WIN



Fairness is just one aspect. Clients want to know they are getting value for money out of their wealth managers and advisers. Similarly, advisers want value from their platforms and partners, and shareholders want to see value realisation.

From the shareholder perspective, particularly that of private equity firms, this value expectation has yet to be met. Amid sluggish M&A and IPO markets, holding periods are being extended, pushing funds to extract further value from the wealth management businesses before exiting.

The previously strong market performance, which drove an increase in assets under management (AUM) and was often relied upon as an indicator of value, has now left some firms exposed.

Although it's too early to say what the average multiples will be, it's clear that some of the heady valuation multiples seen in the previous two years are being challenged.



### WHAT LEADERS ARE TALKING TO US ABOUT:

- **COST OPTIMISATION:** Assessing the cost to serve clients (across different segments) and identifying levers to optimise cost.
- **VALUE CREATION THROUGH PERSONALISATION:** Developing more targeted and commercially viable propositions that speak to a more diverse, multi-generational clientele. This will ultimately lead to “stickier” client-adviser relationships.



## 03 SCALE TO SURVIVE



Economies of scale and AUM growth have been the major drivers behind recent consolidation in the sector. While evidence suggests that scale has somewhat protected some consolidators from the rising costs of running wealth management businesses, there's a clear difference between the approaches taken for scale-driven acquisitions and those focused solely on driving AUM.

One lever business leaders are focused on is productivity – how to increase AUM, attract and retain clients, and drive greater share of wallet. Some strategic partnerships have been negotiated and initiated in H1, providing some businesses with an enhanced toolkit that, if implemented effectively, should enable advisers to focus more on clients and reduce the time spent on admin and back-office tasks.

### WHAT LEADERS ARE TALKING TO US ABOUT:

- **TRUE INTEGRATION:** Looking at opportunities to simplify their system landscapes, enhance their tech stack, bring together their data and insights, and embed more robust governance practices. Understanding values and practices of both businesses to create a unified culture that allows key personnel to be retained during periods of growth and transition.
- **OPERATING MODEL:** Strategically reviewing the operating model, including assessment of the capabilities that should be retained and those that can be outsourced, as well as identifying opportunities to improve efficiency in platform and middle/back-office through automation and data analytics.
- **PRODUCTIVITY:** Re-designing processes and ways of working as well as introducing new tools to drive greater productivity across their fee-generating teams.



# 04 AGILITY IS THE NAME OF THE GAME



Our most recent outlook pointed to the myriad of factors that would require more agility from wealth leaders in 2024 – everything from expected policy changes as a result of the UK elections to further regulation around sustainability disclosure requirements (SDR) and diversity and inclusion.

## WHAT LEADERS ARE TALKING TO US ABOUT:

- **PRIVATE MARKETS AND BIG BANKS:** Increasing discussion around the role of private markets in driving growth across wealth and investment management. Growing competition from the largest banks as they expand into the high-net-worth space will also be watched closely by market players.
- **POLICY CHANGES:** Assessing what the Labour government's policy changes with respect to tax (non-domiciled status, VAT on private schools, etc.) will mean for their propositions and potential changes to their client base.
- **CLIENT SEGMENTATION:** Developing a better understanding of client segments and developing appropriate propositions. For some firms, this will come in the form of more bespoke service propositions. For others looking to drive scale, it may mean more hybrid advice propositions.
- **TALENT UPSKILLING:** Investment in training and upskilling is necessary to master increasingly complex inheritance tax planning (IHT) rules and strategies, with many advisers still lacking that particular skillset.

THE FOUR TRENDS WE HIGHLIGHTED AT THE BEGINNING OF THE YEAR ARE STILL VERY MUCH THE DRIVING FORCES ACROSS THE SECTOR. THE IMPACT OF THE DIFFERENT INITIATIVES AND HOW BUSINESS LEADERS RESPOND WILL SHAPE THE SECTOR – NOT JUST FOR THE NEXT SIX MONTHS, BUT FOR YEARS TO COME.





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