



# State of the Nation Report

Understanding consumer and IFA sentiment in  
Q3 2024

## Key headlines

1

### Government and Taxes

Over half of IFAs feel negative about a Labour government, and largely prefer the Conservatives for economic and taxation. Most IFAs recognise the need for tax rises and spending cuts, but also broadly think taxes on business are too high.

2

### Personal finances heading in the right direction?

Despite consistent improvement throughout 2024, less than half of UK adults are currently financially comfortable.

3

### Investment and business confidence

The investment and business picture has largely stayed the same since Q2 with, current investment opportunities overall positive, though a majority are not expecting much change.

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### Advisers' increasing use of AI

Almost three in ten advisers either use or are planning on using AI in the next 12 months, an increase from less than a fifth at the start of the year.

# Government and Taxes

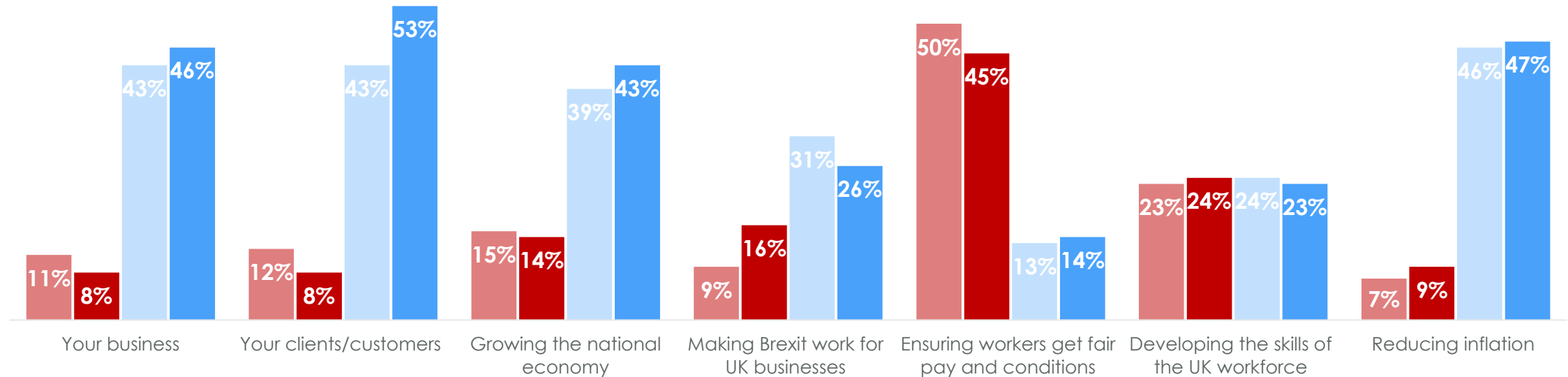
# IFAs are increasingly pessimistic about a Labour government when thinking about their clients and the economy

Over half (59%) feel negative about a Labour government, higher than before the general election (51%).

Only 8% believe Labour would be better for their business, 14% for growing the national economy, and 9% for reducing inflation.

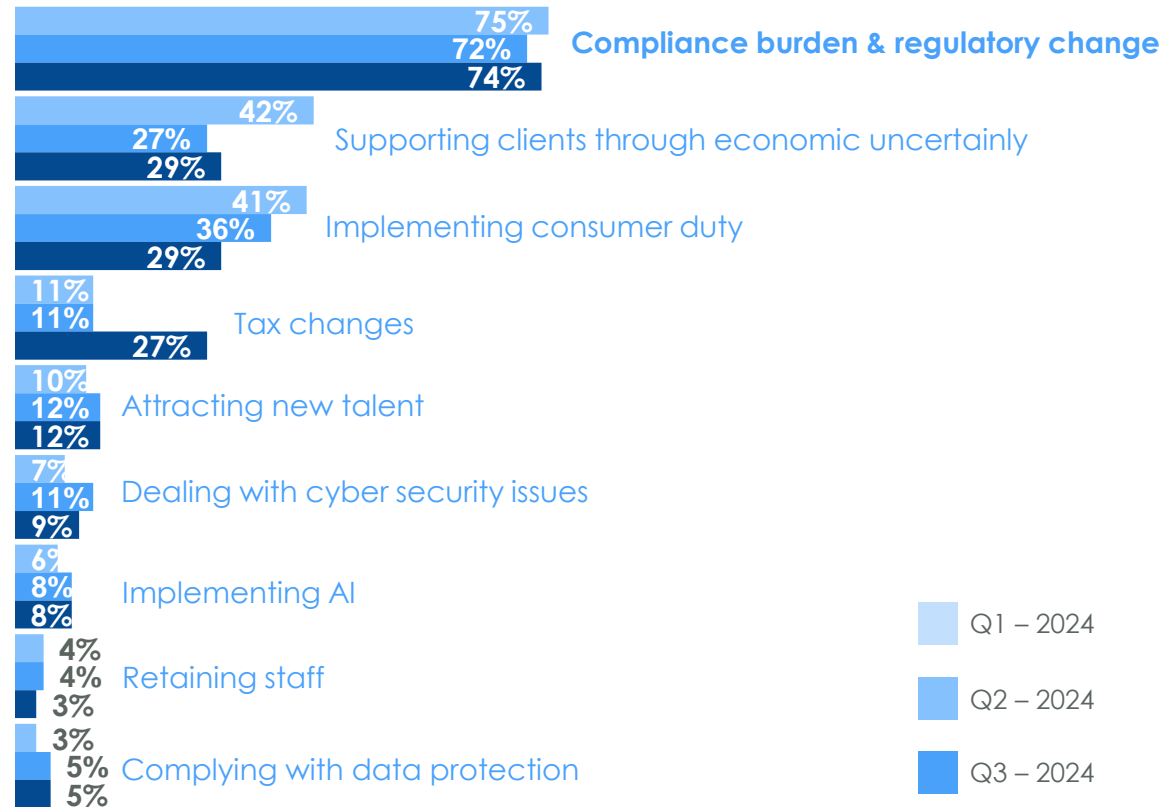


Q - Which government would be better for...?



