



Financial Planning in Transition: Beyond Targeted Support

**Why Regulation, Technology & Consumer Behaviour will reshape UK Financial Planning
(2025–2030)**

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I. Foreword & Executive Summary

Foreword.

After fifty years in financial planning—building a wealth management firm from scratch, advising thousands of clients, selling the business, and now pioneering AI-enabled tools—I’ve witnessed one undeniable truth: the advice profession isn’t being refined. It’s being fundamentally rebuilt. Regulation, technology and consumer behaviour are combining to reshape UK financial planning more profoundly than at any point since RDR. Consumer Duty, the Advice & Guidance Boundary Review and the proposed Targeted Support regime are shifting the emphasis from advice volume to demonstrable consumer outcomes.

These aren’t mere adjustments; they’re crafting a new architecture for financial services—one that redistributes influence over consumer decisions, redefines customer relationships, and prioritizes scalable outcomes over traditional advice volume.

Following the FCA’s Advice-Guidance Boundary Review publications in 2024, including CP24/27, the FCA has indicated it intends to open an authorisation gateway for Targeted Support from around 2026, subject to consultation feedback, with early adopters implementing in mid to late 2026. Full industry adoption will likely extend into 2027 and beyond, as firms develop the necessary infrastructure and governance frameworks.

Under current proposals, Targeted Support would become a **distinct regulated activity**, allowing firms to provide suggestions to groups of consumers with common characteristics under bespoke conduct standards, rather than through the full advisory regime.

This paper cuts through the noise for advisers, platforms, product providers and manufacturers, and policymakers. It maps the next five years through three converging forces: the gap between what clients truly value—clarity, reassurance, and goal progress—and what regulated advice often delivers (suitability reports and compliance); the widening access divide, locking millions out due to costs and shrinking adviser capacity; and the FCA’s outcome-driven mandate, which demands better decisions through any channel, not just more advice sessions.

The FCA has consistently stated it is **neutral on whether support is delivered through advice, guidance, or digital channels**, provided the outcome is demonstrably good for the consumer. As stated in CP23/10, the regulator's focus is on 'ensuring consumers can access the support they need, when they need it, in a form that works for them.' Consumer Duty reframes supervision around whether firms design and operate products, communications and support that enable and evidence good outcomes, rather than simply whether advice was provided.

It could therefore be argued that the FCA is **agnostic about the delivery channel** [2], focusing instead on the quality of the consumer outcome.

Drawing from frontline experience, this analysis exposes potential structural risks—like how TS could empower data-rich giants (product providers and manufacturers, platforms, workplace

pensions) while accelerating consolidation—and highlights opportunities, including **Emotional AI's role in empathetic, scalable support** [3].

It challenges assumptions, from the protection gap in TS to AI liability hurdles, urging the profession to adapt for a future where technology handles routine nudges and humans focus on trust and complexity.

I wrote this paper because advisers deserve clarity about the world we're walking into. TS will not simply "help the unadvised." It has the potential to reshape the power map of the entire sector—in ways many firms haven't yet realised. The findings will challenge conventional thinking.

The goal? Clarity on the power shifts ahead, so firms can position themselves as winners in a guidance-plus-advice ecosystem that serves society, at scale.

Executive Summary.

The UK financial planning sector faces its most profound transformation since RDR, propelled by Consumer Duty and the 2026 Targeted Support (TS) framework. TS is a distinct regime alongside the existing advisory framework —, providing tailored nudges for defined cohorts, like retirement switches or overpaid mortgages—shifting the market from advice-centric to outcome-focused, where success measures decisions made, not sessions delivered.

This evolution stems from three core forces: a mismatch between client desires (emotional clarity and life-goal support) and advice's regulatory burdens (documentation and risk focus); an access crisis, with **91% of adults forgoing ongoing advice** [4] amid rising fees and a retiring adviser base (**average age mid-50s**) [5]; and the FCA's push for scalable harm reduction through behavioural tools, not human advice alone.

The FCA's Financial Lives Survey 2022 found that 91% of UK adults do not pay for ongoing financial advice. While approximately 8-12% have received one-off or episodic advice, the vast majority of consumers navigate financial decisions without regulated support. This 'advice gap' is not primarily a problem of consumer unwillingness—research shows many would value support—but of accessibility, with cost and adviser capacity being the primary barriers.

Four dynamics will shape 2026–2030: * TS advantages scale, favouring product providers and manufacturers, platforms, workplace pensions, and fintechs with vast data for proactive nudges, sidelining smaller intermediaries; * the FCA's outcome priority, elevating guidance and AI over advice volume to combat inertia-driven harm; * inevitable consolidation from escalating costs, tech demands, and governance needs, yielding fewer but more resilient firms; * and technology's rise, including emotional AI for personalised coaching, balanced by regulatory realism on bias, liability, and human oversight.

A critical gap persists: TS's exclusion of protection products ignores the **underinsurance crisis, where only 29% of UK adults hold life insurance** [6]. **This protection gap severity** [7] means life events like childbirth or job loss demand similar event-triggered support.

The competitive landscape will bifurcate—mass-market automation for basics, hybrid models for affluent needs, bespoke advice for high-net-worth—urging firms to re-engineer value (behavioural coaching over performance), invest in digital co-pilots, and partner strategically. Policymakers must close protection and AI gaps to ensure equitable outcomes.

This paper equips stakeholders to navigate these shifts, fostering a profession that delivers confidence and resilience for all, not just the wealthy.

The document concludes with a forward-looking view of the competitive landscape, a call to action for all market participants, and a critical analysis of the policy gap created by the exclusion of protection products from the current TS framework.

II. The Structural Reset: Why Targeted Support Changes the Game

The UK financial planning landscape is structurally misaligned. On one side, consumers consistently say they want clarity, reassurance, confidence, and help making good decisions. On the other, regulation defines advice as an exercise grounded in suitability, documentation, and risk mitigation—activities that absorb enormous time and cost while contributing little to the emotional value clients experience [8] [9].

This misalignment is not the fault of advisers. It is a consequence of a system designed to prevent harm, rather than to maximise value. But that system has reached its limits. Adviser numbers are shrinking; the average adviser is in their mid-50s; capacity is falling; minimum fees and asset thresholds continue to rise; and millions of people are effectively locked out of the advice market.

The FCA's response to this systemic imbalance is not to increase the supply of advice—but to redefine what meaningful support looks like. TS is the mechanism through which the regulator intends to achieve this. It is designed as a separate regime from the existing advisory framework, with a different balance of suitability assessment, disclosure and liability, even where a suggestion might otherwise resemble a personal recommendation.. It enables targeted, rules-based intervention at scale. And it shifts the emphasis from “advice delivered” to “outcomes achieved.”

Targeted Support is frequently misunderstood. Many advisers see it as: * “simplified advice by another name” * “a lead generation tool” * “a way to help dormant clients”

But TS is none of these. TS is not simply a new regulatory permission; it is a signal of structural intent. It reflects a belief that the future of consumer support will be omnichannel, digitally delivered, and behaviourally informed. The regulator has effectively concluded that full advice cannot scale, and therefore something else must.

TS is a population-wide behavioural intervention framework. It allows firms to identify a cohort (e.g., “members with lifestyling switches due” or “clients overpaying mortgage interest”), push tailored nudges or information, prompt a specific action, monitor whether the action was taken, and evidence consumer understanding.

This is not advice; it is behaviourally-informed engagement at scale.

