



PRESS RELEASE

Fifth Annual Survey of Independent Financial Advisors

PROFESSION SHOWS SURPRISING OPTIMISM IN THE FACE OF A COMPLEX AND CHALLENGING MARKET ENVIRONMENT

Cardif has released the results of its fifth annual Barometer of Independent Financial Advisors (IFAs). The survey was carried out in France from **23 May to 10 June 2011** in conjunction with TNS Sofres, a leading French market research and opinion survey firm. The Barometer covers a representative sample group of 500 IFAs¹.

This latest survey underlined three key factors:

- A realistic optimism on their own profession shared by the great majority of IFAs,
- Diversification of savings, a trend confirmed in the context of recent market trends,
- Availability is the profession's key strength, cited by 66% of the IFAs surveyed.

IFAs remain optimistic but realistic about their profession

Nearly 90% of the IFAs continue to be optimistic and believe their profession is generally doing well. The continued arrival, year after year, of new clients formerly with major branch banking networks (58% vs. 69% in 2010) reflects the ability of IFAs to attract this clientele segment. The decline of 11 points follows a peak in 2010, reflecting strong disaffection with major bank networks due to the financial crisis.

Client recruitment through recommendations has also proved increasingly dynamic. The number of new clients from word of mouth rose significantly to 9% in 2011, compared with 3% in 2010. This trend reflects recognition of the expertise of the IFAs and positive feedback from clients to prospects. Clients are thus front line ambassadors for the profession towards potential new clients.

¹ Methodology: telephone survey by TNS Sofres Finance Department **between 23 May and 10 June, 2011** covering a nationwide sample group of 500 IFAs. Interviewees were selected from a list of 3,720 Independent Financial Advisory firms representative of the IFA segment for a survey sample rate of 13% of the total population (representative nature of sample group validated using quotas for the sizes of the firms and the region).



This optimism is reflected in the figures as well. Total new cash for savings investments² matched 2008 levels, an average of 3.2 million euros per firm. What's more, this favourable trend is likely to continue since over half the IFAs in the survey expect an increase in asset inflows in 2011.

This year, planned sales or acquisitions of firms remained stable, reaffirming the confidence of IFAs in the future of independent organizations and thus in their business model:

- 19% of the IFAs plan to sell their firm in the coming five years (20% in 2010)
- 42% of the IFAs surveyed cited plans to acquire a firm in the coming five years (39% in 2010)

Another sign of confidence among IFAs in the future of their profession is continued recruitment by firms. Some 23% of them added staff in 2011, compared with 21% in 2010. This percentage has increased 7 points in the past two years.

Three out of four IFAs view current trends as generally positive and remain optimistic regarding the future of their profession for the coming five years.

This optimism is tempered, however:

- 22% of those surveyed do not see any outlook for robust business growth in the years ahead, a percentage that has risen since 2009.
- Fewer IFAs believe that their financial situation has improved significantly compared with 2010. While 65% believe that their financial situation is identical to the previous year, only 11% feel it has truly improved (down from 23% in 2010).

Reforms on taxation of personal assets tops list of IFAs concerns

IFAs have felt the impact of several changes in the market environment in 2011. IFAs recognize their role in the wealth management market and have clearly assessed the consequences of these changes:

- 36% of them believe that the tax reforms on personal assets begun in 2011 have had an unfavourable effect on asset inflows into long-term savings vehicles.
- The drop in the yield of general funds is also perceived as having a negative impact on asset inflows for long-term savings, according to 45% of the respondents.

Given these trends, the IFAs recognize a need to adapt to meet market and competitive challenges:

- More than 9 out of 10 of the IFAs believe that adapting to a new regulatory environment will be their main challenge in the coming years.
- The Internet is no longer considered a major competitive threat by IFAs. This distribution channel is gradually losing ground (36% versus 41% in 2010).
- In the past three years major bank networks (retail branch banking and private

² Based on total new cash 2010, versus total new cash 2008.



banks) have emerged as the main competitors according to 79% of the IFAs (74% in 2009).

IFA clientele: new expectations, new challenges

IFA's clientele franchise consists mainly of self-employed professionals and management level employees, with an average age of 50. Their savings is primarily from regular income - professional activities or rents (according to 90% of the IFAs surveyed) - or from the sale of real estate (84%) or an inheritance (79%). Eight out of ten of the IFAs say the financial holdings of their clients increased in 2010.

IFA's clients save for long-term goals. The main reason cited for investment savings is retirement (cited by 62% of the IFAs), followed by accrual of long-term capital (57%). As a result, life insurance vehicles remain the leading product distributed by IFAs (46%), ahead of real estate/land (20%) and securities (11%).

The drop in value in general funds has led clients to diversify their investments. Some 34% of the IFAs noted renewed interest among clients in unit-linked products (compared with 29% in 2010). While over half the clients have opted for greater diversity in their savings, 81% of them have chosen to diversify in new vehicles (life insurance contracts with a minimum of unit-linked assets, real estate, etc.).

Given the sometimes complex and challenging environment, clients express a need for support from their IFAs, who see themselves as important wealth management advisors. IFAs count on their expertise and distinctive competitive advantages to meet these expectations. In particular, they leverage their availability and the quality of their investment advice:

- **Availability:** 66% of the IFAs see availability as the major advantage of the profession.

"88% of the IFAs surveyed see themselves as the primary contacts for managing their clients' assets. Clients' expectations have become quite straightforward: they want to diversify their assets without exposure to excessive risk, while taking advantage of advice and support," says Hervé Cazade, Head of Distribution and Business Development France at BNP Paribas Cardif.

- **Quality advice** (cited by 58% of the IFAs in the survey, compared with 71% in 2010).

Eight out of ten IFAs report that, aside from conventional wealth management products, their clients mainly expect support and advice for real estate investments.

The issue of dependency has also emerged as a significant expectation among clients: 29% of the IFAs believe that their clients expect the profession to guide them in this area.

"The issue of dependency is not just financial, it is above all a human issue. This makes it important to address the personal aspects of this question and not treat it as just another investment category, but rather provide clients with advice on tangible solutions. People view their needs in terms of personal objectives, and the issue of dependency is a dimension we need to address," concludes Hervé Cazade.



About BNP Paribas Cardif

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BNP Paribas Cardif is one of the top 15 European insurers. Its life and non-life insurance units have received an AA rating from Standard & Poor's.

It had gross written premiums of 25.3 billion euros in 2010. With a diversified geographic footprint, BNP Paribas Cardif has strong positions in Europe, Latin America and Asia. In 2010, BNP Paribas Cardif generated 48% of its gross written premiums outside France.

It counts close to 9,000 employees, 73% of them outside France.

In its commitment in Corporate Social Responsibility, BNP Paribas Cardif has adopted a Socially Responsible Investment program, encourages diversity throughout the enterprise (earning the "Equality at Work" label in France) and supports local economic development in the markets where it operates.

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