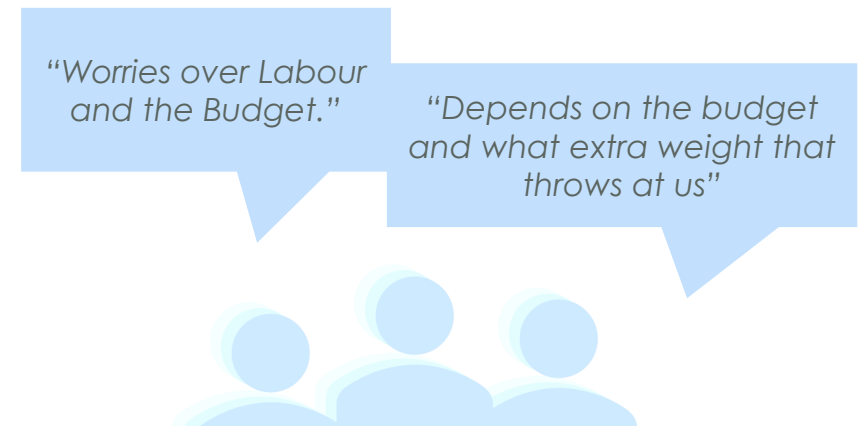
# Regulation and compliance remains the biggest challenge, but tax changes has noticeably risen this quarter

Q - What are the biggest challenges your firm is facing at the moment?



Following the move to a Labour Government after the July 4<sup>th</sup> general election, tax changes has risen to become a key challenge for over a quarter of IFAs.

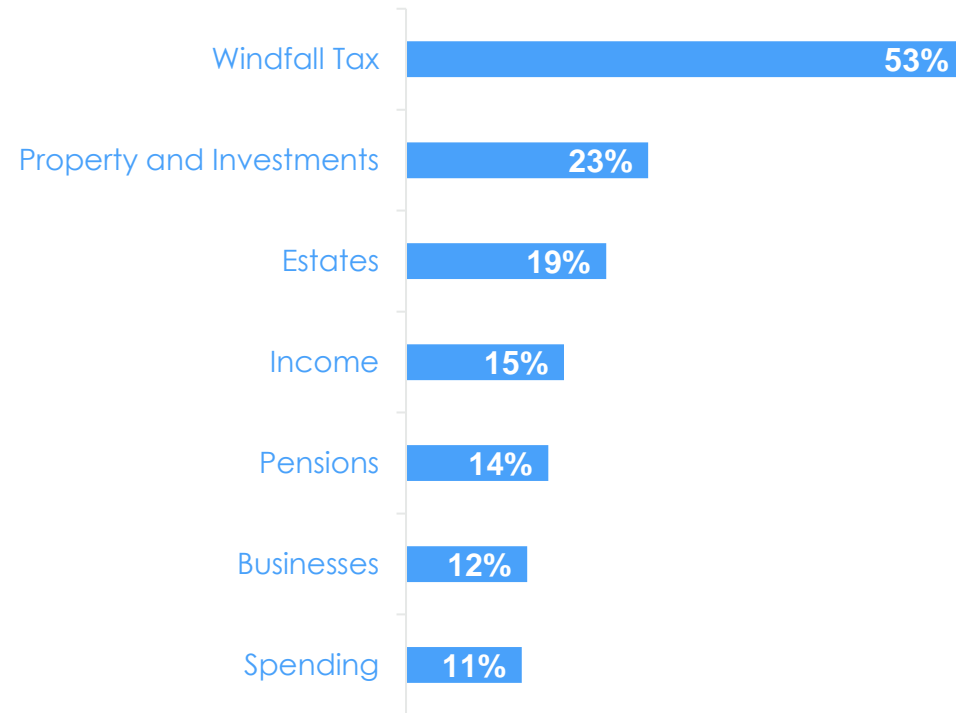
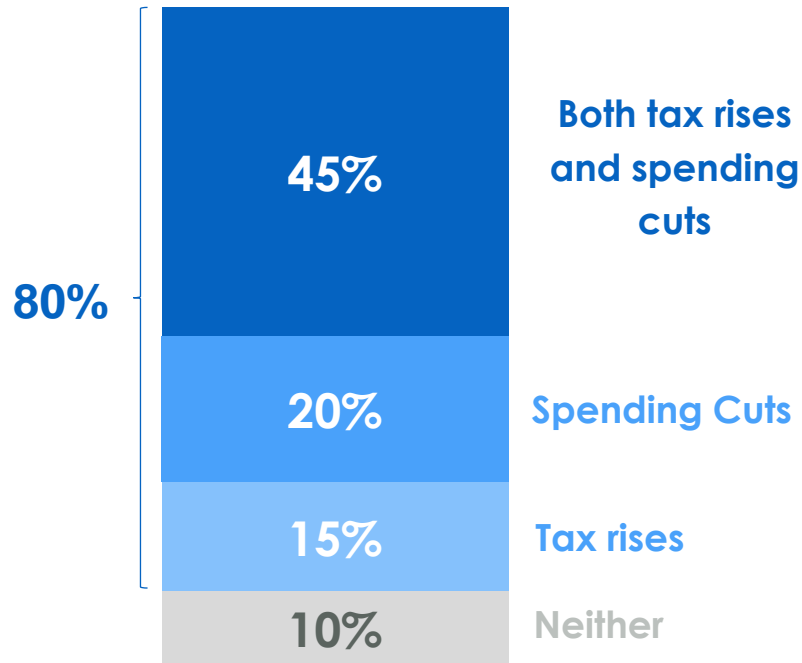
Compliance burden and regulatory changes remain by far the main concern for firms however, with a consistent three quarters mentioning this as a big challenge.