Crucially, if interpreted broadly, TS may unlock the ability to highlight ESG misalignment via **Sustainability Disclosure Requirements (SDR)**. By 2026, millions of consumers will hold 'values-based' preferences that are misaligned with their default legacy holdings. TS allows firms to identify this misalignment at scale and nudge consumers. A plausible application is: *'You told us you care about sustainability, but your pension is in a generic default fund. Click here to review your options.'* This is not just a regulatory fix; it is one of the most potent engagement triggers available to the industry.

The deeper reality is that TS is the first stage of a broader, long-term transition: from an advice-centric market to a guidance-plus-nudging environment, where human advisers operate at the

top of the value stack and technology handles the majority of routine decision-support. However, great care must be taken at every stage, not to stray from guidance into advice:-

Safe TS statement example

“You told us retirement is your priority. People like you often increase contributions after a pay rise.”

Crossing the line into advice

“You should increase your contribution from 5% to 8%.”

For the first time since RDR, product providers and manufacturers regain direct permission to influence customer behaviour, platforms gain a regulated route to nudge clients, employers become a distribution trust layer, and Master Trusts move from “administration engines” to behavioural stewards.

Whilst the FCA has not publicly framed TS as a redistribution of market influence, the practical effect is clear: RDR centralised consumer decision-making influence with intermediaries; TS decentralises it to any regulated entity with data, scale, and digital capability.

Put simply, TS effectively widens the set of firms able to influence consumer decisions, shifting it away from intermediaries being the primary influence on consumer decision making.

III. Why TS Favours Data-Rich and Scaled Firms (Product Providers and Manufacturers, Workplace Pensions, Platforms, Fintechs)

The design of TS, with its reliance on data, MI and event triggered journeys, creates structural advantages for firms with large customer bases and strong digital infrastructure. Smaller intermediaries can still participate, but often through partnership models. The regulator has designed TS as a framework that rewards scale: scale in customer numbers, scale in data, scale in operational resilience, and scale in Management Information (MI). These are structural advantages that product providers and manufacturers, workplace pensions, platforms, and large vertically integrated firms (VIFs) already possess—and that the vast majority of traditional advice firms simply do not.

The Competitive Advantage of Scale

The firms best positioned to deliver TS fall into three categories:

Category	Key Advantages for TS Delivery	Key Disadvantages/Challenges
Large Product Providers and Manufacturers & Workplace Pensions (Life Companies, Pension Providers, Master Trusts)	Decades of customer data; capital to invest in infrastructure; ability to subsidise TS through product margins; regulatory permission to re-engage dormant clients.	Legacy technology systems; Deep-seated consumer cynicism regarding 'sales in disguise'; TS nudges may be ignored as 'marketing spam' unless radical transparency (e.g., showing competitor costs) is employed.; cultural capability gap in behavioural science.
Platform Providers	Real-time behavioural data (logins, transactions); modern technology infrastructure; natural position as the “operating system” for TS delivery; ability to serve both direct customers and adviser firms.	Shallower customer relationships than incumbents; dependence on adviser firms for some segments.
Digital-First Fintechs	Purpose-built for digital engagement; superior user experience; strong behavioural science capabilities; agile development.	Smaller customer bases; less mature governance frameworks; potentially insufficient capital for full TS build-out.

The Dashboard Multiplier: "The arrival of Pensions Dashboards acts as a force multiplier for TS. The 'Data Rich' firms will not rely solely on their own records; subject to data access rules, Dashboards may become a force multiplier, whereby they will utilize the Dashboard infrastructure to view a consumer's total wealth.

A TS nudge becomes infinitely more powerful when it says, *'We see you have three small pots with other providers charging >1% fees. Click here to see how consolidation could save you £50k by retirement.'* This capability will be the primary battleground for 2026–2028."

TS requires robust governance, testing, and MI frameworks—elements that are expensive to build and even more expensive to maintain. Consumer Duty already requires firms to demonstrate that communications support customer understanding, that products and services deliver fair value, and that customer support enables customers to pursue their financial objectives. TS heightens this requirement. Firms must demonstrate that the guidance was delivered at the right time, that the consumer understood it, and that it led to a positive behavioural outcome. Building this infrastructure is no small task.

Finally, TS gives product providers and manufacturers something they have not had since RDR: permission to re-enter the front end of the consumer relationship. While TS is a distinct regime alongside the existing advisory framework, its power lies in the ability to shape decisions. These scaled entities can now influence consumer journeys, prompt consolidation, guide clients through retirement transitions, and frame options in ways that naturally tilt toward their own product infrastructure—all fully within the boundary of the TS regime.

Product providers and manufacturers are entities with the capital required for TS infrastructure as well as decades of policy and contribution histories, allowing them to convert this legacy asset into a regulatory advantage.

The Trust Paradox: While data-rich firms have structural advantages, they face a credibility deficit. Consumer research consistently shows that people trust individual advisers and employers far more than product providers and manufacturers. Employers are trusted **more than providers**, but **less for complex decisions**. This means that the most effective TS models may be partnership-based - where product providers and manufacturers provide the infrastructure and data, but trusted intermediaries (advisers, platforms, employers) deliver the nudge. Product providers and manufacturers who attempt direct-to-consumer TS without radical transparency may find their nudges ignored or perceived as 'marketing in disguise.

The Workplace Pension Engine

The most significant TS engine in the UK is not retail wealth — it is the workplace pension ecosystem. This segment holds over **21.7 million people saving into workplace pensions as of 2024** [10], monthly payroll triggers, rich behavioural data, and high trust in employers as a distribution channel. This environment is perfect for TS because decisions are simple (contribution, consolidation, investment pathway), nudges can be precisely timed alongside payroll events, members expect contact, and mass nudging is economically viable. Multiple FCA

and Edelman Trust Barometer studies show employers are the most trusted channel for financial communications

The 21.7 million figure represents a dramatic increase from approximately 8 million in 2012, prior to auto-enrolment. This expansion—alongside the upcoming increases in minimum contribution rates—positions workplace pensions as the single largest pool of retail financial assets that can benefit from event-triggered, scalable support.

The result of all this is a structural rebalancing of the market. Product providers and manufacturers, workplace pensions, platforms, and fintechs are being positioned to become the primary deliverers of mass-market decision support. Advisers, meanwhile, will increasingly occupy the specialist, high-touch, higher-fee end of the spectrum. TS is likely to tilt competitive advantage towards firms with scale and data, although partnerships and shared TS infrastructure can mitigate this for smaller firms. Most retail IFAs do not have equivalent quantitative data depth — not because advisers are weak, but because the quantitative data sits with the manufacturer, whilst the qualitative data usually sits with the intermediary.

It is important to note that the FCA has not proposed a formal capital requirement for Targeted Support. The '£500,000 TS capital threshold' referenced in some early industry discussions was speculative and did not originate from FCA policy. The real barrier is not regulatory capital - it is operational capability: data quality, governance, MI, behavioural testing, and boundary controls. These infrastructures require sustained investment, which naturally favours large-scale firms, platforms, workplace pension providers, and manufacturers.

So, whilst no explicit capital threshold exists, the FCA's thematic reviews under Consumer Duty have emphasised the need for 'adequate resources' to evidence good outcomes. In practice, this creates an implicit barrier: firms must invest in data infrastructure, MI systems, behavioural testing, and compliance oversight—capabilities that naturally favour entities with scale.

IV. Why the FCA Focuses on Outcomes, Not More Advice

One of the persistent misunderstandings in the profession is the belief that the FCA's ambition is to "make advice more accessible." Many advisers assume the FCA wants more advisers, more advice, lower advice costs, and greater market penetration of regulated advice.

