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### **Effect of the Global Economic Crisis on Adviser pricing models.**

Elixir Consulting has updated their world-first research into Financial Adviser Pricing Models, to investigate if the GEC has impacted upon the pricing models used by advisers around the country.

Founder and Author of the research, Sue Viskovic said “Most of the information for the original research project was obtained throughout 2008, from advice businesses spread throughout the country who had undertaken a conscious process to structure their pricing model. Whilst advice firms do not tend to make wholesale changes to their pricing models once they have constructed them, we were interested to revisit some of the participants and discuss the impact of such a rampaging bear market over a prolonged period of time. We are also in a period of further legislative uncertainty in Australia, with adviser remuneration being high on the agendas of not only the Minister for Superannuation, but also of the Joint Parliamentary Committee, so this information is extremely timely and relevant for advisers who are seriously thinking about their pricing models.”

Not surprisingly, the research found that businesses that charge a set dollar fee for their ongoing advice did not report a substantial decrease in their ongoing revenue, although many were finding they were having more discussions about the value of their advice as clients are naturally more fee-sensitive in a downturn as they seek to reduce their overall cost of living.

Naturally, those most affected were the businesses who based their ongoing revenue as an asset-linked fee, however very few advisers had changed their method of charging as a result of the current climate. One adviser echoed the views of many by his statement, “if you're going to base your income on a percentage of assets you need to allow for a 10 - 20% drop - plan for it - have a bit of room to move in your overhead structure. The only thing that has changed for us is a more heightened awareness of the need to not have high fixed costs.”

Perhaps the most consistent area of impact was in the reduction of new client enquiries. The majority of respondents found that their new client referrals and appointments had decreased significantly, and this did not vary with those who were on hybrid, fee or commission models. Without fail, those who stepped up their marketing activities and/or reported an increase in the time they spent with their Centres of Influence were obtaining new clients at a greater rate than in the previous year.

Viskovic states “As I present the research findings to more and more advisers around the country, I discover many advice firms who have been toying with the idea of moving their asset-linked fee or commission model to a set dollar ongoing fee have a number of concerns about doing so in a market downturn:

- How do I tell my clients that I was happy to share the good times with them, but now that the market has dropped in value I can't handle the pain?
- If I arrive at a set-dollar fee based on the current market, I am likely to miss out on the upturn when the markets inevitably recover.

Whilst we have seen some effective techniques to overcome these obstacles, they are nonetheless acting as an impediment to change.”

#### **ABOUT ELIXIR CONSULTING**

Elixir Consulting is an Australian organisation specialising in practice development, providing independent advice and solutions to institutions and financial planning businesses in the Financial Services industry. Delivery of solutions include customised business analysis and coaching; market research; corporate consulting and group training and development sessions on the unique issues faced by financial planners in business today.

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