# The vast majority of IFAs think a tax rise or spending cut will be necessary

Four in five IFAs (80%) believe some form of tax rise or spending cut will be needed over the next 12 months, including nearly half (45%) who think both are required.

Windfalls are by far the most popular option to tax if the government must do so.



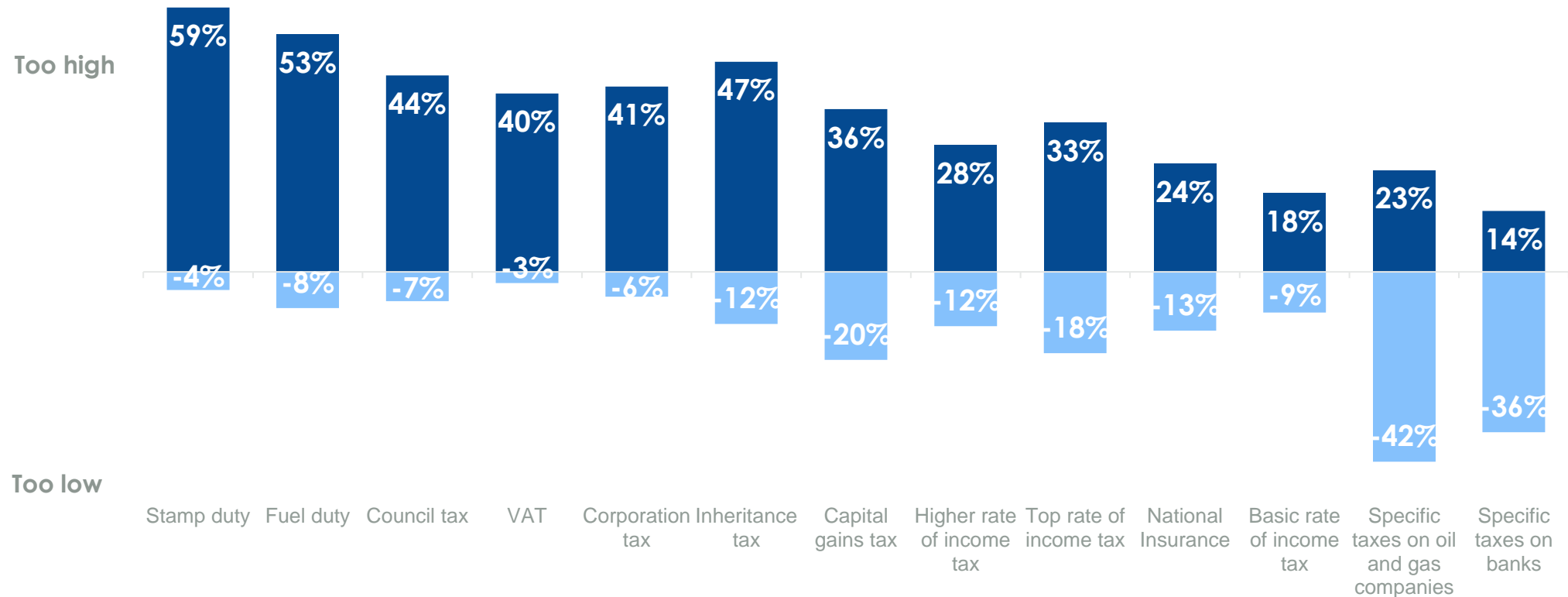
Q - Considering the UK government's finances, do you think that any of the following is required over the next 12 months?

Q - Thinking about if the government were to raise taxes over the next 12 months, what areas do you think it would be best to raise taxes on?

## IFAs see stamp and fuel duty, alongside most business taxes as too high.

Most taxes IFAs think are too high are ones that affect their clients, such as Stamp duty, fuel duty, and inheritance taxes. Oil/gas and bank taxes are seen by IFAs as too low

Q - Which of the following do you think are set at the right level, or do you think they are currently set too high or too low?