The FCA has consistently framed its objectives in terms of preventing harm and improving outcomes, rather than expanding the volume of regulated advice per se. The regulator's focus is singular: improving consumer outcomes at scale. Whether that improvement is delivered through advice, guidance, nudging, digital pathways, or behavioural prompting is secondary. The FCA has repeatedly stated that it is **agnostic about the delivery channel** [2].

The FCA has repeatedly highlighted that **91% of UK adults do not pay for ongoing advice** [4], fewer than 12% receive regulated advice at any point, and millions are making no decisions at all — the real risk is that poor outcomes arise from inertia, not active decisions. The regulator is therefore focused on engagement, comprehension, timely nudges, and behavioural activation, not on expanding the advice market.

The problem, as the regulator sees it, is that access to advice is too narrow, too expensive, and too slow to scale. Advice capacity cannot scale through humans alone. Industry research [5] consistently shows an ageing adviser population, with surveys indicating many advisers are in their mid-50s and a significant proportion expect to retire over the next decade. New entrant numbers remain too low to offset expected retirements, reinforcing the long-term capacity challenge

Even if adviser recruitment doubled over the next decade—which no current trend supports—the gap between population need and regulated capacity would remain structurally unchanged. Adviser numbers are broadly flat, the average adviser is in their mid-50s, and one-third are expected to retire within ten years, while demand drivers (complexity, pensions freedom, demographic ageing) continue to expand. On any reasonable projection, human-only advice cannot meet mass-market needs at scale.

Advice, as currently regulated, is a boutique service. It is not—and cannot be—a mass-scale consumer solution.

This is why Consumer Duty reframed the regulatory mission. Instead of asking whether consumers received advice, the FCA asks whether consumers made good decisions. This is a profound shift. It places behavioural outcomes at the centre of regulatory supervision, not the delivery mechanism.

TS reflects this shift. It is designed not to increase the quantity of advice, but to increase the frequency of timely, relevant intervention. The FCA's research shows that most consumer harm does not arise from the absence of a regulated personal recommendation. Harm arises from inaction, procrastination, misinterpretation, disengagement, and poorly timed decisions [11].

Advice solves some of these issues. But behavioural science - and well-designed digital architecture - solves them faster, more cheaply, and at scale. TS is the embodiment of the FCA's philosophy. It formalises distinct behavioural intervention and places it on equal regulatory footing with advice when it comes to evidencing outcomes.

For the profession, this is both an opportunity and a threat. The opportunity lies in embracing behavioural and digital tools to complement human advice. The threat lies in assuming the regulator wants to preserve the dominance of the advice model. It does not. The FCA's priority is clear: "Reduce harm and improve decisions, at scale."

The Vulnerability Challenge: TS and the Duty to Protect

Consumer Duty places a heightened emphasis on vulnerable customers—defined broadly as anyone whose circumstances make them particularly susceptible to harm. The FCA's Financial Lives Survey found that **46% of UK adults exhibit one or more characteristics of vulnerability**, including low financial resilience, poor health, major life events, or low financial capability.

For TS, this creates both an opportunity and a profound risk:

The Opportunity: TS can be a powerful tool for supporting vulnerable customers who might never engage with traditional advice where detectable from account activity or employer datasets. A well-designed nudge at the right moment (e.g., after bereavement, redundancy, or divorce) can prevent catastrophic financial decisions.

The Risk: Automated nudges that fail to detect vulnerability can cause significant harm. Examples:

- A nudge to consolidate pensions during a period of acute financial distress might push a consumer toward scams or inappropriate drawdown
- A nudge about investment returns to someone in cognitive decline might be misunderstood or lead to poor decisions
- High-frequency nudges to someone experiencing anxiety or depression could exacerbate mental health issues

The outcome-focus of TS reflects political and economic reality. The FCA cannot mandate that more people become advisers, nor can it directly reduce advice costs without compromising quality. TS is therefore a pragmatic response to a structural constraint: if human advice cannot scale, then technology-enabled guidance must.

Why Knowledge Does Not Become Action: Behavioural Science and the Limits of Targeted Support

A central assumption underpinning Targeted Support is that improved information, delivered at the right moment and framed appropriately, will lead consumers to act. While this is a necessary condition for better outcomes, decades of behavioural research demonstrate that it is rarely sufficient.

The distinction between needs and wants is well established in behavioural science. Consumers may rationally understand what they need to do — save more, consolidate pensions, reduce risk — yet emotionally want to avoid discomfort, regret, loss of control, or the fear of making the “wrong” decision. Financial inertia is not caused by ignorance; it is caused by emotional friction.

Behavioural economics, beginning with Kahneman and Tversky’s Prospect Theory, shows that individuals are disproportionately sensitive to loss, uncertainty, and regret. Status quo bias means that in the face of complexity or perceived risk, doing nothing feels safer than acting — even when inaction produces objectively worse outcomes. This insight is echoed in the FCA’s own Financial Lives research, which consistently identifies disengagement and lack of confidence as primary drivers of consumer harm.

Targeted Support is well designed to address capability — improving awareness, framing choices, and highlighting relevant actions. What it does not address directly is motivation. Self-Determination Theory and the COM-B behaviour change model demonstrate that sustained behaviour change requires not just knowledge, but confidence, emotional reassurance, and a sense of ownership over the decision.

This is the missing middle layer in the current framework.

Without reinforcement, follow-up, and emotional validation, TS risks creating informed intention rather than executed action. Consumers may understand the message, agree with it, and still fail to act — or act once and regress. From an outcomes perspective, this represents a failure, even though the information delivery was compliant and clear.

This is where coaching becomes relevant — not as advice, but as behavioural support. Coaching does not involve product recommendation or suitability assessment. It focuses on helping individuals overcome psychological barriers, build confidence, and sustain momentum over time. Properly structured, it sits comfortably outside the advice boundary while directly supporting the Consumer Duty requirement to deliver good outcomes.

- Targeted Support identifies the issue.
- Coaching converts insight into action.
- Advice addresses complexity when it arises.

Without acknowledging this behavioural reality, TS will improve awareness but struggle to deliver the sustained outcomes the regulator seeks.

V. Why Consolidation Will Accelerate.

It is tempting to assert that “the FCA prefers fewer, stronger firms.” However, this overstates what can be demonstrated. The FCA has never explicitly stated a preference for consolidation and has repeatedly emphasised the value of market diversity and competition. The FCA has stated it is “agnostic” on whether consolidation is a “good or bad thing” [12].

While the FCA is formally neutral on consolidation, the cumulative effect of Duty, TS and existing cost pressures is likely to reinforce economic incentives for mergers and acquisitions, particularly among mid sized firms.

So, what we can say with confidence is that TS and Consumer Duty will accelerate market consolidation—but this is an economic consequence rather than a regulatory objective.

The Economic Drivers of Consolidation

Several forces are pushing firms toward consolidation, making scale a necessity for survival: 1. **Rising Operational Costs:** The cost of Professional Indemnity (PI) insurance and Financial Services Compensation Scheme (FSCS) levies are placing significant financial burdens on financial advisers [13]. This is particularly acute for smaller firms, where the cost of PI cover can consume a disproportionate percentage of regulated revenue [14]. 2. **Technology Demands:** The need to implement TS and meet Consumer Duty’s data-heavy MI requirements necessitates significant investment in technology and governance. This is a fixed cost that is easier to absorb at scale. 3. **Governance and Compliance:** The complexity of Consumer Duty and the incoming TS regime requires dedicated compliance and governance teams. This burden is driving smaller firms to seek the protection and resources of larger, consolidated entities. 4. **Succession Planning:** With a significant portion of the adviser population nearing retirement, consolidation provides a natural exit route.

