

Big, scary future

Looking on the bright side of the Future of Financial Advice

Stewart Bell

You'd have your head buried in the sand not to notice frustration in our industry around the proposed Future of Financial Advice reforms. 2012 is staring us in the face, a giant number threatening to wash away the past. Some are unhappy about the detail, others about the lack of detail, most about the fact that what we know is set to change yet again.

But hasn't it always been this way? Isn't the only guarantee about the status quo inevitable change?

I was talking to an adviser I greatly respect the other day, a highly-positive person who sees good in every situation. I asked him if the reforms worried him. "I'm going to have to deal with it sooner or later", he answered, "Why not today? These kinds of challenges are simply opportunities, if you have the foresight to look past them".

The point is: in adversity lies opportunity. Thomas Ferriss, in his book *The 4-hour Work Week*, successfully demonstrated at his Harvard entrepreneurship lectures why challenging goals are usually easier than simple ones. Most people automatically write themselves off- "It's too hard, I'll fail" - leaving opportunity open to those with more self-belief and willingness to act.


The Future of Financial Advice will bring change. Businesses that resist, reject or bury their heads in the sand will see client attrition, falling revenue and, eventually, obsolescence.

The opportunity is this: those willing to look past the challenge ahead and correctly forecast the industry landscape of 2012 and beyond, will set themselves up for success. They will position themselves on the crest of the next wave of successful advice businesses, whilst others frantically paddle to catch up.

There has never been a better time to take a good look at your business, set direction and be a visionary of the future, rather than a victim of the past. Whether you undertake action internally, engage your Practice Development Manager or use an external business coach, invest some time now thinking about what you will be doing over the next two years.

Here are six pointers to get you thinking, things which Elixir feel are key factors for businesses of the future:

1. **Fee for service** – Rightly or wrongly, the days of commissions are numbered. The drive for simplified transparency is here. Advice businesses enthusiastically making the shift **before** they are forced to do so will be better positioned than those who wait. Some advisers are still uncomfortable, but proactively going to clients with a strong offer will never be an



easier conversation. You may lose a few, but you'll end up with a more committed client base, who value what you do and **will** pay for your professional experience and expertise.

2. **Wealth accumulators** – Historically, generations X and Y haven't been the best savers and don't have many assets. The move to fee-based pricing will make it easier to provide advice to them without going pro-bono. The kicker is this: they are more willing than ever before to pay for advice that aids personal and lifestyle development. They have big dreams, are having more children and are ready to invest in trusted, professional expertise.
3. **Low cost providers** - there are those who want quality and those who want cheap. Argue whatever you will about 'simple advice', but there will be significant competition for clients who don't value advice and just want a cheap solution. If you're committed to this space, prepare for serious cost pressure.
4. **Sustainable Client Value Proposition** – who are your clients? What problems do you solve for these people? What benefits do you provide? CVP might be often-discussed, but many businesses still cannot articulate it, or trot out some well-worn line about "looking after your financial future". Good CVPs target specific demographics, speak to desires and fears, and deliver a solution that satisfies a need or want. Clear, targeted and attractive. Does that sound like your CVP?
5. **Strong professional networks** – if you think you're going to be hurting, spare a thought for our accounting colleagues. They have got the headache of seeing the SMSF business get a whole lot more complicated. Our two industries, plus our mortgage broking brethren, are on a crash-course. Those who embrace this future reality quickest, position themselves as first adopters who stand to gain most.
6. **Staff involvement** – Those whose staff have emotional investment in their business are more profitable than those who turn over staff, meaning constant retraining. As baby boomers retire and the working pool reduces, this effect will be more pronounced. The good news? It isn't all about money. Businesses who value employees and provide opportunities for development will be big winners. Who did you do business planning with last year? How involved are your staff in your business?

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