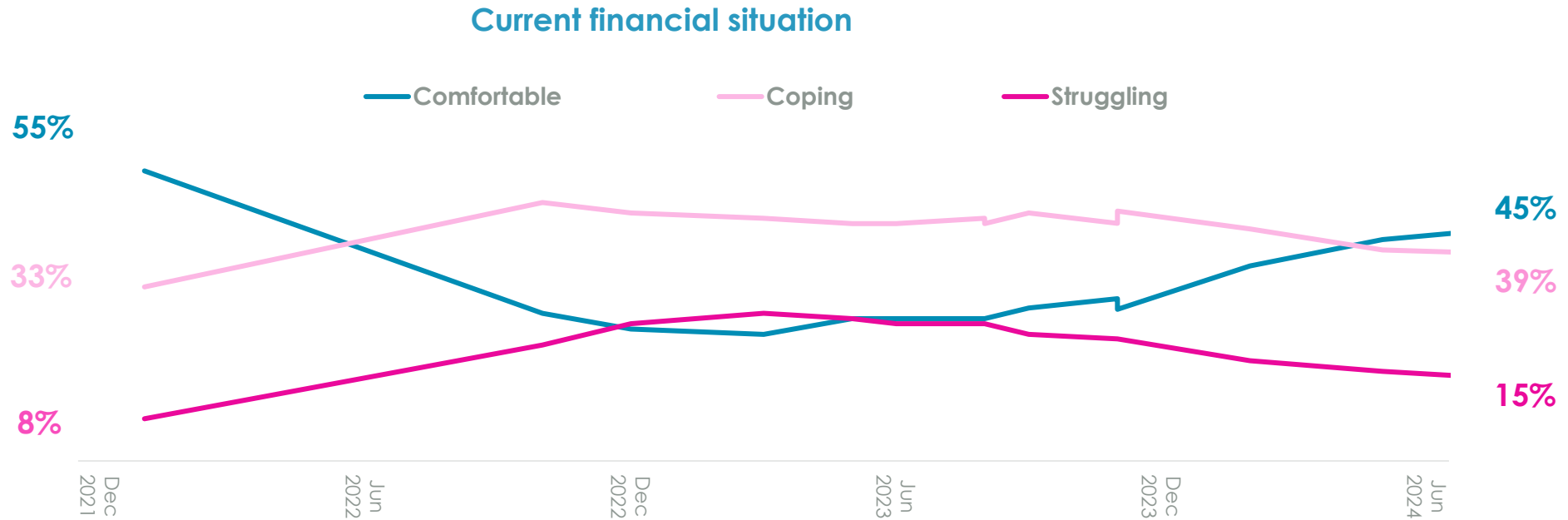


**Personal finances  
heading in the right  
direction?**



# Less than half of UK adults say they are financially comfortable, though this has progressively improved throughout 2024

More people described their situation as coping than comfortable until mid-2024, a trend which had reversed through the year.

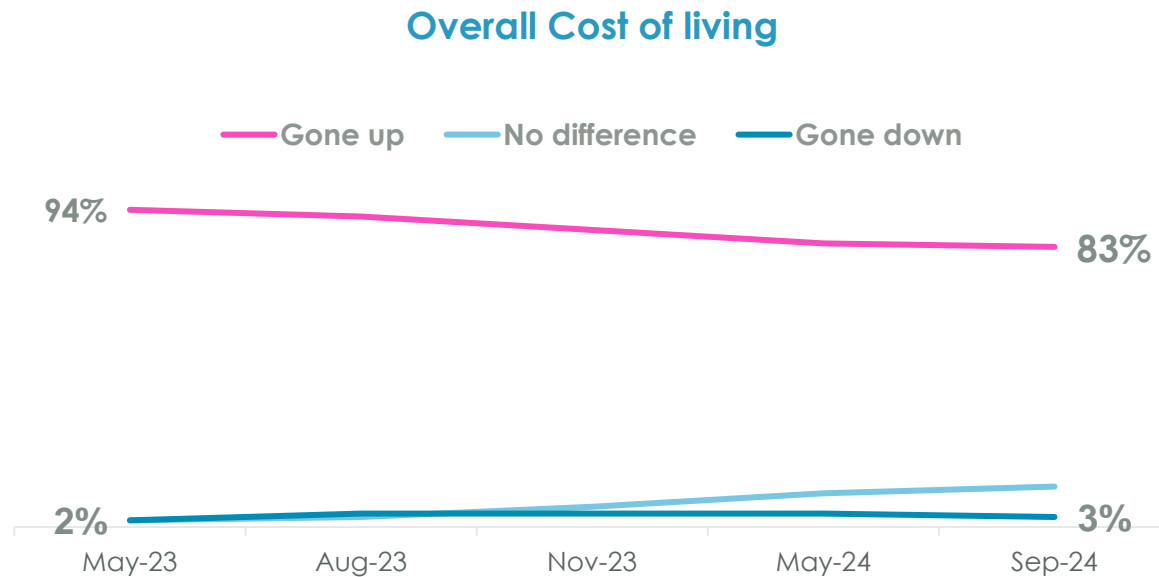


Q - What is the best way to describe your current financial situation?

## Despite inflation falling, the cost-of-living crisis continues to take hold as interest rates remain high

Though fewer respondents are saying the cost of living has gone up, the vast majority still think this is the case, and only 3% think costs are decreasing.

Do you think the cost of living has gone up or gone down over the past 12 months?



Those thinking costs have risen is **highest** for:

- Baby Boomers (95%)
- Non-workers (90%)
- Parents (88%)
- Under £30,000 a year (87%)

Those thinking costs have fallen is **lowest** for:

- Gen Z (60%)
- West Midlands (72%)
- Working (78%)
- £30,000 - £60,000 a year (78%)

## UK adults continue to be worried about inflation and a lack of increase in earnings

The impact of inflation in recent times is still being noticed, with current incomes not going as far as they have previously and the cost of essentials all rising.

Q – How has the increase in inflation and interest rates negatively affected your personal finances over the past 12 months?

“Remortgaged in 2023, **higher interest rate**. Pay **hasn’t kept pace** with inflation, cost of **everything** else has increased.”

“**Everything costs more**, and although our pensions went up, **the Personal Allowance has not** therefore I am paying tax on my pension.”

“For a family of 4 I used to be able to provide my weekly shopping at Aldi **under £100**. Now is **£150 per week** for main shopping without any treats/luxuries.”