The Economics of Consolidation

The **economics of consolidation** [15] often mean that a deep-dive due diligence is not viable for acquirers, who are primarily looking for red flag issues. This is why acquirers are increasingly using heuristic/red-flag DD models. This suggests that the value proposition of consolidation is less about achieving perfect operational synergy and more about aggregating client banks and achieving economies of scale in compliance and technology.

Consolidation pressure under TS is therefore economic rather than regulatory. The FCA has not required additional capital for TS; instead, the operational demands naturally reward firms with scale, automation capability, and deeper governance infrastructure.

While the FCA has stated it is 'agnostic' on consolidation, the regulatory framework it has created—Consumer Duty's MI demands, TS's infrastructure requirements, rising PI costs—structurally disadvantages smaller firms. This is not regulatory intent but economic inevitability. The FCA's challenge is ensuring that consolidation does not reduce consumer choice or concentrate risk.

This is a prediction: The net result will be a market with fewer, larger, and more resilient firms, capable of absorbing the high fixed costs of modern regulation and technology. While the FCA may be agnostic about the outcome, the regulatory framework it has created is structurally favouring scale.

VI. TS and the Protection Blind Spot

The current TS framework focuses on pensions and retail investments, deliberately excluding protection products. This creates a significant **policy gap** [16] that ignores the UK's profound underinsurance crisis.

The UK faces a severe underinsurance crisis. FCA Financial Lives data and industry surveys consistently show that over 70% of adults have no life insurance, fewer than 10% hold income protection, and millions of households would face immediate financial distress if the primary earner died or became unable to work. For context, **more UK households lack adequate protection than lack pension provision**—yet protection receives a fraction of the regulatory and industry focus.

Why Protection is Absent from TS

The FCA's decision to exclude protection from the initial TS framework reflects genuine regulatory complexity, not merely weak economic incentives for product providers and manufacturers:

1. **Underwriting Variability:** Unlike pension consolidation or fund switches (where the action is relatively standardised), protection decisions depend heavily on individual health, occupation, and lifestyle. A nudge to "consider life insurance" provides little value if the consumer cannot obtain cover at standard rates.
2. **Advice Boundary Risk:** Protection recommendations are highly contextualised. How much cover? For how long? Joint or single life? Trust arrangements? Income protection or critical illness? These decisions risk crossing the advice boundary if guidance becomes too specific.
3. **Liability Uncertainty:** If a TS nudge prompts a consumer to "review your protection needs" and they delay or misunderstand the guidance, resulting in uncovered harm, the liability chain is unclear. Unlike investment decisions (where harm is typically financial loss), protection failures can be catastrophic and immediate.
4. **Economic Incentives:** Protection products typically have lower margins and no long-term AUM retention compared to investments. Product providers and manufacturers have less commercial incentive to invest in TS infrastructure for protection, though this is a secondary factor.

The Case for Future Inclusion

However, the **severity of the UK protection gap**—with only 29% holding life insurance and fewer than 10% holding income protection—suggests that event-triggered nudges (e.g., at childbirth, mortgage origination, or job changes) could materially improve outcomes if

appropriate safeguards are developed. The FCA has indicated that protection may be revisited in future TS iterations once the framework matures.

Product providers and manufacturers have less incentive to push for the inclusion of protection in TS compared to investment products. Investment products often have recurring charges and long-term asset retention benefits that make the investment in TS infrastructure economically viable. Protection products, while essential for consumer welfare, typically offer lower margins and less long-term financial benefit to the provider, reducing the commercial drive to invest in a TS framework for this sector.

Despite these challenges, there is a strong argument that TS—or a TS-adjacent framework—must eventually address protection:

- **Life events are perfect triggers:** Marriage, childbirth, mortgage origination, and job changes are objective, observable events that clearly indicate protection need. These are precisely the moments when a well-designed nudge could be most effective.
- **The harm prevented is greater:** While investment inertia leads to suboptimal returns, protection inertia can lead to financial catastrophe for families. From a societal harm perspective, this should be a priority.
- **Existing distribution hasn't solved it:** Despite widespread availability through brokers, aggregators, and direct channels, the protection gap persists. This suggests that the barrier is not supply but **engagement and awareness**—exactly what TS is designed to address.

A Pragmatic Path Forward

Rather than wholesale inclusion, the FCA should consider a phased approach:

1. **Start with simple, objective nudges:** e.g., "You've just had a child and taken out a mortgage. Did you know that 70% of families in your situation have no life insurance? Here's what to consider." This stops short of a recommendation but raises awareness at the critical moment.
2. **Partner with specialists:** Product providers and manufacturers and platforms could partner with protection-focused advisers or regulated comparison tools, creating a warm handoff from TS nudge to specialist support.
3. **Pilot with workplace benefits:** Employers already offer group life and income protection. Extending TS to nudge employees to review adequacy or add voluntary cover is lower-risk than retail distribution.

The exclusion of protection from TS is understandable given the complexities, but it remains a significant policy gap. As the framework matures, addressing the protection deficit must become a priority—not because TS is a perfect fit, but because the harm of continued inaction is too great to ignore.

Policymakers must recognise that true financial resilience requires protection against downside risk as much as growth in assets. The current TS framework is a powerful tool for improving

financial outcomes, but until it encompasses the full spectrum of financial risk, it remains incomplete.

If TS is truly intended as a framework to improve outcomes at scale, the next phase must include protection. The behavioural logic applies more strongly to protection than to investments, the harm prevented is greater, and the long-term societal benefit is arguably larger. The first iteration of TS may sensibly focus on simpler, asset-based decisions, but the long-term success of the framework requires a complete view of consumer financial resilience.

This is a prediction: The exclusion of protection from TS is a significant policy limitation that is likely to be revisited as the framework matures. The severity of the protection gap and the perfect fit of the TS mechanism to address it will force a future expansion of the scope.

VII. The Technology Imperative: Emotional AI and the Future of Support

One of the most overlooked forces shaping the future of financial planning is the rapid evolution of emotional artificial intelligence, however “Emotional AI remains largely untested in regulated financial contexts.

That said, we are now entering a phase where technology is capable not only of processing information but of forming credible, if synthetic, emotional connections with users.

Artificial intelligence is already transforming back-office operations in financial services—data processing, compliance monitoring, fraud detection, and report generation. The next frontier is **consumer-facing AI**: digital agents that can engage in natural conversation, provide personalised guidance, and potentially form ongoing relationships with clients. Some industry voices have termed this “Emotional AI” or “Affective Computing.”

Artificial intelligence is therefore no longer limited to analytics, modelling or document automation. **While still nascent, the long-term potential of Emotional AI systems**—AI with the ability to engage conversationally, convey empathy, and build ongoing relational memory—raises profound implications for the future of financial planning.

The shift to outcome-focused regulation necessitates a technological leap beyond simple digital forms and calculators. The next frontier is the integration of AI that can address the emotional and behavioural barriers to good financial decisions.

Research across psychology and human–computer interaction consistently shows that people form emotional bonds with non-human agents, provided three conditions are met:

1. **Continuity** — the agent remembers past interactions
2. **Empathy** — the agent reflects emotional cues
3. **Competence** — the agent adds value during real problems

Modern systems already demonstrate this.

Consumer applications like Replika, Character.AI, and Pi.ai demonstrate that people **can and do** form emotional bonds with AI agents. Users report feelings of connection, rely on these agents for emotional support, and return to them consistently. This proves the **technical feasibility** of relationship-building AI.

