

The road ahead

Sue Viskovic discusses what practices will look like after the Future of Financial Advice reforms.

There has been a lot of focus on the abolition of commissions in the Future of Financial Advice (FOFA) report, however remuneration is just one of the areas affected by the proposed legislation. Getting a business 'fee ready' involves far more than just determining a price tag. Many planners are already running businesses that will fare well after the FOFA reforms, while others have a considerable amount of work still to do.

Whenever faced with a considerable challenge it can be helpful to think about the future and be reminded about what benefits can be achieved by rising to the challenge. So what will successful financial planning businesses look like in the future?

The number of clients on planners' books will be smaller than it is today, for a number of reasons. Planners will either have sold off their C and D books, recognising the fact that most of these people were not clients at all (ie, they were customers who purchased a product some time ago and did not have a need or desire for further advice or a long-term relationship). They may even elect to 'orphan' these customers, partly on the assumption that these people represent a risk to the business that far exceeds the compensation received for them. Or customers who have not been serviced well will have been 'educated' by negative press and low-cost product providers to switch into alternative products. Hopefully these people will have been in the C and D category, although there may be some clients who are not happy to pay a fee for the service they receive and will leave the business.

Regardless of the reason, these practices would have seen this coming and

will have replaced that lost revenue by charging their 'engaged' clients more (as they recognise they have been providing them subsidised advice in the past and now need to charge what they are worth). They will also have attracted new clients to the firm who fit their ideal client definition, and who are happy to pay for their advice.

When these firms receive new enquiries they will be conscious not to rebuild their book of 'customers'. Yes, that means they will actually say no to some enquiries (hopefully providing them with a referral to an alternative solution to suit their needs). The successful practice will be very clear on their value proposition and the type of clients that they are able to provide true value to. They will recognise the fact they can receive a far greater return on investment on their time if they do not take on unprofitable work or offer their services to clients at a price that is greater than the value delivered.

New clients will become easier to find. As the business becomes clearer on who they are trying to attract to their firm, they will also have a better understanding of what these clients read, who they speak to and where they spend their time. Therefore, they will be better able to reach them.

They will educate their Centres of Influence (COIs) better on whom they are looking for and how their services provide value. They will likely also find new COIs. They will discover an uncanny knack of getting what they wish for. Not by accident, but because they will articulate their offering better and focus on the right clients for that offering. Just as the new owner of a red BMW suddenly spots more red BMWs on the road, these



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practices will suddenly start finding more of the clients they want, because they know what they are looking for.

Importantly, they will have greater control over the profits in their business, so that when they do come across people who genuinely need their help but cannot afford to pay for it, they can choose to offer them assistance on a true pro bono basis, confident in the knowledge that this work will not detract from the service provided to their fee-paying clients.

These businesses will also deliver better advice. We will see a greater focus on how they deliver advice that is valued. They will have a better handle on what it costs to provide services, so they will be more motivated to seek efficiencies throughout their business.

This will also mean that they are able to direct funds and time to improving the quality of their staff and service offering. By investing in the right technologies,

research, education and staff they will ensure the advice delivered to their clients is not only effective, but their ongoing support is well structured. This means they keep their clients accountable and increase the likelihood of achieving the outcomes they seek.

Their back office will have to work efficiently. Some businesses will do this by having a well-defined operations manual that is actually implemented so all staff follow a consistent and efficient process when completing all tasks in the business. Others will take the next step of converting those procedures into workflows managed by their software system. Regardless of the method used, it will be imperative that workflows are managed effectively, so that the business can in fact deliver on what it has promised and what it is charging for.

Businesses will also have effective remuneration packages for their staff. They will encourage and reward the right behaviours and build loyalty within their team. While the FOFA report suggest that staff cannot be paid bonuses and commissions based on sales volume, the policy intent is to remove encouragement of product sales, not provision of quality advice. These firms will create remuneration packages that can handsomely reward their staff based on achievement of key performance indicators that build profitability and quality of advice to clients.

Finally, having been forced to spend time working on the business to prepare for FOFA, these businesses will have been reminded just how important and powerful it is to do so on a regular basis - to schedule time to step out of the business and reflect back on it. This will mean that they will likely engage a process of continual improvement in their practice, so they continue to evolve and effectively handle the additional changes that will no doubt continue to appear over time.

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