

What is a planning practice worth?

15 June 2010 | by Mike Taylor



What is the turnover of your planning business and what proportion of that turnover is owed to commissions, particularly trailing commissions?

That is the question every Australian financial planner must ask themselves when seeking to make an accurate assessment of the degree to which they will be affected by the Federal Government's proposed changes to the financial planning industry.

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The same planners might also ask themselves how much their businesses will be worth in a commission-free environment.

Research conducted by **Investment Trends** during May suggests that while financial planners are broadly aware of the implications of the Government's Future of Finance Advice reforms, many have not yet pragmatically assessed how it will impact their underlying business model.

How else does someone explain a survey result revealing that while 57 per cent of the planners surveyed believe the changes will force people out of the industry, only 3 per cent think they will be personally affected?

The bottom line, of course, is that the changes being pursued by the Federal Government will directly and indirectly touch virtually every financial planning practice in Australia. Turnover will be impacted, values will be eroded and business models will need to change.

Just how well the industry ultimately copes with the new environment will depend on how well representative organisations such as the **Financial Planning Association** and the **Association of Financial Advisers** negotiate with the Federal Government and communicate with their members.

While the Minister for Financial Services, Chris Bowen, has outlined the Government's broad objectives, the devil – and the degree to which planning practices will ultimately be impacted – will be in the detail. That detail will be contained in the regulations ultimately administered by the Australian Securities and Investments Commission.

If there is one lesson that should have been learned from the implementation of the Financial Services Reform Act, it is that industry practitioners owe it to themselves to strongly resist the efforts of the regulators to implement draconian prescriptions – while simultaneously fighting to achieve workable outcomes.

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