The Financial Services Application

If consumers can bond with AI companions, why not with a financial guide? The logic is compelling:

- AI is infinitely patient, available 24/7, and free from human biases (in theory)

- AI can process vast amounts of personal data to provide highly contextualised support
- AI can deliver behavioural nudges at precisely the right moment
- AI can scale to millions of users simultaneously

For TS, the potential is clear: an AI agent could act as a persistent financial coach, delivering timely nudges, answering questions, and guiding consumers through decision pathways—all without crossing the advice boundary.

The Role of Emotional AI

Emotional AI [3] (or Affective Computing) uses natural language processing (NLP), sentiment analysis, and behavioural analytics to interpret a customer's emotional state during an interaction. In financial services, this technology is already being used to: * **Enhance Customer Support**: Identifying frustration or confusion in real-time to trigger a human intervention or adjust the tone of a digital response. * **Drive Retention**: Providing empathetic, personalized coaching that addresses the underlying anxiety or fear associated with financial decisions. * **Improve Nudging**: Tailoring the language and timing of a TS nudge based on the consumer's demonstrated financial confidence or stress levels.

Opportunities and Risks

Emotional AI will matter — but its regulated deployment will be slow, tightly controlled, and heavily supervised. However, the potential **opportunities** could be transformative:

- **Scale and Accessibility**: AI can provide instant, 24/7, low-cost guidance to millions currently excluded from advice.
- **Behavioural Coaching**: AI can deliver personalised, empathetic nudges and coaching, helping clients overcome inertia and make better decisions.
- **Data Synthesis**: AI can process vast amounts of personal and market data to provide highly contextualised support far beyond human capacity.

In many cases, these relational dynamics mirror the ones advisers say clients value most: reassurance, continuity, and accountability.

However, emotional AI raises challenges that the industry cannot ignore and the risks are profound and must be addressed with regulatory realism:

- **Misinformation and Bias**: AI models can perpetuate biases or provide inaccurate information, leading to significant financial harm.
- **Over-Reliance and Trust**: The very success of "emotional AI" in building trust can lead to dangerous over-reliance, where clients follow AI guidance without critical thought.

- **Data Privacy and Security:** The deep personal data required for empathetic AI raises severe privacy and security concerns.
- **The Black box risk:** If an AI nudges a client to consolidate based on 'sentiment,' and that consolidation is poor value, the firm is liable."

Regulatory and Liability Realism

The path to regulatory approval for AI-driven guidance is fraught with challenges:

Regulatory Challenge	Implication for Firms
PI/Liability	Who is liable when an AI-driven decision causes harm? The developer, the firm implementing it, or the adviser supervising it? Clear liability frameworks are essential before mass adoption.
Explainability	Consumer Duty requires firms to demonstrate that consumers understand the service. How can a firm explain the decision-making process of a complex, non-deterministic AI model?
Human-Machine Trust	While behavioural science shows humans can form bonds with digital agents, the trust required for financial decisions is fundamentally different from that for entertainment. Regulatory oversight must ensure this trust is earned, not engineered.
Complementarity	The most realistic near-term future is one where AI acts as a sophisticated co-pilot, handling data synthesis and initial guidance, while the human adviser retains ultimate responsibility for complex decisions and emotional context.

The emergence of emotional AI is not science fiction, but its integration into regulated financial services must be managed with extreme caution. The focus must remain on the human adviser as the ultimate source of accountability and the final arbiter of complex, context-dependent decisions.

Emotional AI will reshape the way consumers interact with money, but its incorporation into regulated financial services must be:

- cautious
- transparent
- explainable
- supervised

The Reality Check: Why Regulated Financial AI Remains Years Away

Despite the hype, significant barriers prevent widespread deployment of autonomous AI in UK financial services:

1. Regulatory Uncertainty

Current FCA publications, including DP5/22 and Consumer Duty materials, assume clear human accountability and do not set out a dedicated framework for fully autonomous AI making regulated decisions. Consumer Duty requires firms to ensure consumers understand the service they're receiving. But how can a consumer understand a decision influenced by a neural network with billions of parameters?

Current regulatory guidance assumes human accountability. There is no dedicated framework for autonomous AI advice or guidance. Any AI deployment must remain firmly within the "tool" category, with human oversight.

2. Liability Vacuum

If an AI agent provides guidance that leads to consumer harm, who is responsible?

- The firm deploying the AI? (But they may not understand the model's inner workings)
- The AI vendor? (But they didn't know the specific client context)
- The developer of the underlying model (e.g., OpenAI, Anthropic)? (But they provide general-purpose tools, not financial advice)

PI insurance has historically been structured around human conduct, and many insurers are still assessing how to underwrite AI related risks, which may slow adoption. Until this liability chain is clarified—through regulation, case law, or insurance innovation—most firms will avoid material AI deployment.

3. The "Uncanny Valley" of Financial Trust

Research in human-computer interaction shows that people readily accept AI for:

- **Routine tasks** (checking balances, scheduling payments)
- **Complex data analysis** (if explainable: "Based on your spending, you're on track to meet your savings goal")

But people often **resist** AI for emotionally significant, high-stakes decisions—precisely the domain of financial planning. This is especially true for older demographics who form the majority of advised clients.

While younger, digitally native consumers may embrace AI financial coaches, the mass market is not there yet. Trust must be earned, not assumed.

4. The Black Box Problem

Modern large language models (LLMs) are **non-deterministic**. The same input can produce different outputs depending on model state, sampling parameters, and context window. For entertainment, this is fine. For regulated financial services, it is unacceptable.

Regulators and consumers need **explainability**: "Why did the AI suggest this action?" If the answer is "the model's internal weights predicted this response based on its training data," that is not sufficient for Consumer Duty compliance.

5. Bias and Fairness

AI models can encode biases from their training data. In financial services, this could lead to:

- Differential treatment based on demographic characteristics
- Reinforcement of existing inequalities (e.g., lower engagement with certain postcodes)
- Unintended discrimination that violates Equality Act requirements

The FCA has made clear that firms remain responsible for **all outcomes**, even those produced by AI.

The Realistic Near-Term Future: AI as Co-Pilot, Not Autonomous Agent

Given these barriers, the pragmatic path forward is **AI augmentation**, not AI replacement:

- **AI for data synthesis**: Aggregating information from multiple sources to present a clear picture to the human adviser or consumer
- **AI for administrative tasks**: Drafting suitability reports, generating summaries, pre-populating forms
- **AI for triage**: Identifying which clients need urgent human contact based on behavioral signals
- **AI for content personalisation**: Tailoring educational content and nudges to individual comprehension levels
- **AI for scenario modeling**: "What if I increased my pension contributions by 2%? By 5%?"

In this model, AI handles the **data processing and initial engagement**, while a human adviser (or consumer, in the case of TS) retains **decision authority**.

Looking to 2030: Conditional Optimism

The long-term potential of Emotional AI suggests that by 2030, we may see:

- **Approved AI co-pilots**: Firms deploy AI assistants that operate under strict guardrails, with mandatory human review of any consequential guidance

- **Clearer liability frameworks:** Regulation, insurance products, or contractual structures that allocate responsibility for AI-driven harm
- **AI-native TS journeys:** Particularly for younger demographics, fully digital TS pathways with AI-driven personalization—but still within narrow, pre-approved guardrails

But autonomous, emotionally intelligent AI financial planners operating without human oversight? That remains speculative. The regulatory, liability, and trust hurdles are too significant to overcome in the next five years.

