



Get your practice back on the advice track

MATTHEW ESLER considers the role new financial advice technology is playing in shaping recruitment within the financial planning practice.

The use of technology within any industry should enhance accuracy and precision, increase efficiency and alleviate labour and other costs.

Unfortunately, most financial advisers would argue the opposite is true.

In Australia, financial advice practices are significantly restricted by the incumbent and monolithic financial planning software they use.

Not only are financial advice practices restricted by the inability of planning software to assist them in effectively producing compliant product replacement and optimal strategy advice, but incumbent financial planning software also dictates the inefficient operation of the planning practice itself.

Recruitment within the planning practice is the best barometer for highlighting this inefficiency.

Inefficient practices

As a result of its complexity, financial planning software is significantly affecting recruitment within advice practices.

Multi-function planning software developers have tried to be all things to all people and, as a result, the majority of simple advice has become cumbersome and complicated. This has meant that planning software is not being utilised by experienced (and older) financial advisers, but inexperienced (and younger) paraplanners and support staff.

Instead of employing future financial planners with the ability to understand the needs and objectives of the client – and the ability to sell that need back to the client – financial advice practices are forced to employ technologists; that is, tech-savvy paraplanners and support staff with limited traditional financial planning

ability.

We all know that the average time taken to produce advice is still around one full day (more on this later). But is this the real cost?

With existing financial planning software, advisers are paying for a lot of functionality they don't need (the software itself costs anywhere from \$5,000 to \$12,500 per annum). The adviser then needs to recruit a paraplanner or administration assistant just to work the software.

This recruitment cost is a huge outlay for an advice practice.

Administration staff cost between \$35,000 and \$65,000 per annum and paraplanners cost anywhere between \$55,000 and \$100,000 per annum, depending on experience.

And it is their experience in navigating around the various monolithic software programs that is

increasing their recruitment cost. So, in effect, the planning practice pays more recruitment cost to drive further inefficiency within their business.

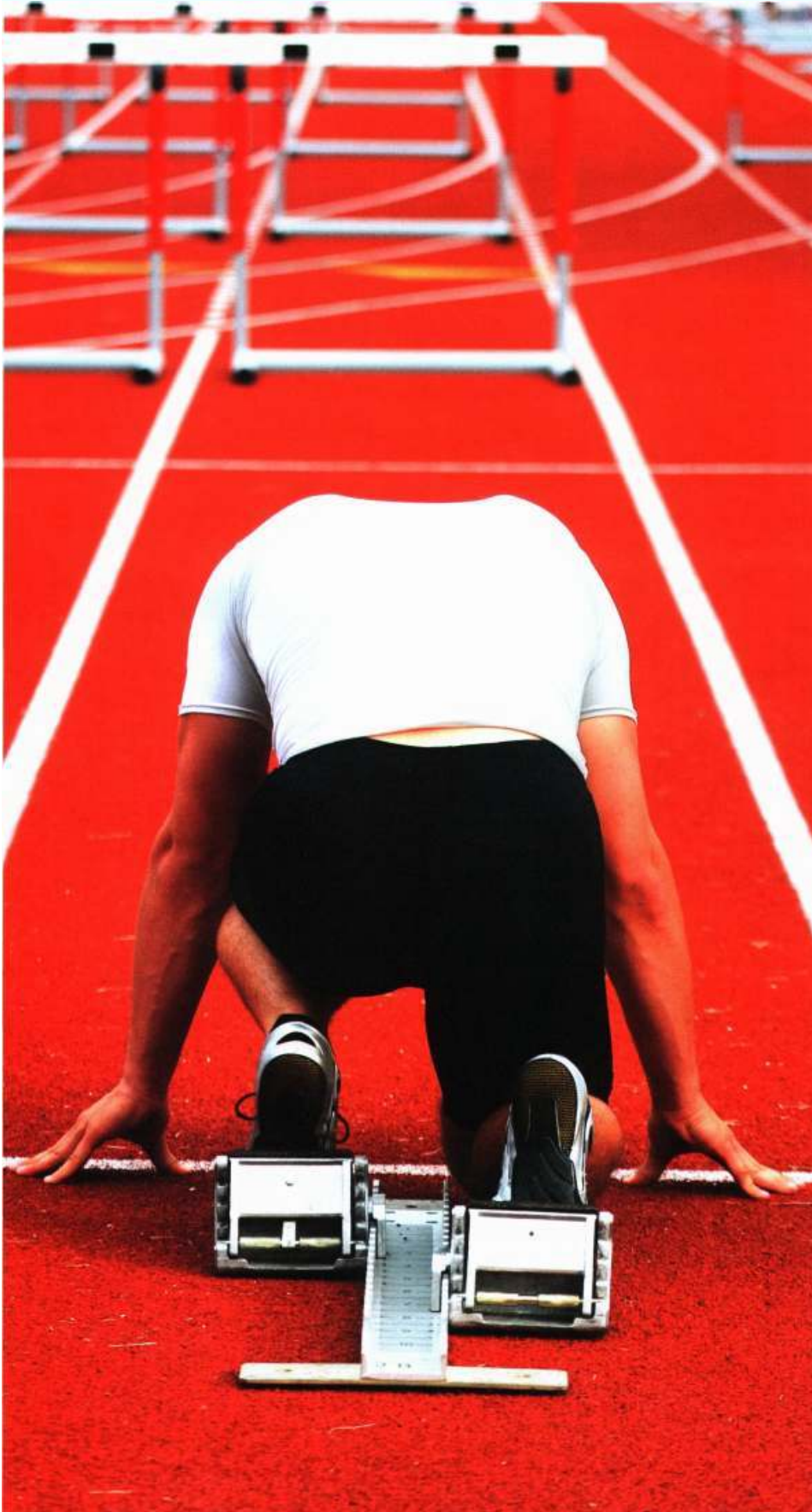
Then there is the training. The incumbent financial planning software programs often require week-long training sessions just to be able to pilot them at a basic level. These can cost up to \$1,000 to attend. There's also the cost of the staffer being out of the office. Assuming a 40-week year, the cost to the practice for an administration staffer is between \$875 and \$1,625, while the cost of having a paraplanner out of the office ranges from \$1,375 to \$2,500.