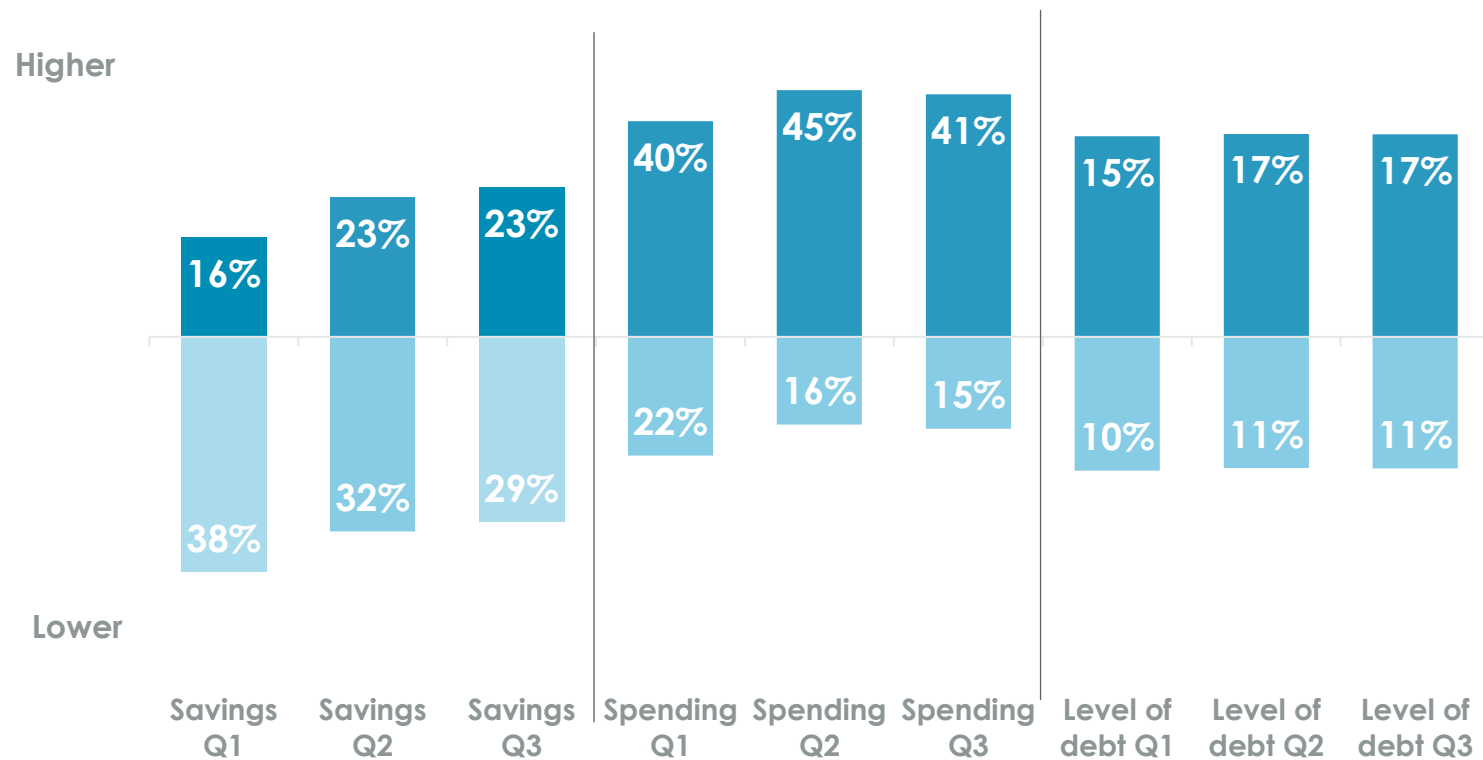
“Whilst I am saving **a little more** than before, I am not saving a lot and so the effect of inflation is **still quite worrying**.”

“**Earnings not keeping up**. Need basic personal allowance go up too.”

## There has been a marginal improvement in Q3, though savings continue to be hit

While those saving less and spending more have dropped slightly since Q2, debt remains at the same levels.

Levels compared to 12 months ago



Those more likely to have:

### Lower saving

- Not working (37%)
- Female (35%)
- Non-investors (34%)

### Higher spending

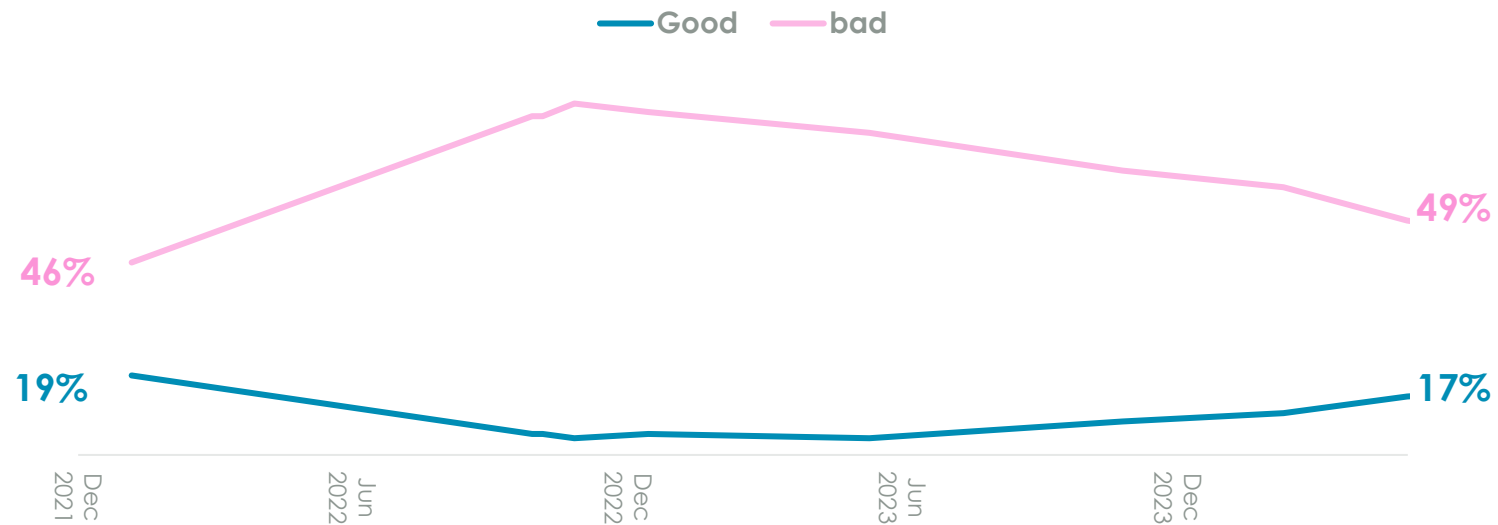
- South West (48%)
- Baby boomers (48%)
- Not working (47%)