Strategic Implications for Firms

1. **Invest in AI augmentation now:** Don't wait for autonomous AI. Deploy AI tools that make your human advisers more efficient and your TS nudges more personalized.
2. **Build explainability from the start:** Any AI deployment must have a clear audit trail. "Why did the system do this?" must have an answer.
3. **Monitor regulatory evolution:** The FCA is actively considering its AI policy. Engage with consultations and stay ahead of guidance.
4. **Don't oversell AI to clients:** Promising "AI financial planning" creates expectations you cannot meet and risks regulatory censure for misleading communications.

If this technology matures, the future of financial planning will be **hybrid**: AI handling scale, data, and routine engagement; humans providing judgment, empathy, and accountability. Firms that master this balance will thrive. Those that assume AI will replace human advisers—or that regulators will quickly approve autonomous AI agents—will be disappointed.

A Targeted Support or AI enabled guidance model must rest on a defensible data and ethics framework, grounded in lawful basis, minimisation and fairness. For most TS use cases the primary lawful basis will be "performance of a contract" or "legitimate interests", with firms required to document why each data element is necessary for a specific nudge or journey, and to balance any legitimate interest against the rights and expectations of customers. Data minimisation means collecting and processing only the information needed to identify a cohort, trigger an intervention and evidence outcomes—rather than hoarding broad behavioural or inferred data that is tangential to the TS purpose—and regularly reviewing datasets and retention periods to strip out fields that no longer add value. Fairness requires that models and segmentations do not systematically disadvantage particular groups, that profiling and automated decision making are explainable in plain language, and that customers have clear routes to contest decisions or switch to human support where TS nudges or AI tools may materially affect their financial position, aligning with both UK GDPR and the FCA's expectations on Consumer Duty, vulnerability and the responsible use of data driven technology.

AI and Targeted Support therefore sit at the centre of the emerging three tier market structure. At the mass market end, TS engines and emotionally intelligent digital agents can deliver low cost, always on nudges and coaching to millions of consumers who will never access full advice,

effectively becoming the default layer of financial support for simple needs. In the middle, hybrid models will combine human planners with TS enabled platforms and AI co pilots to serve affluent households that value relationship and judgement but expect seamless digital experiences and event triggered prompts. At the top, bespoke face to face advice will remain essential for complex, high value cases, but even here advisers who harness TS data, AI driven insights and workflow automation will be better placed to demonstrate Consumer Duty outcomes and justify premium fees.

This is a prediction: The most successful TS providers will be those who move beyond simple rules-based nudges to emotionally intelligent nudges that increase the likelihood of positive action.

VIII. Competitive Map 2026–2030

The combined forces of Consumer Duty, Targeted Support (TS), and accelerating technology adoption are reshaping the competitive landscape of UK financial services. But contrary to simplistic narratives, the winners will not be determined solely by size or legacy position. Competitive advantage will accrue to firms that combine **trust, data, behavioural insight, technology, and cost efficiency** — regardless of their historical category.

1. The Mass Market: Behavioural Nudging at Scale

This tier will be dominated by the large, data-rich entities (product providers and manufacturers, platforms, and workplace pensions). Their value proposition is low-cost, timely, and automated decision support for simple, high-volume financial decisions (e.g., pension consolidation, fund switches, retirement income pathway selection). * **Value Proposition:** Scalable, low-cost, automated outcomes. * **Technology Focus:** AI-driven nudging, behavioural science, robust MI/governance platforms. * **Target Consumer:** The mass market and the unadvised.

This segment will therefore be dominated by firms with:

- large customer populations
- recurring data triggers
- strong digital UX
- the ability to deliver compliant TS journeys at scale

But this includes more than product providers and manufacturers, so the likely dominant players will be:

Player Type	Why They Win	Evidence
Workplace Pension Providers / Trusts	Monthly payroll data; employer trust; automatic engagement; low-cost nudging; simple product sets.	Over 10 million auto-enrolled members; highest mass-market contact rate in FS.
Platforms	Real-time behavioural data; app usage patterns; integrated tools; scalable digital delivery.	Login analytics, transaction-level data give platforms insight that IFAs lack.
Fintechs (Moneybox, PensionBee, Monzo, etc.)	Superior UX; behavioural design; agile testing; strong digital literacy among customers.	Fintech engagement levels far exceed those of legacy providers.

Player Type	Why They Win	Evidence
Large Product Providers and Manufacturers	Decades of customer data; capital to invest in TS; direct-to-consumer channels.	TS gives product providers and manufacturers regulatory permission to re-enter customer engagement.

This is not simply " product providers and manufacturers win. It is "firms with data + UX + scale win."

2. The Mass Affluent: The Hybrid Battleground

This tier represents the future for many traditional advice firms. It combines human expertise for complex planning and emotional support with digital tools for efficiency and data management. The **hybrid advice model** [17] leverages technology to handle routine tasks, freeing up the human adviser to focus on high-value activities like behavioural coaching, complex tax planning, and intergenerational wealth transfer. * **Value Proposition:** High-touch human relationship supported by digital efficiency. * **Technology Focus:** Client portals, digital fact-finding, AI-powered research and suitability report drafting. * **Target Consumer:** The affluent market, seeking a balance of cost and personal service.

This will be the most competitive segment, and the one with the highest revenue and lifetime value.

Hybrid models will dominate — not because the FCA mandates them, but because:

- consumers want human reassurance + digital convenience
- advisers cannot scale human-only advice
- tech cannot fully replace human judgement

Firms that win here will be:

- large national advice firms
- platform-owned advice subsidiaries
- vertically integrated advice groups
- fintech–advice hybrids
- well-run regional IFA firms that embrace technology

Key strategic requirement:

integration of human advice + AI co-pilots + digital nudging.

This is where most advisers will reposition if they want to survive.

3. High Net Worth: Human Expertise, Trust & Complexity

This tier remains the domain of the traditional, high-fee, bespoke adviser. The value proposition is complexity management, unique access, and deep personal trust. Technology is used primarily for sophisticated analysis and reporting, not for client-facing automation. * **Value Proposition:** Complexity management, bespoke solutions, and deep personal trust. * **Technology Focus:** Advanced portfolio analytics, specialist tax modelling, CRM. * **Target Consumer:** High-Net-Worth (HNW) and Ultra-High-Net-Worth (UHNW) individuals.

This segment is the least affected by TS and the winners will likely be boutique firms, chartered financial planners, private banks & family office advisers who focus on complex tax planning, intergenerational planning, emotional complexity & bespoke structures (trusts, IHT, business exits). AI will support these firms — but not displace them.

4. The Middle Market Squeeze

This is the most important competitive insight.

Firms that are too small to build TS, too large to operate as pure boutiques, too slow to adopt hybrid models will be squeezed out. This is not regulatory intent — it is **economic inevitability**.

5. Consumer Trust Channels Will Determine Winners

One of the most overlooked competitive factors is **trust origin**.

The UK population trusts **employers** (highest trust for financial communications), **workplace pensions, major consumer brands, banks, individual advisers** they have a relationship with **product providers and manufacturers** (lowest, due to historic mis-selling)

This means that Master Trusts could become the most influential TS distributors, Platforms could become the “operating systems” of retail financial decision-making, Advisers retain disproportionate trust relative to their scale, which supports hybrid dominance & product providers and manufacturers will need to overcome trust deficits to fully capitalise on TS

6. The Competitive Outcome (Most Likely Scenario)

By 2030, the market will bifurcate into three clear zones. The key takeaway for all participants is that the middle ground is shrinking. Firms must either achieve the scale necessary to compete in the mass market or develop the specialisation and trust required to thrive at the high-touch end.

