

FoFA's D-Day

By Sue-Ann Charlton

6 June 1944, 11 September 2001 and now 29 August 2011? Whilst 29 August 2011 won't go down in history as a day of any great significance, it was the date that Bill Shorten released the first tranche (of three) of the FoFA draft legislation that is set to become law next year.

Without going into detail, the draft legislation mainly focused on:

- formalising the requirement for financial advisers to act in their clients' best interests;
- removing the ban on risk commissions within super (with the exception of MySuper, default funds and group life insurance) effective from 1 July 2013; and,
- clarifying the 'opt-in' arrangements that will apply from 1 July 2012.

It also provided more details on the penalties for non-compliance with the legislation.

It's been nearly two months since we released our Elixir FoFA Ready Practice Audit and we've now got some interesting findings.

Most practices aren't great at finding new clients.

In the past, it may not have been so important to be actively obtaining new clients or to be particularly selective about who they are, as most practices have had passive income from the lower end of their client base that has allowed them to spend more time with their higher, more desirable clients.

There is every likelihood that, as time goes on, this passive revenue stream will become severely depleted, making it very important that practices continue to attract the right sort of new clients who are going to be profitable.

Knowing who your ideal clients are and having a marketing plan that targets those clients will be vital in the new world.

There's no such thing as a 'one size fits all' pricing model.

The diversity of the pricing models used by the practices that completed the FoFA Ready Practice Audit really shows that there is not one pricing model that's right for every financial advice business.

There always needs to be some science behind it and an appropriate profit margin, but most importantly, you need to be comfortable with your pricing and believe that it offers fair value for the value that you add.

Most practices still struggle with articulating the value of advice to clients.

This is a great challenge for many advisers, yet one of the most critical success factors when implementing a new pricing model. Until you can clearly articulate what it is you do and how your clients will benefit, it can feel like you're selling religion.

Our experience tells us that when trust is present, the fees are clear and the *clients understand what it is they're paying for*, then price is rarely an issue.

Practices are not great at the client engagement process.

There appears to be a lack of standardised client engagement process within many practices and this is definitely a cause for concern. Whilst the personalities and specific conversations will vary with each client (and adviser), the process you use to engage them should not.

There are many reasons to practice a standardised, repeatable process, including:

- Consistent client experience - this is imperative for your referral sources (they want the confidence that any client they refer to you will have the same, positive experience every time);
- Risk management – less chance of anything falling through the cracks if the same process is repeated every time;
- Providing the best advice – if the process is standardised, then all the adviser needs to focus on is building the client relationship and covering all the relevant advice issues;
- Staff training – it's much easier to train staff on one standard process than to confuse them with different processes every time.

This won't be the last that we hear about client engagement as 1 July 2012 looms closer. Many advisers I have spoken with feel challenged trying to re-engage disengaged clients and with less than 200 business days between now and 30 June, 2012, the clock is ticking!

Thankfully there is help at hand. All of our coaches are skilled at bringing out the best in our advisers – to assist them to enhance their service offerings and develop their own unique client engagement skills that are suited to their own personality. Our Prac-Nav business coaching and our Pricing Advice programs empower our clients with the skills, tools and support to improve the sustainability and profitability of their businesses in the future of financial advice. It's not too late to seek independent assistance!

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