### Higher debt

- Millennials (31%)
- London (25%)
- Gen Z (25%)

## Though most UK adults think the economy is still bad, the gap has been closing throughout 2024

State of the UK economy

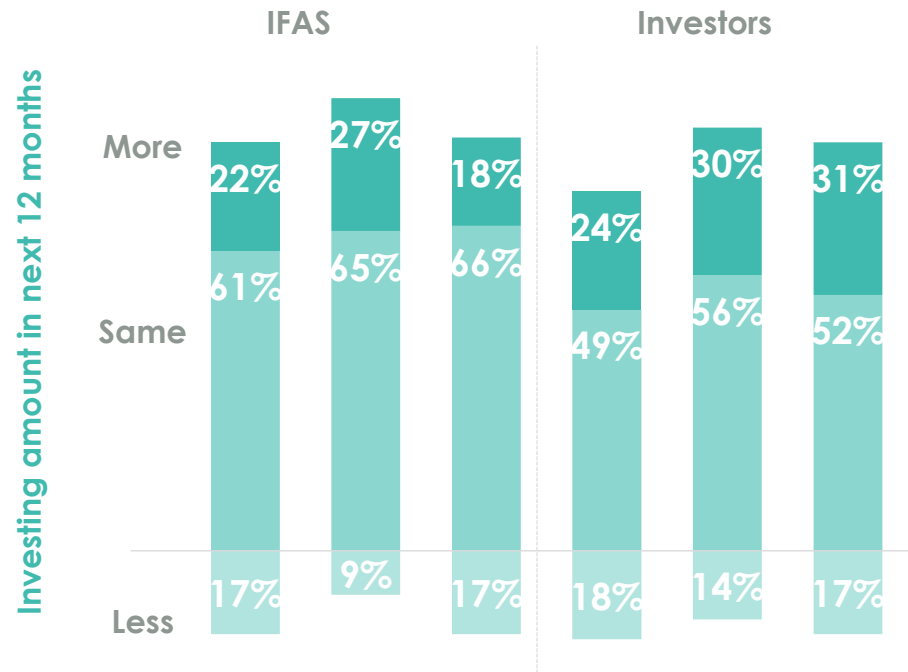


Q - Over the next 12 months, do you expect the state of the economy to get better or worse?

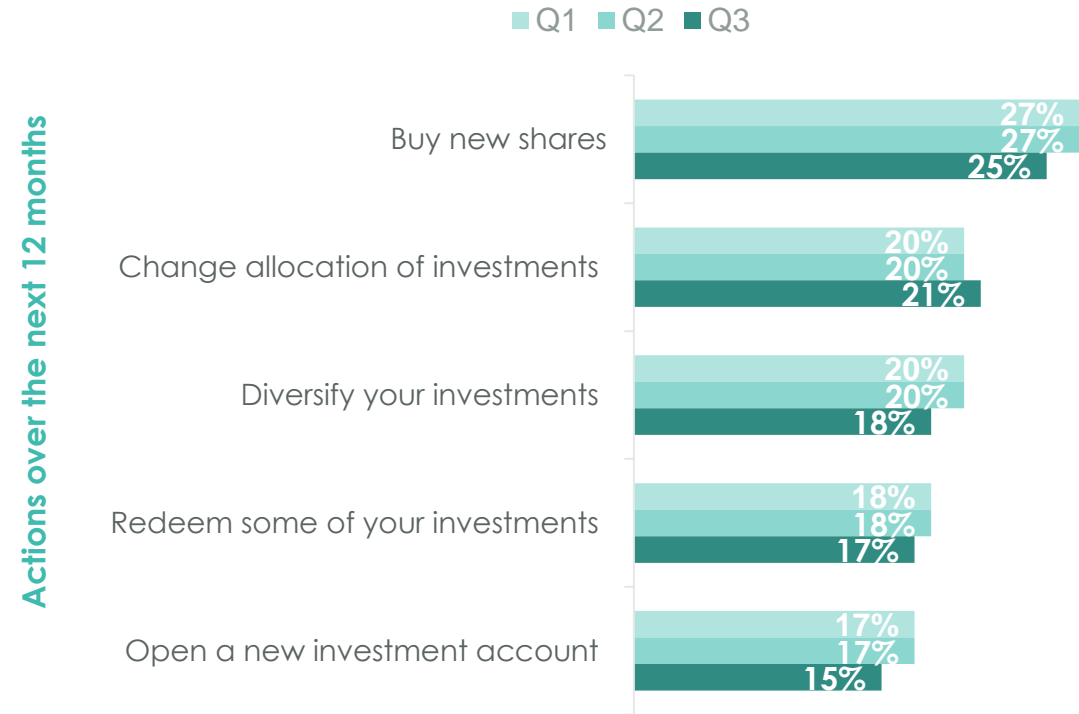
# Investment and business confidence

# Most IFAs don't expect investment levels to change, those who do are more mixed in the direction this will go in Q3

A quarter of investors plan to buy new shares over the next 12 months.