That is the direct cost to the practice, but what about lost revenue? In any case, it equates to a total cost to a financial planner's practice of over \$40,000 per annum, up to over



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\$115,000 at the top end.

This is a considerable cost for any financial advice practice to bear, with recruitment the number one outlay.

The real needs of planners

A new generation of financial advice software that focuses on the specific needs of the financial planning practice is now available.

Rather than attempting to be all things to all financial advisers, the new breed is simple and highly effective.

The software has been developed with the primary objective of reducing the time taken to produce quality advice, and enables advice to be generated in minutes rather than hours and days.

This signals a seismic shift for financial planning in Australia and has huge implications for recruitment within financial planning practices.

Now, instead of recruiting technologists to produce advice using complex financial planning software, advice practices can focus on recruiting paraplanners and administration staff who have traditional financial planning ability and experience, and, importantly, the people skills required to understand the needs and objec-

tives of clients and maintain solid relationships.

The next generation of financial advice software is also simple enough for even the most IT-illiterate financial planner to operate. Financial advisers themselves are now able to generate compliant product replacement and optimal strategy advice within minutes.

This means the paraplanner or support staff hired to model advice using complex financial planning software will, in many cases, no longer be required. Where the paraplanner is still required, they are able to focus on adding value to the advice rather than spending hours attempting to model the best advice position.

The results of the Investment Trends 2007 Planner Technology Report showed that it was still taking an average of 7.5 hours to produce a statement of advice (SOA) using incumbent financial planning software.

In fact, the time taken to produce an SOA has remained stagnant at around 7.5 hours for the past few years.

These figures are now being slashed dramatically. With new financial advice software, advisers can generate SOAs on average in under half

an hour. That's 15 times more efficient than the complex and expensive financial planning software programs currently being used.

Traditional skills

Recruitment is without doubt the largest expense for most financial planning practices.

Incumbent financial planning software has been ineffective in producing compliant product replacement and optimal strategy advice.

Unfortunately, recruitment costs have also grown through the need for planning practices to employ staff to navigate their complexity.

Advisers need to ask themselves, are they recruiting staff to build a business based on quality advice and relationships, or are they recruiting to mask inefficient technology?

With a new breed of simple and highly effective advice software now available, financial planning practices can alter their focus back towards recruiting staff with the traditional planning and people skills required to expand their business.

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