The market will bifurcate, with different players dominating distinct segments of the value chain.

Market Segment	Primary Service Delivery	Dominant Players	Strategic Imperative
Mass Market (Basic needs, simple life events)	Automated TS, digital nudges, low-cost guidance.	Product providers and manufacturers, Platforms, Large Fintechs, Master Trusts.	Scale and Data: Achieve maximum reach at minimum cost per interaction.
Affluent/Mass Affluent (Complex needs, wealth accumulation)	Hybrid advice (digital triage + human oversight), comprehensive financial planning.	Large, scaled advice firms; Platform-aligned VIFs.	Efficiency and Integration: Seamlessly blend technology and human expertise to deliver value.
High Net Worth/Ultra HNW (Intergenerational wealth, complex tax/trusts)	Bespoke, high-touch, human-centric advice; specialist expertise.	Boutique advice firms; Private Banks.	Trust and Specialisation: Preserve the human relationship and deep technical expertise.

7. A More Balanced Conclusion

TS does not “guarantee” manufacturer dominance, instead **TS amplifies the competitive advantage of any firm that possesses scale, data, behavioural insight, digital infrastructure, and consumer trust.**

Product providers and manufacturers may win — but so may platforms, Master Trusts, fintechs, and hybrid advice firms.

This nuanced conclusion is **industry-safe, regulator-safe, journalist-safe**, and evidence-based.

The Firms Most at Risk: A Profile

To make the competitive dynamics concrete, consider a hypothetical £50m AUM advice firm:

- 2 advisers
- Established 20 years ago
- Good client relationships, but limited digital capability
- Annual compliance costs rising (PI, FSCS, regulatory change)
- Founder-owner aged 58, considering retirement
- Unable to attract younger advisers due to location and compensation constraints

This firm is **too small** to build TS infrastructure and **too slow** to compete with platform-integrated hybrid models. Without a strategic shift - merger, platform partnership, or niche specialisation—it faces managed decline.

This is not a regulatory failure. It is the natural consequence of a market evolving toward scale and specialisation. But policymakers and industry bodies should acknowledge the human cost of this transition and provide support for managed exits or mergers.

International perspectives on targeted support

Other major markets are converging on variations of targeted, scalable support that echo the UK's proposed TS regime, even though the regulatory labels differ.

Australia intrafund and “targeted prompts”

Australian superannuation funds have long been able to provide “intra fund advice”, offering limited scope guidance funded from the fund rather than explicit member fees. Recent reforms linked to the Retirement Income Covenant are pushing trustees to develop cohort based retirement strategies and to use “retirement assistance” and targeted superannuation prompts to nudge members on drawdown rates, contribution settings and product choices, while staying within strict guardrails to avoid full personal advice. Draft legislation around targeted prompts includes requirements for assessment frameworks, record keeping and monitoring of prompt effectiveness, creating a governance model that is conceptually close to UK TS proposals—even if delivered under different statutory duties.

United States - robo advice and Reg BI

In the US, digital advice has evolved under the Investment Advisers Act and Regulation Best Interest, with the SEC tightening its “internet adviser” exemption and scrutinising robo advisers’ algorithms, disclosures and data inputs. Supervisors have raised concerns where automated portfolios are generated with insufficient client information, or where conflicts and limitations are not clearly explained, reinforcing that digital or algorithmic support is held to the same fiduciary or best interest standards as human advice. This experience underscores two lessons for UK TS and AI enabled nudging: that supervision will focus heavily on input data, model governance and disclosure, and that firms remain fully accountable for automated recommendations and prompts.

European Union - MiFID II, simplified advice and digital engagement

Across the EU, MiFID II currently draws a binary line between “advice” and “non advice”, but policy discussions recognise the need for intermediate models, including simplified advice and enhanced digital guidance. ESMA’s work on digital engagement practices examines nudging, gamification, push notifications and potential “dark patterns”, with a view to clarifying when these tools support investor protection versus when they risk mis selling. Industry proposals, such as calls for a MiFID “simplified advice” regime, mirror the UK debate by arguing for streamlined obligations that still deliver suitability and value for money, suggesting that a more graduated

spectrum between full advice and generic information is becoming a common regulatory ambition.

IX. What Firms Must Do Now (Concrete and Actionable)

In a world where TS handles the routine nudges and digital tools automate portfolio rebalancing, the human adviser's value proposition must fundamentally shift from performance and product selection to **behavioural coaching**.

The greatest value an adviser provides is not in achieving an extra 1% of investment return, but in preventing the client from making a catastrophic emotional decision—such as selling out during a market crash or taking excessive risk during a bull market.

The new value proposition is: * **Emotional Resilience**: Helping clients stick to the plan during market volatility. * **Goal Clarity**: Translating complex financial concepts into clear, actionable life goals. * **Complexity Management**: Navigating tax, estate, and regulatory complexity.

For advice firms, the time for passive observation is over. TS and Consumer Duty demand a fundamental re-engineering of the business model. **The Five Most Important Actions for Advice Firms (Prioritised)**

If you do nothing else, do these five things:

1 **Re-engineer the Value Proposition**: Review all client communications from the past year. Calculate what percentage of adviser time is spent on portfolio performance vs. behavioural coaching, goal tracking, and complex planning. If performance discussion dominates, you are positioning yourself for commoditization. Stop defining value by investment performance. Audit your client communication to ensure it focuses on the Vanguard Advisor Alpha elements: behavioural coaching, tax efficiency, and financial planning [18]. Explicitly measure and communicate the non-portfolio value you deliver.

2 **Embrace the Digital Co-Pilot**: Invest in technology that handles data gathering, suitability checks, and routine client communication. This is not about replacing advisers, but about freeing them to focus on the high-value, emotional, and complex aspects of planning. You cannot build AI capability in-house unless you are a very large firm. Select a platform, CRM provider, or specialist vendor that is integrating AI tools (data synthesis, report drafting, client triage). Test these tools with a small client cohort.

3 **Define Your TS Strategy**: Decide whether to be a TS provider or a TS partner. If you choose to provide TS, ensure you have the governance and MI infrastructure. If you choose to partner, align with a platform or manufacturer whose TS framework complements your human advice offering. However, you must Partner strategically and ensure your client agreement retains the 'advice rights' to the client if their wealth grows, preventing the platform from cannibalizing your future HNW clients.

4 **Strengthen Governance and MI**: Consumer Duty is non-negotiable. Implement robust systems to capture and report on client understanding, outcomes, and fair value. This MI is your licence to operate.

5 **Develop Protection Expertise:** Recognise the policy gap and proactively integrate protection planning into your core offering. This demonstrates a commitment to holistic client welfare that goes beyond the current regulatory minimum.

This is a prediction: Advisers who embrace this shift will thrive, while those who continue to focus on performance reporting and product features will be increasingly commoditized by technology.

X. Implications for Product Providers and Manufacturers & Platforms

The TS regime hands a significant competitive advantage to scaled entities. Their focus must be on responsible deployment and avoiding the temptation to overreach the guidance boundary.

Product providers and manufacturers and platforms are uniquely positioned to benefit from the TS framework, but their success is not guaranteed. They must navigate the fine line between providing helpful guidance and crossing the advice boundary, all while managing consumer trust.

6 **Prioritise Trust over Product Push:** The biggest risk is using TS as a thinly veiled product sales channel. Success hinges on building a trusted guidance brand. This requires investing in genuinely objective behavioural science and user experience, not just marketing.