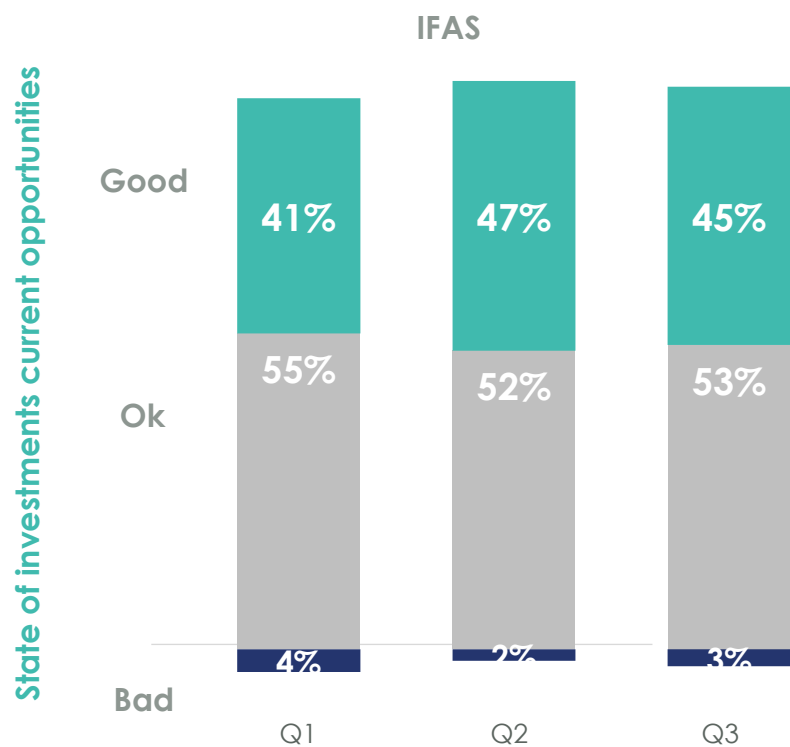


Q - Do you/ your clients expect to invest more or less over the next 12 months?

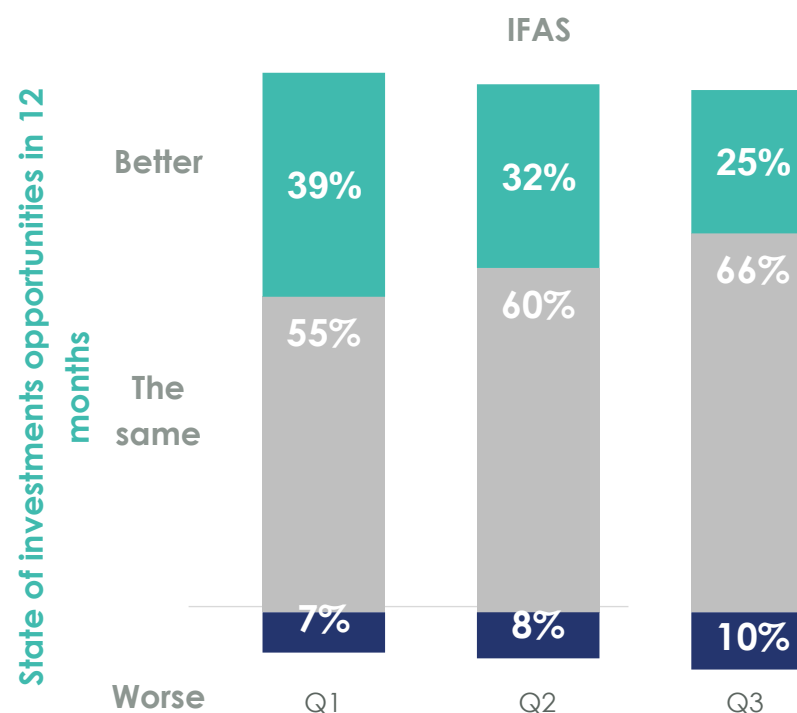


Q - Do you expect to do any of the following over the next 12 months?

## Though few advisers have a negative view of investment opportunities, a majority are neutral and don't think this will change in the next year



Q - How would you rate current investment opportunities?

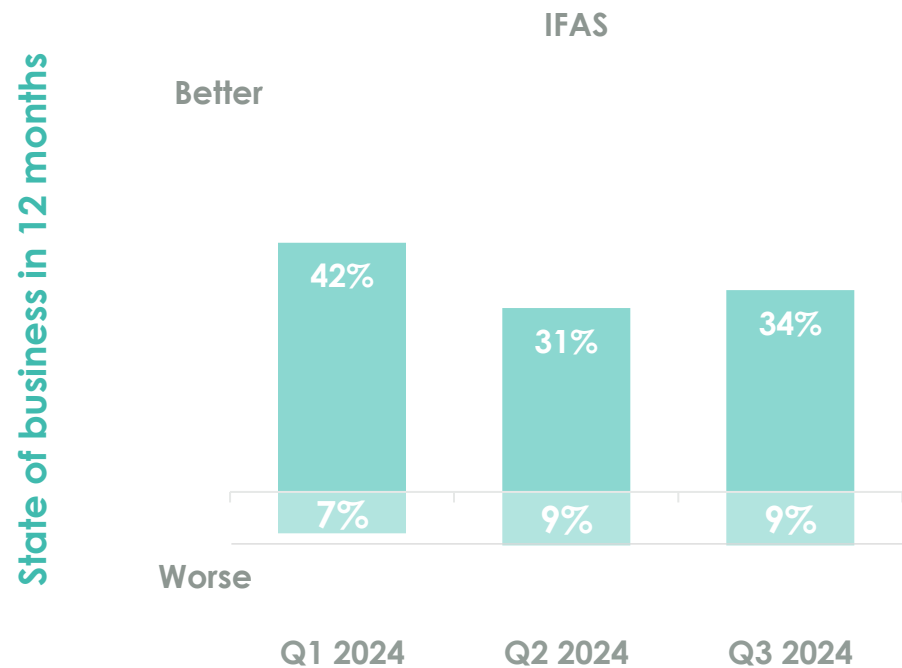
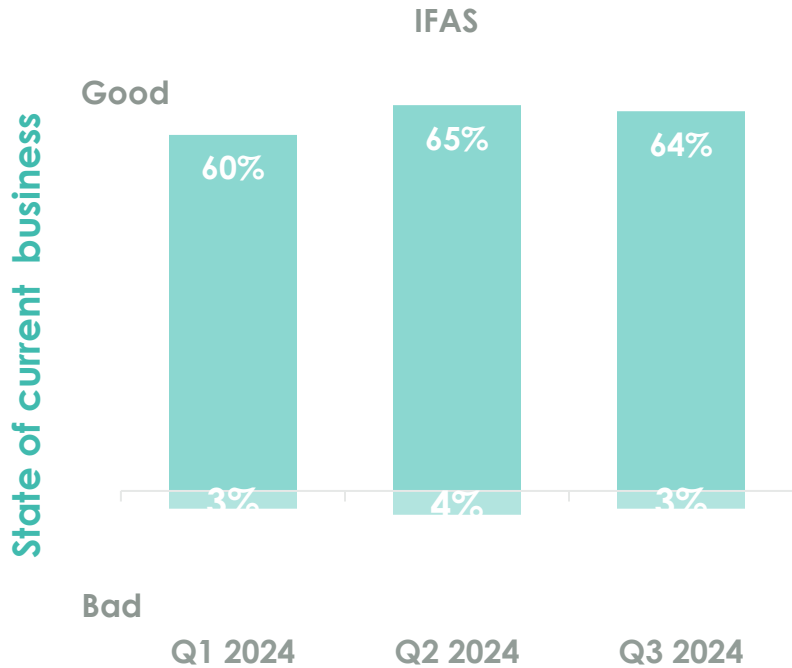


Q - How would you rate investment opportunities to be in next 12 months?



## IFA business confidence remains similar to Q2, with optimism for the future rising slightly

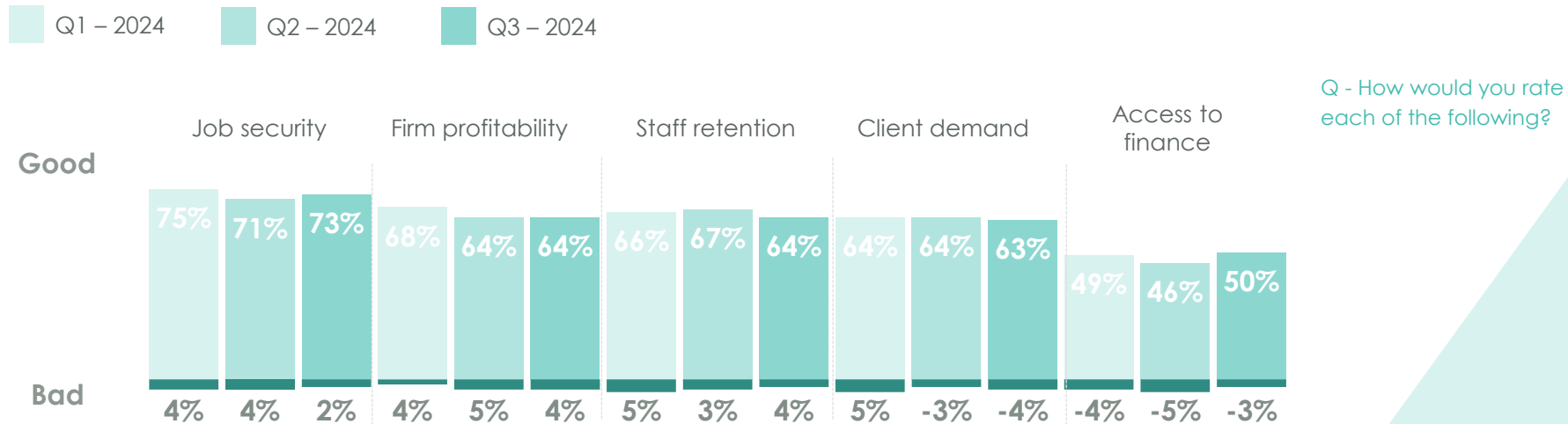
Almost two thirds of IFAs continue to feel their current business is good, similar to Q2, but higher than Q1. Optimism has risen to around one third, higher than in Q2, but still lower than in Q1.



## Job security and firm profitability remain similar to Q1 and Q2

The majority of IFAs remain confident about their own job security and firm profitability.

Nearly seven in ten IFAs say they are open to new clients, but not actively seeking them, client demand is also positive with 63% still describing it as good, essentially unchanged through 2024.



**Are advisers  
beginning to use AI? –  
A preview of our next  
report**

## AI usage has consistently been increasing throughout 2024

IFAs are generally positive about the increasing use of AI, with net +14% believing it will have positive impact on their firm. This is down from +16% in Q2, but up from +12% in Q1.

More IFAs are beginning to introduce AI into their work, with 9% currently using it and 20% planning to, continually increasing each quarter.

Q – Do you plan on using/ implementing (AI) in the next 12 months?



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