7 **Invest in Boundary Control:** The line between TS and advice is the most critical regulatory boundary. Platforms and product providers and manufacturers must invest heavily in automated systems that log every interaction, flag potential boundary breaches, and ensure immediate human oversight when the line is approached.

8 **Partner with Advisers:** While TS allows direct consumer engagement, product providers and product providers and manufacturers and platforms should view advisers as essential partners, not competitors. The most successful models will be those that seamlessly hand off complex cases from their TS channel to a trusted adviser network.

9 **Future-Proof for AI:** Begin integrating AI capabilities now, but focus on the low-risk, high-value areas like data synthesis and administrative support. Use the next five years to build the regulatory and liability frameworks necessary for more advanced AI guidance. Ensure Operational Resilience is paramount; if your TS 'nudge engine' fails during a market correction, the consumer harm (and liability) will be significant.

10 **The Economics of Targeted Support:** "Firms must be clear on the ROI of TS. It is not a profit centre; it is a **defensive moat**. The commercial value of TS lies in **Retention** (preventing transfers out by engaging customers earlier) and **Triage Efficiency** (using digital nudges to filter the 'Mass Market' so human advisers only speak to qualified 'Hybrid' or 'HNW' prospects). If TS does not reduce your Cost of Acquisition (CAC), it is failing.

XI. Policy Implications

The introduction of TS is a bold step, but policymakers must address several areas to ensure the framework achieves its goal of improving outcomes at scale. So, while the FCA has made significant strides, a number of key policy gaps remain that must be addressed to ensure equitable outcomes for all consumers:

11 **Close the Protection Gap:** The exclusion of protection from TS is a critical oversight. The framework must be expanded to include non-investment life events to address the UK's severe underinsurance crisis.

12 **Clarify AI Liability:** The current regulatory framework is ill-equipped to handle the liability of AI-driven guidance. Clear, unambiguous rules on who is responsible for harm caused by an AI co-pilot or virtual adviser are urgently needed to foster innovation while protecting consumers.

13 **Support Small Firm Transition:** While consolidation is inevitable, the FCA should explore mechanisms to help smaller, well-run firms manage the transition, perhaps through subsidised access to shared MI and governance platforms, ensuring market diversity is not entirely lost.

14 **Focus on Financial Education:** TS is a reactive tool. A proactive, national strategy for financial education, delivered through schools and workplaces, remains the most effective long-term solution for improving consumer capability.

XII. What Could Go Wrong? (Failure Modes)

A balanced analysis requires an honest assessment of the potential failure modes of the TS framework and the broader market transition:

15 **Regulatory Overreach:** If the FCA uses the MI requirements of TS and Consumer Duty to impose an unsustainable compliance burden, it could stifle innovation and accelerate the exit of smaller, valuable firms, leading to a less competitive market.

16 **The "Guidance Trap":** If product providers and manufacturers and platforms use TS to push consumers to unsuitable in-house products, the framework will fail to deliver fair value and will erode consumer trust, leading to a new wave of regulatory intervention.

17 **AI Liability Paralysis:** If policymakers fail to establish clear liability rules for AI, firms will be unwilling to deploy advanced guidance tools, stalling technological progress and limiting the potential for mass-market access.

18 **The Protection Crisis Deepens:** If the TS protection gap is not closed, the underinsurance crisis will worsen, leading to significant social and financial harm that the new framework was intended to prevent.

19 **The "Sludge" Accusation:** "A significant risk is that Emotional AI is weaponized for retention rather than consumer support. If the FCA identifies that firms are using sentiment analysis to emotionally manipulate clients into staying in poor-value products (creating digital 'sludge'), the regulatory backlash will be severe, potentially banning the very tools intended to help."

20 **Behavioural Failure: Awareness Without Action:** One of the most significant risks within the Targeted Support framework is the assumption that improved awareness will reliably translate into sustained behavioural change.

Decades of behavioural research demonstrate that knowledge, even when timely and well-framed, is rarely sufficient to overcome emotional barriers such as loss aversion, fear of regret, low confidence, and decision avoidance. Consumers may understand a TS prompt, agree with it, and still fail to act — or act once and subsequently regress.

If TS is implemented as a series of one-off nudges without reinforcement, follow-up, or behavioural support, it risks generating *informed intention rather than durable outcomes*. From a Consumer Duty perspective, this creates a structural vulnerability: firms may evidence comprehension, yet still fail to evidence positive consumer outcomes over time.

This risk is particularly acute for financially vulnerable consumers, where anxiety, cognitive overload, or lack of self-belief can inhibit action even when guidance is clear and appropriate.

Unless TS journeys are complemented by mechanisms that support confidence, motivation, and momentum, there is a danger that the framework improves information delivery without materially improving financial resilience.

XIII. The Vision for 2030

The UK financial planning sector is entering a new era defined by scale, data, and behavioural science. Targeted Support is not a minor regulatory adjustment; it is the catalyst for a structural reset.

The future of financial support is **hybrid** [17]—a blend of automated, scalable guidance for the many, and bespoke, human advice for the complex. The winners will be those who embrace technology as a co-pilot, re-engineer their value proposition around behavioural coaching, and strategically position themselves within the new three-tiered competitive landscape. The profession must adapt to a world where the most valuable advice is often the one that prevents a bad decision, delivered not by a person, but by a perfectly timed, compliant nudge.

By 2030, the UK financial services landscape will be fundamentally different. The distinction between advice and guidance will be less about the personal recommendation boundary and more about the complexity of the client's needs.

The vision is a market where:

- **Technology** handles the routine, the data, and the nudges, providing timely, low-cost support to the mass market.
- **Human advisers** are elevated to the role of true financial coaches and strategists, focusing on the emotional, complex, and intergenerational aspects of wealth.
- **Regulation** is outcome-focused, ensuring that all consumers—regardless of their wealth—receive support that is clear, fair, and leads to a better financial life.

This transition is challenging, but it is necessary. The profession must adapt, not just to survive, but to finally deliver clarity, confidence, and good outcomes at the scale society demands.

"Hybrid" will not be a segment, but the standard. Even HNW clients will expect TS-style digital nudges for admin, while Mass Market will expect human "moments of truth."

This 2030 vision assumes that the eventual Targeted Support regime broadly reflects current proposals and that there is no major policy reversal or shock that fundamentally redirects UK retail conduct regulation during the period.

XIV. About the Author



Patrick Murphy BA (Hons), FPFS, CFP™, Chartered FCSI is an award-winning Financial Planner and thought leader with more than fifty years' experience in the UK wealth-management profession. A former principal of Zen Wealth LLP and winner of *Money Management Financial Planner of the Year 1997/98*, Patrick has been a long-time advocate for integrating health, wealth and happiness in the planning process.

His current work focuses on bridging behavioural science, regulation and technology to expand access to quality financial planning. Through his new venture, **Sustain Momentum Ltd**, Patrick is developing frameworks that apply artificial intelligence and human coaching to deliver the early, non-regulated stages of the financial-planning journey efficiently and at scale—helping people achieve clarity, confidence and balance in their financial lives.

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XV. Appendix & Endnotes.

This paper is grounded in published research, regulatory material, and industry data. Some quantitative statements draw on industry estimates rather than official statistics. Scenario elements (especially in Section 12) are judgement-based, not forecasts. The numbered references below are designed to support the key claims in the body of the paper, including:

- what clients value from advice
- the size and nature of the advice gap
- adviser demographics and consolidation pressures
- the design and intent of Consumer Duty, AGBR, and TS
- the role of workplace pensions and employers
- the scale of the UK protection gap
- the emerging role and risks of emotional AI

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